
UNIT 1 NATURE AND SCOPE OF MANAGEMENT

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1 OBJECTIVES

After studying this unit, you should be able to:

- explain different meanings of the word management
- distinguish between **management** and administration
- **define** management and list out its **features**
- explain the science and art of management
- **state** the **characteristics** of **management** as a profession
- **describe** the **hierarchy** of management and their **skill requirements**
- enumerate the activities **under** each managerial function
- **describe** the direct and indirect elements of **corporate environment** and barriers to social performance.

1.1 INTRODUCTION

We **often** come **across** the word management **referring** to people who run enterprises **organised** as **either** sole-trading or partnership or **corporate** firms. These **organisations** are either owner-managed or managed by professional **managers**. But in **the** evolutionary **process** all **organisations** having **passed** through **certain** **phases** of **growth** should require professionally **trained** people to manage them. The extent of **success** **these** **managers** **achieve** **depends** on their knowledge of management **theory** and its **skilful** **application**. In the transition from owner-managed **enterprises** to **professional-managed** enterprises, profit is no longer the sole indicator of **success**. The **management** is **obligated** to **put** up **performance** in **areas** which are concerns of groups other than owners. **In** this introductory unit you **will** learn the different meanings of the word **management**, **how** it differs from **administration**, nature and scope of **management**, how management is **both** a science and art, the characteristic features of management as a **profession**. You will **further** learn managerial levels and the skill **requirements** of each level, managerial

1.2 CONCEPT OF MANAGEMENT

Management is essential at all levels of an organisation. But the word management has **been** given different interpretations. It is used as a noun, a process, and a separate discipline.

1.2.1 Management as a Noun

In general and popular usage, management refers to a distinct group of people who direct the activities of other people **and** material resources toward the attainment of predetermined goals. Giving a broader meaning to it, one can look at management as a resource, a system of authority, and a class or elite.

- 1 **Management as an economic resource** : The economist's view of management is **that** it is a factor of production just like entrepreneurship, capital and labour. The managerial resource, to a large extent, determines **organisational** effectiveness and efficiency. Hence in a dynamic environment **managerial** development is more **important** and its **use** must be more intensive.
- 2 **Management as a system of authority** : Management is a system of authority in the sense that it consists of a team of managers who are responsible for making decisions and supervising the work of others. Managers at different levels possess varying degrees of authority. Higher level managers **manage** managers at **middle** levels. Middle and lower level managers supervise and control their subordinate managers and workers.
- 3 **Management as a class or elite** : Sociologists view management as a class and status system. Increasing complexity of management in the modern complex organisation **has** led to **managers being** regarded as a distinct class in society, who possess knowledge and skill of a high order. Access to managerial **positions** is based on achievement criteria (**i.e.**, on intellect and knowledge). **rather** than on ascriptive criteria (**i.e.**, on family and social origins). This **development** is viewed by some as managerial revolution in **which the** managerial class threatens to become autonomous groups with increasing amount of power. Others view this development **not** with **alarm** because increase in power of managers attracts more of them, **which** prevents managerial autocracy.

1.2.2 Management as a Process

Interpreted as a process, management consists of a series of inter-related managerial activities classified into various functions like planning, **organising**, staffing, leading and controlling. Managers undertake these functions with a systematic approach, so as to integrate physical and **human** resources into an effective operating unit. Management is, thus, regarded as the process by which a co-operative group directs action towards common goals.

1.2.3 Management as a Discipline

Another connotation of management is **that** it is a separate discipline having a systematised body of knowledge which **managers** use in **performing** their jobs. As a separate field of study, management includes the principles and practice of general management as well as of the various functions **of** management. It has developed its own techniques and **approaches**. The theoretical foundations of management have evolved on **the** basis of experience, observation and scientific investigations.

1.3 MANAGEMENT AND ADMINISTRATION

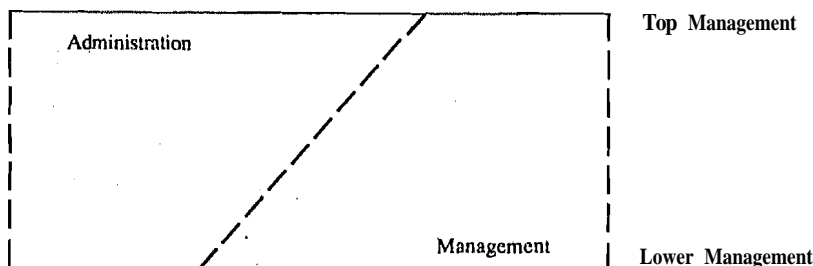
Management and administration **are** two terms which are given different interpretations as well as **used** as synonyms.

1.3.1 Management and Administration as Two Distinct Terms

Distinction between the terms management and administration is often attempted with reference to the nature of enterprises and managerial levels.

- 1 **Distinction based on nature of enterprises** : According to one view, it is more appropriate that the term management be used with respect to enterprises having an economic orientation. In other words, the term management should relate to economic enterprises (business enterprises) whose primary goal is generation of surplus. The term administration is preferred with respect to government enterprises pursuing social and political activities and whose primary objective is other than surplus generation.
- 2 **Distinction based on managerial levels** : Management and administration are used as two separate terms in the context of the single enterprise keeping in view managerial functions and hierarchy. Subscribing to this view, there are two schools of thought; (i) American School of Thought and (ii) British School of Thought.
 - i) **American School of Thought** : According to this school of thought, administration is a broader concept than management. It sets objectives which management strives to realise, and lays down policies under which management operates. Management, on the other hand, is the force that leads, directs and guides the organisation in the accomplishment of predetermined objectives. Thus, according to this school, administration is a thinking function or a top level function involved in planning, setting objectives and policies. Whereas management is a doing function or lower level function engaged in execution of the plans.
 - ii) **British School of Thought** : According to this school of thought, management is a wider concept than administration. Management is the rule making and rule enforcing body. It performs top level functions of the organisation. Whereas administration handles the current problems which arises in carrying out the policies laid down by the management. This school emphasizes that management is an all-encompassing and comprehensive term and administration is part of it.
 - iii) **Reconciling the two Schools of Thought** : In an attempt to solve the terminological problem, management is categorised as administrative management and operative management. Administrative management is top management incharge of planning function. Operative management is middle and lower level managements responsible for execution of the plans. Look nt Figure 1.1 which shows both administrative and operative functions of the management:

Figure 1.1
Title : Administration Vs Management



1.3.2 Management and Administration as Synonyms

Another viewpoint is that administration and management are synonymous terms. Any attempt to distinguish between them is misleading. All managers, irrespective of their level in the organisation, perform the same managerial functions. Hence no two sets of personnel are required to discharge administrative and managerial functions in a single enterprise. In fact, top management is chiefly concerned with performing administrative activities, whereas managers at lower levels are predominantly concerned with executive functions.

1.4 DEFINITION OF MANAGEMENT

Management is the art of getting things done through people. In a broader sense, it is the process of planning, organising, leading and controlling the efforts of organisation members and of using all other organisational resources to achieve stated organisational goals. The definitions of management can be broadly classified into four groups:

1) Process School, 2) Human Relations School, 3) Decision School, and 4) Systems and Contingency School.

- 1 **Process School** : The Process School defines management in terms of functions undertaken by the manager in an integrated way to achieve organisational purposes. According to Henri Fayol, to manage is to forecast and plan, to organise, to command, to coordinate and to control. All other definitions of management related to this school are either marginal additions, deletions, or elaborations of the functions listed out in the above definition.
- 2 **Human Relations School** : This school emphasises the human aspect of organisation and conceives it as a social system. It is a social system because managerial actions are principally concerned with relations between people. In fact, management is concerned with development of people and not the direction of things. The essence of this school is well reflected in the definition of Lawrence Appley to whom management is the accomplishment of results through the efforts of other people.
- 3 **Decision School** : The **Decision** School defines management as rule-making and rule-enforcing body. In fact the life of a manager is a perpetual choice making activity and whatever a manager does, he does through his decisions. Moreover, decision making power provides a dynamic force for managers to **transform** the resources of **business** organisation into a productive and cooperative concern.
- 4 **System and Contingency School** : According to this school, organisations like any living **organism** must adapt themselves to their environments for survival and growth. Thus, management involves designing organisations **adaptable** to changing markets, technology and other critical environmental factors. The systems theory of **organisations** are organic and open systems consisting of interacting and interdependent parts and having a variety of goals. Managers are supposed to maintain balance among the conflicting objectives, goals and activities of members of the organisation. He must achieve results efficiently and effectively. According to Contingency School there is no best way to design organisations and manage them. Managers should design organisations, define goals and formulate policies and strategies in accordance with the prevailing environmental **conditions**.

Different schools of thought defined management differently due to three reasons :

1) difference in perspectives of management and organisation theories, 2) shifts in emphasis in the study of the organisation from economic and technical aspects to conceptual and human aspects, and 3) focus on internal and external environments of the organisation.

1.5 NATURE AND SCOPE OF MANAGEMENT

So far you have learnt the definition of management, management as a noun, process and discipline and difference between administration and management. Let us now discuss the nature and scope of management.

1.5.1 Nature of Management

The essential features of management reveal its nature and importance. These are discussed below.

- 1 **Universality** : Management is an universal phenomenon in the sense that it is common and essential element in all enterprises. Managers perform more or less the **same** functions irrespective of their position or nature of the organisation. The basic principles of management can be applied in all managerial situations regardless of the size, nature and location of the organisation. Universality of managerial tasks and

- principles also implies that managerial skills are transferable and managers can be trained and developed.
- 2 **Purposeful** : Management is always aimed at achieving organisational goals and purposes. The success of management is measured by the extent to which the desired objectives are attained. In both economic and non-economic enterprises, the tasks of management are directed towards effectiveness (i.e., attainment of organisational goals), and efficiency (i.e., goal attainment with economy of resource use).
- 3 **Social process** : Management essentially involves **managing** people organised in work groups. It includes retaining, developing and motivating people at work, as well as taking care of their satisfaction as social beings. All these interpersonal relations and interactions makes the **management** as a social process.
- 4 **Coordinating force** : Management coordinates the efforts of organisation members through orderly arrangement of inter-related activities so as to avoid duplication and overlapping. Management reconciles the individual goals with the organisational goals and integrates human and **physical** resources.
- 5 **Intangible** : Management is intangible. It is an unseen force. Its presence can be felt everywhere by the results of its effort which comes in the form of orderliness, adequate work output, satisfactory, working climate, employees satisfaction, etc.
- 6 **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.
- 7 **Composite process** : Functions of management cannot be undertaken sequentially, independent of each other. Management is a composite process made up of individual ingredients. All the functions are **performed** by involving several ingredients. Therefore, the whole process is integrative and performed in a network fashion.
- 8 **Creative organ** : Management creates synergetic effect by producing results which are more than the sum of the individual efforts of the group members. It provides sequence to operations, matches jobs to **goals**, connects work to physical and financial resources. It **provides** creative ideas, new imaginations and visions to group efforts. It is not a passive force adopting to external environment but a dynamic life giving element in every organisation.

1.5.2 Scope of Management

Management, like any other subject, deals with clearly defined activities without which its progress is impossible. It confines to concepts, principles and theory related to managerial functions. Enterprise functions which vary from organisation to organisation, are excluded from its purview. So typical enterprise functions viz., production, finance, marketing and personnel are **outside** the scope of management.

Check Your Progress A

1 What is the concept of management as a **process**?

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2 What is concept of **management** as a **discipline**?

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3 Against the each statement given below, write the name of the management school.

Statement	School of Management Thought
i) Management is a rule-making, and rule enforcing body.
ii) Defines management in terms of functions.
iii) Designing the organisations to keep them fit to the changing environment.
iv) Conceives organisation as a social system.

4 State whether the following statements are True or False.

i) Administrative management executes plans.
ii) Operative management formulates plans.
iii) Henri Fayol belongs to process school.
iv) In mature organisations the decisions are made by owner-managers.
v) Universality of management means management is the subject that studies universe.	-----
vi) Economic enterprises are non-profit oriented,	-----

1.6 MANAGEMENT AS A SCIENCE AND ART

Management has characteristics of both science and art. It is through scientific methods of observation and experiments that a systematised body of knowledge has grown in the field of management. There are principles, techniques and theories of management.

A science explains phenomena, events and situations as well as establishes cause and effect relationship between two or more variables. So do management theories and principles seek to explain organisational phenomena of human conduct and behaviour. The usefulness of the techniques of management is derived from cause and effect relations between variables. But management is a social science as it deals with people and their behaviour. Thus, management is not as perfect or exact as natural sciences like physics and chemistry. Human behaviour cannot be subjected to laboratory experiments in the same way as possible in physics and chemistry. It is not possible to predict human behaviour with complete accuracy under all circumstances. Moreover, business conditions are liable to frequent changes. Therefore, principles of management cannot be regarded as absolute truths; they are flexible guides.

However, management theory provides a broad framework for training in management and practice of management. Management principles are capable of wide application and improve managerial performance. They serve as guides to practicing managers in solving the problems, by obviating the need for laborious trial and error method. Besides, principles serving as hypotheses are of a great help to researchers in developing new theory and improving and integrating the existing theory. The art of management, like any other art, is application of theory of management in the light of realities to attain the desired results. The essential functional difference between science and art is that the former explains the events of the past and the latter accomplishes ends, effects results, and produces situations which would not come about without it. Art is essentially concerned with the application of scientific knowledge and skill to achieve concrete results. But it also requires an insight and judgement to be exercised, which are involved in the process of management.

In short, managing may be regarded as the art of doing, and management as the body of knowledge that underlies the art. At the same time, it must be noted that science and art of management are not mutually exclusive but complementary. Improvement in one facilitates the other. Since every thing is not proved in management science, it cannot be

a comprehensive tool for manager. When faced with conflicting principles in a given situation, managers have to work out compromises between principles to get practical result with least cost.

1.7 MANAGEMENT AS A PROFESSION

Louis Allen defined profession as "a specialised kind of work practiced through and by use of classified knowledge, a common vocabulary, and requiring standards of practice and code of ethics established by a recognised body." Whether **management** can be called a profession or not will be clear if we compare its features with the characteristics of recognised profession like medicine, law, accountancy, etc., which are discussed below:

- 1 **Systematic knowledge** : Every profession has a well defined area of **organised** knowledge. Management also deals with distinct **area** of knowledge which is developed around functions of management. Techniques of management developed by drawing knowledge from other branches like economics, mathematics and so on, facilitate managers to perform their job better. Coordinated decision making in organisation is made possible by application of the same theory by all managers in their decision making. Managers should possess experimental attitude in acquisition of new knowledge so as to prove successful in an ever-changing organisational environment.
- 2 **Formalised method of acquiring knowledge** : For present day **managers**, formal education and training and important sources of acquisition of knowledge. Transfer of knowledge gained **through** experience **from** one living mind to another or intuitive knowledge are no longer considered adequate for practicing managers.
- 3 **Performance-based status** : Manager's status in the present day organisation is linked to its **performance** rather than other **extraneous** factors like family or political connections. This way **management** is exacting philosophy with performance orientation.
- 4 **Code of ethics** : Professionals must be governed by a strict code of ethics formulated and enforced by professional bodies to protect their members integrity. Since it is difficult to identify clearly the membership of management associations and their role, managerial codes of **ethics** has not yet evolved so as to be acceptable to all practicing managers.
- 5 **Dedication and commitment** : True professionals through dedication and commitment serve their clients interest. Financial reward is not the measure **of** their success. Managers today are expected to serve the long-run interest of the organisation but they are also conscious of **their** social responsibilities. Besides, they are **entrusted** with wealth producing resources of society which they are expected **to** put to the most effective use.

We may conclude from the above discussion that **management cannot be** regarded as a profession in all respects but it has some of the characteristics of a profession.

1.8 LEVELS OF MANAGEMENT AND SKILL REQUIREMENTS

Managers are classified on the basis of range of activities for which they are responsible. Functional managers are responsible for a single function whereas general managers have profit responsibility and coordinate different functions of the enterprise. Another major classification of managers is their vertical division into three broad levels of management **viz.**, top, middle and lower levels.

1.8.1 Hierarchical Classification of Managers.

The vertical division of managerial work in the organisation leading to **specialisation** in hierarchy, is **supported by three** reasons **viz.**, need for expertise in managerial decision making, **need for coordination** and need for accountability of operative employees.

- 1 **Top managers** : The top management includes the Board of Directors, the Chief Executive and Senior Executives and in-charge of functional departments. **They**

comprise a small group which is responsible for the overall management of the organisation. They make and communicate policies and strategies guiding the middle and lower level managers. Their primary **task** is that of relating the organisation to the external environment.

- 2 Middle managers : The middle, level of management consists of departmental managers and branch managers. This group direct activities to implement the organisational plans and policies. This **middle** management balances the **demands** of top management with the capabilities of lower level management.
- 3 Lower level managers : Supervisors and foremen belong to this category. They belong to the operating level of management and are responsible for the work of operative employees i.e., non-managers. They are directly responsible for the actual production of goods and services.

1.8.2 Classification of Managerial Skills

We have discussed the classification of managers and the major activities each group **performs**. Now let us discuss about the skills required by the managers. At all levels, managers require three types of skills. They **are** 1) technical skills, 2) human skills, and 3) conceptual skills.

- 1 Technical skill : It is the ability of a manager to use the equipments, **methods** and techniques involved in performing specific tasks. Technical skill is required more at the lower level of management i.e., at the supervisory level. At higher levels, the technical skill is less important as managers can rely upon others for technical information.
- 2 Human skill : The ability of a manager to work with, understand, and motivate people in the organisation is known as human skill. It also involves the ability to build effective work teams. The human aspect of management requires individual as well as group relations to be maintained and developed for achieving maximum efficiency. **Human** skills are important at all levels of management.
- 3 **Conceptual** skill : This consists of the manager's ability to coordinate all organisational activities and varied interests involved in it. It involves viewing the organisation in its totality and understanding the inter-dependence of its individual parts. **Of** all the skills, this conceptual skill is the most difficult skill to acquire. Conceptual skill is very important for top management in formulating long-range plans, **broad** policies and **relating** the business enterprise to the industry and **economy**.

1.8.3 Skill-Mix for Different Levels of Management

Though all the **three** types of skills discussed earlier are essential for effective management, the relative importance of each type of skill varies according to the level of management. Technical skills assume greater importance at the lower level management, while they become less important as one moves upwards in the hierarchy. **Human** skills are important at all three levels of management as managerial success primarily lies in getting things done through people. The higher the level of management, the greater is the need for conceptual skill. The important implication of analysing levels of management and skill requirements is for managerial training through which skills are imparted to meet the specific needs of managers of **each** organisational level.

1.9 MANAGERIAL FUNCTIONS

Enterprise functions vary **according** to the nature of **enterprise**. Functions like production, marketing, finance, and personnel noticed in typical industrial undertakings. If you take a transport undertakings, the main functions are operations, traffic and finance. However, the **managerial** activities grouped into functions are basic for all managers at all levels in all, types of enterprises.

The functions which describe managerial job, when put together, make up the **management process**. This process is **analysed** into key functions of management viz., **planning, organising, staffing, directing and controlling**. Planning, **organising** and **controlling** which deal mostly with non-human aspects are **known** as mechanics of

management, whereas staffing and directing which are primarily concerned with human aspects constitute dynamics of management. In the conceptual scheme, though the functions are listed out in a sequence, in practice they are interlocked as a system. As all functions are not equally important for all managers, time spent by them for each of these functions varies according to their levels in the organisation. These functions has been discussed below. You will learn in detail about all these functions in Unit 3.

- 1 **Planning** : Planning refers to anticipating the future conditions and choosing from among the alternative future courses of action. The planning process generally includes the following activities.
 - i) **Forecasting** is looking ahead to anticipate the opportunity, problems and conditions in a future period of time.
 - ii) **Establishing objectives** means setting the end results to be accomplished by directing organisational efforts.
 - iii) **Programming** is establishing the sequence and priority of actions to be followed in the attainment of the objectives.
 - iv) **Scheduling** is deciding on time sequence for programme steps.
 - v) **Budgeting** is allocation of resources to minimise costs.
 - vi) **Establishing procedures** means developing and applying standardised methods of performing a specific work.
 - vii) **Developing policies** involve establishment and interpretation of standing decisions that apply to repetitive questions and problems of significance to be organisation as a whole.

- 2 **Organising function** : The organising function of management is the process of defining and grouping of activities and creating authority relationship among them. It consists of:
 - i) **Developing the organisation structure** which involves identification of task and grouping them into units or departments for performance.
 - ii) **Delegating authority** to the managers and making him responsible for group performance.
 - iii) **Establishing relations** creating conditions necessary for mutually cooperative efforts of people in the organisation.

- 3 **Staffing** : Planning the organisation with suitable personnel constitutes the staffing function. It involves selection, training and development, compensation, and appraisal of subordinates by the manager. Manpower planning and manpower management looks after these activities and try to ensure suitable methods of remuneration and performance appraisal of the employees.

- 4 **Directing function** : Directing involves managing people and the work through the means of motivation, proper leadership, effective communication and coordination. A manager must develop ability to command. He should issue orders and instructions without arousing any resentment among the subordinates. He must be able to secure willing obedience from his subordinates without destroying their initiative and creativity. Moreover, it requires a sound communication system to enable exchange of ideas and information for common understanding.

- 5 **Controlling function** : Controlling enables management to ensure that achievement is in accordance with the established plans. It involves:
 - i) **Establishing performance standards** for evaluating results.
 - ii) **Performance** on the basis of records and reports on the progress of work.
 - iii) **Performance evaluation** against the standards set.
 - iv) **Corrective action** to regulate operations, remove deficiencies and improve performance.

1.10 SOCIAL RESPONSIBILITIES OF MANAGEMENT

The term social responsibilities may be defined as the obligation of management towards the society and others concerned with the activities of the organisation.

1.10.1 Reasons for Social Responsibilities

As you know, the business enterprises are creatures of society and should therefore respond to the **demands** of society. If the management does not react to changes in social demands, the society will either force them to do so through laws or will not permit the enterprise to survive. Hence the long-run interests of business are best **served** when management assumes social responsibilities. The image of a business firm is often linked with the quality of its products and customer service and the extent to which it fulfils the expectations of owners, employees, consumers, government and the community at large. For long-run success it matters a great deal if the **firm** has a favourable image in the **public** mind. Finally, every business enterprise is an organ of society and its activities have an impact on the social scene. It is, thus, important for management to consider whether their policies and actions are likely to promote the public good, advance the basic values of society, and constitute to its stability, strength and harmony,

1.10.2 Stake-Holders of the Organisation

As the outcome of the increasing concern for the social **responsibility** of management, it is now **recognised** that, besides taking care of the financial interest of owners, managers of business firms must also take into account the interest of various other groups such as employees, consumers, the government, and the community as a whole. These interested groups are directly or **indirectly** affected by the pursuit of business activities and they **are** the stake-holders of the business enterprise.

Let us briefly outline the social responsibilities of management towards each of the interested groups **viz.**, owners (shareholders), employees, consumers, the government and public at large.

- 1 **Responsibility towards owners** : The primary responsibility of management is to assure a fair and reasonable rate of return on capital and fair dividend to the shareholders as investors and **riskbearers**. What is a fair return on investment can be determined on the basis of difference in the risks of business in different fields of activity. With the **growth** of business the shareholders can also expect appreciation in the value of their capital. These may be regarded as the legitimate expectations of the shareholders not high rate of return earned through black marketing and unfair trade practices.
- 2 **Responsibility towards employees** : Management responsibility towards employees relate to the fair wages and salaries, satisfactory work environment, **labour-**management relations, and employee welfare. Fair wages should be fixed in the light of labour productivity, the prevailing wage rates in the same or **neighbouring** areas and relative importance of jobs. Managers salaries and allowances are expected to be **linked** with their responsibility, initiative and skill. But the spread between minimum wages and highest salaries should be reasonable. Managers are expected to build up and **maintain** harmonious relations between superior and subordinates. Management **aid** union relations should be harmonious and **cooperative**. Another aspect of management responsibility towards employees is the provision of welfare amenities like safety and security of working conditions, medical facilities, housing, canteen, leave and retirement benefits.
- 3 **Responsibility towards consumers** : In a competitive market, serving consumers is supposed to be a **prime** concern of management. But in reality perfect competition does not prevail in all product markets. In the event of shortage of supply there is no automatic correction. Besides consumers are **often** victims of unfair trade practices and unethical conduct of business. Consumer interest are thus protected to some extent with laws and pressure of organised consumer groups. Management should anticipate these developments, satisfy consumer needs and protect consumer interests. Goods must be of appropriate standard **and** quality **and** be available in adequate, **quantities** at reasonable prices. Management should avoid resorting to **hoard** or creating artificial scarcity as well as false and misleading advertisements.
- 4 **Responsibility towards the governments** : As a part of their social responsibility, management must conduct business affair in lawful **manner**, honestly pay all the taxes and dues, and should not corrupt public officials for selfish ends. Business activities must also **confirm** to the economic and social policies of the government.

- 5 Responsibility towards the community and society : The socially responsible role of management in relation to the community are expected to be revealed by its policies with respect to the employment of handicapped persons, and weaker sections of the community, environmental protection, pollution control, setting up industries in backward areas, and providing relief to the victims of natural calamities.

Check Your Progress B

1 Classify the following managerial activities into **functions**:

Managerial Activity	Managerial Function
i) Forecasting
ii) Communication
iii) Establishment of performance standards
iv) Selecting managers
v) Budgeting

2 State whether the following statements are **True or False**.

- i) **Lower** level management is **otherwise called strategic management**.
- ii) **Conceptual skill** implies ability to **use tools, procedures and techniques**
- iii) Profit-making **responsibility** lies with **functional managers**.
- iv) **Staffing** means **manning the organisation structure**.
- v) **Motivating** belongs to **planning function**.
- vi) Employees of **the enterprise** are **stake-holders**.

1.11 LET US SUM UP

Various meanings assigned to the word 'management' add up consistently. Management is a distinct decision-making group which makes use of systematised body of knowledge relating to functions that make up the process. Distinction between management and administration can be drawn by preferring the usage of the former **term** in commercial enterprises and the latter term in government enterprises engaged in social and political activities. But in practice both the terms are used as synonyms and there is no evidence that two sets of people called administrators and managers are required for running an enterprise.

Definitions of management can be grouped under four different schools. The process school analyses the job of a manager and classifies managerial activities into distinct functions **viz.**, planning, organising, staffing, leading and controlling. Human relations school, while emphasising human aspect of an organisation, gives more importance to managing people. The decision school focuses on decision-making involving the managerial activity of developing and choosing from among alternatives. Managerial responsibility of relating **organisation** to external environment is the subject matter of systems and contingency schools. Essential features that make up the nature of management, are also derived from the concepts and definitions of management.

Management as a distinct branch of knowledge with a clearly defined boundaries, confines itself to the managerial job conceptually divided into functions. While managerial functions are common to **all** enterprises, enterprise functions derived from the purposes of the enterprises vary according to their nature. Management, though **not** an exact science, is progressing towards perfection. **Art** of management, which is **an** application of management science for achieving practical results, depends on the latter for its improvement. Thus science and art of management are not mutually exclusive, **but complementary** to each **other**. Management is increasingly being regarded **as a** profession, as it has a body of knowledge the acquisition of which is **compulsory for** gaining access to managerial jobs in the modern complex organisations. Skill requirements for all levels of managers are identified as conceptual, human and technical. Human skill is important at **all levels**. Higher the managerial level the **greater** the need for conceptual skill. Technical **skill which** assumes greater importance **at** lower levels, is of less significance at higher levels.

Their **term** 'social responsibilities' may be defined as the obligations of management towards the society and others concerned with the activities of the organisation. Business enterprises are creatures of society and should therefore respond to the demands of society. Otherwise management will be **forced** to conform to social demands through laws or the enterprise may not be permitted to survive. It is in the **long** run interest of business if the management assumes social responsibilities. Managers of business firms must not only take care of the **financial** interest of owners but also take into account the interest of other stake-holders of the firm including employees, consumers, the government and the community at large,

1.12 KEY WORDS

Administration : A thinking function concerned with overall determination of objectives and policies to be executed by the management.

Art of Management : Application of science in the **attainment** of practical results.

Conceptual Skill : Ability of a manager to **visualise** and coordinate the activities of, and varied interests in the organisation as **s** whole.

Controlling : A process of evaluating results against predetermined standards and correcting deviations, if any.

Forecasting : Anticipating future environment.

Management : Process of attainment of **predetermined** objectives by directing activities of a group of persons and employing other resources.

Organising : Process of identifying and grouping the work to be performed and establishing relations between persons and granting necessary authority to them,

Planning : Determining future course of action.

Profession of Management : Practice of a specialised kind of job applying **systematised** body of knowledge and guided by code of ethics set by a recognised body.

Staffing : Manning the organisation structure and keeping it manned.

Science of Management : A body of knowledge consisting of concepts, principles and techniques **organised** around **managerial** functions.

Social Responsibilities : Obligation of management and enterprise towards **stake-holders**.

1.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress A

3 (i) Decision school (ii) Process school (iii) Systems and Contingency Schools
(iv) Human relations school

4 (i) False (ii) False (iii) True (iv) **False** (v) False (vi) False

Check Your Progress B

1 (i) Planning (ii) Leading (iii) Controlling (iv) Staffing (v) Planning

2 (i) False (ii) False (iii) False (iv) True (v) False (vi) False

1.14 TERMINAL QUESTIONS

1 What is management? How is it defined?

2 Do you agree with the view that management is both a science and an art?
Substantiate.

3 What is profession? Is management a profession? Why?

4 **Explain** the skill **requirements** of managers at different levels.

- 5 Discuss various functions of management.
- 6 Define social responsibilities. Explain the social responsibilities of management towards a) Employees b) Consumers and c) Community.
- 7 Distinguish between:
 - a) Management and administration.
 - b) Management as a process and a system of authority.
 - c) Administrative management and operative management.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the University. These are for your practice only.

UNIT 2 APPROACHES TO THE STUDY OF MANAGEMENT

Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Evolution of Management Thought
- 2.3 Scientific Management
- 2.4 Fayol's Administrative Theory
- 2.5 Human Relations Approach
- 2.6 Behavioural Approach
- 2.7 Decision Theory
- 2.8 Modern (Systems) Approach
- 2.9 Contingency Approach
- 2.10 Let Us Sum UP
- 2.11 Key Words
- 2.12 Answers to Check Your Progress
- 2.13 Terminal Questions

2.0 OBJECTIVES

After studying this unit, you should be able to:

- distinguish between different stages in the evolution of management thought
- explain the concept of 'scientific management' and enumerate the principles of scientific management
- analyse Fayol's administrative theory of management
- describe the features of human relations approach to management
- outline the main element of behavioural approach
- explain the Decision Theory of Management
- describe the characteristics of the modern (systems) approach to the study of management
- explain the contingency approach to management.

2.1 INTRODUCTION

In unit 1 you have studied the concept of management, its nature and scope. Although the practice of management is as old as civilisation, systematic thinking on various aspects of management started only from the beginning of the last century. With the passage of time, different thinkers viewed the task of management in the light of their own experience and understanding of the process of management. In this unit, we shall discuss the more important stages in the evolution of management thought, different approaches to the study of management and theories developed in that context.

2.2 EVOLUTION OF MANAGEMENT THOUGHT

How to manage activities involving large number of people must have been known even in the ancient past. There are evidence all over the world about the practice of management since the dawn of civilisation. Without proper management it would have been impossible to undertake construction of the Egyptian pyramids, or the Great Wall and the irrigation canals of China. However, organised activities in earlier times mainly required engaging people for manual operations and getting work done under strict supervision. On the other hand, work in cottage industries which flourished during the middle ages mainly involved engagement of family members and apprentices and application of traditional skills with simple tools and implements.

Far reaching changes took place in the organisation of economic activities with the industrial revolution at the turn of the 18th century. Scientific and technical inventions

paved the way of large scale factories using mechanical power and employing hundreds of people. The systems of transport and communication were also transformed in the process and enabled producers to undertake distribution of goods in ever widening markets. With the growth in size and increasing complexity of organisations, the nature and scope of managerial functions have also undergone considerable changes. The task of management no longer consists of supervising simple operations and taking routine decisions. It involves procurement of physical, human and monetary resources as well as their effective use for achieving the organisational objectives. The process of management and the various functions involved have thus received increasing attention of management experts over time.

Early Thinkers

Thinking on management as a separate field of learning and practice began early in the 19th century. It was at this time that persons like Robert Owen, Charles Babbage, Metcalf and Towne expressed their ideas on the ways and means of making management practices more effective and efficient.

Robert Owen, who owned and managed several textile mills in Scotland, emphasised the importance of human relations in management. He was very much against the existing practices of workers being employed in factories to perform manual work for as long as thirteen hours per day, employment of child workers even below the age of ten, absence of housing facilities, etc. He introduced many reforms in his own factories, reducing working hours, improving working conditions providing housing facilities, and arranging supply of goods at cheaper rates through company stores. On the basis of his own experience, he advocated that investment in human resources was more profitable than investment in machinery and other physical resources. He, therefore, recommended that industrialists should change their attitude towards the workers and devote more attention to their well-being.

Charles Babbage was a professor at Cambridge. Having studied the management of factories in the United Kingdom and France, he observed that employees and owners were totally ignorant of the basic tools of scientific methods, they were guided purely by tradition, estimates and imagination and the owner-managers never took decisions on the basis of factual analysis. According to Babbage, it is essential to apply scientific principles to work processes for increasing productivity and reducing expenses. In his writings, Babbage emphasised the importance of division of labour on the basis of skills, and also stressed the necessity of replacing manual operations by machinery.

As the manager of an army arsenal, Henry Metcalf held the view that the science of administration ought to be based on principles evolved by recording observations and experiences. The art of management, according to him, should be based on accumulated observations which are on record and are presented systematically. His book on cost of manufactures and administration of workshops suggested a system of control with the help of work records maintained in Time Cards and Material Cards and a method of automatic actions:

Henry Robinson Towne was the chief executive of a manufacture company. His contribution to management lay in defining the role of a manager as a combination of the roles of an administrator, an engineer, and a statistician. Management of industrial work, according to Towne, required combination of different qualities of good businessmen and good engineers. He succeeded in motivating engineers to study management, and advised them to be cost-conscious. At the same time, he emphasised that the process of management has multiple dimensions and engineer-managers must be aware of it.

Early thinker on management made an attempt to suggest improvements in the functioning of manufacturing organisations by different means. In that process the thinkers also provided a new background for management in practice. Growth of business and industry proceeded at a rapid pace in the Western European countries and the USA throughout the 19th century, Increased competition in the domestic and international markets during this period drew the attention of management towards the necessity of improving productivity and efficiency of their undertakings.

2.3 SCIENTIFIC MANAGEMENT

The concept of scientific management was introduced by F.W. Taylor in the USA early in the 20th century as an alternative to the prevailing system of management by initiative and incentives. Taylor **started** his career as machine shop worker at **Midvale** Steel Works. In course of time he acquired additional qualifications and became foreman and then chief engineer. Subsequently he acted as consultant of another steel company **which** had serious production problems. Based on observations and a large number of experiments on methods of work at the shop floor and the attitude of management towards the workers. Taylor formulated the principles of scientific management.

Taylor's concept of scientific management essentially consisted of a scientific approach to management. Its primary objective was to replace methods based on trial and error and rule of thumb. The new approach rested on the following principles:

- 1 Development and use of scientific methods in setting work standards, **determining** a fair day's work and the best way of doing work.
- 2 Scientific selection and placement of workers best suited to **perform** the various tasks and provision of their training and development for maximum efficiency.
- 3 Clear cut division of work and responsibility between management and workers.
- 4 Harmonious relations and close cooperation with workmen to secure **performance** of work in accordance with the planned jobs and tasks.

A number of techniques were developed to facilitate scientific management. Taken together the following techniques constituted the mechanism of the new approach:

- 1 Time Study to analyse and measure the time taken in doing the various elements of a job, and to standardise the operations as well as determining a **fair** day's work.
- 2 Motion Study involving close observation of the movements required to **perform** a job with a view to eliminate wasteful motions and decide on the best way of doing the job.
- 3 Standardisation of tools, equipments and machinery and working conditions.
- 4 Incentive wage plan with differential piece rate of wages for efficient and inefficient workmen.
- 5 Functional Foremanship involving different specialist foremen supervising **machine** speed, group work, repairs, etc.

Taylor presented his ideas on scientific management as a systematic body of thought. His main contribution to management practices included the following aspects:

- a) The importance of applying scientific methods of enquiry, observation and experimentation to the problems of **management**
- b) Separation of planning of work from its execution so as to enable workers to perform at his best and earn accordingly.
- c) **Emphasising** the aim of management to be the maximum prosperity of the employer along with the maximum welfare of each employee.
- d) The **necessity** of a complete mental revolution on the part of both **workmen** and management to derive the benefits of scientific management **through harmony** and cooperation rather than individualism and discord.

Merits: The primary benefit of scientific **management** was conservation and proper use of every ounce of energy. Moreover specialization and division of labour have brought about the second **industrial** revolution. Time and motion techniques are important tools to organize the tasks in a more efficient and rational **way**. In short, scientific management is not only a rational approach to solve organizational problems but it also **facilitates** the **professionalisation** of management.

Although the basic principles of scientific management were originally developed by Taylor, several associates of Taylor like Gantt, Frank and Lillian **Gilbreth**, and Emerson further elaborated the ideas, developed new techniques and improved upon the new approach to management. In practice, scientific management proved to be so fruitful in increasing **productivity** and efficiency of operations that it was widely accepted in the USA and Western Europe.

Limitations: Scientific management had its limitations and was criticised on several grounds. Some critics, argue that scientific management is concerned with the efficiency of workers in the technical sense, and it emphasises only the importance of production. It assumes that workers are inherently lazy and they require strict supervision and exercise of authority by managers. It is believed that workers can be motivated by monetary rewards alone. No importance is attached to social and psychological aspects of work environment. Other critics have called it unscientific, antisocial, psychologically unfair and anti-democratic. It is unscientific because there is no valid and reliable method to measure the efficiency and wages of the workers. It is antisocial because workers are treated as glorified economic tools only. It is psychologically unfair because each worker is pitted against every other worker in an unhealthy competitive scheme to make more and earn more. It is anti-democratic because it overshadows the workers independence. Trade unions have been opposed to scientific management on the ground that it leads to autocratic management, and raises the workload of employees with a corresponding adverse impact on employment of men.

2.4 FAYOL'S ADMINISTRATIVE THEORY

Scientific management was primarily concerned with increasing the productive efficiency of individual workers at the shop floor. The role of managers and their functions in the total organisation were not given adequate attention. Around the same time, that is the first quarter of the 20th century **Henri Fayol**, director of a coal mining company in France, made a systematic analysis of the process of management. His approach to the study of management is also known as the process or Functional Approach.

According to Fayol, business activities in any organisation consist of six inter-dependent operations viz., technical, commercial, financial, security, accounting and administrative or managerial operations. He analysed the nature of managerial activities and skill requirements which were so far given little attention by thinkers. He considered the process of management to be of universal application and distinguished between five elements of the process viz., to forecast and plan, to organise, to command, to coordinate, and to control. The concept of management was, thus, defined as the process of performing certain functions like planning, organising, etc. These functions were expected to be performed by managers at all levels in the organisation as well as in all types of industries and in all countries,

Fayol emphasised that management involved the application of certain skills which could be acquired by persons on the basis of systematic instructions and training. Once acquired, the skills could be applied to all types of institutions including the church, schools, political as well as industrial organisations.

Besides a systematic analysis of the management process and management functions, Fayol formulated a set of fourteen principles as guidelines for implementing the process of management. You will study these principles in detail in Unit 3. These principles were stated in flexible terms and expected to be of use of managers under all circumstances. The skill and abilities required for effective management were stated to be dependent on the managers' positions at different levels of the organisation. According to Fayol, administrative skills were more essential for higher level managers, while technical abilities were required more at the lower level positions. He also believed that managerial training was essential for people in all walks of life. He stressed, for the first time, the necessity of formal education and training in management. In short, Fayol's analysis provides a set of means (viz., planning, organising, commanding, coordinating and controlling) for viewing the management process, and guidance (i.e., the principles for implementing the process).

The Administrative Theory of Management and Functional Approach to management may be said to have developed on the foundations laid by Fayol. He provided a conceptual framework for analysing the process of management. At the same time, he isolated and analysed management as a separate, distinct activity. Management as a body of knowledge gained immensely from Fayol's analysis of managerial skills of universal relevance, and principles of general management developed by him. Although some critics called it inconsistent, vague and pro-management based theory, still this theory exerts considerable influence on the practice as well as teaching of management the world over.

Check Your Progress A

- 1 State which of the following statements are True and which are False.
 - i) Thinking on management as separate field of study began with the dawn of civilisation.
 - ii) Henry Metcalf suggested a method of control with the help of work records and automatic action.
 - iii) The concept of scientific management is based only on the application of scientific techniques like time and motion study.
 - iv) Taylor developed the principles of scientific management in the light of his observations and experiments on methods of work.
 - v) Taylor was concerned mainly with the management of work at the shop floor.
 - vi) The abilities required by a manager depend on his position and rank in the organisation.
 - vii) Fayol distinguished between five elements or functions related with the process of management.
 - viii) Fayol's approach to the study of management is known as administrative approach.
- 2 Fill in the blanks:
 - i) The importance of workers' well being was emphasised by an early thinker on management.
 - ii) Supervision of work by different specialist foremen is known as
 - iii) The concept of management was defined by Fayol as the process of performing certain
 - iv) Trade unions are opposed to scientific management because it leads to increased of employees.
 - v) According to Towne, a manager should combine the roles of an and

2.5 HUMAN RELATIONS APPROACH

We have discussed earlier the elements of scientific management concerned with the efficiency and productivity of workmen at the shop floor. We have also discussed the Fayol's functional approach to management which aimed at improving the managerial activities. Between 1925 and 1935, opinions of many experts were directed towards the human aspects of organisational activities. It was felt that earlier approaches to management were incomplete as there was little recognition of the importance of workers as human beings, their attitudes, feelings and needs. Indeed, the technical approach to work methods in scientific management did not produce durable results in all cases. Individual and group relationships in the work place often prevented maximum benefits to be derived from planning and standardisation of work or monetary rewards offered for efficiency.

The human relations approach to management developed as a result of the series of experimental studies conducted by Elton Mayo and his associates at the Hawthorne plant of the Western Electric Company in the USA. The Hawthorne studies were aimed at finding out what factors really influenced the productivity and work performance of labourers. The findings were as follows:

- 1 Physical environment at the work place do not have any material impact on the efficiency of work.
- 2 Favourable attitudes of workers and work-team towards their work were more important factors determining efficiency.
- 3 Fulfilment of the workers' social and psychological needs had a beneficial effect on the morale and efficiency of workmen.
- 4 Employee groups based on social interactions and common in the rests exercised a strong influence on workers' performance.

- 5 Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition by superiors, and right to express their opinion on matters which are of concern to them.

The human relations approach to management problems is based on the view that **the modern organisation is a social system in which the social environment and interpersonal relations govern the behaviour of employees.** It emphasises that the authority responsibility relationship between superiors and subordinates should relate to the social and psychological satisfaction of employees. It is only by making employees happy that an organisation can secure their full cooperation and thus increase efficiency. Management should encourage the development of social groups on the job and provide opportunities for free expression of the employees' viewpoints. Managers should recognise the importance of democratic leadership, so that there is free flow of communication and subordinates may participate in decision-making,

It must be noted that the objective of human relations approach was to make workers more productive. But it was emphasised that employee satisfaction was the best means of achieving the goals of higher productivity and efficiency. For this purpose, it was necessary that managers must know why employees act as they do and what social and psychological factors motivate them. Attempt should be made to create a satisfying work environment in which people may fulfil their own needs as well as contribute to the achievement of organisational goals.

2.6 BEHAVIOURAL APPROACH

The behavioural approach to management developed as a corollary to the human relations approach. But it also reflected the findings of intensive research carried out by 'behavioural scientists' belonging to the disciplines of sociology, social psychology, and anthropology, as well as management experts. **The behavioural approach was concerned with the social and psychological aspects of human behaviour in organisations.** Many of the conclusions of the Hawthorne studies were reaffirmed by subsequent research studies, but certain ideas were extended and others highlighted by the behavioural scientists.

Some of the more important elements of the behavioural approach are outlined below:

- 1 Individual behaviour is closely linked with the behaviour of the group to which he belongs. A person may be inclined to resist pressures to change his behaviour as an individual. But he will readily do so if the group decides to change its behaviour. With work standards laid down by the group, individuals belonging to that group will resist change more strongly. Moreover, what workers believe to be the management's expectation of output often determines or influence the level of production. This is because management generally do not have any specific level of production it considers proper, and workers often believe that if they work harder their pay rates would be reduced.
- 2 Informal leadership, rather than the formal authority of foremen and supervisors, is more important for setting and enforcing group standards of performance. As a leader manager may be more effective and acceptable to the subordinates if he adopts the democratic style of leadership. If the subordinates are encouraged to participate in establishing the goals, there will be positive effect on their attitude towards work. Changes in technology and methods of work, which are often resisted by employees, can be brought about more easily by involving the employees in planning and designing the jobs.
- 3 By nature most people enjoy work, and are motivated by self-control and self-development. It is for the managers to identify and provide necessary conditions for the human potential to be used in the service of the organisation. The managers' attitude towards human behaviour should be positive. They should know that the average man is not lazy by nature. But he is ambitious. Everyman likes to work and prefers to assume responsibilities.

2.7 DECISION THEORY

Decision-making is defined as the process by which a choice is made from among

various alternative courses of action to achieve goals. Thus, decision-making involves establishing objectives or goals, defining the problems, searching for available alternatives, evaluating them, selecting one, and implementing the decision. All organisational activities require decisions to be taken preceding action. Every manager has to take decisions to direct action at different intervals. At lower level, managers have to take routine decisions for day-to-day action under their limited jurisdiction. At higher levels of management, decisions are taken having wider impact and **long-term** significance. Positions held by managers are known as decision centres.

According to the decision theory of management, the process of management essentially consists of human problem-solving on the basis of analysis and reasoning followed by appropriate decisions. This involves individuals making choices and behaving on the basis of their understanding of the environment and their needs. The key to an understanding of the organisational functioning lies in the identification of decision centres and the channels of communication. The objective of managerial decision-making is to secure **and** co-ordinate effectively the contributions of others in the decision-making process. This can be accomplished by influencing as far as possible, the viewpoints of participants on various alternatives before making a choice, so that the resulting decisions may fit the requirements of objectives.

The decision theory admits that it is not always possible for managers to make perfect decisions. This is due to several reasons. The basic requirement in the decision process is the availability of all information relevant to the decision situation. But data collection, analysis and evaluation often prove to be too costly and time consuming. Secondly, the decision-maker may not have complete knowledge of available alternatives and **their** potential outcomes under conditions of uncertainty and risk. Thus, decisions are actually based on individual judgement.

2.8 MODERN (SYSTEMS) APPROACH

In simple words, a system may be defined as a set of interdependent parts forming an organised unit or entity. These parts, known as sub-systems, interact with each other and are subject to change. They are interrelated as well as interdependent. Thus changes in any sub-system lead to changes in others. Any **working** organisation may be said to consist of three broad sub-systems:

- a). Technical sub-system which represents the formal relationships among the members of an organisation,
- b) Social sub-system which provides social satisfaction to members through informal group relations, and
- c) Power sub-system which reflects the exercise of power or influence by individuals and groups.

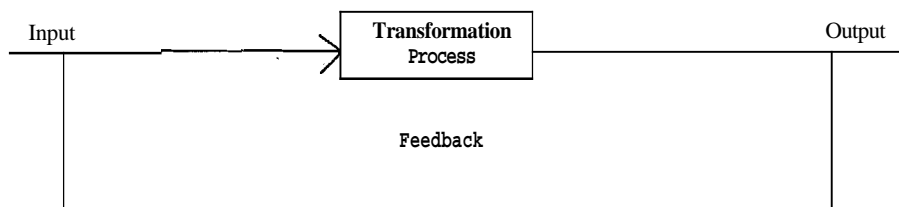
The total system emerges as a result of the interaction of the various sub-systems. The total system and its sub-systems also interact with the environment, which may influence or be influenced by the system or the sub-systems.

The systems approach has the following features:

- 1 System is a group of interrelated but separate elements.
- 2 The arrangement of all the elements must be orderly.
- 3 There must be **proper** communication facilitating interaction between the elements.
- 4 Finally the interaction should lead to achieve a common goal.

The enterprise operations are viewed in terms of basic elements engaged in procuring and transforming inputs into outputs. Money, employees and the managers themselves are parts of the system. Inputs are the materials, information and energy, flowing into the organisation. The outputs are products, services, and satisfactions provided by the **organisation**. The **organisation transforms** input into a variety of outputs (in the form of products, goods and services) and offers the same to the external environment. Sale of the outputs provides the necessary energy which is called feedback to repeat this systems **cycle**. **Look at Figure 2.1** which shows this cycle.

Figure 2.1
Cycle of Systems Approach



This systems approach to management views organisations as extremely complex entities subject to changes from within and outside. To meet various needs of such an organisation, a balanced and integrated approach to management is required. At the heart of the systems approach lies a Management Information System and communication network for collection, analysis and flow of information and quantitative data so as to facilitate planning and control. It emphasises the importance of decision-making as the primary means of balancing the different parts of the organisation. Modern thinkers consider management as a system of integrating activities aimed at making the best use of scarce resources. Management is viewed also as a sub-system of the social system. As a sub-system management is required to adapt and cope with environmental changes.

This systems approach has the following advantages:

- 1 It provides a unified focus to organisational efforts.
- 2 It provides managers an opportunity of looking at the organisation as a whole which is greater than the sum of its parts.
- 3 This theory treats the organisation as an open system. Moreover, the process of interaction between subsystems is dynamic.
- 4 Modern theory is based on multilevel and multidimensional approach i.e., it includes both micro and macro aspect. It is micro within the nation's industrial network and macro with respect to its internal units.
- 5 The system is based on multiple variables because an event may be the product of many factors which in turn may be interrelated and interdependent.
- 6 The feedback mechanism provides an opportunity to organisation to rearrange its parts according to the change in the environment. Although system theory has given fascinating appeal still it has some limitation.

In fact, this is not the complete explanation of the whole organisational system. It does not explain how the subsystems of a specific organisation are uniquely related in a given environment.

2.9 ,CONTINGENCY APPROACH

Contingency approach is based on the view that there is no one best way to manage. In fact there are many effective ways to perform various management functions. This theory emphasizes that the best way to lead, plans, organize and conduct managerial activities varies with the situation. A particular method may yield fruitful results in one situation but may drastically fail in other situations. There is no universal principles to be applied in all situations. Managers must analyse different situations and use the best approach which is best suitable in that particular situation, For example to improve productivity, supporters of scientific management may prescribe work simplification and additional incentives, the behavioural scientist may recommend job enrichment and democratic participation of employees is the decision-making process. But the supporters of contingency approach **may** offer a solution which is responsive to the characteristics of the total situation being faced. Work simplification would be ideal where there is limited resources, unskilled labour, limited training opportunities and limited products offered to the local markets. Job enrichment would be ideal for that **organisation** where there are abundant skilled labour force. This shows that managerial action depends upon circumstances within a given situation. In this approach managers are supposed to diagnose a given situation and adopt to meet the conditions present. In short contingency approach emphasizes on two aspects. 1) It focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another. 2) It

highlights the importance of developing skills for managers in situational analysis. Such skills will help managers find out important contingency factors what influence their approach to managing.

The main advantage of this contingency approach is that it compels us to be aware of the complexity in every situation and forces us to take an active and dynamic role in determining what best would work in each case. Like a system theory it does not only examines the relationships between subsystems of a specific organisation in a given environment, but also offers solutions to particular organisational problems.

This theory has been criticised on the ground of heavy theoretical complexity. For example a simple problem has to be analysed on a number of organisational components, each of which having innumerable dimensions. So its empirical testing becomes very difficult.

Check Your Progress B

1 Which of the following statements are True and which are False?

- i) The objective of human relations approach to management was only to make people happy.
- ii) Scientific management did not attach any importance to workers attitudes, feelings and needs.
- iii) Individual behaviour is closely linked with group behaviour.
- iv) All decisions are taken by higher level managers.
- v) Systems approach to management emphasises management as an integrating activity.
- vi) Contingency approach emphasises that there is no universal principles to be applied in all situations.

2 Fill in the blanks:

- i) Human relations ensure the fulfilment of the workers.....andneeds.
- ii) Workers are not motivated solely by.....incentive.
- iii) Decision-makers do not have complete knowledge of the potential outcomes of various alternatives, hence decisions are based on.....
- iv) The technical sub-systems represents the.....among members of the organisation.
- v) Human relations approach is based on the view that the modern organisation is asystem.

2.10 LET US SUM UP

There are evidences all over the world about the practice of management since the dawn of civilisation. However thinking various functions involved in the process of management received increasing attention of management experts only after the industrial revolution. Early thinking on management started with Robert Owen, Charles Babbage, Metcalfe and Towne, who suggested ways and means of improving upon the existing practices of managing industrial organisation.

The concept of scientific management was introduced by F.W. Taylor as an alternative to the prevailing system of management by initiative and incentives. Its primary objective was to replace rule of thumb methods by scientific methods of enquiry, observation and experimentation in management. Scientific management was concerned with increasing the productive efficiency of individual workers at the shop floor. The role of managers and their functions in the total organisation were not given adequate attention.

Henry Fayol made a systematic analysis of the process of management and the functions of managers. He formulated a set of principles as guidelines for implementing the process of management. The Administrative Theory of Management was developed on the foundations laid by Fayol.

↳ Human relations approach to management developed as a result of the series of experimental studies conducted in the USA. It is based on the view that the modern organisation is a social system and that employees satisfaction is the best means of achieving the goals of higher productivity and efficiency. For this purpose management should create a satisfying work environment, in which people may fulfil their social and psychological needs as well as contribute to the achievement of organisational goals.

The behavioural approach to management was an extension of the human relations approach. It reflected the extensive research carried out by behavioural scientists belonging to the disciplines of sociology, social psychology and anthropology. It recognised that individual behaviour is governed by the behaviour of the group to which he belongs. It emphasised that informal leadership and democratic style are more effective means of setting and enforcing group standards.

According to the decision theory of management, the key to an understanding of the organisational functioning lies in the identification of decision centres and the channels of communication.

The systems approach to management views organisations as extremely complex entities subject to changes from within and outside. To meet the various needs of such an organisation requires a balanced and integrated approach to management. Management is regarded as a system by itself as well as a sub-system of the social system. Here, the organisation transforms various inputs into a variety of outputs and offers the final products to the environment which in turn provides necessary energy called feedback to repeat the cycle. Contingency model emphasizes that there is no universal principle to be applied in all situations. It focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another and highlights the importance of developing skills for managers in situational analysis.

2.11 KEY WORDS

Administrative Approach: Analysis of the process of management in terms of management functions and skill requirements.

Behavioural Approach: Understanding individual and group behaviour in organisations.

Differential Piece Rate: Piece rates of wages which apply differently to efficient and inefficient workers.

Functional Foremanship: Supervision of work by different specialist foremen.

Hawthorne Studies: Experimental studies conducted to find out what factors motivate workers on the shop floor for improved performance.

Human Relations Approach: Motivating employees with a satisfying work environment and fulfilment of their social and psychological needs.

Motion Study: Observation of the movements required to perform a job so as to eliminate wasteful motions and decide on the best way of doing the job.

Scientific Management: Application of scientific methods to resolve management problems in place of rule of thumb or trial and error methods.

Systems Approach: Understanding management as a balancing and integrating system.

Time Study: Technique used to analyse and measure the time taken in doing the various elements of job.

2.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress A

- (i) False (ii) True (iii) False (iv) True (v) True (vi) True (vii) True (viii) False.
- (i) Robert Owne, (ii) Functional Foremanship, (iii) Functions, (iv) Workload, (v) administrator, engineer, statistician.

Check Your Progress B

- (i) False (ii) True (iii) True (iv) False (v) True (vi) True.

- 2 (i) social, psychological, (ii) economic, (iii) judgement, (iv) formal relationship,
(v) social.

2.13 TERMINAL QUESTIONS

- 1 Give a brief outline of the evolution of management thought during the 20th century.
- 2 What is meant by scientific management. Discuss its **main** principles, merits **and** limitations.
- 3 Explain the significance of the **behavioural** approach to management. What are its main features?
- 4 Describe the main elements of the human relations approach to management.
- 5 Explain Fayol's contribution to management thought.
- 6 Explain the systems approach of management. Discuss with example how does it provides feedback mechanism to continue the whole cycle.
- 7 Critically evaluate contingency approach to management.
- 8 What are different approaches to management? Discuss about each of them briefly.

<p>Note: These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice only.</p>

UNIT 3 PROCESS AND PRINCIPLES OF MANAGEMENT

Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Process of Management
 - 3.2.1 Meaning
 - 3.2.2 Important Features
 - 3.2.3 Management Process Approach
 - 3.2.4 Management Functions
- 3.3 Principles of Management,
 - 3.3.1 Meaning and Nature
 - 3.3.2 Characteristics
 - 3.3.3 Need for Management Principles
 - 3.3.4 Contributions to Principles of Management
 - 3.3.5 Limitations of Management Principles
 - 3.3.6 Are Management Principles Universally Valid?
- 3.4 Let Us Sum Up.
- 3.5 Key Words
- 3.6 Answers to Check Your Progress
- 3.7 Terminal Questions

3.0 OBJECTIVES

After studying this unit you should be able to:

- explain the meaning and important features of management as a process
- describe the need for the study of management process
- classify the functions of management and discuss different viewpoints in that respect
- describe the meaning, characteristics and need for principles of management
- enumerate the management principles and outline their limitations.

3.1 INTRODUCTION

A basic question that has engaged the attention of management experts for a long time is: What exactly is the job of managing? It is widely believed that the job of managing is more or less the same at all levels of management in an organisation and in all types of organisations wherever they operate. To understand the job of managing, many experts have suggested that management should be regarded as a process.

Then, they have developed certain principles and guidelines in order to facilitate the tasks of managers in course of their job of managing. In this unit, you will learn the meaning and characteristics of management process, its jurisdiction and the functions, which are performed by managers in the process of management. You will also study about the need for management principles, contribution by different philosophers to principles of management, their limitations and universality.

3.2 PROCESS OF MANAGEMENT

For an understanding of the job of managing, management scholars and theorists have suggested that management should be regarded as a process. Let us understand what exactly we mean by management process.

3.2.1 Meaning

As a process, management consists of a series of interrelated functions or operations carried out by managers for achieving certain desired goals of the organisation. One popular classification of the functions of managers is : Planning, organising, staffing, directing and controlling. There are several other alternative classification schemes of

management functions. Whatever be the classification, the various managerial functions, considered as a whole, make up the management process.

Management is often viewed as a social process, in the sense that managers are concerned with mobilising and coordinating the efforts and skills of individuals as members of work groups in the organisation. It is a process of getting things done through people. Managers get things done by managing their subordinate managers, employees and workers.

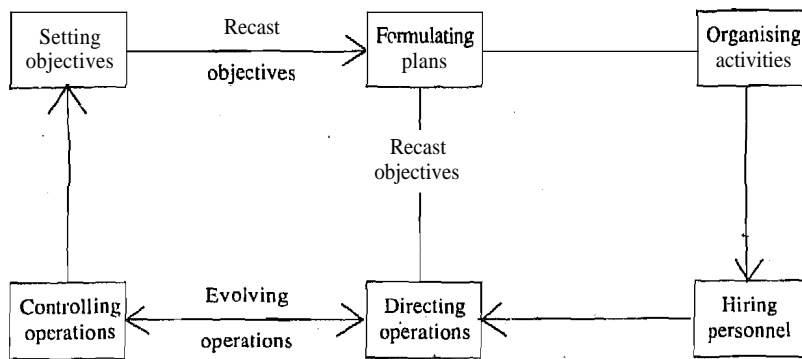
Getting things done through people requires social skills (abilities) such as: i) to understand people and to attend to their work-related problems, needs and sentiments ii) to get along with them, to interact, to communicate with and guide them, iii) to inspire confidence, to enthuse and motivate and to provide leadership to them, iv) to develop and to get the best out of them, and so on.

Management is also a creative and dynamic process. It is a moving force that generates interaction, integration and harmony among the functions. Managers play an active role in making things happen, to direct events, to gain command over the force, of change and to create a whole that is greater than the sum of its parts. The dynamic nature of management process manifests itself by adjusting and adapting the elements of individual functions to the emerging requirements of the organisation and also to the requirements and realities of the external environment.

3.2.2 Important Features

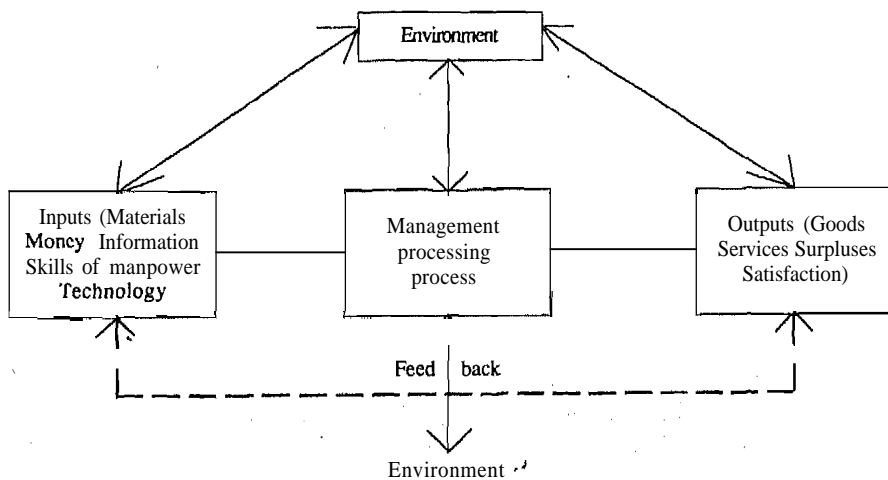
The process of management made up of a set of functions has several important features. These are:

- 1 **Goal-oriented** : The management process and the functions integral to it are goal-oriented and purposeful; they are not ends in themselves; rather, they are the means for achieving organisational objectives. They have value to the extent that they contribute to effective survival and success of organisations. Organisational purpose is the reason for the existence of the process and functions of management.
- 2 Depicts **the nature of job** : The process of management and their functions depict the nature of the job to be performed by the managers. They represent the description of the job to be performed by the managers. Managers do plan, organise, direct and control the employment of resources and human efforts in order to achieve pre-determined goals.
- 3 **Functions follow one another** : The functions which constitute the management process follow one another in a particular sequence and not in haphazard fashion. Conceptually **atleast**, the process begins with planning, followed by **organising**, staffing, directing and controlling. The sequence has its justification. For example, planning which involves **determining** the organisational objectives and the courses of action needed to achieve them, provides the basis for the subsequent functions. Planning, organising, staffing and directing would be wasteful without the follow-up function of controlling, to ensure that organisational results conform to organisational plans and are in accordance with the planned use of resources and efforts. However, the sequence of the functions may **not** be observed strictly in practice. Managers tend to give simultaneous attention to all the functions. A back-and-forth movement from one function to another also takes place.
- 4 **Ongoing Process** : The **process** of management is a continuous one. It is an on-going, unending and **interactive** process.
- 5 **Interrelationship** : The functions of managers are closely related to each other. They collectively contribute to the achievement of organisational objectives. They are to be considered in totality. **Each** function gains meaning only in **relation** to other functions and **in** relation to the contribution it makes to the total activity of which it is a part. In turn, the management process is only as strong as 'the properties of the individual functions, Each function may be **viewed** as a sub-process of the integrated **management** process which is shown in **Figure, 1.**



- 6 Transformation of inputs and outputs :** Management is a process that deploys and transforms the use of machines, skills, values, materials, money, knowledge, information, techniques, and human efforts (known as 'inputs') into products, services, surpluses and satisfaction (known as 'outputs'). Management functions may be viewed as the elements of the transformation process which is to be efficiently carried out through certain techniques and skills. Management, as a transformation process, interacts with the relevant factors of the external environment (economic, social, cultural and technological factors) which affect the organisation in several ways as presented in Figure 2.

Figure 2: Interaction with Environment



- 7 Functions are applicable to one another :** Some of the functions which constitute the management process are applicable to one another. For example, the planning function has to be properly organised and directed; the organising and directing functions have to be properly planned; the staffing function has to be properly controlled.
- 8 Common process of management :** The functions of management are different from the functions of the organisation. The latter differ from organisation to organisation. For example, the major functions of business organisation are manufacturing and marketing. The major functions of a university are teaching, and research. The functions and process of management are generally common to all organisations.
- 9 Guides students and practitioners :** The process of management provides a simplifying but valuable framework whereby students and practitioners of management may analyse and understand its complexity as also evaluate and improve the functions and process of management. Several principles of management have been evolved by management experts which are meant to serve as guidelines to managers in their performance of management functions.

Difference between the Functions of Managers and Non-managers

It should be clear to you by now that the functions of a manager are different from

those of a non-manager. Non-manager in an organisation, for example an ordinary factory **worker**, is accountable for performing his own tasks and duties. But a manager is accountable not only for performing his own tasks, but also for the quality of **performance** and work behaviour of his subordinates. He has to set goals for his unit, plan the courses of action to achieve the goals, assign tasks to his subordinates, impose obligations on them for performance, guide and supervise their work and make sure that the tasks are **performed** and goals are accomplished.

A manager may sometimes engage in non-managerial activities or functions, as for example, typing letters, filing correspondence, carrying files to his superior and so on. These are no typical managerial functions.

Difference between Managerial Functions and Skills

Managerial functions are also different from managerial techniques and skills.

Managerial techniques are the methods used by managers in performing their functions. For example, a manager may often take his subordinates into confidence, consult with them, seek ideas and suggestions from them, involve them to some extent in planning and controlling the operations of his work unit. This is known as the technique of 'participative management'. Similarly a manager may employ the technique of **budgeting** to plan and control the activities of his unit.

Managerial skills are specific work-related abilities and expertise of managers which facilitate in discharging the job assigned to them. The range of managerial skills include: conceptual analytical skills, inter-personal skills, leadership skills, administrative skills, technical skills, and so on. For example, inter-personal and leadership skills enable managers to perform their function of directing. Administrative skills aid the managerial task of coordination.

3.2.3 Management Process Approach

The idea that management is a process has developed into a major approach or school of management thought known as 'management process school' or 'approach'. It was originally enunciated by Henri Fayol in 1916. Fayol developed one of the earliest theories of management and gave a broad theoretical framework of management by identifying its functions as planning, organisation, command, coordination and control (In Unit 2 you have read Fayol's **contribution** to Administrative Management Theory). Fayol described and analysed the job of the manager in terms of these management functions and also described 14 principles of management. The management process school gained wide popularity in course of time, and its proponents broadly adopted Fayol's functional framework of management, but made a few refinements and changes. The leading enthusiasts of the management process school were Harold Koontz and Cyril **O'Donnell** who developed the functional framework of management process in terms of planning, organising, staffing, direction and controlling functions. The management process approach is also known as 'traditional approach' or 'functional approach'. The basic elements of this approach may be outlined as follows:

- 1 It focuses on building a theory and science of management by organising knowledge based on what managers do in practice as managers.
- 2 It is based on the management's ability and willingness to draw **pertinent** knowledge from other related disciplines such as economics, behavioural sciences (psychology, Sociology and anthropology), mathematics and so on, to enrich management knowledge.
- 3 It regards the practice of managing as an art, like medicine and engineering, backed by the science of managing.
- 4 It attempts to evolve several principles of management from the practice and functions of management. Principles **are** regarded as fundamental **truths** having explanatory and predictive values; they form part of the theory of management and enrich the practice of managing.
- 5 It emphasises the universal or global nature of **management** fundamentals. It supports Fayol's argument that the functions and principles of management have general validity and applicability.

To be more specific, management process is the same whatever be the size of **organisation**. Also, the **management process** is common whatever be the level at which

managers operate. For example, top managers carry out the same functions of planning, organising, directing, and controlling as the lower level managers in an organisation. Only the intensity and relative emphasis on the functions differ to some extent from one level of management to another. Similarly, management process is equally valid irrespective of the cultural setting in which an organisation exists whether the organisation operates in a developed western country or an under-developed eastern country.

3.2.4 Management Functions

There are different viewpoints of scholars as regards the range of functions which constitute the process of management. The identification of functions of management is an attempt to divide the job of managing into its elements for purposes of in-depth analysis and understanding.

In practice, managers do not neatly divide their job into certain functions or perform only those activities which managers, scholars and theorists expect them to perform. If you ask a manager on what exactly he does in his day-to-day job of managing, he will most probably reel out a jumble of activities which do not easily lend themselves to any neat categorisation into a set of functions. Categorisation and conceptualisation are the stock-in-trade of management theorists and not of management practitioners.

Classification of managerial functions

Beginning with Henri Fayol, different experts developed their own schemes of classification of managerial functions. As we have seen earlier, Fayol classified the functions of management as planning, organisation, command, coordination and control. However, over the years even to those who belonged to the management process school, Fayol's classification was not wholly acceptable. They modified Fayol's classification substantially to fit into their own ideas and beliefs. Let us have a look at the classification schemes of managerial functions developed by a few well-known writers on management.

Luther Gulick: He is an early writer on management who outlined the various functional elements of the work of a chief executive as planning, organising, staffing, directing, coordinating, reporting and budgeting. He named these functions as 'POSDCORB' which is made up of their alphabets. Gulick based his classification on Fayol's contribution but divided the function of controlling into reporting and budgeting.

Lyndall Urwick: He is another early management thinker who made an important contribution to the understanding of management concepts, processes, principles and theory. He supported Fayol's framework of functions, but emphasised the function of forecasting and separated it from the function of planning. He added one more function—investigation i.e., search for or research on facts and ideas to generate information, which was the basis of the process of management.

Ralph Davis: He was a professor of management in an American University. He classified the basic functions of management as planning, organising and controlling. He thought that the functions of commanding and coordinating were only phases of the control function.

Chester Barnard: Chester Barnard President of New Jersey Bell Telephone Company for several years, influenced the ideas of several management theorists. He identified the essential managerial functions as : (a) formulating and defining the purposes of the organisation and the activities to be carried out to achieve the purposes, (b) establishing and maintaining a formal and informal communication system which connects all the units of the organisation, and (c) employing personnel and securing best efforts and contributions from them through a system of inducements and incentives.

Thus, Barnard's formulation and classification of the functions of management were somewhat new and did not conform to Fayol's framework. He laid primary emphasis on communication and motivation as key managerial functions.

Other Classifications: Several other writers belonging to the management process school have also offered their own classification of management functions. We may not examine their classifications in depth but note the following features common to all:

- 1 The functions of planning, organising and control are invariably included in all the classifications.
- 2 A few writers have emphasised staffing and directing as important functions.
- 3 Decision-making and communication are viewed as integral to all functions of management rather than separate functions. However, decision-making is associated more with planning, while communication is associated more with the directing function than with other functions in general.
- 4 Motivation, innovation, representation and influence, though identified as key functions by a few authors are not generally regarded as separate functions. They are rather regarded as sub-functions of some main functions:

An outline of management functions

It is clear from the above that there is a wide measure of agreement among scholars of planning, organising, staffing, directing and controlling as the basic functions of management. All these functions have been explained in depth in the units that follow. For the present, we may get a bird's eye view of these functions.

Planning: Planning is the process of determining the organisational objectives and the formulation of policies and programmes for achieving them. Planning is future-oriented and is concerned with charting out the desired future direction of organisational activities. Forecasting is one of the important elements in the planning process.

Organising: Organising refers to the formal grouping of people and activities to facilitate achievement of the firms objectives, Organising involves (1) determining the activities required to achieve goals, (2) grouping of these activities into departments or sections, (3) assignment of such groups of activities to a manager, (4) delegation of authority to carry them out and (5) provision for coordination of activities, authority, and information horizontally and vertically in the organisation structure.

Staffing: Staffing is the process of determining the manpower requirements of the organisation and recruiting persons for both managerial and non-managerial positions. This involves steps such as inviting applications, selection, training and so on. It involves the task of matching jobs and people fitting the right person to the right job and of developing the human resources of the organisation.

Directing: Directing is the process of activating the plans and group efforts in the desired direction. It is concerned with the implementation of plans and programmes on the basis of individual and group efforts of managers, employees and workers. It involves leadership, supervision, communication and motivation, for achieving the goals of the organisation.

Controlling: It is the process of checking, measuring and regulating the on-going activities of the organisation to ensure that they are in conformity with the pre-determined plans and produce the planned results. Though we have outlined the functions of management separately for analytical understanding, they should be viewed in their totality. As stated earlier, the process of management begins with making decisions on organisational objectives and the plans of action, to achieve them. The plans provide a basis for the proper arrangement of organisational activities and authority relations around specific job positions which have to be filled by the right type of persons. At every organisation level, managers and supervisors assign tasks to their subordinates, supervise and guide their job behaviour and performance. Control of operations and performance is ensured by setting standards which are derived from objectives, and by establishing mechanisms for checking and correcting deviations from planned results.

Integration of various functions and sub-functions of management takes place through regular communication channels which carry reports on progress and problems with regard to on-going operations. Often, managers in charge of operations of various levels get signals which prompt them to redefine goals, restructure tasks, reassign responsibilities, reconsider commitments, reallocate resources, reschedule operations and so on. The focus is always on achievement of objectives in an efficient and effective manner. In many cases, even objectives may have to be modified in tune with operational and environmental realities. Thus the process of management and the functions that constitute it are dynamic in nature.

Check Your Progress A

- 1 Are the following statements true or false?
 - i) The functions of **management** are different from the functions of the organisation.
 - ii) The **first** function of managers is to exercise their authority over their subordinates.
 - iii) **Management** process provides the framework for the functions of managers.
 - iv) Management process is a systems concept.
 - v) Managers **perform** one function at a time.
 - vi) Process of management is not common for every organisation.

- 2 Among the alternatives, tick the one that best answers the question.
 - i) What is the basic function of managers?
 - a) Planning
 - b) Control
 - c) Leadership
 - d) Coordination
 - e) All the above

 - ii) What is the meaning of 'universal validity' of management functions?
 - a) Managers everywhere perform the same functions
 - b) Management functions **are** taught in several university courses on management
 - c) Management functions are applicable for a given set **of** management situations
 - d) Management scholars universally agree on the functions of managers

 - iii) Why is the job of **managing** divided into certain functions?
 - a) It simplified the job of managing
 - b) Managers do so in order to concentrate on one function at a **time**
 - c) The division helps in analysis of what managers do in practice
 - d) It helps in **formulation** of principles of management

 - iv) One of the basic philosophies of management process school is:
 - a) Management process is made up of a series of functions
 - b) Management process is universally applicable
 - c) Management is a scientific activity
 - d) There should **be** more and more schools of **management**

 - v) The chief contribution of Henri **Fayol** to management is:
 - a) He provided a **conceptual** framework to the job of managing
 - b) He formulated the **management** process approach
 - c) He evolved several principles of management
 - d) He stressed the need for management education based on management functions and principles

 - vi) Why is coordination not considered as one of the functions of managers?
 - a) It is not considered as an important function
 - b) It is the essence of all managerial functions
 - c) It is an administrative function
 - d) **It** is a process, not a function

3.3 PRINCIPLES OF MANAGEMENT

The word 'principle' refers to a **fundamental truth** or proposition which **may** establish **cause and effect** relation and **also serve as a guide** to thinking or action. Thus, **principles**

3.3.1 Meaning and Nature

- Management principles may be defined as fundamental truths of general validity which are helpful in predicting and understanding the results of managerial actions. The principles have been derived mainly from the experience of managers in different fields of economic activity. They are intended to improve the practice of management by providing guidelines for managerial actions in the management process. Principles, thus, become the pillars of management as a scientific process. However, principles are not rigid or absolute truths like rules and laws. They are flexible guides to managerial actions. That is why, while applying any principle, due allowance must be made for different and changing circumstances, for human beings who are also different and changeable, as well as for other variable factors. Indeed the same principle is seldom applied twice in exactly the same way. The principles are **flexible** and can be **adapted** to meet every need.

3.3.2 Characteristics

The understanding of management Principles will be more clear by examining their characteristics which **are** as follows :

- 1 Management principles are derived from an analysis of management functions and processes. They are meant to smoothen the management process and make management practice more **harmonious**.
- 2 There are basically two categories of management principles descriptive and normative. Descriptive principles attempt to explain and predict the behaviour of organisational members and managerial decisions and their relationship. They promote understanding of the body of knowledge relevant to management apart from furthering the body of knowledge itself. Normative principles attempt to prescribe and evaluate the behaviour of the members of the organisation and management. They prescribe 'what ought to be', what is good, right and desirable. They may also take the form of policy recommendations on **administrative** action. Normative principles specify what one should do to improve things in some way.
- 3 Management principles as they are **known** today, have their origin in classical times. Classical principles are those which have been formulated by early management writers and practitioners such as Frederick Taylor, Henri **Fayol**, James Mooney & Alan Reiley, and so on, in the early decades of this century and which have been elaborated and refined by subsequent management scholars.
- 4 Classical management principles are 'pre-scientific' in the sense that they were generalisations evolved by way of rational thinking and logical deduction from personal insights and experiences. Such principles were not tested in practice and substantiated before they were claimed as generalisations. **There** is not much experimental evidence and support for such generalisations. Classical management principles were products of experience, rich imagination and deep thinking of early management writers.

On the other hand, scientific principles are those which are evolved by application of the scientific method consisting of the following steps :

- i) Clear identification and definition of the problem, needing solution.
- ii) Investigation of facts and literature bearing on **the** problem.
- iii) Formulation of hypotheses which are in the nature of tentative possible solutions to the problem.
- iv) Collection of relevant data.
- v) **Analysis** of data and testing of hypotheses.
- vi) **Formulation** of conclusions on the basis of validation or otherwise of **hypotheses**.

If similar conclusions are 'replicated' **i.e.**, repeated in research studies on the same problem elsewhere, then they gain **general** acceptability and are regarded as scientific principles and generalisations.

For example, in studying the practice of unity of command, it is not sufficient to

observe the consequence of the practice in one or two organisations. Research studies have to be conducted in an adequate Sample of organisations at different points of time, to permit generalisation.

Attributes of Sound Principles of Management

A sound principle of management is one which has the following attributes :

- 1 It should be simple and should have a clear meaning understandable to all in the same sense.
- 2 It should be internally consistent. The various elements of the principles and the assumptions behind it should have coverage towards its intent.
- 3 It should be capable of being empirically tested and should have empirical research support on an enduring basis.
- 4 It should serve as a tool for adequate and complete understanding of the phenomena covered by it.
- 5 It should be helpful as a practical guide to effective management practice.
- 6 It should become an integral element of management theory and should aid the process of further theory building in management.

3.3.3 Need for Management Principles

Principles of management derive their justification from their purpose and the importance they enjoy in the world of management. The main purpose of principles of management is to make available useful elements of a systematic theory of management with a view to improve management practice, as also teaching, training and research in management. The need for management principles arises from this main purpose. Management principles provide a means of **organising** knowledge and experience in management. They help in improving the art of management by suggesting how **things** should be done to get good results in an efficient manner.

Principles simplify management practice by explaining the central aspects of managerial activities, by suggesting working rules about managerial functions and by **providing** yard-sticks of desirable behaviour. They help managers in getting away from guess work, trial and error, hit-or-miss method of doing things, Management principles not only bring out and clarify the underlying facts and factors of any situation, but also help in predicting the likely outcomes; of a particular course of action, behaviour or event. Because of their explanatory and predictive value, management principles serve as flexible, suggestive and practical guidelines for managerial thinking, decision-making and action. Knowledge of principles is helpful in encouraging managers to develop an objective and mature approach to planning, problem solving and decision-making.

Managers may not and need not blindly follow management principles as gospel truths, but use them to reinforce their intuition and experience.

Further, management principles and the related concepts provide managers with an excellent vocabulary to communicate with one another as also with academicians and consultants on organisation matters. That way, they can sharpen their ideas and experience by processes of interaction and exchange. The gulf between theory and practice **will thereby** further narrow down.

Management principles, to the extent they form part of management theory, are useful for spreading knowledge of management through teaching. In several schools of management and university departments of management all over the world, the teaching of management principles **continues to be an** integral part of management education.

Training programmes for managers at supervisory and other levels cannot leave out principles of management from their courses. The tasks of managers are split out by reference to management processes and principles.

The network of **management principles represent** a key area for **conducting** research studies — whether pure or applied. **For example**, several research studies focus on **identifying** the conditions under **which** specific management principles would become **applicable** and effective. Similarly, **the degree of empirical** support for several classical **management principles** continues to **be** the subject matter of research.

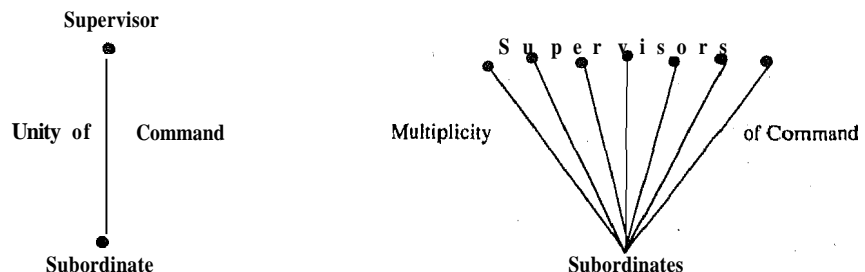
3.3.4 Contributions to Principles of Management

As you know, principles are the guidelines necessary for the successful and effective functioning of any organisation. A number of management thinkers have formulated various management principles which are given below.

Henry Fayol: He listed a number of principles of management based on his vast and rich experience. He stated that he followed them with success in his long career as the chief executive of a French mining combine. Let us briefly study Fayol's principles of management given below.

- 1 Division of work : In any organised situation, work should be divided into compact jobs to be assigned to individuals. This applies to managerial work and non-managerial work. Division of labour facilitates specialisation and improves efficiency, if, it is done within reasonable limits.
- 2 Authority and responsibility : The authority of a manager, i.e., his official right to manage people and things, should go hand in hand with the responsibility for effective results. In other words, there should be a parity or balance between authority and responsibility vested in a managerial position.
- 3 Discipline : Discipline defined as observance of diligence and respect, should be enforced throughout the organisation by managers as leaders of their work groups. Fayol declares that discipline requires good superiors at all levels. Fayol emphasised the need for discipline among the personnel for the smooth running of organisations and advocated penalties to prevent its violation.
- 4 Unity of command : This principle specifies that a subordinate in an organisation should be under the direct supervision of a single superior from whom he gets instructions and to whom he is accountable. In other words, every employee should have only one boss, otherwise, conflict and confusion in authority and instructions would result. Figure 3 depicts unity and multiplicity of command and subordinate relationships.

Figure 3: Unity and Multiplicity of Command



- 5 Unity of direction : According to this principle, a set of activities having the same objective should be under the direction of a single manager. Similarly, there should be only one plan of action for such a set of activities since the objective is the same. This principle promotes smooth coordination of activities, efforts and resources,
- 6 Subordination of individual interest to central interest : The collective good and common interests of the organisation should prevail over the narrow sectional and self interest of its members. Individual interests of members of an organisation must be subordinated to the over all interests of the organisation. It means the selfish attitude of an individual should be surrendered if it affects the interest of the enterprise. This is essential for the welfare of the organisation and its members,
- 7 Remuneration of personnel : Remuneration and the methods of payment in an organisation should be fair. It should bring about high productivity for the organisation and satisfaction for the personnel.
- 8 Centralisation : Centralisation of authority refers to relative concentration of much authority in a manager at any managerial level but especially at the top managerial level. Decentralisation of authority refers to relative dispersal or devolution of authority among the various managerial levels and especially among the lower managerial levels to facilitate operational decision-making. There should be a proper combination and balance between centralisation and decentralisation in an organisation based on a consideration of several internal and external factors.

- 9 **Hierarchy or scalar chain of command** : Scalar chain implies authority relationships from the top to the lowest echelons of organisation. Authority relationships said to be scalar when subordinates report to their immediate superiors and when their superiors report directly, as subordinates, to their superiors (i.e. in 'scales'). In other words, the chain of command that runs from the top of an organisation to its lowest ranks — is called scalar chain of command.
- 10 **Order** : Order refers to a systematic arrangement of materials and placement of people in the organisation. In 'material order' everything should be in its proper place and there should be a place for everything. For 'social order' there should be a place assigned to each employee, and each employee should be in the place assigned.
- 11 **Equity** : Equity in this context refers to fair treatment to all workers in an organisation. Fair treatment involves kindness and justice on the part of superiors which motivates the workers to perform their duties. On the other hand, it promotes a friendly atmosphere between superiors and subordinates.
- 12 **Stability of tenure of personnel** : Organisations should make efforts to achieve relative stability and continuity of tenure of their personnel. This could be achieved by attractive remuneration and honourable treatment of personnel. Stability and continuity of personnel promote team work, loyalty and economy.
- 13 **Initiative** : An organisation should encourage desire initiative among its managers and employees by extending opportunities and freedom to contribute their best.
- 14 **Esprit de corps** : This is the principle that 'in union there is a strength', or 'team spirit'. The principle stresses the need for team spirit, cordial relations and cooperation among the personnel.

Frederick Taylor: At about the same time that Fayol formulated his principles in France, Frederick Taylor enunciated his well known principles of scientific management in the USA which you have studied in Unit 2. Taylor asserted that management was a science governed by certain principles, laws and rules, just like other sciences. In his writings, Taylor set forth several ideas, prescriptions and principles for improvement of efficiency of managers and workers. The more significant of his principles of scientific management are :

- 1 The work to be done by workers should be carefully observed, analysed and measured in a scientific manner in order to develop the one best and most efficient way of doing such work.
- 2 Workers should be scientifically selected, trained and fitted into the pre-designed jobs.
- 3 Managers and supervisors should assume the responsibility for designing jobs including methods and tools, for assigning work and for enforcing performance requirements over workers. The role of workers should be restricted to perform the assigned work in the prescribed manner.
- 4 There should be utmost cooperation and understanding between managers and workers so as to enable both the groups to perform their respective roles efficiently.
- 5 Managers should economise their time and energy by concerning themselves only with exceptional deviations from prescribed standards of behaviour and performance, on the part of their subordinates. This is the 'exception principle'.

Mooney and Reiley : James Mooney was a senior executive in the General Motors company, USA, while Alan Reiley was associated with the Remington Company, USA. They were greatly interested in promoting management theory and in strengthening management practice. To this end, they wrote a book titled 'Onward Industry' in 1931, later revised and retitled 'Principles of Organisation' which was a notable contribution to the early management theory.

Mooney and Reiley held the view that organisation and management should be based on sound principles. In their view, principles were fundamental truths which were universally applicable to all organised human effort. The three fundamental principles developed by Mooney and Reiley are explained below :

- 1 **Principle of coordination** : 'Coordination' refers to the orderly arrangement of group effort to provide unity of action in the pursuit of a common objective. Coordination is the essence of all organised effort and is the supreme artificial,

superficial and deceptive principle of organisation, from which all other principles flow. Authority is the basis of coordination, and is the supreme coordinating power.

- 2 The principle of scalar process : Coordination of organised group effort is brought about through the scalar process, which refers to the chain of delegated authority that runs from the top management through the successive lower levels of management. It is through the scalar process that an integrated authority structure, also known as management hierarchy, is created as a means of facilitating coordination of organisational decisions and activities.
- 3 Principle of functional effect or functional principle : An end result of coordination through the scalar process is correlation of tasks or functions delegated and assigned to managers and others in various departments. The division of functions into specialised and compact work unit and jobs should be followed up by correlation and integration of such functions to bring about unity of action.

Lyndall Urwick : He was another early management thinker who made an attempt to provide a logical classification scheme to the concepts and principles of Frederick Taylor. **Henri Fayol**, James Mooney, Alan Reiley and others. He integrated and refined the theoretical ideas of classical management writers in a clear and cogent manner.

Through his writings, Urwick popularised several concepts and principles of management. They include: Span of control, unit of command, delegation of authority, departmentalisation, and so on.

Mary Parker Follet : She was an eminent social and political philosopher. She focused her attention on coordination and evolved a few principles on the process as follows.

- 1 Principle of direct contact : In any coordination attempt, managers and others involved in tasks should get in touch with each other directly, by ignoring the managerial hierarchy in order to avoid long and time consuming communication channels.
- 2 Principle of coordination in early stages : Coordination to be successful, should be started in the early stages of work flow and by followed through. In other words, managers and others at lower levels should be allowed to participate in the process of coordination right from the beginning of an activity.
- 3 Principle of reciprocal relation of all factors : An organisation is an inter-locking system of goals, activities, roles and relationships. The parts of the organisation are closely related to each other. The essence of coordination is to integrate the diverse activities, skills, attitudes and efforts of organisational members into a harmonious whole.
- 4 Principle of continuous process of coordination : Coordination is neither a one-time drive nor a periodic campaign. Managers have to be ever alert in conducting the on-going orchestra of organisational action. They have to tackle new situations by reference to their example, precedents and principles in a flexible and dynamic manner.
- 5 Principle of situational authority : Follet stresses the need for a correct understanding of the purpose of authority in organisations. According to her, the purpose of authority is not to gain domination by some persons over others. The purpose of authority is to bring about integration and harmony in the functioning of the organisation. Authority is vested in managers to handle a variety of situations as they emerge. Each situation determines and dictates what is to be done and how. Follet terms this as the 'law of the situation' where the ultimate authority rests. Managers and others should take orders from the situation and not from one another.

3.35 Limitations of Management Principles

A large number of modern management theorists and practitioners held the view that management principles suffer from several limitations. An extremist section among them totally reject the principles of management and the 'principles approach' by branding them as totally useless, misleading and harmful. Let us outline the limitations of principles of management which are generally high-lighted in the management literature.

- 1 Doubt the relevance and validity of early management: Most of the principles were evolved during the early decades of this cent when organisations were relatively simple and operated under relatively stable conditions. Naturally, the principles

reflected the simplicity and stability of their times. Over the years and decades since then, organisations and their environments have become enormously complex, due to rapid changes in technology, and economic, social, cultural and other conditions. Serious doubts are raised on the relevance and validity of such management principles to complex modern organisations operating in the presentday changed environment. Some modern theorists favour suitable modification of principles of management to suit the present conditions while others advocate their total replacement by more appropriate principles.

- 2 **Ignored the open systems of organisation:** An examination of classical management principles gives the impression that the organisations are closed systems, do not interact with the outside environment and are not affected by the events and changes. Classical authors made such assumptions to simplify their task of formulation of principles of management. In reality, organisations are relatively open systems, they are creatures of their environment and are significantly influenced by it. This was much true during the classical management era as it is now. To the extent that the classical management principles ignored the open systems nature of organisations, they are open to the charge of being unrealistic.
- 3 **Little scientific base and empirical evidence:** Management principles have little scientific base and empirical support. The early management thinkers and practitioners were not researchers. They did not adopt scientific research methods of investigation, experimentation, testing and validation of propositions for framing the principles of management out of them.
- 4 **Lack of logical framework:** Except perhaps **Urwick**, the other early management writers did not try to form logical network so as to permit an understanding of their inter-relations. Management principles remained largely disjointed, devoid of a cogent framework.
- 5 **Believe in machine model of organisations and management:** The early management writers who evolved the classical management principles believed in the machine model of organisations and their management. Their world view in this regard may be summarised as follows : organisations and their management were or should be precise, perfect, flawless, rational, orderly and disciplined. Their management principles reflected this normative and idealistic word-view, far removed from the harsh realities of the world down to earth. When idealistic, principles are applied to real-world organisations, distortions are bound to emerge. The applied principles get overly diluted. Their precision and perfection turn out to be artificial, superficial and deceptive. For example, the principle of unity of command is almost universally applied in organisations but at the same time it is almost universally violated in practice.
- 6 **Over biased in favour of elite groups :**The classical management principles were overly biased in favour of the values and orientations of the elite ownership and management groups in charge of organisations. Management principles were designed basically to promote the goals and interests of the above groups. The common theme that runs through all management principles was : organisational efficiency, high productivity, coordination and control. All these were to be ensured by division of labour, hierarchical authority, unilaterally set standards of performance and rules of behaviour strict personal accountability for results and so on. The interests, values and goals of other groups, especially employees and workers, did not find much place in management principles.

Formulated under certain assumptions : It is also contended that management principles seldom take into account the complex nature of human behaviour in organisations. The behaviour of people—managers, employees and workers in organisations, is a vital factor which influences organisational performance and behaviour. Human behaviour in organisations cannot be taken for granted. People have multiple needs, perceptions and orientations. They are also variable and their attitudes towards their jobs and the organisation are influenced by several factors within and outside the organisation. But the classical management principles were formulated under certain assumptions as for example that cooperation in achieving organisational goals can be elicited from all employees through a combination of economic incentives and penalties; that the interest and needs of all employees could not be different from those of the organisation; that all employees could be easily

fitted into predesigned jobs; and that they can be subjugated by exercise of managerial **authority**.

These and other assumptions of **classical** management principles are questioned by modern behavioural scientists.

- 8 **Misguiding people** : Some of the management principles have a prescriptive flavour : they prescribe the one best way of doing things, foreclosing the other and **better** ways of doing things. They give an impression of being 'ultimated' and 'absolutes'. People tend to be misguided into the notion that an uncritical acceptance and adoption of management principles is the only guarantee of success in management.
- 9 **Too many principles chase too few real ideas** : Some management principles sound like precepts, proverbs and platitudes; other principles are pompous declarations, pious wishes and self-righteous sermons. Too many management principles chase too few real ideas. Principles are also regarded as just the personal opinions and biases of those who **formulated** them. In a sense, all these descriptions of management principles may also be regarded as their limitations.

Herbert Simon was critical of early management principles. In his view, almost for every principle, one can find an equally convincing opposite principle, thereby leading to confusion on what is the proper principle to apply under what conditions. Thus, the limitations of management principles may leave the students wonder whether **principles** do make any sense at all. A more mature modern management view is that it would be unwise to dismiss classical management principles out of hand. Their continued vitality and validity have to be recognised along with their limitations and minus points. Several principles have proved their flexibility in application while others have proved their amenability for modification. There is scope for refining the principles further so as to make them more understandable, meaningful and acceptable.

3.3.6 Are Management Principles Universally Valid?

One of the recurring **themes** of classical management authors was that the principles formulated by them were universally valid. The universality doctrine means that management **principles**, are good enough to be adopted and applied by all types of organisations operating anywhere in the world, no matter how different they are **from** one another and **how** different their operating environments are.

You may recall that the same claim of universal validity was made with regard to 'management process' discussed earlier. We did examine and critically analyse the doctrine in the context of management process. The analysis holds good in the 'case of management principles also. However, we may look into a few more arguments in support of **the** notion of universality of management principles. **First**, classical management principles were claimed to be 'fundamental truths'. Just like all timeless and ageless, fundamental truths in sciences, in management also, principles are universally valid. **Second** organisations all over the world are alike with regard to their purpose, namely to make available goods and/or services needed by society. Since management principles are meant to improve the ability of organisations to achieve the purpose well, they serve as a common denominator for all organisation. **Third**, management principles are flexible enough to fit into any type of organisation operative in **any** situation. Also, the supreme rationality and practical utility of management **principles** make organisations all over the world to rely on them for designing their **structures** and processes. According to this argument, the over-riding factors which **determine** the applicability of management principles to all organisations are the rationality and pragmatic value of principles, and not the diversity and complexity of organisations and their cultural settings. Fourth, managers who are thoroughly trained in the principles and theory of management and who have even otherwise acquired a range of management skills through experience have no problem in adapting the **universal/** principles of management to any type of organisation and situation. **Finally**, it is quite possible that some **management** principles would not be applicable to some organisations in some situations. They are only exceptions which prove the universal nature of management principles.

In support of the universal **doctrine**, it is stated that a vast majority of organisations all over the world, rich and poor, west and east, capitalistic and socialistic have been designed according to **classical** management principles. It is also stated that even the newest and most modern organisations look to **classical** management principles to design

their structures, systems and processes. They are invariably designed by reference to such principles as hierarchical authority (scalar chain of command), centralisation and decentralisation, delegation of authority, span of control, functional differentiation, and so on.

However, there is no universal support to the doctrine. The opponents of the doctrine quote, even Fayol, who was the pioneer thinker on the management process and principles and their universality, to buttress their arguments. Fayol stated "For preference I shall adopt the term principle while dissociating it from any suggestion of rigidity, for there is nothing rigid or absolute in management affairs; it is all question of proportion. Allowance must be made for different and changing circumstances. Management principles have limited validity for a particular set of conditions. They break down and lose their relevance under a different set of conditions. It is further argued that organisational and management situations are too dynamic and complex to be tackled with 'pre-cooked' principles.

Check Your Progress B

- 1 Are the following statements True or False?
 - i) Principles of management are scientifically derived.
 - ii) Classical management principles are still applicable to even modern organisations.
 - iii) Management principles are gospel truths.
 - iv) Unity of command implies every employee should have more than one boss.
 - v) Unity of direction implies a set of activities having the same objective under the direction of a single manager.
 - vi) Centralisation refers dispersal of authority among various levels.
- 2 Tick the choice that best answers each question.
 - i) What was the source of classical management principles?
 - a) Scientific research and analysis
 - b) Experience and observation of management scholars and practitioners
 - c) Ancient wisdom of philosophers
 - d) Wishful thinking and willful speculation
 - ii) In what way are management functions and principles related to each other?
 - a) Principles, considered as a whole, make up the management functions
 - b) Management functions are derived from management principles
 - c) Management principles are derived from management functions
 - d) Both are derived from management theory
 - iii) Why are principles of management called 'Classical Principles'?
 - a) They are classified into different categories
 - b) They are very old and out-dated
 - c) They are taken out from management classics
 - d) They were formulated during the early stages of development of management as a distinct theory
 - iv) What was the main aim of management scholars in formulating management principles?
 - a) To provide practical guidance to managers in their job
 - b) to make managers more principled in their behaviour
 - c) to improve the functioning of business enterprises
 - d) to gain name and fame for themselves
 - v) Why do principles of management generally focus on the internal working of the organisation?
 - a) The internal working of the organisation is familiar to managers
 - b) The external environment of the organisation is stable and predictable

- c) It simplifies the task of formulation and application of principles
- d) Organisations are closed systems
- i) Management principles are often defined as fundamental truths in the sense that:
 - a) They are meant to be faithfully observed
 - b) They are ethically sound
 - c) They reflect the realities of management
 - d) They are universally true

3.4 LET US SUM UP

Management is a **process** consisting of **certain** interrelated functions or activities. They relate to, for example, planning, **organising**, staffing, directing and controlling. They describe the job of managing. The functions of management considered as a whole, make up the management process.

The process of management has certain important features. Management process is purposeful, integrated, and continuous and is also sequential. It is a transaction process which converts certain inputs into outputs, apart from providing an analytical framework for studying, understanding and improving the job of managing. The process is rooted in the practice of management.

The idea that management is a process of performing certain interrelated functions has been developed into a major approach or school of management theory. Fathered by Henri Fayol and nursed by subsequent proponents and theorists, the approach is claimed to be highly pragmatic, flexible, adaptive and universally valid.

There are different alternative classification schemes with regard to managerial functions. Henri Fayol who pioneered the functional classification of the job of managing identified the managerial functions as planning, organisation, command, coordination and control. Several other management theorists and scholars have subsequently modified and refined Fayol's scheme in their own way. However, there has been some consensus among text book writers in management about the functional classification scheme of managing, organising, staffing, directing and controlling.

Principles of management are generally derived from observation and analysis of behaviour of relevant variables of organisations and management. Most of the management principles were formulated by classical management scholars like Henri Fayol, Frederick Taylor, James Mooney and Alan Reiley and so on. They were not based on empirical research but were drawn from experience and observation of theorists, some of whom were also managers. They were both descriptive and prescriptive in nature. Most of the classical principles serve as general guidelines to managers in their practice, apart from acting theory building, teaching and research in management. Also most of the classical principles such as delegation of **authority**, unit of command, scalar chain of command, division of labour and so on, are widely followed in designing organisational structures and management systems in spite of their several limitations.

3.5 KEY WORDS

Authority: Power to give orders and make sure that these orders are obeyed.

Authority Parity with Responsibility: Since authority is the discretionary power to carry out assignments and responsibility is the obligation of a delegatee to accomplish these activities, it logically follows that responsibility for action should not be greater than authority delegated, nor should it be less.

Centralisation: The point or level where all decision-making authority is concentrated.

Controlling: Measuring and correcting **performance** of activities of **subordinates** to assure that events conform to plans.

Coordination: Achieving harmony of individual and group efforts toward the accomplishment of group purposes and objectives.

Decentralisation: Disposal of decision-making power to the lower levels of the organisation.

Decision Making: The selection from among alternatives of a course of an action; a rational selection of a course of action.

Delegation of Authority: Assignment of requisite authority to others in order to carry out certain assignments.

Leadership: The art or process of influencing people of their activities towards the accomplishment of group goals.

Motivation: Desire or feeling within an individual which prompts him to action,

Responsibility: An obligation of an individual to perform certain activity which are assigned to him.

Organising: Formal grouping of people and activities to facilitate achievement of the firm's objectives.

Organisational Objectives: Goals which the organisation seek to achieve by its existence and operations.

Planning: Deciding in advance what actions to take and where and how to take them.

Principles: Fundamental truths, or what are believed to be truths at a given time, explaining relationships between two or more sets of variables, usually an independent variable and a dependent variable; may be descriptive, explaining what will happen, or prescriptive (or **normative**), indicating what a person should do. In the latter case, principles reflect some scale of values, such as efficiency and therefore, imply value judgements.

Staffing: Filling positions in the organisation structure through identifying work-force requirements.

Unity of Command: Every subordinate should have only one superior to report. Thus, the principle implies that the more an individual reports to a single superior, the less the problem of conflict.

Unity of Direction: Implies that there should be one head and one plan for a group of activities having the same objective.

Universality of Management: Essential or basic management science, theory, principles, and concepts are applicable to any culture even though applications in practice may vary depending on cultural differences, contingencies, or situations.

Scalar Chain of Command: Implies authority relationships from the top to the lowest echelons of the organisation. It contains chain of superiors who act as the link for the purpose of communication in both directions.

Span of Control or Management: Limit to the number of persons a manager can supervise effectively.

3.6 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress A

- 1 i) True ii) False iii) True iv) True v) False vi) False
2 i) d ii) a iii) c iv) b v) a vi) b

Check Your Progress B

- 1 i) False ii) True iii) False iv) False v) True vi) False
2 i) b ii) c iii) d iv) a v) c vi) d

3.7 TERMINAL QUESTIONS

- 1 Define the concept of management process and **discuss** its key features.,
- 2 'Management is a social and dynamic process'. Comment.
- 3 What is the distinction between 'management process' and 'management process approach'?

- 4 Management Principles focus on the one best way of doing things and are prescriptive'. Do you agree? Give reasons.
- 5 Explain the need for principles of management.
- 6 What is the relationship between Fayol's administrative management theory and the management process approach?
- 7 What in your opinion is the proper classification of functions of managers? Briefly explain the functions of your choice.
- 8 **Are** principles of management fundamental and universal truths? Why or why not?
- 9 Do you think that Taylor's principles of scientific management are more scientific than Fayol's principles? Discuss.
- 10 'Management process explains how managers should manage and not how managers do in fact manage'. Do you **agree?** Why?
- 11 The functions of managers of a small soft drink bottling company differ from the functions of managers of a large steel manufacturing company. Discuss.
- 12 What is the significance of principles of coordination evolved by Mary Parker Follet?
- 13 'The art of management consists in applying the process and principles of management in practice'. Explain.

Note: These questions will help you to understand the unit better. Try to write answers for **them**. But do not send your answers to the University. These are for your practice only.

SOME USEFUL BOOKS

- Bhushan Y.K.** 1987. *Fundamentals of Business Organisations and Management*. Sultan Chand & Sons, New Delhi. (Chapters 1 and 2 Volume Two)
- Koontz Harold**, et. al., 1980. *Management*, McGraw Hill International Book Co. New Delhi. (Chapters 1 to 3)
- Rao, V.S.P.** and P.S. Narayana.. 1987. *Principles and Practice of Management*, Konark Publishers, New Delhi (Chapters 1 to 5)
- Singh B.P.** and T.N. Chhabra, 1988. *Business Organisation and Management*, Kitab Mahal: Allahabad. (Chapters 1, 2, 4, 5)
- Stoner James A.** and Wankel Charles, 1986. *Management*. Prentice Hall of India, New Delhi. (Chapters 1,2) .

UNIT 4 FUNDAMENTALS OF PLANNING

Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 What is Planning?
- 4.3 Nature and Characteristics of Planning
- 4.4 Importance of Planning
- 4.5 Limitations of Planning
- 4.6 The Process of Planning
- 4.7 Forecasting as an Element of Planning
- 4.8 Types of Planning
- 4.9 Principles of Planning
- 4.10 Let Us Sum Up
- 4.11 Key Words
- 4.12 Answers to Check Your Progress
- 4.13 Terminal Questions

4.8 OBJECTIVES

After studying this unit, you should be able to:

- **explain** the meaning, nature and importance of the managerial function of Planning
- gain familiarity with the various steps of the Planning process
- describe the major types of Planning — such as Strategic Planning, Tactical Planning, Long-range Planning and Short-range Planning
- enumerate and explain the principles on which Planning is based.

4.1 INTRODUCTION

In Unit 3, you have been acquainted with the process of management and the functions of managers, as also the various principles derived from the functions. You have also learnt that Planning is one of the critical functions of managers, which is closely related to the other functions. Indeed planning is always recognised as a **key** function of managers at all levels in the organisation. Of late, there has been a vigorous surge of interest in planning all over the world — especially corporate, long-range and strategic planning.

In this unit, you will learn the fundamentals of planning — its meaning, nature, **characteristics**, importance and limitations. You will also learn the elements and steps in the planning process, and the role of forecasting in planning. **You will** further learn the concepts of strategic planning, tactical planning, long-range planning, short-range planning and the essential principles of planning.

4.2 WHAT IS PLANNING?

Most of us are fairly familiar with the meaning of 'Planning' in our everyday life. We do often decide in advance about the things to be done on a busy working day. Parents make advance decisions on the education of their **children**. **As** students, you may think in advance how to go ahead with the preparation for your examination, **how** to make use of your time in the best possible **manner** and so on. Laymen understand planning as some **systematic** way of deciding about and doing things in a purposeful manner.

However, in the context of **formal** organisations and their management, the concept of planning has a specific connotation. **It** means deciding in advance what is to be done in the future for a specific period and then **taking** the necessary steps to do the things decided upon. It means looking ahead into the future and trying to anticipate what it is

likely to be, how it will affect the organisation, what direction the organisation should take, and how to cope with the future events. Planning also implies **determination** of courses of action from among alternatives to achieve the goals of the organisation, both in the immediate future and in the long run. The very notion of planning brings to mind such images as neat, orderly and disciplined approach to work, goal-oriented behaviour, thinking about and arranging things in advance, careful allocation of scarce resources, and so on. In short, planning may be defined as the process of setting future objectives and deciding on the ways and means of achieving them.

4.3 NATURE AND CHARACTERISTICS OF PLANNING

The managerial function of planning has certain unique characteristics of its own, which distinguish it from the other managerial functions. It also shares a few characteristics with other **managerial functions**. All the characteristics together reflect the nature of the planning function. They are discussed as below:

- i) **Primacy of planning:** Planning precedes all other managerial functions. The process of management begins with planning. Planning provides the basis for the subsequent functions of organising, staffing, directing and controlling, though all the functions are highly interrelated: and are equally important. Planning is the prime function from which the other functions get the necessary base.
- ii) **Planning as a process:** Planning is a process involving a few stages or steps. It is a sub-process of the process of management. The planning process begins with identification of mission and goals of the organisation and ends with making **arrangements** for implementation of plans.

- iii) **Pervasiveness** of planning: Planning is a pervasive function of managers at all levels of the **managerial hierarchy**, right from the chief executive down to the first **line supervisor**. However, the content and quality of the function differ from level to level. The time devoted to planning also differs. Typically, the chief executive and other top level managers concentrate on corporate-wide **planning function**. Their decisions on planning have far-reaching effects on the organisation. Managers at **middle** and lower levels have more limited planning functions.

Planning is also pervasive across the **various organisational functional areas**. In a manufacturing enterprise, for example, we come across such planning activities as production planning, materials requirements planning, manpower planning, financial planning, and so on.

- iv) **Future orientation:** Planning is invariably future-oriented. Henri Fayol defined planning as the process of looking ahead (thinking ahead) and making provision to tackle future events and situations. The **concern** for future makes sense to the extent that planning is intended to cope with **uncertainties** and unknowns which unfold themselves as one marches into the future.

It is needless to state that planning **cannot** be anything other than future-oriented; one does not plan for the past and the present. Of course, while planning for the future, managers consider the relevant events and situations of the past and the present within and outside the organisation.

- v) **Information base:** Planning is backed by information. Without information, planning exists in a vacuum. Information on the past trends, current conditions and future possibilities are essential for planning. Information is needed to diagnose planning issues and **problems**, to develop alternative courses of action, to evaluate them and to make final choice of plans.
- vi) **Rationality:** Planning is a rational managerial activity. It implies that planning is a purposeful and conscious managerial function. It is backed by adequate information, knowledge and understanding. Managers who are planners are somewhat objective and unemotional in their approach to planning. They have a reasonably clear idea of the planning **issues and know** how to tackle them. **They** make planning decisions with some awareness of their consequences.
- vii) **Formal and informal nature:** Planning has both formal and informal elements. **Formal planning** refers to a systematic and rigorous process of arriving at planning

decisions through investigation and analysis of the various factors. Formal planning is more explicit, and open ; responsibility for various aspects of planning is pinpointed **among** managers. Plans are put into writing and are communicated through the organisational channels of communication to the various **managerial** levels.

Informal planning is done by managers through an intuitive process. Managers carry plans in their heads in the form of specific but flexible intentions and communicate them to others through **word** of mouth. Informal **planning may** also be viewed as a trial and error, **fragmented**, **intermittent** process as against a systematic step-by-step **and** logical process of formal planning.

- viii) **Intellectual process:** Planning is an intellectual process and requires certain conceptual skills. It requires abilities to think both in abstract and concrete terms, to **visualise** and look ahead into the future and to form ideas and images of future expectations and desires. Planning also calls for intellectual abilities to anticipate opportunities and threats in the environment, to diagnose problems, develop alternative courses of action, **and** analyse them for **choosing** the right course.
- ix) **Pragmatic, action-orientation:** ~~Although~~ planning is an intellectual thinking activity, it is primarily pragmatic **and** action-oriented. Planning precedes action and is often described as action laid out in advance. To think before acting and to decide before doing are part of ~~the~~ discipline and culture of planning. The focus is on actionability of plans, i.e., their quality of being itnplementable. Planning is also reality-oriented.
- x) **Planning as a form of decision making:** Planning involves problem solving and decision making. It is a process of identification of issues and problems needing decisions, collection of relevant information, evaluation of **alternative** courses and choices of the most appropriate alternative. Decisions are made on organisational **objectives**, strategies, policies, **programmes**, procedures and other plans. They are all choices from alternatives. They also involve mobilisation, allocation and commitment of resources and efforts in specific ways.
- xi) **Planning premises:** Planning is based on certain assumption **and** estimates about the future behaviours of events and situations in the environment. These are formally known as 'planning premises' which are derived through the process of forecasting. Without such assumptions planning becomes an empty speculative exercise. Managers make promises or assumptions about the future events for purposes of planning: in order to have a sense of security and certainty in the midst of grave uncertainties and complexities of the environment.
- xii) **Dynamism:** Planning is a dynamic process. It is a process of making the organisation selectively move and change in tune with relevant changes in the external environment. It is a process of **building** flexibility and adaptability into the functioning of the organisation. It is a process of making continuous assessment and reassessment of the goals, resources, directions, opportunities , and problems of the organisation and converting them to serve its needs.
- xiii) **Level of planning:** Planning is often divided into a few levels on the **basis** of their scope, significance and time span. On the basis of scope, there are two levels: (1) corporate planning covering the entire organisation, and (2) sub-corporate or functional planning carried on **within** the various functional units or divisions. On the basis of **significance**, we may divide planning into strategic planning and tactical or operational **planning**. On the basis of time span, there are two levels: (1) long-range planning covering **periods** of more than one year in general, and (2) short-range planning covering a **period** of one year or less.

The division of planning into various levels facilitates analysis of the dimensions and critical elements of planning. Even so, planning is an integrated-function. Thus, different levels of planning should be balanced and coordinated so **that** they support one another.

- xiv) **Types of plans:** The process of planning produces several types of 'plans' which may be viewed as a series or hierarchy of decisions and 'action packages'. They include: objectives or goals, strategies, policies, programmes, budgets, schedules, procedures, methods, rules and so on. (They will be discussed in Unit 5.) Some of the plans such as objectives and budgets serve as integral elements of the **planning**

process while others such as policies, procedures, rules and methods serve as facilitating tools for smooth planning. All the plans are categorised into two broad groups; (i) single use plans, and (ii) standing plans. Single use plans are those which are designed to meet specific, non-repetitive and unique situations, while standing plans are those which are fairly stable and are meant to handle a wide range of repetitive situations over a period of time.

4.4 IMPORTANCE OF PLANNING

The importance of the **planning** function should have been clear after all that you have read about it till now. We may outline the importance of planning function as follows:

- i) Provides direction: Planning provides a clear sense of direction to the activities of the organisation and to the job behaviour of managers and others. It strengthens their **confidence** in understanding where the organisation is heading and what for, **how** best to make the **organisation** move along the chosen path, and when should they take **what** measures to achieve the goals of the organisation.
- ii) Provides opportunity to **analyse alternative** courses of action: Another source of importance of planning is that it permits managers to **examine** and analyse alternative courses of action with a better **understanding** of their likely consequences. If managers have an enhanced awareness of the possible future effects of **alternative** courses of action, for making a decision or for taking any action, they will be able to exercise **judgement** and proceed cautiously to choose the most feasible and favourable course of action.
- iii) Reduces **uncertainties**: Planning forces managers to shake off their inertia and **insular** outlook; it induces **them** to **look** beyond those noses, beyond today and tomorrow, and beyond immediate concerns. It encourages **them** to probe and cut through complexities and uncertainties of the environment and to gain control over the elements of change.
- iv) **Minimises impulsive** and **arbitrary** decisions: **Planning** tends to **minimise** the incidence of impulsive and arbitrary **decisions** and ad **hoc** actions; it obviates exclusive dependence on the mercies of luck and chance elements; it reduces the probability of major errors and **failures** in managerial actions. It injects a measure of discipline in **managerial** thinking and **organisational** action. It improves the capability of the organisation to **assume** **calculated** risks. It **increases** the freedom and flexibility of managers within well-defined limits.
- v) **King-pin** function: As stated earlier, planning is a prime managerial **function** which provides the basis for the other managerial functions. The organisational structure of task **and** authority roles is built around organisational plans. The functions of motivation, supervision, leadership and communication are addressed to implementation of plans and achievement of organisational objectives. Managerial control is meaningless without managerial planning. Thus, **planning** is the **king-pin** function around which other **functions** are **designed**.
- vi) **Resource allocation**: Planning is a **means** of judicious allocation of strategic and scarce resources of the organisation **in** the best possible manner for achieving strategic goals of the organisation. The strategic resources include funds, highly **competent** executives, technological talent, good contacts with government, exclusive dealer network and so on. **If** the organisation enjoys a **distinct** advantage in possession of such resources, a careful **planning** is essential to allocate them into those **lines** which would strengthen the overall competitive position of the **organisation**.
- vii) **Resource use efficiency**: For an ongoing organisation, **planning** contributes towards a more **efficient functioning** of the various work **units**. There is better **utilisation** of the **organisation's existing** assets, resources and capabilities. It prompts **managers** to close gaps, to plug loopholes, to **rectify** deficiencies, to reduce wastage and leakages of funds, **materials**, human efforts **and** skills so as to **bring** about an overall improvement in resource use efficiency.
- viii) **Adaptive responses**: **Planning** tends to improve the ability of the **organisation** to effectively adapt **and** adjust its activities and directions in response to the changes

taking place in the external environment. An adaptive behaviour on the part of the organisation is essential for its survival as an independent entity. For a business organisation, for example, adaptive behaviour is critical in technology, markets, products and so on.

- ix) **Anticipative action:** While adaptation is a behaviour in reaction and response to some changes in the outside world, it is not enough in some situations. In recognition of this fact, planning stimulates management to act, to take bold initiatives, to anticipate crises and threats and to ward them off, to perceive and seize opportunities ahead of other competitors, and to gain a competitive lead over others. For the purpose, some enterprises establish environmental scanning mechanism as part of their planning systems. Thereby such enterprises are able to direct and control change, instead of being directed and controlled by the pervasive external forces of change.
- x) **Integration: Planning** is an important process to bring about effective integration of the diverse decisions and activities of the managers not only at a point of time but also over a period of time. It is by reference to the framework provided by planning that managers make major decisions on organisational activities, in an internally consistent manner.

Check Your Progress A

1 Which of the following statements are True and which are False?

- i) Among other things, planning implies determination of concern of action from among alternatives.
- ii) Planning follows all other managerial functions.
- iii) Planning cannot be future-oriented as the future is always uncertain.
- iv) Planning has both formal and informal elements.
- v) Planning reduces the probability of major errors in management.

2 Fill in the blanks:

- i) Planning is the process of setting objectives.
- ii) and of planning functions differ from level to level of management hierarchy.
- iii) Informal planning is done through the process.
- iv) As planning requires certain conceptual analytical skills, it is regarded as an process.
- v) Assumptions and estimates about the future events are known as planning
- vi) Plans which are drawn to meet specific, unique situations are known as
- vii) Planning is a means of judicious of resources.
- viii) Planning stimulates management to take

4.5 LIMITATIONS OF PLANNING

You have learnt the nature and importance of planning. Let us now discuss its limitations,

- i) **Based on certain assumptions:** Planning is based on certain assumptions or premises derived from forecasts about the likely behaviour or relevant future events and variables. If such assumptions or premises turn out to be wide off the mark, the very basis of plans get affected. After all, forecasting is not an exact science.
- ii) **Incomplete information:** The information needed for planning is often incomplete. It may not be available in time and its reliability tends to be doubtful. In several situations, managers are forced to make planning decisions on the basis of partial knowledge because of time lags and credibility gaps in information,
- iii) **Lack of control:** Managers have little knowledge and less control over several elements of external environment. There is often no way to bring external

situations under the **discipline** of planning. Several external events tend to influence organisational activities and plans in random and perverse ways, as for example, natural calamities, sudden strikes, government policy changes, and so on.

- iv) **Difficult to change with the changing environment:** Planning, under conditions of rapid changes in the external environment tends to be a tough job. Plans would become quickly **outdated** and irrelevant even before they are implemented. **Though** flexible, plans would be of some help under such conditions, there are also limits on injecting flexibility into organisational plans.
- v) **Fluid process:** Planning is essentially a 'fluid' process in the sense that it is always **in a state** of flux. This is because of the march of the times and the subtle changes which characterise the future as it unfolds. Future is always a moving target. It is not easy to visualise an integrated and composite view of the past, present and future for planning purposes.
- vi) **Delay in action:** Since planning means thinking and deciding before doing things, it is likely to delay action. For one thing, **thinking** and deciding are somewhat slow intellectual exercises. Many managers **may not have** the time or taste for such exercises. For another, managers attach more importance to action and that too **timely** action wherein lies much activism and dynamism.
- vii) **Rigidity:** The plans produced through the planning process tend to introduce rigidity into the functioning of the organisation. Managers are likely to insist on **strict compliance with** pre-determined plans. This **may** sometimes mean **foregoing** new opportunities and better options. A faithful conformity with plans would stifle initiatives beyond the established ways and routines.
- viii) Plans **might remain** on paper: At the other extreme it is also likely that plans remain on paper as some sacred documents worthy to be respected and preserved **are not** followed or implemented. They may be far removed from realities such that managers regard **them** as 'untouchables'. Alternatively, managers may be too busy in struggling with crises to find time for going along planned courses.
- ix) Difficult to implement at **unit** level: It may be easy to **formulate** broad plans at the corporate level. Problems are likely to arise when managers try to prepare more detailed plans in physical and financial terms at functional **and** unit levels for purposes of implementations. The detailed plans, if and when prepared, may not reflect the intents of the broad plans in a consistent manner.

4.6 THE PROCESS OF PLANNING

We have stated earlier that planning is a process consisting of certain steps or series of sequential activities. There is no generally accepted or standard format of the planning process. Different authors have their own ways of conceptualising the planning process. Let us discuss one of the conceptual schemes of the process of planning.

- i) **Planning to plan:** Planning does **not** just occur on its own or with the issue of an order from the chief executive. It has to be properly and carefully decided upon and planned. The management of the **organisation** has to **inject** a culture of planning at all the levels of management by highlighting the imperatives and virtues of planning as also the philosophies and techniques embedded in it. It has to educate the managers in various departments by arranging training programmes and conferences on the methodology of planning so as to improve their competence to plan. The required planning system has to be designed and activated. This is especially so with regard to a new organisation,
- ii) **Appraisal of internal situation:** In this step, top management in collaboration with other managers, have to make an analysis of the current state of affairs with the organisation — its existing plans, processes, activities, **performance levels**, achievements and problems. It is essential to review in detail the specific strengths and weaknesses of the organisation in its sphere of operations. For example, products **and** services it supplies, financial position, manpower and managerial resources, competitive position, profitability levels, market image, manufacturing and other facilities, R & D **advantages**, capital **structure**, and so on. Management

has also to make forecasts and projections of the likely future position and trends of the organisation's activities in all the above areas.

- iii) **Appraisal** of the external environment: Top management of the organisation is vitally concerned with the analysis of external environmental conditions for planning purposes. This facilitates them in understanding the elements and events in the world outside the organisation which affect its present and future functioning. Appraisal of **environmental** trends in economic, social, technological and other means of relevance for the organisation is to be continuous process. Not only the present but also the likely future trends have to be appraised through systematic scanning and forecasting mechanisms. This will enable the organisation to identify the present and future opportunities and threats in the various external elements with which the organisation is directly concerned.
- iv) **Definition** of key areas and **issues** for planning: The appraisal of internal and external environmental conditions gives to the management an idea about what tentative planning the organisation needs. Managers have to ask themselves whether, in the light of external appraisal, the existing businesses, products, markets, processes and practices are relevant, and which aspects of them have to be retained, strengthened, refined and modified. The analysis also may reveal the need for new directions to strengthen the competitive position of the **organisation**, and to bring about a better alignment between the organisation and the external environment. It may also unearth the possibilities of going into new businesses, new technologies, new products and new markets. An important outcome of the above appraisal is identification of possible measures necessary to cope with environmental opportunities and threats, which are likely to help or hinder, as the case may be, the performance and progress of the organisation.
- v) Development of alternative plans for evaluation and choice: In this stage, manager have to apply their creative and **innovative** skills to generate alternative plans — missions, objectives, strategies, policies and programmes — on the basis of assessment of planning needs. They are generally of corporate-wide and long-range in character, ranging from 5 to 10 years ahead, depending on circumstances. Development of alternative plans calls for an intensive thinking and search on the part of managers. For example, a business enterprise has several options to increase its economic power and profitability — by increasing the **sales** of its existing products in **the** existing markets, by exploring new markets, by going in for new products, by acquiring outside enterprises and so on. The objective of **improving** its economic power could be achieved by one or a combination of **some** of the above alternative strategies.
- An important part of this stage is the evaluation of alternative plans by reference to their comparative merits and demerits whereupon choices have to be made from among the alternatives on the basis of certain predetermined selection criteria. The choices are the decisions of managers which will chart **the** long-range directions of the organisation for a specified period of time.
- vi) Formulation of **medium range** and short-range plans: The long-range set of **organisational** plans provide the basis for formulation of more specific **medium-range** and short-range **plans**. Medium-range plans have a **time** span of more than one year but **upto** three years in general. Short-range plans have a duration of one year or less. Medium-range plans and short-range plans are progressively more specific than long-range plans. Short-range plans are also called operational plans and the process of formulating them is called 'Operational Planning'. **Medium-range** plans and short-range plans are generally formulated in such functional management areas like manufacturing, marketing, purchase, personnel, finance, R&D and so on. They are further 'de-composed' into more detailed sectional and unit plans valid for basic units of operations in the organisation.
- vii) **Arrangements** for implementation of **plans**: Effective implementation of plans and decisions is the crux of the planning process. Since plans are implemented by managers and others at various levels of the organisation, it is essential for top management to enlist their **co-operation**, participation and commitment for the **purpose**. Authority and **accountability** have to be pinpointed specifically among the various managers for implementation of plans, for acquiring and allocation of resources and tasks, for making **day-to-day** decisions and taking initiatives and for activating the communication system in the organisation.

4.7 FORECASTING AS AN ELEMENT OF PLANNING

We have stated earlier that forecasting is an essential element of the planning process. The term forecasting refers to the process of making systematic but tentative appraisal of future **conditions** and events for a specified period of **time** — whether for a few months or, a few years ahead. It is a process of predicting relevant future situations which are likely to affect the activities of the organisation. It is an attempt to look ahead and make tentative estimates and projections of the behaviour of relevant variables in the environment.

Since planning is future-oriented, forecasting is a basic ingredient of the planning process. Forecasting provides vital clues to managers on what the future problems and prospects are likely to be for the **organisation**. By means of forecasting, managers generate information on several dimensions and aspects of the environment — **economic**, social, technological, and political — which are directly relevant to the **functioning** and fortunes of the organisation and which directly influence the planning and other decisions, initiatives and responses of managers. Forecasting is **necessary** to enable managers to get important **inputs** for planning and to **make** informed judgement about the likely impact of the external forces on the organisation's present and **future** courses of action. Organisational plans are based on proper and reliable information generated by managers through forecasting and other means.

For a business enterprise, for example, several aspects of future trends should be understood through forecasting. They include: future sales trends of the products and series of the enterprise, based on an assessment of future demand, supply, cost and competitive conditions, likely levels and trends of profitability, future technological changes, general economic and industry trends, likely emergence of new products, new processes and new markets, probable changes in population characteristics, their levels of **income**, life styles and buying patterns and so on.

The individual enterprises may be able to get part of the above information on the basis of forecasts **made** by other agencies — say government, trade associations, academic and research organisations, consultancy firms and so on. But forecasts on internal variables like sales, profits, market share, cost trends etc. have to be made by the enterprise itself.

Forecasting and Premising: For purposes of formulating plans, managers **have** to convert the appraisals, estimates and projections about the future events into certain meaningful assumptions, which are known as planning 'Premises'. This conversion process is called 'Premising', which is an essential follow-up action after forecasting. Planning premises form the foundation of **organisational** plans. They are in the nature of informed guesses of managers with respect to specific future trends. A few examples of planning premises are given below:

- a) The enterprise will maintain its competitive strength over the **next four** years.
- b) There will be revolutionary developments in TV technology **during** the next five years.
- c) There will be future liberalisation in the economic and industrial policies of government with respect to big business enterprises.

Planning premises are categorised in various ways. **External Premises** relate to general economic and business conditions, social, political, technological and other trends.

Internal Premises are confined to the enterprise's activities — as for example, cash flow, cost of products and services, profitability and so on. **Tangible Premises** are **quantitative** in nature, as sales volume of Rs. 50 crores, for example. **Intangible Premises** are qualitative, as for instance the competence and character of managerial personnel in the organisation. **Controllable Premises** are those which are manageable by the enterprises (example: advertising expenditure). **Uncontrollable Premises** relate to acts of god or man about which little can be done by the industrial enterprise (example : A big fire in the plant, government policies etc.).

Forecasts and planning premises are different from plans. The former outline what the future is likely to be. The latter underline what the enterprise should do in future. Further forecasts and **planning** premises do not reduce the complexity and **uncertainty** of the future, They **only** aid managers in understanding the state of complexity and uncertainty of the behaviour of future events and in going ahead with confidence to cope with them.

It is true that forecasting is most unlikely to be perfect and that it is in fact a hazardous exercise especially in a situation of rapidly changing external conditions. Forecasts are only **approximations** and estimates. Future events may not **behave** exactly according to forecasts and premises made by managers. But still forecasting before formulating **plans** is an inescapable exercise. Without intelligent and systematic **forecasting**, **organisational** plans would be mere expectations and pious wishes.

Check Your Progress B

- 1 Fill in the blanks:
 - i) **The information** needed for planning is often
and may not be
 - ii) **One** of the limitations of planning is that it is essentially a process.
 - iii) **Appraisal** of the external is an essential **requirement** in the planning process.
 - iv) Forecasting **providés** vital to manager about the future problems and prospects.
 - v) The **estimated** sales for the future is an example of
..... premises for the managers of a company.
- 2 Which of the following statements are **True** and which are False?
 - i) Planning leads to delayed action as it involves prior thinking.
 - ii) Development of alternative plans is most essential for planning at the functional level.
 - iii) Forecasting and **premissing** for planning are one and the same thing.
 - iv) Planning premises and forecasting reduce the uncertainties **and complexities** of the future.
 - v) **Medium-range** plans have a duration of **more** than one year

4.8 TYPES OF PLANNING

Planning may be categorised into several types **on** the basis of certain variables. Here we will divide the function of planning into four categories on the basis of two variables — degree of comprehensiveness and time span. **On the** basis of degree of **comprehensiveness**, planning is divided into strategic **planning** and tactical planning. **On the** basis of time span, we may divide planning into long-range **planning** and **short-range** planning. Let us have a brief idea of the four types of planning.

Strategic Planning: The term strategic planning refers to the process of determining the integrated **organisation** — wide courses of action to achieve the **major objective** of the organisation. The term has a military origin where it is used to describe the process of formulation of military campaigns to achieve military goals of defending the home territory and defeating the enemy forces. In military parlance, strategic planning covers such **aspects** as how to attack the enemy and from how many fronts, the size and combination of ground forces, air forces and naval forces, the amount of resources to be deployed, the timing of the various moves, the areas to be fortified and defended and so on. The term acquired great significance in non-military situations also. We often hear of strategies to achieve the goals of Five Year **Plans at the** national and regional levels, strategies for solving rural drinking water problems, strategies to reduce the growth rate of population and so on. In the context of business enterprises, **strategic planning consists of formulation of strategies which are in the nature of critical and intelligent** courses of action to gain **upper hand over competitive and other complex external forces in the environment**. It involves tentative chalking out of the major measures and moves necessary to perceive and exploit opportunities and to tackle threats and **constraints**, in the light of distinctive strengths and inevitable weaknesses of the enterprises.

The **kinds** of questions that top management of the enterprise asks itself and finds answers in strategic planning include: What are the most significant market and other opportunities and in what way they are relevant to the enterprise? What are the kinds **and complexities** of external problems, threats and constraints forced by the enterprise? **How** shared the enterprise take advantage of relevant opportunities and to tackle the threats **and** constraints (as for example : price cuts, aggressive advertising campaigns, introduction of new or improved products, and so on initiated by rival enterprises) in

order to achieve the objectives. In what specific areas and businesses did the enterprise concentrate its efforts to gain or retain its competitive dominance? Into what new businesses should the enterprise extend its activities?

Strategic planning is a means of improving the enterprise's competitive position in relation to other existing and potential rivals in the industry. It is an attempt to design an action plan on how, where and when the strategic resources of the enterprise (investment funds, customer goodwill, and loyalty, distribution network, R & D facilities and so on) have to be deployed, and the combination, sequence and timing of various major decisions and initiatives necessary to achieve the enterprise's goals of growth, diversification, high profitability, competitive power, good market share and so on.

Tactical Planning: Tactical Planning refers to the process of formulating more specific, functional, sub-plans to implement the strategies of the enterprise. Tactical Planning is more limited in its scope and consists of detailed decisions and actions initiated at lower managerial levels to exploit situations as and when they arise and to cope with local, operational problems. It is sub-corporate wide in nature. Tactical plans take the form of small, successive steps or moves taken in a concerted manner. Tactical decisions are concerned with what and how activities are to be carried out, what performance criteria are to be established, how scarce resources are to be utilised efficiently and so on.

Tactical Planning is carried out on the basis of more information under less risky conditions and in a more structured manner than strategic planning. Tactical Planning provides the basis for detailed specification of various activities to be carried out by the enterprise in a coordinated and time-bound basis.

To take an example, a major objective set by the top management of an enterprise manufacturing industrial goods is rapid growth by doubling the sales volume within a period of next four years. To achieve this objective, one of the strategies formulated by the enterprise is diversification into manufacture of consumer goods. To implement this strategy the enterprise formulated specific policies on 'make or buy', internal growth vs acquisitions or mergers, foreign collaboration and so on. Within the framework of the above strategy and policies, tactical plans and decisions on such aspects as size of operations, product types, sizes, quality ranges, customer services, distribution channels and so on are designed.

The distinction between strategic planning and tactical planning is one of scope and impact. In many cases, the two types of planning become indistinguishable. They are, however, inter-dependent.

Long-range Planning: The term 'long-range planning' refers to the process of formulating the long-range objectives of an organisation and of determining the ways and means of achieving such objectives. The term 'long-range' indicates the extent of future time horizon, the fairly long period of time which can be visualised and verbalised into tentative objectives by the organisation. The duration and limit of long-range differs from enterprise to enterprise and from situation to situation. For some enterprises, 3 to 5 years is a fairly long time horizon, while for others, 25 to 30 years and even beyond is the relevant planning time frame. The long-range planning period is determined keeping in view the nature of the enterprise's business, its size and growth rate, the extent of variability of the environment, the time required for converting major decisions into tangible results and so on.

Long-range planning provides a framework for determination of such critical goals as the desired growth rate of the enterprise's assets or sales and profitability, new activities in the future, major new investments, areas of development, and disinvestment, and so on. As Peter Drucker stated, every enterprise should ask itself these and similar questions in the context of complex and dynamic nature of external environment. Business and other organisations cannot expect that their present businesses, product lines and activities, technology, profit levels and markets will continue to remain relevant in the future. Long-range planning is intended to induce such awareness and to enable managers to make current major decisions with a fairly good sense of future outlook.

Short-range Planning: The term 'short-range planning' refers to the process of formulating short-range objectives and of deciding on the courses of action or plans, to achieve them. Short-range planning is done for a time span of one year or less. In general, it is carried out within the framework of long-range planning, and for

achieving long-range objectives, in a step-by-step manner. A short-range plan is an attempt to breakdown a long-range plan into compact and actionable programmes. Short-range planning is more action-oriented, more detailed, specific and quantitative. For example, if the long-range goal of an enterprise is to increase its sales volume by 50% during the course of next five years, it has to formulate its short-range plan for the next one year to bring about an increase of say 20% in its sales turnover. It has to formulate a detailed budget of short-range goals, targets of performance, activities, and resource requirements in a time-bound manner. Short-range planning provides the basis for a coordinated performance of activities, allocation of resources, assignment of tasks and design of appropriate plan, implementation and programme evaluation system. Long-range plans are implemented in this manner by programming, budgeting and scheduling efforts and activities needed to achieve organisations goals.

It may be noted that tactical planning and short-range planning are also referred to as **Operational Planning**, because they represent **planning of** detailed operations at the lower levels of management at middle and supervisory levels.

4.9 PRINCIPLES OF PLANNING

Since planning is a function of management, it must be based on certain principles to serve as guidelines for undertaking the function in right earnest. We may outline the principles of planning as below.

- 1 **Principle of top management interest:** The chief executive of the organisation must show genuine interest in planning, submit himself to the discipline of planning and must inspire his team to do the same.
- 2 **Principle of long-range view:** Every manager must plan decisions after a full analysis and understanding of their long-term future effects, and after objectively considering all the available facts.'
- 3, **Principle of contribution to objectives:** Planning should be purposeful. It should directly contribute to the achievement of organisational objectives or desired ends.
- 4 **Principle of primacy of planning:** As stated earlier, planning holds the prime position in the process of management. It is logically regarded as the first function of managers from which all other functions flow.
- 5, **Principle of flexibility:** The principle suggests that flexibility in planning helps the organisation to cope with rapid and unforeseen changes in the external events. This can be achieved without abandoning the pre-determined plans or without inviting adverse consequences even if drastic.
- 6 **Principle of navigational change:** This principle is related to the principle of flexibility. It indicates that a regular process of monitoring the course of external events is to be combined with a review and revision of plans in order to achieve desired goals just as a navigator negotiates his ship's way by making changes in his route in response to behaviour of the water mass.
- 7 **Principle of commitment:** This principle helps in the determination of the planning period. Planning should cover a period of time necessary to fulfil the commitments involved in a decision. For example, if a student makes a decision to join a three years B.Com. Course, his planning period is three years.
- 8 **Principle of the limiting factor:** A limiting factor is one which stands in the way of achieving the desired objective. Managers should pay due attention to tackle those limiting factors which hinder the smooth progress in achievement of objectives.

Check Your Progress C

- 1 Which of the following statements are True and which are False?
 - i) Strategic planning consists of formulation of strategies for the organisation as a whole.
 - ii) Tactical planning is carried out under more risky conditions than strategic planning.
 - iii) Operational planning includes both long-range and short-range planning.

- iv) The principle of flexibility of planning suggests that plans should be changed as frequently as possible.
- v) The principle of commitment helps in the determination of the planning period.

2 Fill in the blanks:

- i) Strategic and tactical planning are defined on the basis of
- ii) Courses of action planned to gain upper hand over competitive and other external forces are known as
- iii) Tactical planning involves a more approach than strategic planning.
- iv) Long-range planning provides a for determining critical goals.
- v) Any factor which stands in the way of achieving desired goals may be called a factor.

4.10 LET US SUM UP

Planning is the process of setting future objectives and deciding on the ways and means of achieving them. It means deciding in advance what is to be done in the future for a specific period and then taking the necessary steps to do the things decided upon.

Planning precedes all other managerial functions. It is a sub-process of the process of management. It pervades all levels and all branches of management. Planning is invariably future-oriented but is backed by information relating to the past trends, current conditions and future possibilities. It is a purposeful conscious managerial function. It has both formal and informal elements. At the same time, planning is an intellectual process and requires certain analytical and conceptual skills. Even then, it is primarily a pragmatic and action-oriented function. Planning involves problem solving and decision-making. It is based on certain assumptions and is a dynamic process.

Planning may be divided into certain levels on the basis of scope, significance, and time span, e.g. corporate planning and functional planning; strategic planning and tactical planning; long-range planning and short-range planning. All types of plans may be broadly categorised into two groups. Single use plans and standing plans.

The importance of planning function stems from the following benefits of planning. Planning provides a clear sense of direction to the activities of the organisation and the job behaviour of managers and others. It permits managers to examine alternative courses of action with a better understanding of their likely consequences. Planning forces managers to shake off their inertia and induces them to look beyond the immediate concerns. It minimises the incidence of impulsive and arbitrary decisions and ad hoc actions. Planning provides the basis for all other managerial functions. It is a means of judicious allocation of strategic and scarce resources of the organisation, and also brings about an overall improvement in the efficiency of resource use. Further, planning improves the ability of the organisation to adapt effectively and adjust its activities in response to changes in the external environment. It stimulates management to take bold initiatives to anticipate crises or threats and to prevent them and to perceive and seize opportunities ahead of competitors. It is also an integrative process at a point of time as well as over a period of time.

The limitations of planning arise out of the following elements. The assumptions and forecasts which form the basis of planning may be wide off the mark. Information required may not be reliable or may not be available in time. Changes in external environment are often beyond the knowledge and control of management, particularly in the case of rapid changes. Further, planning is always in a state of flux, due to the continuous and subtle changes taking place in the environment. Besides, planning may delay action as it involves prior thinking and deciding. Often the plans formulated introduces rigidity in the functions of managers. On the other hand, plans may be far removed from reality and thus become difficult to implement, particularly with respect to detailed plans.

The process of planning involves: Planning to plan, appraisal of internal conditions and external environment? defining key areas and issues for planning, development of alternative **plans** for evaluation and choice, formulation of medium-range and **short-range plans** and implementation of **plans**.

Forecasting is an essential element of the planning process. It provides vital clues to managers through the generation of information on several dimensions of economic, social and technological environment. It also provides estimates and projections about the future events.

The appraisals, estimates and projections provided by forecasting are converted into meaningful assumptions known as planning premises. The premises may be of different categories: external, internal, tangible, intangible, controllable **and** uncontrollable.

Planning may be divided into four categories on the basis of degree of comprehensiveness and time span. These are : Strategic Planning, Tactical Planning, Long-range Planning and Short-range Planning. Tactical and Short-range Planning are also referred to as 'Operational Planning'.

As a function of management, planning is best carried out on the basis of certain principles viz., principles of top management interest, long-range view, contribution to objectives, primacy of planning, flexibility, navigational change, commitment, and **limiting** factor.

4.11 KEY WORDS

Forecasting: Estimating the future behaviour of variables affecting the business unit.

Long-range Planning: Formulating the long-run objectives and determining the ways and means of achieving those objectives.

Objectives: Goals or purposes towards which business activities and operations are directed.

Operational Planning: Planning of detailed operations at the middle and supervisory levels of management.

Planning: The process of setting future objectives and deciding on the ways and means of achieving them.

Policies: Guidelines for decision-making and action.

Strategic Planning: The process of planning which involves product, market decisions in the light of environmental changes and internal resources.

Strategy: Courses of action to gain **upperhand** over competitive and other environmental forces.

Tactical Planning: The process of formulating specific, functional sub-plans to implement the strategic plan.

4.12 ANSWERS TO CHECK YOUR PROGRESS

- A) 1 i) True ii) **False** iii) False iv) True v) True
 2 i) future ii) content, quality **iii)** intuitive iv) intellectual v) premises vi) single use plans **vii)** allocation **viii)** bold initiative
- B) 1 i) incomplete, reliable ii) fluid iii) environment iv) clues v) tangible
 2, i) True ii) False **iii)** False **iv)** False v) True
- C) 1 i) True ii) False **iii)** False iv) False v) True
 2 i) comprehensiveness **ii)** strategies iii) structured iv) framework **v)** limiting

4.13 TERMINAL QUESTIONS

- 1 Define the concept of planning and explain its salient characteristics.

- 2 Comment on the following statements:
 - a) Planning is a pervasive process.
 - b) Planning is a useless exercise in a situation of rapidly changing environment.
 - c) Planning **and** decision making are two sides of the same coin.
- 3, Do you think that planning is a **guarantee** for **organisational** success? Give reasons.
- 4 Is there any need for planning a **plan**? Explain.
- 5 **The** limitations of planning are **too serious** to make planning a credible function. Do you agree? Why?
- 6 What is the difference between strategic and long-range planning?
- 7 Discuss the process of planning.
- 8 What are planning premises? How are they relevant to planning?
- 9 Why is forecasting so **important** for planning?
- 10 Explain the principles of planning.
- 11 'Long-range planning is concerned with making today's decisions with a better sense of futurity'. **Comment**.
- 12 What is the role of top management in the planning process?

Note: These questions will help you to understand the unit better. Try to write answers for them. But, do not send your answers to the university. These are for your practice only.

UNIT 5 PLANS, POLICIES, SCHEDULES AND PROCEDURES

Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Organisational Plans
- 5.3 Objectives
- 5.4 Strategies
- 5.5 Policies
- 5.6 Procedures
- 5.7 Schedules
- 5.8 Let Us Sum Up
- 5.9 Key Words
- 5.10 Answers to Check Your Progress
- 5.11 Terminal Questions

5.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the concepts of single use plans and standing plans.
- describe the types of single use and standing plans, with special reference to objectives, strategies, policies and procedures.
- explain the importance of policies and outline the process of policy formulation.
- relate and distinguish between objectives, strategies, policies and procedures.

5.1 INTRODUCTION

In Unit 4, you have learnt the nature and importance of the managerial function of planning. You have also got an understanding of the various steps involved in the planning process. At the same time you **have** been acquainted with different types of planning: strategic and tactical planning, long-range and short-range planning and principles of planning. In this unit, you will learn **the network of organisational plans** which includes objectives, strategies, policies, procedures, schedules, and their **role** in organisations. You will also learn the process of policy formulation and differences between major types of plan.

5.2 ORGANISATIONAL PLANS

The term 'plan' may be defined as a course of action determined in advance by the management. A plan has a time frame, whether it is explicit or implied. It is a commitment to action and commitment of resources. It is also a package of decisions on intended efforts to achieve some results. It is a relatively static picture or blue print of action which is partly a means of mechanism of planning and partly an end product of the planning process.

A single use plan is one which is specific to particular situations of a non-repetitive nature. It may not have use for different situations, It becomes obsolete Once its purpose is over. Examples of single use plans are objectives, strategies, projects, programmes, schedules, budgets and so on. Let us say a business **firm** sets a target to achieve 15% increase in its sales volume for the year **1988-89**. Once this objective is achieved this plan ceases to exist.

However, some objectives, like **the** objective of continuous **updating of** modern technology, continue to remain relevant. Such objectives may perhaps be regarded

as policies. The other examples of single use plans, such as strategies, projects, budgets etc. are 'tailor made' to specific needs of the organisation. For example each project is unique in respect of its environment, resource requirements, completion time and so on.

As against single use plans, standing plans are those which are of a relatively long standing by nature. They are meant to serve as standing guidelines, criteria and constraints on managerial decision making an action. A standing plan can be repeatedly used over a period of time for tackling a range of frequently recurring and related problems and issues. Policies, procedures, rules and methods are generally categorised as standing plans. For example, an enterprise's policy of selling its products and services only on cash terms provides a standing guideline and constraint to managers in concluding sales deals with customers. A procedure on purchase of materials and components will continue to be useful over a period of time for a range of actions on purchases of such items. Thus, standing plans are meant for ready guidance, steady observance and repeated reference for managers and others for their decision making and action behaviour.

Let us discuss a few single use plans and standing plans. For this purpose, we select objectives and strategies from single use plans and policies and procedures from standing plans.

5.3 OBJECTIVES

The term 'objectives' may be defined as a **planned target of performance** or the **desired end result of an activity which one attempts** to realise. It provides meaning and purpose to the organisation. It has definite scope and direction. It is a commitment to a course of action. It is to be followed by determining the ways and means of achievement. Often, a time frame is determined for its achievement; in other words objectives may be of a time bound nature. Objectives are variously termed as purposes, goals, missions, aims, ends and so on. These terms are often used interchangeably. However, it is possible to distinguish among them. Thus, purpose is the basic reason for the existence of an entity, whether it is a human being or a human organisation. The purpose of an educational institution is to systematically spread knowledge. Goal is viewed as a milestone along the path towards the objective. It is a part of an objective. Mission is the specific and well-defined roles and activities in which an organisation concentrates its efforts.

All organisations have objectives, whether or not they are stated explicitly. However objectives may differ from organisation to organisation. The objectives of a university differ from those of a business enterprise. The objectives of a government department differ from those of a hospital. Objectives may also change over a period of time with respect to a single organisation.

Objectives provide the basis for planning. They are also the focal point for all managerial functions. They give meaning and a sense of direction to organisational efforts. They set boundaries in the sphere of operations of the organisation and its relations with the external environment. They serve as the foundation for the entire management, process of planning, organising, direction and control. They provide the framework for formulation of strategies, policies, programmes, procedures and so on. Objectives serve as criteria and constraints for managerial decision making on acquisition and utilisation of resources. They are the rallying points for the motivation of members of the organisation. They provide a foundation for the standards of organisational performance and the evaluation of performance.

Single vs. multiple objectives

An organisation may have a single objective or more than one objective. It is often stated that the only objective of a business firm is to maximise its profits and that all its activities focus on this single objective. This may or may not be true. In general, an organisation has more than one objective. For example, a business enterprise not only aims at profit making but is also concerned with healthy growth of its activities, customer service, employee welfare, efficient operations and upgradation of its technology. Organisations establish objectives in all key areas of their activities. For example, a large business enterprise needs to formulate its objectives with respect of its

various functions like manufacturing, purchasing, finance, **marketing personnel** and so on. However, it is necessary that the multiple objectives of the **organisation are related** to each other in some way.

Classification of objectives

With respect to a single organisation, we may think of its objectives from several **perspectives** which provide a basis for **their classification** along the following lines:

Broad organisation-wide objectives such as services, rapid growth, profitable **operations**, public image and so on, and sub-corporate objectives **applicable** to its **various** departments, divisions and functions.

Long-range objectives and short range objectives;

Primary objectives and secondary objectives. For example, Survival and stability are primary objectives while social responsibility is a **secondary objective**.

Economic, commercial objectives and **non-economic** social objectives. Profit is an economic commercial objective while concern for environmental safety is a social objective.

Quantifiable and Qualitative objectives. Achieving a market share of 35% is a quantifiable objective while gaining reputation as a clean and honest enterprise is a qualitative objective.

Nature and importance of objectives

Organisations differ not only in their objectives but also in the priorities which they accord to them. One enterprise may give priority to stability while the second enterprise may emphasise rapid growth of its business. In some situations **conflict** among two or more objectives is possible. For example, the objective of bringing down the cost of doing business clashes with the objectives of satisfying the needs and demands of employees. Organisations have to be sensitive to such conflicts and devise ways and means of resolving them to the extent possible. The **basic major objectives** of an organisation are generally set by its top management, after taking into careful consideration of the purpose and the function of the organisation. In setting objectives, the values of top management and the realities of its resource endowment also play a **significant** role. Basic or major objectives have to be operationalised into subsidiary and derivative objectives at middle and lower organisational levels. **The latter** are set through processes of formal or **informal** consultation and discussion with **middle** and lower level managers in the organisation.

With the above discussion the importance of objectives may be listed as below.

- i) Objectives provide direction to the individual efforts and activities of an organisation.
- ii) They provide the basis for determining policies, procedures, strategies, programmes, budgets and other plans.
- iii) They serve as a means for achieving personal goals.
- iv) They help in effective delegation of authority.
- v) They serve as standard for the evaluation of actual performance.
- vi) **They** help in coordinating the efforts of the people.

5.4 STRATEGIES

In Unit 4, you have learnt the meaning and **nature** of strategic planning. Strategic plans or strategies are derived from the process of **strategic planning**. The term 'strategy' may be **defined** as a unified and critical plan of action to achieve an objective or set of objectives. It is a plan prepared for **meeting** the challenge posed by the environmental forces. It addresses the 'how' aspects of achieving an objective. As a student one of your objectives is **to pass** the examination. In order to achieve this, you may evolve a strategy, **of continuous** hardwork along with discussion of relevant issues with your friends and **teachers**. Similarly, an objective of a business enterprise may be to achieve a sales **volume** of Rs. 50 crores **over** the next two years from the present level of Rs. 25 crores.

The enterprise may evolve a composite strategy of product improvement, introduction

as policies. The other examples of single use plans, such as strategies, projects, budgets etc. are 'tailor made' to specific needs of the organisation. For example each project is unique in respect of its environment, resource requirements, completion time and so on.

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The enterprise may evolve a composite strategy of product improvement, introduction

of one or two new products, aggressive advertising, expansion of marketing channels and so on. These are the ways and means of achieving the objective. Strategy is thus closely related to objective. It should be consistent with the objective. It is to be 'tailor-made' to achieve the objective. It is to be formulated with reference to relevant internal and external factors.

In business and other organisations, strategies are needed for managing the achievement of objectives especially in the context of growing competition and other complexities. Corporate and business strategies are necessary for survival, growth, diversification, market dominance, competitive standing, technological dynamism etc. so as to accomplish relevant objectives. There are also occasions for strategies for management development and succession, acquisition of scarce raw materials, and other resources, negotiations with labour unions, changing the structure of the organisation and so on.

A strategy consists of at least three factors: a course of action, a commitment of resources, and a detailed blue print for consistent combination of moves, initiatives, responses with an eye on their timing. It is a master plan of moving the organisation towards its objectives through the complex and volatile environment. It attempts to relate the organisations capabilities with external opportunities. A strategic plan must accurately state objectives, define the policies which are to be pursued, underline the assumptions regarding the internal and external forces, and outline the courses of action and the means of mobilising resources. It must also specify the possible alternative courses open if the expected conditions change. So development of contingency plans for handling a range of situational changes is also a plan of strategic action plan.

Classification of strategies

Just like objectives, strategies may also be classified along several dimensions. They are below.

On the basis of scope: Master or grand strategies, programme strategies and sub-strategies;

On the basis of organisational level: Corporate headquarter strategies and divisional strategies.

On the basis of purpose: Growth strategy, survival strategy, market development strategy, acquisition strategy and so on.

On the basis of function: Marketing strategy, manufacturing strategy, financial strategy, and so on. In fact, strategies provide basic and integrated frame of reference to managers to take advantage of external opportunities, to cope with challenges and threats, and to deploy organisational resources and efforts in an intelligent manner. They aid management in four ways. First, they help management in relating the present state of the organisation with its desired future state and tackle them together. Strategic decisions and actions replace impulsive and hasty ones. Second, they offer a technique and discipline to manage and cope with changes in the internal and external environment. Third, they increase the prospect of efficient and effective resource mobilisation and utilisation. Fourth, they provide a framework for making integrated decisions by managers at the top management and lower levels.

Importance of strategy

The importance of strategies has been listed below.

- i) Strategies provide directions for the achievement of organisational goals.
- ii) They help the organisation in meeting the demands of a difficult situation.
- iii) They give meaning to other plans.
- iv) They help in relating an organisation to its external environment.

Check Your Progress A

1 Fill in the blanks:

- i) A plan is a commitment to and a commitment of
- ii) Single use plans relate to particular situations of nature.
- iii) Profit earning is aobjective while environmental protection is aobjective.
- iv) Strategy should be with the objectives.

- v) A strategic plan must accurately state and define to be pursued.
- 2 State whether the following statements are True or False:
- A budget is a single use plan.
 - A schedule is a standing plan.
 - Strategies are the end and objectives are the means.
 - All organisations have objectives.
 - A strategy is a standing answer to recurring questions.
 - It is desirable to have multiple objectives rather than a single objective.

5.5 POLICIES

Policies are general statements or understandings which guide or channel thinking and action in decision making. They are concerned with the administrative action. They serve as a principle for conduct. They are routes to the realisation of objectives. Harold Koontz defined **policy** as a **means of encouraging discretion and initiative but within units**. They are predetermined decision rules applicable for a range of managerial decisions and action. Moreover, policies are aids to the managers on how objectives are to be achieved.

Managers are required to make decisions and handle action situations on a wide range of matters. For this purpose, a policy framework is needed so that the functioning of managers takes place in a coordinated and consistent manner. Policies lay down the broad scope and limits within which managers are allowed to commit the organisation to specific decisions and actions. However, policies do not offer readymade decisions or solutions. Nor do they specify how exactly managers should make decisions and handle events. They only indicate to managers the broad considerations to be kept in mind while making decisions. They also set constraints and outer-boundaries for managerial discretion and judgement in decision-making. To be sure, policies leave sufficient discretion and freedom to managers within the set boundaries and constraints, so that managers will be in a position to handle decision situations in a pragmatic manner.

Many organisations formulate a wide range of policies in several areas of their **activity**. They include the products to be manufactured, prices to be **charged**, the markets to be served, and so on. Policies are also needed on purchasing, quality control, inventory, depreciation, produce sales promotion and distribution, unemployment and service matters of employees and workers, on production technology and so on. For example it is the policy of the company to promptly attend to customer complaints by replacing the defective product, if it is within three months from the date of sale. In short policies tend to predecide issues and avoid repeated analysis and give a **unified** structure to the organisation. Major policies covering the entire organisation are formulated by the top management. They are often translated into derivative policies at the level of middle and subordinate managers. Policies may be in written form or may take the form of implied, unwritten practices, precedents principles, and conventions. It is generally believed that written policies tend to minimise the scope for confusion and misinterpretation and tend to promote unified thinking for decision-making and action purposes. However, there is a danger that written policies may **become** useless and theoretical postulates may be divorced from organisational realities. They may be ignored by managers in their **day-to-day** work behaviour.

Distinction between plans and policies

You have already learnt the concept of plans and policies. The term plan is a more comprehensive concept covering not **only** policy but also several other predetermined courses of action. In this sense plans and policies are different concepts but they are not distinctly different. Well-formulated policies are a key to the success of any plan. The implementation of any plan requires policy guidelines. Organisations plans are based on established policies. Thus planning and policy-making go together as important functions of management.

Importance of policies

Organisational policies serve a range of important **purposes** which are listed below:

- i) They are among the most important standing plans to **guide, and** direct the future course of managerial action in specific areas of activity.
- ii) They clarify and crystallise the real values and intentions of top management.
- iii) They facilitate delegation of authority among the various managerial levels, by defining the decision-making authority and the constraints on its exercise.
- iv) They contribute to the **organisations evolution** as an orderly system of **goal-oriented** activity.
- v) They facilitate uniformity of action and coordination of effort.
- vi) Policies minimise the destruction of decision-making process.

Types of Policies

Policies may be classified into four types. They are: originated policies, appealed policies, implied policies and **externally imposed** policies. These are briefly discussed below.

Originated policies

Originated policies are deliberately **formulated** by top managers on their own initiative in order to guide the actions of their subordinates. Top **management** formulates its policies in **consultation** with the middle and lower level management. These policies are corporate in nature. For example personnel policies, **financial** policies, marketing policies etc. They may or may not be in writing.

Appealed policies:

Appealed policies are those which are formulated at higher managerial levels in response to appeals or reference made by lower level managers. At times managers at lower levels experience policy gaps or vacuum in their areas of activity. They may **find** themselves unable to make decisions on particular issues or problems because of the absence of clear-cut **policies**. In such cases, they refer the matters to higher level **managers** who might pronounce their Stand on the same, whereupon it takes the form of a policy. Appealed policies can originate at any level but are common at **middle** and lower levels. They generally tend to be unwritten.

Implied policies.

Implied policies evolve themselves when a series of decisions on related matters are made by managers over a period of time. They emerge when managers do not have the will or time to formulate formal or explicit policies. They are set by precedents and conventions. A series of relatively consistent decisions on particular matters form themselves as implied policies which are unstated and unwritten. Implied policies are pervasive in a large number of organisations, as for example for employee selection, promotions and transfers, product quality, customer service, social responsibility and so on.

Externally imposed policies

They are the **ones** which are imposed upon **the** organisation directly or indirectly by external agencies such as government, labour unions, trade associations etc. The organisation has little **option** but to incorporate the dictates of the external agencies into its own policy framework which may be in such areas as personnel, marketing, purchasing, quality control, social responsibility, and so on,

The process of **policy** formulation

An **examination** of the elements of **the above** categories of policies give an idea on how policies emerge and are formulated in organisations. Policy formulation is an important **function** of managers especially at the top level of the organisation. It is also a process, just like **planning**, consisting of the following **elements** or steps:

- 1 Recognition of the pressure or desirability of policy.
- 2 Defining the aspects and dimensions that the proposed policy is required to cover.
- 3 Formulation of preliminary views of management and collection of relevant **information** which may serve as bases for formulation of policy.
- 4 Formulation of alternative **policy** proposals.

5 **Thorough discussion** of the proposals at all relevant managerial levels.

6 **Finalisation** of the policies:

The above steps are only **suggestive**. In general the objectives and strategies of the organisation provide the framework for policies. Organisational policies have to be consistent with and contribute to the smooth accomplishment of organisational objectives. Policy formulation in organisations is also significantly influenced by the values of the top management and the resources and capabilities of the organisation. External factors such as socio-political factors (for example government policies and programmes), product market factors (e.g., incomes, tastes and buying patterns of customers, structure of industry and competitive conditions in the market) and resource market factors (like conditions in labour market, capital market and so on) also influence the process of policy formulation.

It is desirable that policy proposals are extensively discussed at relevant managerial levels. Once policies are finalised at the relevant managerial level, they should be formally or informally communicated to the managers and others at lower levels for their information and compliance. Steps are also to be taken to ensure that policies are followed by managers on a consistent basis while making decisions.

Relationship and distinction between policies, strategies and objectives

Objectives and policies belong to the category of strategic postulates of an organisation. Objectives are 'ends' and policies are the means to achieve the ends. Policies focus on objectives and throw light on how the latter are to be achieved. They give meaning and content to the objectives. It is often stated that policies reflect the real intents and character of an organisation as against objectives which are somewhat vague and abstract. Policies are more specific and clear. They spell out the implications of objectives in pragmatic terms.

The points of **distinction** between policies and objectives are:

- i) Objectives are single use plans while policies fall into the category of standing plans.
- ii) Objectives have often got a time **frame** within which they are to be achieved; policies have no such time limits.
- iii) Objectives are basic and critical to the very existence of an organisation. We cannot think of an organisation without any objective. Policies are not that basic to the existence of an organisation. It is possible for an organisation to function without policies. For example, several small and medium-sized organisations are managed in a rather opportunistic and adhoc manner without any policy framework.
- iv) Objectives are meant to be achieved while policies are meant to be **observed** as guidelines.

In the machinery of organisational plans, objectives occupy a higher place than policies.

As regards the relationship and distinction between policies and strategies, both reinforce each other and jointly contribute as the means of achievement of organisational objectives. Also, the formation of strategies has to be done within a policy **framework**. Managers need policy guidelines for design of organisational strategies. Policies may be truly regarded as part of strategic plans of the organisation; they have significant strategic content.

Following are the differences between policies and **strategies**:

- i) Strategies are single use plans like objectives while policies are standing plans.
- ii) Policies are formulated to deal with specific problems. Strategies are formulated to meet environmental **threats** and opportunities.
- iii) Policies are concerned with the company as a whole or particular departments. Strategies are concerned with the company as a whole.
- iv) Strategies are closer to objectives as the means of achieving them than policies.

Check Your Progress B

1 Fill in the blanks:

- i) **Policies** are more than objectives.
- ii) **Objectives** are the and policies are to achieve the ends.

- iii) Policy formulation is also a like planning.
 - iv) Policies which are formulated on the initiative of top management are known as policies.
 - v) Policies are among the most important plans.
- 2 State whether the following statements are True or False:
- i) A policy is predetermined decision-rule.
 - ii) Policies set constraints on managerial discretion in decision making.
 - iii) Policies should always be in writing.
 - iv) Policies facilitate delegation of authority.
 - v) Appealed policies are imposed on the organisation.
 - vi) Objectives are the bases of policies and strategies.

5.6 PROCEDURES

The term 'Procedure' is **defined** as a set of steps determined in advance and standardised for initiating, **carrying through** and completing a time-bound activity. Examples of such activities include purchase of raw materials for the manufacturing department, passing vendors' bills for payment, settlement of workers grievances, hiring manpower for the **office**, sanctioning earned leave, and so on. A procedure specifies the tasks to be done sequentially for completing a piece of work. It lays down the process of doing routine and repetitive activity, for the guidance of those who are to carry out such activity. In other words, a procedure may be regarded as a guide to action — how a sequence of steps should be performed. For example, the procedure for admission of students in a university is (a) candidates should apply in advance on the prescribed application form and furnish the required information and documents (b) the university office receives and records the applications received before the last date (c) the applications will be screened by the appropriate committee to ensure that all the requirements are satisfied (d) the applicants will be ranked according to their merit and depending on the number of seats available, candidates will be selected and offered admission.

It is clear from the above that a procedure outlines the sequence of actions or steps to be taken in performing specific jobs of a repetitive nature. The series of steps or actions **are** mostly **administrative/clerical** in nature. The formulation of procedure is a managerial function. Managers at relevant levels lay down and specify the procedures to be followed by the subordinate administrative and clerical personnel for carrying out the myriad of routine activities in organisations. A large number of standard operations or procedures are to be found in almost all business and other organisations for facilitating smooth, orderly and expeditious work flow in administration and related areas.

The characteristics of a good procedure include the following:

- 1 It should be purposeful and **functional**.
- 2 It should be in a written form.
- 3 It should be simple and clear.
- 4 It should really serve as a guide to those who have to follow it.
- 5 It should not be overly rigid.
- 6 It should be exposed to **periodic** review and reform.

Uses and importance of procedures

In **organisations**, procedures serve several useful purposes. Let us **briefly** discuss them.

- 1 Procedures provide guidance and **instruction** to **administrative** and other personnel on how to carry out specific activities in a systematic manner. They aid in **simplifying**, **organising** and **standardising** the day-to-day paper work in organisations.
- 2 Procedures facilitate smooth, effective and orderly flow of activity in organisations and thus promote **'management by system'**: Procedures also permit consistency of action in various **departments** or sections at a point of time and over a period of **time**.
- 3 They serve as tools of supervision, control and coordination in **the** hands of managers with regard to the task performance of their subordinates.

4. Since procedures are laid down by managers after careful thinking they represent the correct and **proper** Ways of doing work.
5. **Procedures** save clerical and **administrative** time. They also **safeguard** the interests of those who have to **carry** out work or **are affected** by them in some way. If employees faithfully follow standard procedures, they **will** be saved **from** harassment by their superiors, colleagues and outsiders.

Relationship and distinction between Policies and Procedures.

Although policies and procedures are interrelated still there are some differences between them as follows:

The formulation of procedure takes place within the framework of policies. In fact, procedures are partly meant to **subserve** and implement policies. Hence procedures are to be consistent with policies. For example "it is (the policy of the company that every employee is entitled **to** a safe and congenial working environment and every effort should be made to prevent accidents in any phase of operation". In **order to** implement the above policy a procedure is laid down on maintenance of machinery and equipment. A part of the procedure is specified as follows for illustrative purposes:

1. Each maintenance person assigned to work on a job will look out the machine properly and disconnect it with his own safety lock and keep the key in his possession. If he does not finish the job before the shift change, he will remove his lock and put a seal on the disconnect. He will hang a danger tap on the control station, stating why the equipment is shut down.
2. Policies have a significant strategic content and are **closer to** objectives and strategies than procedures. Procedures are mere operational and tactical plans formulated at relatively lower managerial levels.
3. Policies are basically guide posts to managers for purposes of decision-making and action. procedures are only-guides to orderly administrative action largely at the non-managerial level.
4. Policies set broad parameters and constraints on the discretion and freedom of managers in their decision making function. They leave considerable latitude to managers for innovation and manipulation while deciding upon relevant issues. Procedures are more detailed and specific in their nature. They do not offer much scope for discretion or departure to those who have to observe them.

5.7 SCHEDULES

The term 'Schedule' is defined as a plan of action which focuses on the 'when' aspects of initiating and completing operations regarding specific jobs. In manufacturing operations, **machines** and manpower are to be optionally **utilised** for production of concerned products and components have to be systematically planned in advance. For **this** purpose **time** schedules are prepared for the starting and completion of the whole operation. **While** preparing such a schedule, managers at the operational level take into consideration several factors like delivery schedules of the completed products/ components, the plant capacity, the machine **work loads already** committed but are pending to be executed, availability of labour, position regarding availability of materials and other inputs and so on.

Distinction between procedures and schedules

Following are the differences between procedures and schedules:

1. Procedures lay down the sequence of operations to be done for completing a particular piece of work or job. Schedules lay **down** the **starting** time for each operation and the length of time required for completing that operation.
2. Procedures are generally administrative aids and **tools** while schedules are largely concerned with technical operation.
3. Very high degree of coordination, **synchronisation** and balancing is needed in working out schedules for different operations **and for** different procedures

especially when production facilities are common for them. In the case of procedures, no such problems are generally experienced.

Check Your Progress C

- 1 Fill in the blanks:
 - i) Procedure lays down **the** process of doingand activities.
 - ii) **Procedure** outlines the of steps to be taken in performing a specific job.
 - iii) Procedures **save**time.
 - iv) Policies **and** procedures are but also from each other.
 - v) Schedules define theaspects of starting and completing operations.

2. State whether the following statements are True or False.
 - i) Procedures are operational guides in action.
 - ii) Procedures are helpful in performing non-routine tasks.
 - iii) Faithful adherence of **procedures** is expected of clerical personnel.
 - iv) Procedures are formulated in very general **and** broad **terms**.
 - v) There is no distinction between procedures and schedules.
 - vi) Schedules **are** generally **reversible** in manufacturing work situations.

5.8 LET US SUM UP

Planning is a course of action determined in advance by the management. Plans are of **two** types — single use plans and multi-use plans or standing plans. A single use plan is specific to a particular situation and made for a short term period for example programmes, budgets, schedules, progress etc. A Standing plan is enduring and serves as standing guidelines for decision-making process for example objectives, strategies, policies, procedures etc.

Objectives are goals established to guide the efforts of the company and each of its components. They are the means for determining policies, procedures, strategies, programmes, budgets and other plans. They provide foundation for effective management. Top management sets wide **range** of objectives considering the nature and functions of the organisation. Strategies are unified and critical plans of action to achieve an objective or a set of objectives. They provide basic and integrated frame of reference to managers. They give direction for the achievement of organisational goals. Policies are general statements or understandings which guide or channel thinking and action on decision making. They define the area or limits within which decisions are made to achieve organisational objectives. Policies are of several types like originated policy, appealed policy, implied policy and externally imposed policy. **In the process** of policy formulation various concerned aspects and dimensions are discussed thoroughly for the finalisation of the policy. Procedures are series of steps established to accomplish a specific project. They indicate how a policy is to be implemented and carried out. A schedule on the other hand **specifies time** limits within which activities are to be completed. It avoids delay and ensures continuity of operations.

5.9 KEY WORDS

Appealed Policies: Policies formulated at higher managerial levels in response to appeals or reference made by lower managers.

Implied Policies: Policies which evolve on the basis of **precedents** and conventions but not explicitly formulated.

Imposed Policies: Policies adopted by organisation as a result of direct or indirect dictates of external agencies such as government, trade unions etc.

Multiplicity of objectives: Objectives relating to all key areas of activity of an organisation.

Objective: Planned target of **performance** or the desired **end result** of an activity.

Originated Policies: Policies formulated on the initiative of top management of an organisation.

Policies: Policies are general statements or understandings which guide or channel thinking and action in decision-making.

Procedure: A set of sequential steps determined in advance and standardised for performing a time-based activity.

Schedule: A schedule specifies time limits within which activities are completed.

Strategy: A unified and critical plan of action to achieve one or more objectives focusing on the how aspects of achieving objectives.

5.10 ANSWERS TO CHECK YOUR PROGRESS

- A) 1 i) action, resources ii) non-repetitive iii) commercial; social.
2 i) True ii) False iii) False iv) True v) False vi) True.
- B) 1 i) specific ii) ends, means iii) process iv) originated v) standing.
2 i) True ii) True iii) False iv) True v) False vi) True.
- C) 1 i) routine, repetitive ii) sequence iii) administrative iv) interrelated distinct
v) 'when'
2, i) True ii) False iii) True iv) False v) False vi) True.

5.11 TERMINAL QUESTIONS

- 1' Define the concept of 'Planning' and distinguish it from that of a 'plan'.
2. What do you understand by single use and standing plans? Give examples. Briefly outline the role of single use plans in organisations.
3. Explain the meaning and nature of objectives. In what specific ways are objectives important for organisations?
4. What is a strategy? What is the difference between strategy and objective? Give examples of strategies relevant for business enterprises.
5. Why are policies regarded as standing plans? Outline at least four uses of policies to an organisation.
- 6' Explain in brief originated policies, appealed policies and implied policies.
- 7 Briefly explain the distinction between:
i) Procedures and Schedules ii) Policies and Procedures iii) Plans and Strategies
iv) Objectives and Policies.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university. These are for your practice only.

UNIT 6 ORGANISING : BASIC CONCEPTS

Structure

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Nature of Organising Function
 - 6.2.1 Characteristics of Organisation
 - 6.2.2 Importance of Organisation
- 6.3 Organisation as a System
- 6.4 Steps in the Organisation Process
- 6.5 Organisation Structure
 - 6.5.1 Significance of Organisation Structure
 - 6.5.2 Types of Organisation Structure
- 6.6 Principles of Organisation
- 6.7 Span of Control
- 6.8 Organisation Chart
- 6.9 Organisational Manual
 - 6.9.1 Importance of Manual
 - 6.9.2 Types of Manual
 - 6.9.3 Advantages of Manual
 - 6.9.4 Drawbacks of Manual
- 6.10 Formal and Informal Organisations
 - 6.10.1 Difference between Formal and Informal Organisations
 - 6.10.2 Characteristics of Informal Organisation
 - 6.10.3 Functions of Informal Organisation
 - 6.10.4 Problems of Informal Organisation
- 6.11 Let Us Sum Up
- 6.12 Key Words
- 6.13 Answers to Check Your Progress
- 6.14 Terminal Questions

6.0 OBJECTIVES

After studying this unit, you should be able to

- Narrate the importance of organising;
- e Describe the different interpretations of the word organising;
 - Distinguish between the different types of organisation structure viz. functional, divisional, and adaptive;
- Analyse the formal and informal dimensions of any organisation, and
- Explain the **significance** of span of supervision, organisational charts and manuals.

6.1 INTRODUCTION

In the preceding unit, you have been acquainted with the meaning and nature of the important elements of planning, such as, policies, plans, schedules and procedures. The present unit relates to organising function of management and its integral aspects such as organisation structure, charts, manuals, formal and informal organisations, forms of organisation and span of **control**.

6.2 NATURE OF ORGANISING FUNCTION

As a function of management, organising refers to the process involving the identification and **grouping of** activities to be performed, defining, and establishing the authority responsibility relationships. This enables people to work most effectively together in achieving the enterprise objectives. In a general sense, organising consists of determining and arranging for men, materials, machines and money required by **an** enterprise for the attainment of its goals. In a restricted and operational sense, the **term** organising means defining the duties and responsibilities of the people employed, and determining the manner in which their activities are to be interrelated. The end result of organising is the creation of a structure of duties and responsibilities of people **in**

different positions, grouped according to the similarity and interrelated nature of activities. In other words, the outcome of the organising process is an 'Organisation' consisting of a group of people working together for the achievement of one or more common objectives.

6.2.1 Characteristics of Organisation

The characteristics of an organisation are:

- a) **Group of people:** An **Organisation** comes into existence when a group of **people** combine their efforts for some common purpose and willingly contribute towards their common endeavour.
- b) **Division of work:** Setting of an **organisation** involves division of the total work into **various** activities and functions, and assigning the tasks to different persons according to their skill, ability and experience.
- c) **Common purpose:** Every **organisation** comes into existence on the basis of goals of the enterprise which are separate from the personal goals of the people employed. It is the common purpose of the organisation which provides the basis of co-operation among the members of the organisation.
- d) **Vertical and horizontal relationships:** An organisation creates cooperative **relationships** between different **departments** and divisions as well as between superiors and subordinates. Different functions and activities like production, marketing, financing etc. are integrated for the achievement of proper coordination. The duties and responsibilities of superiors and subordinates in each department or division are also **unified** so as to serve the purpose of their joint efforts.
- e) **Chain of command:** The superior-subordinate relationships established in an organisation are based on the authority which flows from the higher levels of management to the next lower levels, thereby **forming** a hierarchical chain. This is known as the chain of command, which also determines the line of **communication**.
- f) **Dynamics of organisation:** Besides the structural relationships among people which are based on their activities and functions, there exists an organising interactions based on sentiments, attitudes and behaviour of individuals and groups. These aspects of relationship provide a dynamic element to the organisational functioning. They are subject to change from time to time.

6.2.2 Importance of Organisation

Sound organisation contributes greatly to the continuity and success of the **enterprise**. Its importance can be discussed below:

- i) **Facilitates administration:** Sound organisation facilitates management to relate resource flows continually to overall objectives. It provides an appropriate platform from where management can perform the functions of planning, direction coordination, motivation and control.
- ii) **Facilitates growth and diversification:** It helps in organisational elaboration. Growth and diversification of activities is facilitated by clear division of work, proper delegation of authority etc. As the organisation expands to a reasonable proportion, the functional type can be replaced by a more flexible decentralised **organisation**.
- iii) **Permits optimum use of resources:** Sound organisation permits optimum use of technical and human resources. The organisation can incorporate the latest technological improvements like computers, electronic data processing machines etc. It **permits** optimum use of human efforts through specialisation. It also develops people by creating appropriate training and promotion opportunities. Thus, **organisation** gives a company the greatest possible strength for meeting predicted **needs-changing** conditions.
- iv) **Stimulated creativity:** Specialisation provides **individuals** with well-defined duties, clear lines of authority and responsibility. Sound **organisation** structure enables managers to turn over routine and repetitive jobs to **supporting** positions and

-concentrate on important issues where they can exploit their potential better. Thus, it encourages the creativity of the people.

- v) Encourages **humanistic** approach: People can work in team and not like robots or machines. Organisation provides job rotation, job enlargement and enrichment. Jobs are designed to suit human needs and are made meaningful and interesting. Organisation adopts efficient methods of selection, training, remuneration and promotion of employees. Proper delegation and decentralisation, **conducive** working environment and democratic and participative leadership provide higher, job satisfaction to the employees. It enhances the inter-action among different levels of the management.

Although we have discussed the importance of the organisation, a sound organisation structure by itself does not guarantee success. According to Prof. Drucker good organisation structure does not by itself produce good performance – just as a good **constitution** does not guarantee great presidents, or good laws or a moral society. But a poor organisation structure makes good performance impossible no matter how good the individuals may be.

6.3 ORGANISATION AS A SYSTEM

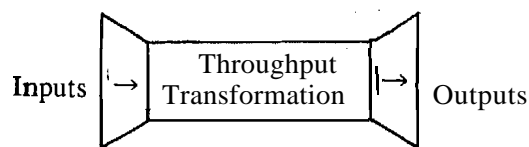
Systems concept recognises that organisations are made up of components, each of which has unique properties, capabilities and mutual relationships. It further recognises the significance of system and emphasises that a whole composed of various parts may be quite different from the simple sum of its parts. There are many and varied definitions of the term 'system'. Most definitions involve such phrases as 'complex whole', set of entities, 'set of relationships', 'resources network', and 'conglomeration of interrelated parts'. For the purpose of our analysis, we may define system as an arrangement and set of relationships among multiple parts operating as a whole. An organisation viewed as a system is composed of many interdependent and interrelated parts known as **sub-system**. Every Sub-system is itself a system composed of smaller interrelated parts of sub-systems.

6.6.1 Components of an Organisational System.

An organisation as a social system consists of the following components:

- a) Inputs: As depicted in Fig. 1, the system takes certain inputs from its environment. These inputs are human resources, material resources, energy and information.

Figure 6.1 Organisation as a System



- b) Processor: The processor or throughput involves the **utilisation** of inputs within the organisation to produce the desired outputs. A number of sub-systems such as production, marketing, finance, personnel and research and development must be created for processing or transformation. There are further sub-systems within each sub-system. The individual employee is also a sub-system and he or she is composed of multiple physical and psychological sub-systems. Interrelatedness among all the sub-systems must be kept in mind **all** the time.
- c) Output: The output of an organisation may be both intended and unintended. Intended outputs are usually labelled objectives. For instance, high productivity is an intended objective, The output **may** consist of goods and services. An unintended output may be informal relation among the group members.
- d) **Management**: The management component of the system is concerned with the **determination** and implementation of processor activities in order to achieve intended outputs. Managing involves **planning**, organising, staffing, directing and controlling. For managing, feedback of information concerning the quality, quantity, cost and time of system outputs is necessary. Standards concerning desired results must be established and enforced by **management** through the **feedback**-

initiation activity. If **outputs** are named improper or inadequate according to the **predetermined** standards, corrective measures such as guidance and warning of workers, improvement of planning and organising, revision of standards, **etc.** are initiated.

6.4 STEPS IN THE ORGANISATION PROCESS

Organising involves the following interrelated steps:

- 1 **Determination of objectives**:: Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. It will help the management in the choice of men and materials with the help of which it can achieve its objectives. Objectives also serve as the guidelines for the management and the workers. They will **bring** unity of direction in the organisation.
- 2 **Identification** and grouping of activities: If the members of the groups are to pool their efforts **effectively** there must be proper division of the major activities. Each job should be **properly** classified and grouped. This will enable the people to know what is expected from them as members of the group and will help in avoiding duplication of efforts. For instance, **the** total activities of an individual industrial organisation may be divided into major functions like production, purchasing, marketing, and financing, and each such function is further subdivided into various jobs. The Jobs then may be classified and grouped to ensure the effective implementation of the other steps.
- 3 **Allotment of duties**: After classifying and grouping the activities into various jobs, they should be allowed to the individuals so that they could perform them effectively. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him.
- 4 **Developing relationships**: Since so many individuals work in the same organisation, it is the responsibility of management to lay down structure of relationships in the organisation. Everybody should clearly know to whom he is accountable. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.
- 5 **Integration of these groups of activities**: Integration can be achieved in **all** activities in following ways — (a) through authority relationships — horizontally, vertically, and laterally and (b) through organised information or **communication** systems, **i.e.**, with the help of effective **coordination** and communication. We can achieve unity of objectives, team work and team spirit by the integration of different activities.

6.5 ORGANISATION STRUCTURE

Organisation structure may be defined as the established pattern of relationships among the component **parts** of the organisation. **Organisation** structure in this sense refers to the network of **relationships** among individuals and positions in an organisation. It describes the **organisation** framework. Just as human beings have skeletons that define their parameters, organisations have structures that **define theirs**. It is like the architectural plan of a building. Just as the architect considers various factors like cost, space, special features needed etc. While designing a good structure, the managers too must look into factors like benefits of specialisation, communication problems, problems in creating authority levels etc, before designing the organisation structure.

The **manager determines** the work activities to get the job done, **writes** job descriptions, and organises people into groups and assigns them to superiors. He then fixes **goals and** deadlines and establishes standards of performance. Operations are controlled through a reporting system. The whole structure takes the shape of a pyramid. The structural organisation implies the following things:

- i) The formal relationships with **well-defined** duties and responsibilities;

- ii) The hierarchical relationships between superior and subordinates within the organisation;
- iii) The tasks or activities assigned to different persons and the departments;
- iv) **Coordination** of the various tasks and activities;
- v) A set of policies, procedures, standards and methods of evaluation of performance which are formulated to guide the people and their activities.

The arrangement which is deliberately planned is the formal structure of organisation. But the actual operations and behaviour of people are not always governed by the formal structure of relations. Thus the formal arrangement is often modified by social and psychological forces and the operating structure provides the basis of the organisation.

6.5.1 Significance of Organisation Structure

The organisation structure contributes to the efficient functioning of organisations in the following ways.

- a) **Clear-cut authority relationships:** Organisation structure allocates authority and responsibility. It specifies who is to direct whom and who is **accountable** for what results. The structure helps an organisation member to know what his role is and how it relates to other roles.
- b) **Pattern of communication:** Organisation structure provides the patterns of communication and coordination. By grouping activities and people, structure facilitates **communication** between people centred on their **job activities**. People who have joint problems to solve often need to share information.
- c) **Location of decision centres:** Organisation structure determines the location of centres of decision making in the organisation. A departmental store, for instance may follow a structure that leaves **pricing**, sales promotion and other matters largely up to individual departments to ensure that various departmental conditions are considered.
- d) **Proper balancing:** Organisation structure creates the proper balance and emphasises on coordination of group activities. Those **more** critical aspect for the success of the enterprise **may** be given higher priority in the organisation. Research in a pharmaceutical company, for instance, might be singled out for reporting to the general manager or the managing director of the company. Activities of comparable importance might be given, roughly equal levels in the structure to give them equal emphasis.
- e) **Stimulating creativity:** Sound organisation structure stimulates creative thinking and initiative **among** organisational members by providing well defined patterns of authority. Everybody knows the area where he specialises and where his efforts will be **appreciated**.
- f) **Encouraging growth:** An **organisation** structure provides the framework within which an enterprise functions. **If** it is flexible, it will help in meeting challenges and creating **opportunities** for growth. A sound organisation structure facilitates growth of the enterprise by increasing its capacity to handle increased level of activity.
- g) **Making use of technological improvements:** A sound **organisation** structure which is adaptable to change can make the best possible use of latest technology. It will modify the existing pattern of authority-responsibility relationships in the wake of technological **improvements**.

In short, existence of good organisation **structure** is essential for better management. Properly designed organisation can **help in** improving team work and **productivity** by providing a framework within which the people can work together most effectively. Therefore, an organisation structure should be developed according to the needs of the people in the organisation.

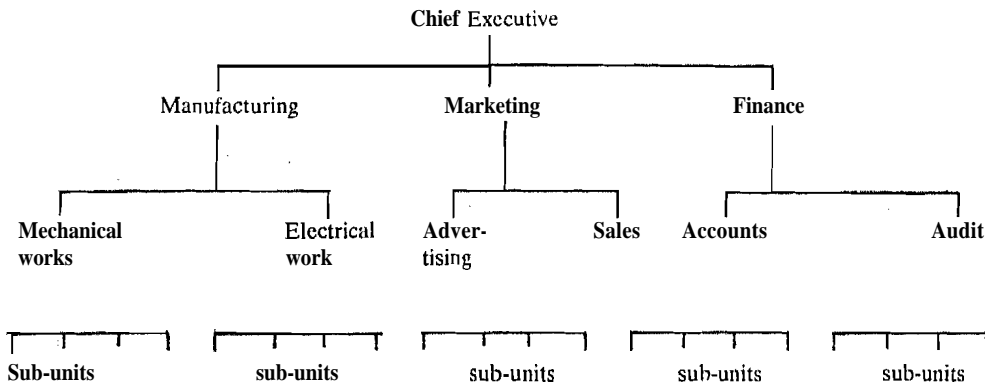
6.5.2 Types of Organisation Structure

Different types of **Organisation** structure can be distinguished on the basis of **arrangement** of activities. **Accordingly**, three broad **types** of structural **forms** are:

- 1 Functional,
- 2 Divisional, and
- 3 Adaptive

Functional structure: When units and sub-units of activities are created in an organisation on the basis of functions, it is known as functional structure. Thus, in any industrial organisation, specialised functions like manufacturing, marketing, finance and personnel are constitute as separate units of the organisation. All activities connected with each such function are placed in the same unit. As the volume of activity increases, sub-units are created at lower levels in each unit and the number of persons under each manager at various levels get added.. This results in the interrelated positions taking the shape of a pyramid. The figure below shows the functional structure of a medium-size organisation.

Figure 6.2 Functional Structure



The main advantage of the functional structure of organisation is that there is functional specialisation in each unit, which leads to operational efficiency of people engaged, and the organisation as a whole derives the benefit of specialised operations. The heads of the functional units are in direct touch with the chief executive who can sort out inter-functional problems, if any, and also coordinate the interrelated functions. The chief executive is also able to be in direct touch with lower level subordinates and thereby have full knowledge of the state of affairs in the organisation.

However, while the functional arrangement may be well suited to small and medium size organisations, it is incapable of handling the problems of an organisation as it grows in size and complexity. Problems of sub-units at lower levels do not receive adequate attention of higher level managers while some of the activities tend to be over-emphasised.

Functional units become unwieldy and difficult to manage when there are diverse kinds of activities performed in large number of sub-units. Personal contact between superiors and subordinates becomes rare, and flow of communication is slow leading to problems of coordination and control.

Figure 6.3 Product Divisionalisation

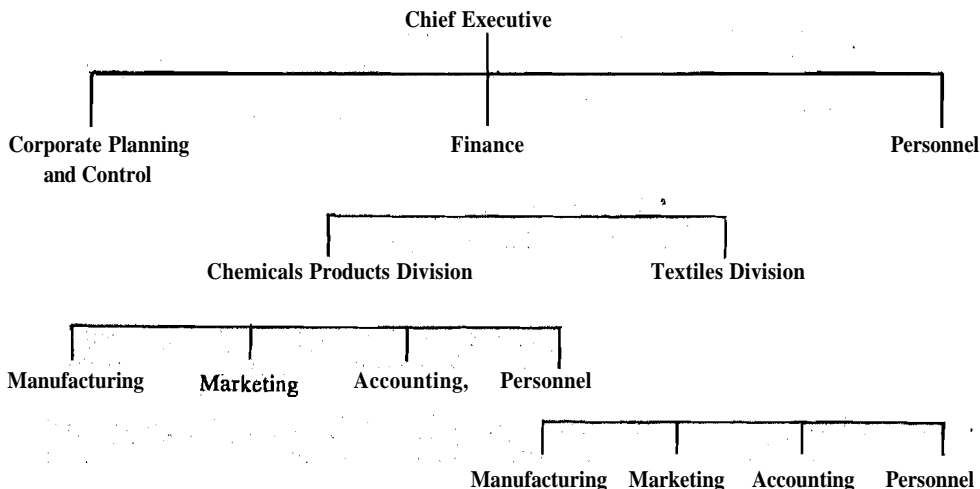
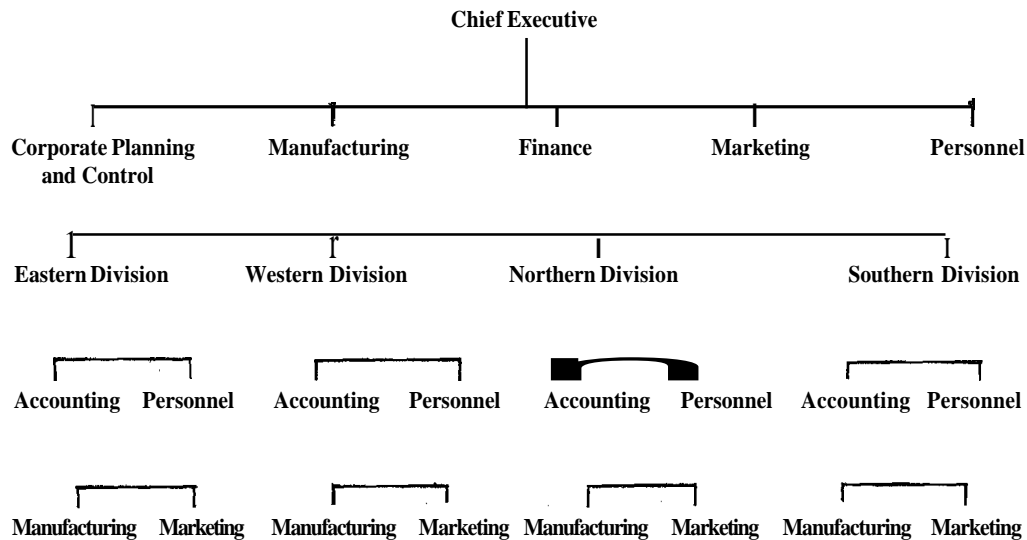


Figure 6.4 Territorial Divisionalisation



Divisional structure: The divisional organisation structure is more suited to very large enterprise particularly those which deal in multiple products to serve more than one distinctive markets. The organisation is divided into smaller business units which are entrusted with the business related to different products or different market territories. In other words, independent divisions (product divisions or market division) are created under the overall control of the head office. Each divisional manager is given autonomy to run all functions relating to the product or market segment or regional market. Thus, each division may have a number of supporting functions to undertake.

A divisional structure may consist of two or more product divisions or market or territorial divisions as depicted in the diagrams 6.3 and 6.4.

In a divisional structure each division contributes planned profits to the organisation, but otherwise operates as an independent business. The functional units are headed by managers while the final authority vests in the divisional manager, who coordinates and controls the activities of the various functional units in the division. The top management of the organisation, besides providing funds, determines the organisational goals and formulates policies.

The divisional structure is characterised by decentralisation of authority. Thus it enables managers to take decisions promptly and resolve problems appropriate to the respective divisions. It also provides opportunity to the divisional managers to take initiative in matters within their jurisdiction. But such a structure involves heavy financial costs due to the duplication of supporting functional units for the divisions. Moreover, it requires adequate number of capable managers to take charge of the respective divisions and their functional units.

Adaptive structure: Organisation structures are often designed to cope with the unique nature of the undertaking and the situation. This type of structure is known as adaptive structure. There are two types in structures.

- (i) Project Organisation, and
- (ii) Matrix Organisation.

1) Project organisation: When an enterprise undertakes any specialised, time-bound work involving one-time operations for a fairly long period, the project organisation is found most suitable. In this situation the existing organisation creates a special unit so as to engage in a project work without disturbing its regular business. This becomes necessary where it is not possible to cope with the special task or project. Within the existing system, the project may consist of developing a new project, installing a plant, building an office complex, etc. A project organisation is headed by a project manager in charge, who holds a middle management rank and reports directly to the chief executive. Other managers and personnel in the project organisation are drawn from the functional departments of the parent organisation. On completion of the project they return to their parent departments.

The main advantage of such a structural arrangement is that it leaves regular **business undisturbed**. It is exclusively concerned with the task of completing the project work on time and in conformity with the standards of performance relevant to its goal. There is better management and control over the project activities as the project manager enjoys necessary authority and is alone responsible for the results. But project organisations may create problems as well. Functional managers often resent the exercise of authority by the project manager in the functional areas and hence conflict arises. The stability of the functional departments is disturbed by transfer of personnel to project work from time to time. Shifting of personnel from project to project disrupts their development in the specialised fields.

- ii) Matrix organisation:** This is another type of adaptive structure which aims at combining the advantages of autonomous project **organisational** and functional specialisation. In the matrix organisation structure, there are functional departments with specialised personnel who are deputed to work full time in different projects sometimes in more than one project under the overall guidance and **direction** of project managers. When a project work is completed, the individuals attached to it go back to their respective functional department to be assigned again to some other project. This arrangement is found suitable where the organisation is engaged in contractual project activities and there are many projects to manager, as in a large construction company or engineering firm.

Matrix organisation provides a flexible structure ideally suited to the requirements of changing conditions. It facilitates pooling of specialised and technical personnel from different functional departments, who can be deputed to a number of projects. They acquire valuable experience of handling varied and complex problems in project work. There is speedy exchange of information and decision-making as they **work** under the coordinating authority of project managers.

The major drawback of matrix organisation is that the personnel drawn from specialised functional departments are subjected to dual authority, that of the functional heads and the project managers. The principles of unity of command is thereby sacrificed. This generates stresses and strains in project management, because there is simultaneous engagement of the same individual in a number of projects.

Check Your Progress A

- 1 Which of the following statements are True **and** which are False.
 - i) The outcome of the process of organising is an 'organisation' consisting of a group of people working together for the achievement of common goals.
 - ii) The chain of command does not indicate the time of communication.
 - iii) The formal structure of an organisation is not affected by social or psychological forces.
 - iv) The divisional structure of organisation is characterised by decentralisation of authority.
 - v) Project organisation is concerned with time bound one-time operations.
- 2 Fill in the blanks:
 - i) Viewed as a system, an organisation consists of parts known as sub-systems.
 - ii) It is through the process of organising that the and of people are determined.
 - iii) The structure of organisation established hierarchical relations between and
 - iv) As the **volume** of activity increases, a functional organisation requires addition of sub-units at units.
 - v) The divisional structure of organisation is more **suited** to enterprises.

6.6 PRINCIPLES OF ORGANISATION

The principles of organisation **are** guidelines for planning **an efficient** organisation structure. Let us discuss the important **principles** of organisation:

- Unity of objectives:** An enterprise strives to accomplish certain objectives. The organisation and every part of it should be directed towards the attainment of objectives. Every member of the organisation should be familiar with its goals and objectives. There must be unity of objectives so that all efforts can be concentrated on the set goals. The principle requires objectives to be clearly formulated and well-understood.
- 2 **Division of work and specialisation:** The entire work in the organisation should be divided into various parts so that every individual is confined to the performance of a single job. This facilitates specialisation which in turn leads to efficiency and quality. However, each area of specialisation must be interrelated to the total integrated system by means of coordination of all activities of all departments.
 - 3 **Definition of jobs:** Every position in the organisation should be clearly defined in relation to other positions in the organisation. The duties and responsibilities assigned to every position and its relationship with other positions should be so defined that there is no overlapping of functions.
 - 4 **Separation of line and staff functions:** Whenever possible, line functions should be separated from staff activities. Line functions are those which accomplish the main objectives of the company. In many manufacturing companies, the manufacturing and sales departments are considered to be accomplishing the main objectives of the business and so are called the line functions. Other functions like personnel, plant maintenance, financing and legal are considered as staff functions.
 - 5 **Chain of command or scalar principle:** There must be clear lines of authority running from the top to the bottom of the organisation. Authority is the right to decide, direct and coordinate. The organisation structure should facilitate delegation of authority. Clarity is achieved through delegation by steps or levels from the top position to the operating level. From the chief executive, a line of authority may proceed to departmental managers, to supervisors or foremen and finally to workers. This chain of command is also known as scalar principle of organisation.
 - 6 **Parity of authority and responsibility or principle of correspondence:** Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him. This principle suggests that if a plant manager in a multiplant organisation is held accountable for all activities in his plant, he should not be subject to seek orders from company headquarters for his day to day activities.
 - 7 **Unity of command:** No one in the organisation should report to more than one line supervisor. Everyone in the organisation should know to whom he reports and who reports to him. Stated simply, everyone should have only one boss. Receiving directions from several supervisors may result in confusion, chaos, conflicts and lack of action.
 - 8 **Unity of direction:** According to this principle a group of activities that have a common goal should be managed by one person. There should be one head and one plan for a common objective of different activities. This facilitates smooth progression towards the achievements of overall organisational goals.
 - 9 **Exception principle:** This principle suggests that higher level managers should attend to exceptional matters only. All routine decisions should be taken at lower level, whereas problems involving unusual matters and policy decisions should be referred to higher levels.
 - 10 **Span of supervision:** The term 'span of supervision' means the number of persons a manager or a supervisor can direct. No manager should be required to supervise more subordinates than he can effectively manage within the limits of available time and ability. The exact number may vary according to the nature of the job and the frequency or intensity of supervision needed.
 - 11 **Principle of balance:** There should be proper balance between various parts of the organisation and no function should be given undue importance at the cost of others. Balance should be maintained also between centralisation and decentralisation, span of supervision and lines of communication, and authority allocated to department and personnel at various levels.

- 12 **Communication:** A good communication network is essential to achieve the objectives of an organisation. No doubt the line of authority provides channels of communication downward and upward, still some blocks in communication occur in many organisation. The confidence of superior in his subordinates and two-way communication are the factors that unite an organisation into an effectively operating system.
- 13 **Flexibility:** The organisation structure should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technological innovations. Flexibility of organisation structure ensures the ability to change with the environment without disrupting the basic design.
- 14 **Continuity:** Change is the law of nature. Many changes take place outside the organisation. These changes must be reflected in the organisation. For this purpose the form of organisation structure must be able to serve the enterprise to attain its objectives for a long period of time.

6.7 SPAN OF CONTROL

The term 'span of control' is also known as 'span of supervision' or 'span of authority'. Simply stated it refers to the number of individuals a manager can effectively supervise. Thus, it is expected that the span of control, that is, the number of subordinates directly reporting to a superior should be limited so as to make supervision and control effective. This is because executives have limited time and ability.

It is sometimes suggested that the span of control should neither be too wide nor too narrow. In other words, the number of subordinates should not be too large or too small. According to some experts, the ideal span is four at higher levels and eight to twelve at lower levels. But the number of subordinates, cannot be easily determined because the nature of jobs and capacity of individuals vary from one organisation to another. Moreover, the **actual** span of supervision affects the organisation in different ways. A wide span results in fewer levels of supervision and facilitates communication. But it permits only general supervision due to the limited availability of time. Narrow span, on the other hand, requires multiple levels of supervision and hence longer time for communication. It is more expensive and complicates the process of communication. A narrow span, however enables managers to exercise close supervision and control.

Factors affecting Span of Control

Although there are **certain limits** to the span of control, the tendency in recent years has been to avoid specifying absolute numbers because it has been **recognised** that the ideal span depends on a number of factors. Some of the **more** important of these factors are discussed below:

- i) **Nature of the work:** If the work is simple and repetitive, the span of control can be wider. However, if the work requires close supervision the span of control must be narrow.
- ii) **Ability of the manager:** Some managers are more capable of supervising large numbers of people than others. Thus for a manager who possesses qualities of leadership, decision-making ability, and communication skill in greater degree the span of control may be wider.
- iii) **Efficiency of the organisation:** Organisations with efficient working systems and competent personnel can have larger span of control.
- iv) **Staff assistants:** When staff assistants are employed, contact between supervisors and subordinates can be reduced and the span broadened.
- v) **Time available for supervision:** The span of control should be narrowed at the higher levels because top managers have less time available for supervision. They have to devote the major part of their work time in planning, **organising**, directing and controlling.
- vi) **Ability of the subordinates:** Fresh entrants to jobs take more of a supervisor's time than trained persons who **have acquired** experience in the job. Subordinates who have good judgement, initiative, and a sense of obligation seek less guidance from the supervisor.

vii) Degree of **decentralisation**: An executive who personally takes many decisions is able to supervise fewer people than an executive who merely provides encouragement and occasional direction.

It should be clear that the size of the span of **control** is related to **numerous** variables, and no single limit is likely to apply in all cases. A variety of factors can influence the **resulting** number of employees comprising the optimum span of control in any particular **organisation**.

Check Your Progress B

- 1 Fill in the blanks:
 - i) The chain of command is based on the principle of organisation.
 - ii) **Principle** of correspondence **suggests** of authority and responsibility.
 - iii) Higher level **managers** should be required to attend to matters **only**.
 - iv) The organisation structure should be so that it can be adapted to change.
 - v) A wide span of control results in levels of supervision.
- 2 Which of the following statements are True and which are False.
 - i) A narrow span is less expensive than a wide **span**.
 - ii) **Unity of command** means that a manager must issue the same instructions to all his subordinates.
 - iii) Personnel functions are not line, but staff functions.
 - iv) The size of the span of control can be broadened if there are more staff assistants.
 - v) A department with all freshly recruited personnel must have a wide span.

6.8 ORGANISATION CHART

An organisation chart shows a diagrammatic representation of **important** aspects of an **organisation including** the major functions and their relationships. It is a blue print of **company organisation**, its functions lines of authority and way positions. In other words it is a graphic portrayal of positions in the enterprise **and** of the formal lines of accountability among them. It provides a **bird's eye-view** of the relationships between different departments or divisions of an enterprise as well as the relationships between the executives and subordinates at various levels. It enables each executive and employee to **understand** his position in the **organisation** and to know to whom he is **accountable**. Thus, it is obvious that an **organisation** chart has the following characteristics:

- 1 It is a diagrammatic presentation.
- 2 It shows principal lines of authority in the **organisation**.
- 3 It shows the interplay of various functions and relationships
- 4 It indicates the **channels** of communications.

The **organisation** chart should not be **confused** with the **organisation** structure. An organisation **chart** is merely a type of record showing the formal **organisational** relationships which management intends should prevail. It is, therefore, primarily a **technique of presentation**. It presents diagrammatically the lines of authority and responsibility among different **individuals** and positions. It may be either a personnel chart or functional chart. **Personnel organisation** chart depicts the relationship **between** positions held by **different** persons. **Functional** organisation chart depicts the **functions** or activities of each **unit** and sub-unit in the **organisation**.

Advantages of Organisation Chart

Following are the advantages of an organisation chart:

- i) It is a tool of **administration** which **indicates** graphically to the employees how their **positions** fit **into** the total **organisation** and how they relate to each other.

- ii) **It shows** at a glance the lines of authority and responsibility. It is a reliable, blueprint of how the positions are **arranged**. From it, the individuals can have a sense of the **limit** of their authority, and can see who their associates are, **to** whom they have to **report**, and from whom they are to receive instructions.
- iii) It serves as a valuable guide to the new personnel in understanding the **organisation structure** and the inter relationship between its units and sub-units.
- iv) It provides a framework of personnel classification and evaluation systems.
- v) It plays a significant part in organisational improvement by reflecting inconsistencies and deficiencies.

With an overview of the total organisation depicted in the chart **management may** discover unintended gaps, overlaps, etc., in the distribution of tasks and functions.

Limitations of Organisation Chart

While the organisation chart is an important tool of management, its existence alone does not ensure effectiveness of organisation because of the following limitations:

- i) Organisation chart shows only the formal relationships and fails to show the informal relations within the organisations. In modern enterprises, informal relationships significantly effect the functioning of organisations.
- ii) It shows the lines of authority, but it is not able to answer questions like the degree of authority that can be exercised by a particular executive, how far he is responsible for his functions, and to what extent he is accountable.
- iii) It introduces rigidity in the relationships. Updating is not possible without disturbing the entire set up.
- iv) Faulty organisation chart may cause confusion **and** misunderstanding among the organisational members. Moreover it gives rise to a feeling of superiority and inferiority which causes conflicts in the organisation.
- v) It does not show the relationships which actually exist in the organisation, but shows only the 'supposed relationships'.

6.9 ORGANISATIONAL MANUAL

An organisation chart shows who has authority over whom, but it does not show the extent of authority of the duties each person in the **organisation** is expected to perform, except in so far as duties are implied by job titles. For this reason, big undertakings prepare organisation manuals that include job descriptions and other information in addition to the charts. A job description includes factual statements of job contents in terms of its duties and responsibilities. An organisation manual is an authoritative guide to the organisational members. It consists of records of top management decisions, standard practices and procedures and the description of various jobs. With such information available in the **manual**, **employees** are not required to approach their superiors for instruction and guidance, causing interruption of work and resulting in wastage of time **and energy** of the superior and the subordinates.

6.9.1 Importance of Manuals

A manual can be a valuable aid to management which more than justifies the amount of work and money involved in its compilation. The availability of a good manual helps individuals to determine the **responsibilities** of their jobs and their relationship **with** other jobs in the organisation. Jurisdictional conflicts and overlapping can be avoided. The sources and degree of authority are also made clear. Thus, it can help to make instructions **definite and** shows how each employee and his job **fits** into the total organisation and how he can contribute to the achievement of organisational objectives as well as maintain good relations with other employees. A reference to the manual can quickly remove misunderstandings. It relieves managers the necessity of repeating the same information time and again. It provides uniformity and consistency of procedures and practices. It facilitates training of new employees as it contains in writing the established routines and practices with respect to the jobs. Since manuals are revised periodically or after every major **changes**, **they** serve as effective refreshers for

employees who have been on the payroll for some time. Both delegation of authority and management by exception are promoted by the use of manuals. .

6.9.2 Types of Manual

Manuals may be prepared by an organisation with different contents and purposes in view, such as, (1) Policy manual, (2) Operations manual, (3) Organisation manual, (4) Rules and Regulations a manual, and (5) Departmental manual. These are discussed below:

1 Policy manual: It is prepared to state the policies of the enterprise. It is a basic guide to action. Policy manual describes the overall **framework** within which activities are to take place and thus reveals the broad courses of managerial action likely to take place under certain conditions. It contains decision, resolutions and pronouncements of the management of the enterprise.

2 Operations manual: The purpose of manual is to inform the employees of established methods, procedures and the desired standards of performance of work. It lists the authorised steps and supplements them by the use of diagrams sketches, charts, etc. of each department and division.

3 Organisation manual: It describes the organisational setup indicating the duties and responsibilities of various departments and their **respective** sub-divisions. It is a portrayal of the formal chain of responsibilities and authorities among different persons working in the enterprise. The levels of authority and responsibility of each executive is indicated in the manual so as to avoid **conflicts** in the organisation. Promotional charts may be included in the organisation **manual** showing the possible promotional avenues throughout the entire organisation.

4 Rules and regulations manual: This manual provides information relating to the operating rules and employment regulations. It contains regulations governing hours of work, timings, procedure for taking leave, etc. It is actually a handbook of **employment** rules. It may also indicate the various benefit plans for employees including rules regarding the use of library, cafeteria, recreation club, etc.

5 Departmental manual: This manual includes procedures to be adopted with regard to departmental work. It gives in detail **the** internal policies and operating rules of the department. It shows with the help of **charts** and diagrams the inter-departmental relationships. For instance, the filing manual contains the organisation of filing department responsibilities of various jobs, relationships between the employees, and the standard procedures for different operations. Similarly, other departments **may** also have such manuals.

6.9.3 Advantages of Manual

- 1 It contains procedural rules and regulations and various other information in a written form. These need not be explained to the employees time and again.
- 2 It provides a ready reference with regard to all important decisions relating to the internal organisation of the enterprise.
- 3 It presents jurisdictional conflicts by clear indication of the sources of authority..
- 4 It enables new employees to learn the standard procedures and practices in the shortest possible time, They have a clear understanding of the responsibilities of their jobs and their relationship with other jobs.
- 5 It enables quick decisions as instructions and policies are stated in definite terms.

6.9.4 Drawbacks of Manual

- 1 Small enterprises cannot afford to have a manual because its preparation is costly and a time-consuming process.
- 2 Manuals may cause rigidity of operations in the organisation by putting the standard procedures and practices in writing. It leaves little scope for individual initiative and discretion.
- 3 Manuals **may** put on record those relationships which no one **would** like to see exposed.

6.10 FORMAL AND INFORMAL ORGANISATIONS

Formal organisation is a planned structure which represents the officially established pattern of relationships among individuals, groups, sections, units, departments and **divisions** so as to accomplish the goals of the enterprise. Typically, it is represented by a **chart** and set forth in organisation manuals, position descriptions, and other **formalised** documents. The formal organisation provides a board framework and delineates certain prescribed functions and the relationships between them. **Formal** organisation may be defined as a system of consciously coordinated activities of two or more persons towards a given objective. It is a group working together cooperatively under authority toward goals that mutually benefit the participants and the organisation. Moreover, stable and **consistent** relationships promote order and facilitate planning and controlling functions. Formal organisation may also be defined as (i) the pattern of formal relationships and duties; the organisation charts, job descriptions and positions guides; and (ii) formal rules, policies, work procedures and similar devices adopted by management to guide employee behaviour in certain ways within the structure of **formal** relationships.

The formal organisation facilitates the determination of objectives and policies. Communication, delegation of authority, and coordination take place according to a prescribed pattern. In fact, formal structure restricts and circumscribes the area of operations of individuals working within an organisation. Informal organisation refers to relationships between individuals in the **organisation** based on interest, personal attitudes, emotions, prejudices, likes, dislikes, physical location, similarity of work, etc. The informal organisation comes into existence because of the limitations of the formal structure. It represents natural **grouping** of people in working situation. The birth of small groups in an organisation is a natural phenomenon. The informal groups may overlap also because an individual may be a member of more than one informal group. In many cases, **informal** groups came into being to support and supplement the formal organisation indeed, the formal and informal organisations are inextricably interlinked. The difference between the two aspects of organisational life is only analytical and it should not be given undue emphasis.

6.10.1 Difference between Formal and Informal Organisations

The formal and informal organisations differ from each other in the following respects:

- 1 **Origin:** Formal organisations are created by conscious managerial decisions. But **informal** organisations arise spontaneously within the formal organisation because of the natural tendency of the individuals to associate and interact. **Management** has no hand either in the emergence or abolition of **informal** groups.
- 2 **Purpose:** Formal organisations are created for realising **certain** well-defined objectives. But informal organisations are created by organisational members for **their** social and psychological **satisfaction**.
- 3 **Activities:** Activities in case of **formal** organisation are differentiated and integrated around the objectives of the enterprise and are **formalised into** work-units or departments on a horizontal basis. In case of informal organisation, there are no specific activities. They arise from time to time as a result of interactions **and** sentiments of the individuals. Informal groups may be based on common **values**, language, culture or any other factor.
- 4 **Structure:** Formal organisation is hierarchical, pyramid shaped in structure **with** well defined positions, roles and superior-subordinated relationships. It involves enforcement of organisational order through a set of policies, procedures and rules, emphasises on status differentiation based on authority, upward and downward oriented communication system, etc. On the other hand, informal organisation is non-hierarchical; it looks like a complicated social network of **interpersonal** relationships. Informal organisation is loosely structured, with only unwritten **norms** of behaviour enforced by consent. Communication is **informal** and multi-dimensional. There are no rigid status differentials.
- 5 **Membership:** In a formal organisation every individual belongs to one work group only and works under one superior. But in case of an informal organisation, a person

can be a member of more than one group, according to his choice. He may be a leader in one group and a follower in another. There is no rigidity about group membership.

- 6 **Orientation:** In case of **formal** organisation, values, goals and tasks are dominantly economic and technical, and they concern productivity, profitability, efficiency, survival and growth. But in case of informal organisation values, goals, and tasks are predominantly psycho-social, centred around individual and group satisfaction, affiliation cohesiveness and friendship.
- 7 **Norms of behaviour:** In a formal organisation individuals are required to behave in the prescribed manner in their work situation. They are expected to behave in a rational manner. Deviations from the standard are dealt with according to the **organisational rules** and regulations. There is also a system of rewards and punishments. But in case of informal organisation, individual behaviour and group behaviour influence each other. Moreover, behaviour is more natural and socialised. Informal groups develop their own norms of behaviour and system of rewards and punishments. Reward take the form of a continuous membership of the group, social status, recognition etc. While punishments includes censure by the groups, isolation from the group, etc.

6.10.2 Characteristics of Informal Organisation

In the informal organisation, authority-responsibility relationship, channels of communication, pattern of coordination, etc. are not predetermined. Such as, organisation operates without any structured set up. The informal organisation interacts with formal organisation quite frequently. It affects and is affected by the formal organisation. Following are the characteristics of the **informal** organisation:

- 1 **Authority:** There is a network of relationships in an informal organisation which may cut across the formally prescribed pattern of relationships. An informal organisation has its own code of **conduct**, system of communication, and system of reward and punishment. The authority in an informal organisation is personal rather than positional as in case of formal organisation. Power in informal organisation is earned or given by group members, rather than delegated; therefore, it does not follow the official chain of command. It is more likely to come from peers (equals) than from superiors in the formal hierarchy; and it may act across organisational lines into other departments. It is usually more unstable than formal authority, since it is subject to the sentiments of people. **Because of** its subjective nature, informal organisation cannot be controlled by management, in **the** way as formal organisation.
- 2 **Objectives:** Groups evolve their own goals reflecting their own special interests. Group members are dedicated to group goals. Group cohesiveness results in the group acting in a unified manner. This cohesiveness is the result of the degree to **which** the group goals help the satisfaction of individual needs. Therefore, the group objectives should be related to **the** individual needs of the members of the group.
- 3 **Communication:** Informal organisation comes into existence because of the deficiencies of the formal channels of communication. The formal channels of communication may be inadequate and they may be slow. The need for speedier communication may give birth to informal channels of communication. **Informal** communication is **very** fast but the greatest danger is that it **may** give rise to **rumours**. **Rumours may prove** to be detrimental to the interests of the organisation.
- 4 **Leadership:** The informal group has its own leader. An informal leader may not be the superior under whom the group members are working. An informal group leader performs the following functions : (i) he facilitates consensus among the group members, (ii) he initiates action, and (iii) provides a **link** with the outside **world**. If the formal leader is able **to perform** these functions, he may be accepted as an informal leader also. Workers will go to **him** for their personal problems, counselling, etc. **The** important factors which determine informal leadership are age, seniority, work location, technical competence, etc. It may be noted that persons who emerge as informal leaders are perceived by other group members as **being the best people** who can satisfy the goals of the group. **The** group may have a number of leaders for different **purposes**. For instance, the group **may** have a task leader whose function is to drive the group towards its goals and a human relations

leader who helps in promoting co-operation among the members.

6.10.3 Functions of Informal Organisation

Informal organisation is a psycho-social system and helps the **organisation** in the following ways.

- 1 **Filling** in gaps in **managerial** abilities: Informal organisation may fill in gaps if any in the abilities of managers. For example, if a manager is weak in planning his subordinates may help him informally in such a situation.
- 2 Solving work problems: Informal organisations help in solving work problems of members. It allows sharing knowledge and taking decisions which may affect a number of jobs.
- 3 Better coordination: Informal groups evolve short cuts and eliminate red-tapism. They facilitate smooth flow of information and quick decision making. All these ensure better coordination **among** various individuals and departments.
- 4 **Channel** of communication: Informal groups often fill up communication gaps which might arise in the organisation. **Informal** communication cuts across the hierarchical and departmental boundaries and transmits information with greater speed. Management can use informal channels to share information with the workers and get their reaction to management proposal.
- 5 Restraint on managers: Informal groups do not allow managers to cross the limits of authority. They resist them from exercising **unlimited** power **and** from using their power unjudiciously.
- 6 Better relations: A manager can build better relations with his subordinates through informal contacts. He can consult the informal leaders and seek their cooperation in getting the things done from the workers.
- 7 Norms of behaviour: Informal groups develop certain norms of behaviour which differentiate between good and bad conduct and between legitimate and illegitimate activities. **These** bring discipline and order among the employees of the organisation.
- 8 Developing future executives: Informal groups recognise talented **workers** as their leaders. Such leaders **can** be picked up by the management to fill vacancies at the junior executive level in future.

6.10.4 Problems of Informal Organisation

Informal group have negative aspects too. They may create problems for the organisation **as outlined** below:

- 1 Negative attitude of informal leaders: The **informal leader** may turn out to be a trouble shooter for the organisation. In order to increase his influence, he may work against the policies of management, and manipulate the behaviour of his followers. Thus, he can be a source of conflict between the management and workers. **He may** induce the followers **to work** against the interests of the organisation. If such a leader is promoted to the rank of an executive, he may prove to be work shirker and an arrogant and autocratic boss.
- 2 Conformity: The informal group exerts strong pressure on its members for conformity. The members may become so loyal to their group that following the group **norms** become a part of their life. This implies that members become subject to wilful control of the **group** leader who may lead the group toward selfish ends. **This** may lead to dilution of the effect of organisational policies **and** practices on the group members.
- 3 Resistance to change: Informal groups generally have a tendency to resist change. Change requires new skills but groups want to maintain status quo. Sometimes, groups react violently to the changes proposed by management. This creates obstructions in implementing new ideas and thus organisation's growth.
- 4 **Rumour**: Informal communication may give rise to **rumours** which may create conflict and misunderstanding among the people. **Rumour** tends to change as it passes from person to person. Its general theme may be maintained, but not its details. The **rumour** gets twisted and **distorted** always when it passes from one

'mouth to another. It may originate due to employee's anxiety, insecurity and poor communication of the organisation. **Rumours** may prove very dangerous for the organisation.

- 5 Role **conflict**: Every member of the informal group is also a member of the formal organisation. Sometimes role conflict may arise because the ideas, expectation and requirement of both the organisation may be opposite to each other. For example an individual wants to follow the formal instructions of his boss, he may be compelled by the informal leader to follow informal norms. Thus **organisational** interests are likely to suffer in case of conflicts between **formal** and informal roles.

Check Your Progress C

- 1 Which of the following statements **Are** True and which are False.
 - i) An **organisation** chart indicates the lines of **communication** as well as **lines of authority**.
 - ii) Both **formal** and **informal** relationships are depicted in the **organisation** chart
 - iii) The existence of **organisation** manual totally relieves managers of their responsibility of **issuing** instructions to subordinates.
 - iv) The **formal** organisation is created by **conscious** managerial decision.
 - v) **Informal** groups in an organisation consist of members drawn from the same department.

- 2 Fill in the blanks:
 - i) **Organisation** manuals enable employees to quickly learn the standard and
 - ii) An **organisational** chart shows the of authority but not the of authority with respect of the various managerial positions.
 - iii) **Formal** organisation is typically reflected in the **organisational**
 - iv) **Informal** organisation cuts across and boundaries.
 - v) In a **formal** organisation every individual belongs to only one

6.11 LET US SUM UP

As a function of management organising refers to the process involving the identification and grouping of activities to be performed and defining and establishing the authority responsibility relationships. This enables people to work most effectively together in achieving the enterprise objectives. The outcome of the organising process is the 'organisation' consisting of a group of people working together for the achievement of one or more common goals. The characteristics of an organisation thus are: Willingness of a group of people to willingly contribute their efforts towards a common endeavour, division of work, common purpose, vertical and horizontal relationships; chain of command and dynamic functioning.

An organisation provides the framework within which co-operative work **can be** carried out without friction, and **people can** perform their tasks more effectively. Organising is the process by which managers **bring** order out of chaos and create proper conditions for effective team-work. An organisation viewed as a system is composed of **many inter-**dependent and interrelated parts known as sub-systems. As a social system, components of an organisation consist of : inputs of **human** and material resources along with **information**, the processor (also known as 'throughput'); and output consisting of goods and services.

Organising involves: (1) determination of objectives, (2) identification and grouping of activities; (3) **allotment of duties**; (4) developing relationships. The structure of organisation refers to the pattern of relationships formally established by top-management among various parts or components of the **organisation**. Three different types of **organisation** structure can be distinguished on the basis of arrangement of activities as follows:

- 1) **Functional**, 2) Divisional, 3) Adaptive.

Principles of organisation which have been enunciated by management experts, are

guidelines for planning an efficient organisation structure. These include : (a) unity of objectives; (b) division of work and specialisation, (c) definition of jobs; (d) **separation of line** and staff functions; (e) chain of command; (f) principle of correspondence; (g) unity of command; (h) exception principle; (i) span of supervision; (j) principle of balance; (k) communication; (l) flexibility; and (m) continuity.

Span of control refers to the number of individuals a manager can effectively supervise. The ideal span depends on a number of factors like nature of work, ability of the manager, staff assistance, ability of subordinates, etc.

An organisation chart gives a diagrammatic view of the major functions, their relationships, as well as the positions and formal lines of accountability among them. It serves as a **valuable** aid to management and personnel. An organisation manual consists of records of top management decisions, standard practices and procedures, and job descriptions in terms of duties and responsibilities.

Formal organisation is a planned structure which represents the officially established pattern of relationships among individual groups, sections, units, departments and divisions. Informal organisation refers to relationship between individuals based on their social and psychological needs.

6.12 KEY WORDS

Chain of Command: The line of authority running from the top to the bottom of the organisation.

Departmentation: Grouping of various activities on some well defined basis.

Formal Organisation: A planned structure which represents the officially established pattern of relationship among individuals, groups, sections, units, departments and divisions.

Informal Organisations: A network of relationship among the participants of an organisation which arises spontaneously on the **basis** of social and psychological needs.

Organisation Chart: A graphical portrayal of positions in the enterprise and of the formal lines of accountability among them.

Organisational Manual: A recorded document containing job descriptions and other information in addition to the organisation chart.

Organisation Structure: The authority and responsibility relationships between various positions in the organisation showing who reports to whom.

Span of Control: The number of subordinates a manager can effectively supervise.

Structure: A framework of relationship among parts.

Systems: An arrangement and set of relationship among multiple parts operating as a whole.

Unity of Command: The principle of every subordinate being under one **supervisor**.

6.13 ANSWERS TO CHECK YOUR PROGRESS

- A) 1 i) True, ii) False, iii) False, iv) True, v) True
 2 i) Interrelated, ii) tasks, responsibilities iii) superior, subordinates, iv) lower, v) large.
- B) 1 i) Scalar, ii) parity, iii) exceptional, iv) flexible, v) fewer.
 2 i) False, ii) False, **iii) True**, iv) True v) False.
- C) 1 i) True, ii) False, iii) False, iv) True, v) False.
 2 i) Procedures, practices, **ii) line**, extent, iii) chart, iv) hierarchical, departmental v) workgroup.

6.14 TERMINAL QUESTIONS

- 1 What do you understand by **organising**? What are the important principles of sound organisation?
- 2 Explain the components of organisational system.
- 3 Discuss the important steps involved in **organisation** process.
- 4 Under what circumstances is a divisional structure of organisation superior to the functional structure? Compare their relative merits.
- 5 What do you mean by span of control? Discuss factors affecting span of **control**
- 6 "Organisation chart provides a broad picture of positions of authority and their relationships in the organisation structure" — Explain this statement and point out limitations of organisation chart.
- 7 What is meant by organisational manual? What are its uses? What information should it contain?
- 8 'Beneath the cloak of formal relationship in every institution there exists a more complex system of social relationships, called the informal organisation'. Elucidate this statement and explain the nature of informal organisation.
- 9 Distinguish between formal and informal organisation. What should be the attitude of management towards informal organisation?
- 10 Write notes on:
 - a) Organisation structure
 - b) Project organisation

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the **university**. These are for your practice only.

UNIT 7 DEPARTMENTATION AND FORMS OF AUTHORITY RELATIONSHIPS

Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Definition of Departmentation
- 7.3 Need for Departmentation
- 7.4 Bases of Departmentation
 - 7.4.1 Function
 - 7.4.2 Product
 - 7.4.3 Territory
 - 7.4.4 Customers
 - 7.4.5 Process or Equipment
- 7.5 Choosing a Basis of Departmentation
- 7.6 Benefits of Departmentation
- 7.7 Authority Relationships
 - 7.7.1 Line Organisation
 - 7.7.2 Line and Staff Organisation
 - 7.7.3 Line Organisation vs. Line and Staff Organisation
 - 7.7.4 Functional Organisation
 - 7.7.5 Line Organisation vs. Functional Organisation
- 7.8 Let Us Sum Up
- 7.9 Key Words
- 7.10 Answers to Check Your Progress
- 7.11 Terminal Questions

7.0 OBJECTIVES

After studying this unit you should be able to:

- explain the concept and nature of **departmentation**
- describe and evaluate different bases of departmentation
- make an assessment of the **significance** and limitations of departmentation
- enumerate and outline the important forms of **authority** relationships in an organisation
- suggest measures for harmonising relationships among different line and staff position in any organisation.

7.1 INTRODUCTION

Grouping homogeneous activities into one organisational unit on the basis of special and continuous nature of activities is called departmentation. The appropriate division of organisational activities into departments for the purposes of administration has been one of the fundamental concerns of management. In the previous unit, you have learnt about the nature of organisation, its elements structural **forms**, the usefulness of organisation chart and manuals, span of control, and about **informal** and formal aspects of organisational relations. In the present unit, we shall discuss the basis of departmentation and **forms** of authority relationships. The basis of departmentation used traditionally are : function, product, manufacturing process, territory and customers. New patterns of organisation which have gained wide acceptance these days are project and matrix organisation.

7.2 DEFINITION OF DEPARTMENTATION

Departmentation may be **defined** as the process of forming departments or grouping activities of an **organisation** into a number of separate **units** for the purpose of **efficient** functioning. **This** term vary a great deal **between** different organisations. For example,

in business undertakings, terms are **division**, department and section; in Government these are called branch, department and section; in military, regiment, batallion, groups and company.

The impact of departmentation is a delineation of executive responsibilities and a grouping of operating activities. Every level in the hierarchy below the apex is departmentalised and each succeeding lower level involves further departmental differentiation.

7.3 NEED FOR DEPARTMENTATION

The necessity of departmentation arises because of the **anxiety** on the part of management to achieve the organisational goals through coordinated efforts of the individuals working in the organisation. More specifically it is necessitated by the following considerations.

- i) Departmentation permits an organisation to take advantage of specialisation.
- ii) Departmentation enables each person to know the role he is expected to play in the total activities of the company.
- iii) **Departmentation** facilitates communication, coordination and control and contributes to the organisational success.
- iv) Departmentation provides a platform around which the loyalties of organisational members may be built.
- v) It enables a manager to locate the sources of information, skills and competence to take certain vital managerial decisions.

7.4 BASES OF DEPARTMENTATION

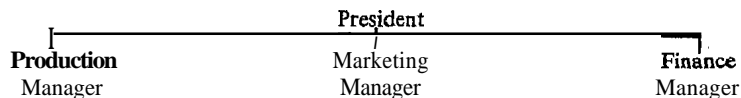
Following are the cases used for the departmentation of the business enterprises.

7.4.1 Function

The most common form of grouping activities prevalent almost in every enterprise is the functional departmentation. The word function refers to the principal activities of an enterprise. It may be defined as any task involved in the **performance** of activities of an enterprise that can be clearly distinguished from any other task. In a manufacturing organisation, the important functions are production, sales, finance, and personnel.

Functional departmentation may also be carried out at the lower levels of the **organisation**. For example, activities in the marketing department may be classified and grouped into marketing research, sales and advertising. In other words, the process of functional differentiation may take place through successive levels in the hierarchy. The process can continue as long as there exists a sound base for further differentiation.

In the following figure this has been divided in Production, Marketing & Finance function.



Advantages of functional departmentation: The advantages of functional departmentation are as follows:

- i) It is the most logical and natural form of departmentation,
- ii) It brings about specialisation **which** ensures optimum utilisation of manpower and other resources.
- iii) It lays emphasis on each and every activity. Every department makes its contribution to the organisation's objectives.

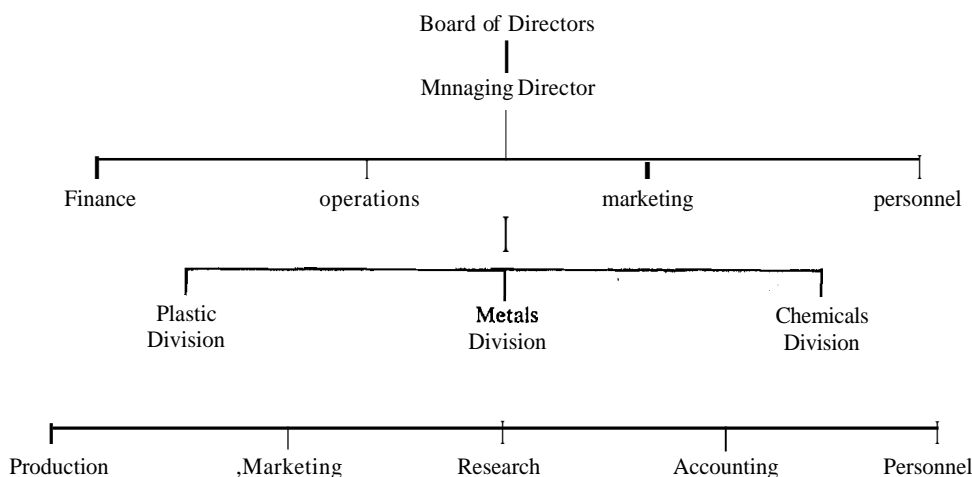
- iv) It facilitates **delegation of authority** and thus reduces the burden of the chief executive.
- v) **Specialists can be employed** to perform various activities requiring specialised knowledge.

Disadvantages of functional departmentation: Following are the disadvantages of functional departmentation:

- i) There is too much emphasis on specialisation which hampers the broadening of outlook of various **people**. This might also discourage the organisation. **They may think** that they are insignificant parts of the total **organisation**.
- ii) **There** may be conflicts between different departments. For instance, delivery dates promised by the sales department may not be honoured by the production department.
- iii) There may be difficulties in coordination and control of the activities of different departments.
- iv) Functional specialisation may reduce costs through higher efficiency but such saving may not be sufficient to compensate for increased expenses resulting through departmentation. Managers may try to build their **Junctional empires**.

7.4.2 Product

In the case of product departmentation, departments are created on the basis of products. Each department is known as a Division. Product departmentation is useful when product expansion and diversification, and the engineering, manufacturing and marketing characteristics of the product are of primary concern. Under the **product diversification**, all activities related to a product line are grouped together under the direction of semi-autonomous divisional manager. The divisional manager has the authority to develop the product according to the nature of demand in the market. It is used when the product is relatively complex and a great deal of capital is required for plant and equipment such as in automobile and electronic industries. For instance, a big company may have metal division, chemical division and plastic division, as shown in the following figure.



Advantages of product departmentation: Following are the advantages of product departmentation:

- i) Product departmentation reduces the coordination problems which are created under **functional departmentation**. There is integration of activities relating to a particular line of product. It facilitates product expansion and diversification.
- ii) It focuses attention on each product line.
- iii) It leads to **specialisation** of physical facilities on the basis of products which results in economy.
- iv) It is easier to evaluate and compare the performance of various product divisions.
- v) It keeps problems of production isolated from those of others.

Disadvantages of product departmentation: The disadvantages of product departmentation are given below:

- i) There is duplication of **physical** facilities and many functions. Each **products** division maintains its separate facilities and functional personnel.
- ii) Advantages of centralisation of certain activities like accounting, financing, marketing, etc., cannot be achieved.
- iii) There may be under-utilisation of plant capacity if the demand of product not sufficient.
- iv) It may be difficult for a company to adapt itself to certain changes in demand technology, etc.

7.4.3 Territory

Departmentation by territory takes place when a company is organised into a number of divisions located in different areas. It is also known as geographical departmentation. Territorial departmentation is specially useful for banks, insurance companies, transport companies, etc. They can divide their activities into zones, divisions and **branches**. For instance, Life Insurance Corporation of India has followed territorial departmentation in the organisation of its activities. The **organisation** chart of Life Insurance Corporation is given below:

LIC Head Office (Bombay)				
Eastern (Calcutta)	Central (Kanpur)	Northern (Delhi)	Southern (Madras)	Western (Bombay)
New Delhi	Jalandher	Chandigarh		Ajmer
Branch 1	Branch 2	Branch 3		Branch 4

Advantages of territorial departmentation

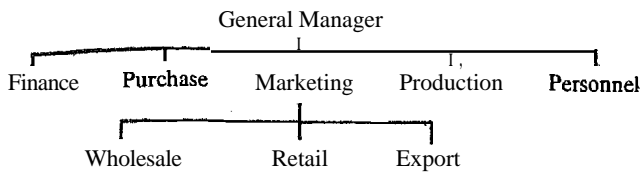
- i) It helps in **achieving the** benefits of local operations. The local managers are most conversant with their needs and those of their customers. **They can** adapt to the local situation with speed and accuracy.
- ii) A marketing division can meet local demands more effectively.
- iii) There is better coordination of activities in a locality through the setting of a regional division.
- iv) It facilitates the expansion of business in various regions.
- v) **It is** beneficial from the point of view of country's economic development.

Disadvantages of territorial departmentation: The disadvantages of territorial departmentation are as follows:

- i) There is duplication of **physical** facilities. It leads to uneconomical operations.
- ii) There may be problem of integration between various regional offices.
- iii) There may be lack of talented personnel to take charge of regional departments.
- iv) There will also be problems in providing **centralised** services to various departments which are located in different regions.

7.4.4 Customers

Under this basis of departmentation, separate departments are created to serve the needs of particular customers. Such an organisation helps managers to satisfy the customer's requirement more conveniently and successfully. **A marketing** organisation may group its activities **according** to the classes of customers served by it, depending on their volume of demand, languages and liking. For **example** a departmental store may have **childrens** department, ladies **department**, gents department, each catering to the various requirements of different classes of customers. Another organisation may **organise** its marketing activities into wholesale, **retail** and export as shown below.



Advantages of customer departmentation

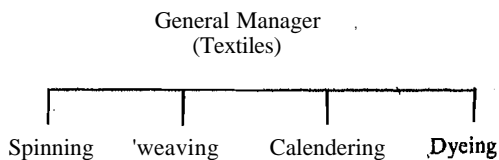
- i) **An organisation can** consider the needs of baffling variety of customers.
- i) **Such organisation** can concentrate on clearly identified and potential customers.
- ii) It is easier to develop **rapport** with attractive and resourceful **customers**.
- iv) It is **highly** useful in customer-oriented organisation,

Disadvantages of customer departmentation

-) It is almost impossible to **consider** all the customers, their interests, habits and customs.
- i) Departmentation by customer leaves coordination problems between sales personnel and production people.
- ii) Organisation may discriminate between **rich** and poor customers.

7.4.5 Process or Equipment

Under this departmentation, activities are **grouped** on the basis of various manufacturing processes. In this process similar types of labour and equipment are brought together. A manufacturing enterprise may departmentalise its activities on the basis of production process of equipment involved. For example, a textile organisation may organise its departments into spinning, weaving, calendering and **dyeing** as shown below. Similarly, a printing press **may** consist of **composing**, proof-reading, printing and binding departments. This type of departmentation **may** also be followed in engineering and oil **industries**. The justification of a separate department around **equipment** is that it is not always possible to install a costly **equipment** in every department which needs its use. Moreover, skilled personnel are required **to** operate the equipment.



Advantages of process departmentation

- i) This departmentation is very helpful when machines or equipment used require special operating skills.
- ii) It enables the organisation to gain the advantages of specialisation, optimum maintenance of equipment and resources.
- iii) It is better suited to manufacturing companies.

Disadvantages of process departmentation

- i) Departmentation by process **makes** coordination of various functions and products difficult.
- ii) It results in **conflicts** between different managers at different levels.

Check Your Progress A

1 Which of the following statements are **True** and **which are False**.

- i) **Departmentation** does not **take** place at all levels **of** the hierarchy in an organisation.
- ii) The process of **departmentation** on **functional** basis **is** restricted to the top and middle levels of **organisational** hierarchy.

- iii) There is duplication of facilities and resources in the case of both product and geographical departmentation.
 - iv) Customers cannot be the basis of departmentation if a firm deals in only a single product.
 - v) Process departmentation is neither beneficial nor possible in all types of enterprises.
2. Fill in the blanks selecting the most appropriate words from those given within brackets.
- i) Departmentation enables the chief executive to locate the source of for decision making. (raw materials/information/finished products)
 - ii) Functional departmentation may reduce (efficiency/costs/authority of managers)
 - iii) Expansion of business in various regions is facilitated by departmentation. (product/process/territorial)
 - iv) Textile mills generally organise departments on the basis of (customers/territories/process)
 - v) Product departmentation reduces problems which are created under functional departmentation. (decision-making/control/coordination)

7.5 CHOOSING A BASIS OF DEPARTMENTATION

The following factors should be kept in mind while selecting a suitable basis of departmentation.

- 1 **Specialisation:** Specialisation brings about internal economies in the business. Therefore, it is an important consideration **while** choosing a particular basis of departmentation. The management should group various activities into units in such a way which leads to specialisation of work. **Overspecialisation** should be avoided because it may result in loss of motivation among the personnel.
- 2 **Economy:** This factor is of great relevance to the number of departments to be created. Creation of a new department increases various costs. This is because the new department requires additional personnel, **space** and equipment. Therefore, management, should see that the departments created make the best possible use of these factors and maximum economy is achieved by creating the departments.
- 3 **Appreciation of key areas:** All the important areas of the business on which the success of the business depends must be given proper weightage. That is why, in practice, function is taken at the top of the organisation structure. Separate departments are created for important functions like production, financing, marketing etc. Sometimes, local conditions are very important. Therefore, the management should give necessary attention to the local conditions at the time of determining the basis of departmentation.
- 4 **Minimum conflicts:** The jurisdiction of the departments should be clearly laid down in order to avoid conflict among them. The authority of the managers of different departments should be clearly specified.
- 5 **Coordination:** The basic purpose of departmentation is the achievement of organisational goals. Coordination in the operations of different departments is essential to achieve the **organisational** goals. Therefore, departmentation should always facilitate coordination in the organisation.
- 6 **Control:** Control is an important function of management by which it guides and **checks** the activities of different departments and personnel. The selected basis of **departmentation** should ensure effective **control** to achieve the organisational goals more economically and **efficiently**. Departmentation **should** make easier for top management to **ensure** performance and to hold people **accountable** for results.

7 **Human consideration:** Departmentation should not only consider the technical aspects of the organisation, but it should also give due attention to the human factor. The existence of **informal groups, cultural pattern, value system, etc.**, should be given due weightage at the time of grouping the personnel.

In short, whatever may be the basis, the departmentation should be directed to promote the attainment of organisational objective economically and efficiently. Naturally, managers concerned with taking such a decision will consider the relative advantages and disadvantages of various types of departmentation. In practice, in many cases, it is not possible to follow a single basis in grouping the activities throughout the organisation. Most of the big organisations follow schemes of departmentation that are a composite of several basis. Thus, there is no ideal pattern to suit all occasions and situations. Therefore, the management has to be very careful and use high degree of imagination at the time of choosing a pattern of departmentation. Once the pattern is chosen, it is very difficult and costly to switch over to another pattern.

In India, the most commonly followed basis of departmentation at the top level of the organisation is functional departmentation. At the intermediate and lower levels, other bases are used wherever further functionalisation is not feasible.

7.6 BENEFITS OF DEPARTMENTATION

Departmentation helps in achieving the following benefits:

- 1 **Specialisation:** Departmentation leads to the benefits of specialisation as various organisational activities are grouped according to their relation with the specific functions or objectives. Every departmental manager specialises in the tasks assigned to him.
- 2 **Administrative control:** Departmentation helps in effective managerial control because the standards of performance for each and every department can be laid down precisely. Every department has a specific objective. This also facilitates keeping expenditure within limits.
- 3 **Fixation of responsibility:** Since organisation work is divided into manageable units, and authority and responsibility are precisely defined, it is easier to fix the accountability of different managers for the performance of various tasks.
- 4 **Freedom or autonomy:** The departments created through departmentation are semi-autonomous units. Their heads are given a sufficient degree of authority to run their departments. This increases the efficiency of the departments.
- 5 **Development of managers:** Departmentation helps in the development of managerial personnel by providing them opportunities to take independent decisions and initiative. The executives can develop themselves for promotion to higher jobs.

7.7 AUTHORITY RELATIONSHIPS

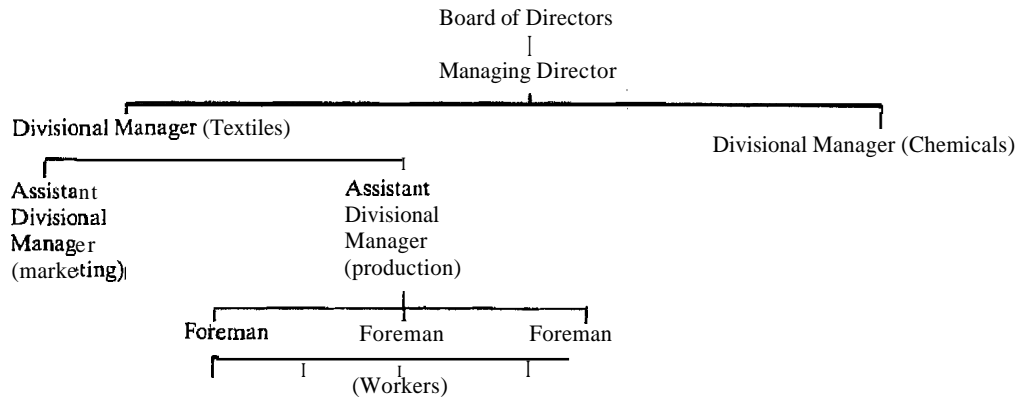
Creation of an appropriate structure is **indispensable** for any organisation. Organisation structure represents the hierarchical arrangement of various positions in the enterprise. It helps in allocating authority and responsibility formally. It also lays down the pattern of communication and coordination in the enterprise. Thus, the need for clear-cut authority/responsibility relationships has led to three different forms of administrative organisation as follows:

- 1 Line organisation/authority
- 2 Line and staff organisation/authority, and
- 3 Functional organisation/authority.

7.7.1 Line Organisation

It represents a direct vertical relationship through which activity flows. It is also known as Scalar or military organisation. The line of authority flows from top to bottom

throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. Every person in the organisation is in the direct chain of command as shown below. The line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the enterprise.



Merits of line organisation: Following are the merits of line organisation:

- i) It is very simple to establish and can be easily understood by the employees.
- ii) There is a clear-cut identification of authority and responsibility relationship.
- iii) It ensures better discipline in the enterprise because every individual knows to whom he is responsible.
- iv) It facilitates prompt decision making because there is definite authority at every level. An executive cannot shift his decision-making to others nor can the blame be shifted.
- v) It facilitates unity of command and thus conforms to the scalar principle of organisation.

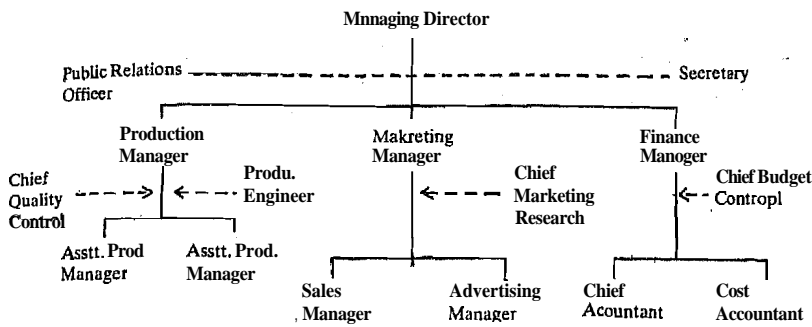
Demerits of line organisation: Following are the demerits of line organisation:

- i) There is concentration of authority at the top. If the top level executives are not capable persons, the enterprise will not be successful.
- ii) With growth, the line organisation makes the top executive overloaded with work.
- iii) There is practically no communication from bottom upward because of concentration of authority at the higher levels. If superiors take wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
- iv) Line organisation is not suitable in a big organisation because there is lack of specialisation. Many jobs create problems of their own which may not be within the competence of the superior and require handling by specialists.

Despite these drawbacks, the line organisation is very popular. Particularly in small organisations where there are fewer levels of authority and a small number of people. A modification of this structure is line and staff organisation under which specialists are attached to line executives to provide them specialised assistance on matters of great importance to the organisation.

7.7.2 Line and Staff Organisation

In line and staff organisation, line authority moves down in the same manner as in the line organisation, but in addition, specialists (known as 'staff') are attached to line managers to advise them on important matters. Those specialists stand ready to advise and assist line men as and when required, which enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed only to provide advice to the line officers. Staff means a supporting function intended to help the line managers. In most organisations, the use of staff can be traced to the need for help in handling details, gathering data for decisions and offering advice on specific managerial problems. Staff investigates, supplies information and makes recommendations to managers who take decisions. Line and staff structure is shown below.



Merits of line and staff organisation: The line and staff organisation has all the benefits of line organisations. In addition, it has the following advantages.

- i) Line managers get the benefit of specialised knowledge of staff specialists.
- ii) Many problems that are ignored or poorly handled in line organisation can be **properly resolved** in the line and staff organisation with the **help of staff specialists**:
- iii) Staff specialists relieve the line managers from the botheration of concentrating on **the specialised functions like budgeting, selection** and training, public relations, etc.
- iv) Staff specialists help the line executives in taking better decisions by providing them with adequate information of the right type at the right moment and render expert advice.
- v) Line and staff organisation is more flexible as compared to the line organisation. General staff can be employed to help line managers at the various levels.

Demerits of line and staff organisation: The biggest drawback from which this form of organisation suffers is the conflict between line and staff. The major source of line owned staff conflict is the difference in their viewpoints and perception. Conflict arises when any of them fails to appreciate the viewpoint of the other. When a conflict between line and staff arises both the parties try to explain the causes of conflict in terms of behaviour of the others. The important causes of line and staff conflict as reported by line men are as follows:

- i) Staff officers encroach upon the line authority. They interfere in the work of line managers and try to tell them how to do their work.
- ii) Staff specialists are academicians and are not well acquainted with the practical problems of the enterprise.
- iii) Since staff men are not directly accountable for any result, they are generally overzealous and recommend a course of action which is not practical.
- iv) Staff men generally fail to view the whole organisation objectively as they are specialists in particular areas.
- v) Staff men have the tendency to take credit for the decisions which prove successful and lay the blame on line men in case the decisions do not prove successful.

The important causes of line and staff conflict as reported by staff men are discussed below:

- i) Line managers generally do not make a proper use of the services of the specialists.
- ii) Sometimes, staff advice is sought only as a last resort as line executives feel that asking for the advice is admitting defeat.
- iii) Staff specialists lack authority to have their ideas implemented. This creates **frustration** among them.
- iv) Line managers often resist new ideas given by the staff specialists and are sometimes not prepared to listen to the arguments of staff specialists.

Achieving cordial line-staff relationship: In order to achieve cordial relationships between the line and the staff people, the following steps should be taken:

- i) The limits of line and staff authority should be laid down clearly. It should be made **clear** that line has the ultimate responsibility for the implementation of various decisions and staff is responsible only for providing advice and **service to the line** executive.
- ii) Line executives should give due consideration to the **staff advice** and should state reason for not accepting the staff advice.

- iii) The staff specialists should try to appreciate the difficulties in implementing new ideas. They should not consider it as a prestige issue if sometimes their advice is not followed.
- iv) Line and staff people should try to understand the orientation of each other. They should try to achieve cooperation for the achievement of enterprise objectives.
 Some people argue that the distinction between line and staff is an obsolete concept and should be done away with. They argue that it is meaningless to segregate organisation activities on the basis of their contribution to the achievement of goals. Moreover in recent years, the horizontal and diagonal relationships and work flows are gaining greater importance than the vertical relationships represented by the line authority.

Superiority of line and staff organisation over line organisation

Line and staff organisation structure has gained popularity because certain problems of management have become so complex that in order to deal with them expert knowledge is necessary which can be provided by the staff officers. For instance, personnel department is established as a staff department to advise the top executives and other line executives on personnel matters. Similarly, accounts, law and public relations departments may be set up to advise on problems relating to accounting legal issues and public relations.

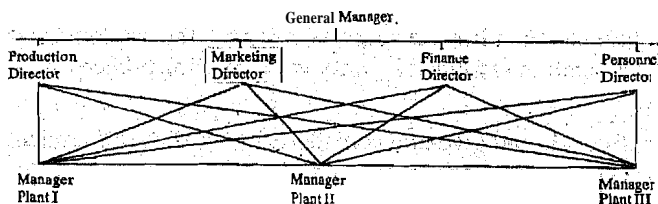
7.7.3 Line Organisation Vs. Line and Staff Organisation

Line Organisation	Line and Staff Organisation
Line refers to those positions which have the responsibility of achieving the primary objectives of the organisation.	Staff refers to those positions which have the responsibility of providing advise and service to the line in attainment of organisational objectives.
There are no experts to assist and advise the line officials.	There are experts known as staff to assist and advise the line officials.
There is no scope of friction between line and staff.	There is always a risk of friction between line and staff people over their respective roles.
It is not based upon planned specialisation.	It is based upon planned specialisation.
Certain line men become key men as they occupy those positions on which the survival of the organisation depends.	This is not possible in case of line and staff organisation as staff officials share credit with line officials.

7.7.4 Functional Organisation

Functional authority occupies a mid-way position between line and staff authority. It is a means of putting the specialists in top positions throughout the enterprise. It confers upon the holder a limited power of command over the people of other departments concerning their function. Functional authority remains confined to functional guidance of different departments. It helps in maintaining ability and uniformity of the performance of functional areas throughout the organisation.

Under functional organisations various activities of the enterprise are classified according to certain functions like production, marketing, finance, personnel, etc. and are put under the charge of functional specialists. A functional head directs the subordinates in his particular areas. That means the subordinates receive instructions not from one superior but from several functional specialists. In other words, the subordinates are accountable to different functional specialists for the performance of different functions.



It was P. W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But, in practice, functionalisation is restricted to the top levels of the organisation structure and is not carried down to the lowest level in the organisation as recommended by Taylor.

Merits of functional organisation: The merits of functional organisation have been discussed below:

- i) **Specialisation:** Functional organisation helps in achieving the benefits of specialisation of work. Every functional incharge is an expert in his area and can help the subordinate to perform better in his area.
- ii) **Executive development:** A functional manager is required to have expertise in one function only. This makes it easy to develop executive.
- iii) **Reduction of work-load:** Functional organisation reduces the burden on the top executives. There is point supervision in the organisation. And every functional incharge looks after his functional area only.
- iv) **Scope for expansion:** Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.
- v) **Better control:** The expert knowledge of the functional manager also facilitates better control and supervision in the organisation.

Demerits of functional organisation: Functional organisation suffers from the following drawbacks:

- i) **Double command:** Functional organisation violates the principles of unity of command since a person is accountable to a number of bosses.
- ii) **Complexity:** The operation of functional organisation is too complicated to be easily understood by the workers. Workers are supervised by a number of bosses. This creates confusion in the organisation.
- iii) **Problems of succession:** Functional organisation develops specialists rather than generalists. This may create problem in succession of top executive positions.
- iv) **Limited perspective:** A functional manager tends to create boundaries around himself and thinks only in terms of his own departments rather than the whole enterprise. This results in loss of overall perspective in dealing with business problems.
- v) **Delay in decision making:** There is generally lack of coordination among the functional executives and delay in decision making when a decision problem requires the involvement of more than one specialist.

7.7.5 Line Organisation Vs, Functional Organisation

Line Organisation	Functional Organisation
The line of authority is vertical as it follows the principle of scalar chain.	The line of authority is functional or diagonal. The functional manager has authority over his function wherever it is performed.
Line managers are generalists.	Functional managers are specialists in their respective areas.
There is unity of command.	Unity of command is not followed as each subordinate gets instructions from his line boss and the functional bosses.
There is strict discipline.	There is loose discipline.
It is suitable for small scale operations.	It is suitable for large scale operations where experts knowledge in certain fields is a must.

Check Your Progress B

1 Fill in the blanks:

- i) Specialisation should be kept in view but should be avoided while choosing the basis of departmentation.
- ii) The of departments to be created must be clearly laid down to minimise inter-departmental conflicts.
- iii) Not only technical aspects of the organisation but also factors should be given due attention in departmentation.
- iv) In the line organisation flow from top to bottom and forms a chain of command.
- v) Line and staff conflict is mainly due to difference in their

2 Which of the following statements are True and which are False.

- i) Functionalisation is restricted to the top levels of the organisation structure.
- ii) Departmental heads are given full autonomy to run their departments as they like.
- iii) Different basis may be adopted for departmentation in the same organisation.
- iv) Functional organisation increases the workload of top executives.
- v) Staff specialists do not have authority to implement their ideas.

7.8 LET US SUM UP

Departmentation, the process of grouping activities on certain basis, is an important element of organisation. It can be done on the basis of function, product, territory, customers, process, or project. But, whatever may be the basis, the departmentation should be directed to promote the attainment of organisational objectives economically and efficiently.

In choosing the basis of departmentation several factors like specialisation, economy, appreciation of key areas, minimum conflicts, coordination, control and human consideration should be kept in mind.

Departmentation is a means of dividing the large and complex organisation into smaller, flexible, administrative units. By doing so, the organisation achieves the benefit of specialisation, administrative control, fixation of responsibility, freedom or autonomy and development of managers.

Another concept related to organisation is that of the form of authority relationships which lays down the pattern of communication and coordination in the enterprise. There are three basic types of forms, viz., line organisation, line and staff organisation and functional organisation. Though line and staff are sometimes argued to be obsolete concepts, they are still used.

There are occasions when the line and staff are in conflict because of the differences in viewpoints and perceptions of the two. Efforts should be made to minimise the conflict in the interest of the organisation. Functional organisation should be restricted to the top levels of the organisation.

7.9 KEY WORDS

Authority: It denotes certain rights granted to a position holder in an institution. It includes rights to take decisions and get them executed.

Departmentation: It is the process of grouping activities on certain well defined basis.

Functional authority: It confers upon the holders a limited power to command over the people of other departments concerning their function.

Line authority: It refers to those positions and elements of the organisation, which have

responsibility and **authority** and are accountable for the accomplishment of primary objectives.

Staff authority: Staff refers to those elements which have responsibility and authority for providing advise **and** service to line — in attainment of objectives.

7.10 ANSWERS TO CHECK YOUR PROGRESS

- A) 1 i) False ii) False iii) True iv) False, v) True
 2 i) information, ii) costs, iii) territorial, iv) processes, v) coordination.
- B) 1 i) over-specialisation, ii) jurisdiction, iii) human, iv) authority, v) perception/
 points of view.
 2 i) False, ii) False, iii) True, iv) False, v) True.

7.11 TERMINAL QUESTIONS

- 1 Discuss the meaning and importance of departmentation.
- 2, Suggest a scheme of departmentation for a large business enterprise with a **field** network of sales all over the country. Discuss its merits and demerits.
3. Distinguish between product departmentation and process departmentation. Outline the respective advantages of the two.
- 4 What are the benefits derived from departmentation of activities? Discuss.
- 5 What are the factors which has to be considered while selecting a suitable bases of departmentation?
- 6 The chief executive of a large manufacturing enterprise is upset over frequent conflicts between the production department and the personnel department. The enterprise is organised on line and staff pattern. What can be the possible causes of this conflict and what steps can be taken to reduce and overcome it ?
- 7 Compare line, functional and line and staff organisation. Which of these will be appropriate for a large manufacturing enterprise?

Note: **These questions** will help you to understand the unit better. Try to write answers for them. But, do not submit your answers to the university. These are for your **practice only**.

UNIT 8 DELEGATION AND DECENTRALISATION

Structure

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Delegation
 - 8.2.1 Delegation of Authority
 - 8.2.2 Elements of Delegation
 - 8.2.3 Principles of Delegation
 - 8.2.4 Importance of Delegation
 - 8.2.5 Barriers to Effective Delegation
 - 8.2.6 Means of Effective Delegation
- 8.3 Decentralisation
 - 8.3.1 Distinction between Delegation of Authority and Decentralisation
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8.0 OBJECTIVES

After studying this unit you should be able to:

- explain the concept and process of delegation of authority and importance of delegation
- describe the principles of delegation
- identify the barriers to delegation and suggest how to make delegation effective
- analyse the implications of centralisation and decentralisation and differentiate between delegation and decentralisation
- appreciate the merits and demerits of decentralisation
- describe the factors determining the extent of decentralisation of authority in an organisation.

8.1 INTRODUCTION

Delegation is one of the important requirements of successful management. Delegation is a concept as well as a process. As a concept, it refers to manager's sharing of work with his subordinates. However, the manager's sharing of the burden of his work with subordinates is different from division of labour. It is also different from the routine of giving order. The special kind of **work sharing** in delegation involves planning, **assessment of subordinates**, interpersonal communication and relationship of trust between the manager and his subordinates. In this unit we shall discuss the meaning and process of delegation, its importance, **the principles** of delegation, and how delegation can be made effective. You will also learn the concepts of centralisation and decentralisation of authority, the difference between delegation and decentralisation, and the merits and limitations of decentralisation.

8.2 DELEGATION

In any **organisation** no individual can **perform** all duties and accomplish all tasks **by** himself. It is physically **impossible** for a single individual to look after the affairs of a **large business**. His skill lies in **his** ability to get things done through others. As an organisation grows in size and the manager's job increases beyond his personal capacity,

his success lies in his ability to multiply himself by training his subordinates and sharing his authority and responsibility with them. The only way he can achieve more is through delegation—through dividing his work load and sharing responsibilities with others. Thus, the sharing of power or authority with another for the performance of certain tasks and duties is known as delegation.

To delegate means to grant or confer; hence the manager who delegates grants or confers (authority) on others (subordinates) to accomplish certain duties in the form of work.

According to O. Jeff. Harris it is an authorisation to a subordinate manager to act in a certain manner independently. The delegation of authority is the delivery by one individual to another of the right to act, to make decisions, to acquire resources and to perform other tasks in order to fulfil job responsibilities.

L.A. Allen has defined delegation as the entrustment of a part of the work, or responsibility and authority to another, and the creation of accountability for performance. Responsibility is the work assigned to a position. Authority is the sum of powers and rights entrusted to make possible the performance of the work delegated. Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established. It is the obligation of an individual to render an account of the fulfilment of his responsibilities to the boss to whom he reports.

8.2.1 Delegation of Authority

Just as no one person in an enterprise can do all the tasks necessary for accomplishment of goals so it is impossible, as an enterprise grows, for one person to exercise all the authority for making decisions. As was discussed in Unit 6, there is a limit to the number of persons managers can effectively supervise and for whom they can make decisions. Once this limit is passed, authority must be delegated to subordinates, who will make decisions within the area of their assigned duties.

Then the question is how authority is delegated when decision-making power is vested in a subordinate by his superior. Clearly, superiors cannot delegate authority they do not have. It is equally clear that superiors cannot delegate all their authority without, in effect, transferring their position to their subordinates. The entire process of delegation involves four steps. They are

- 1 The determination of results expected from persons in a position ;
- 2 The assignment of tasks to persons;
- 3 The delegation of authority for accomplishing these tasks;
- 4 The holding of people responsible for the accomplishment of these tasks.

Thus, delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, which because of his position he can perform effectively.

But there is a difference between delegation and work assignment. Delegation constitutes a master agent relationship while work assignment constitutes master servant relationship. An employee's work assignment may be reflected in his job description while delegated duties may not form the part of the employee's normal duties.

Delegation is legitimate authorisation to a manager or employee to act in specified ways. It enables him to function independently without reference to the supervisor but within the limits set by the supervisor and the normal framework of organisational objectives, policies, rules and procedures.

From the above discussion, it is clear that delegation involves; a) entrustment of work to another for performance b) grant of power, right or authority to be exercised to perform the work, c) creation of an obligation on the part of the person accepting delegation.

8.2.2 Elements of Delegation

There are three distinct elements of delegation: a) assignment of task or duties, b) conferment of powers or authority, and c) creation of obligation, responsibility or accountability.

- a) **Assignment of task or duties:** In the first step, the delegator (superior) assigns duties to delegatee (subordinate). While assigning the duties, the delegator must be clear in his mind as to what tasks he should assign to subordinates. Thus, the work or task to be assigned is identified and clearly defined before it is assigned. For example, when a sales manager asks his subordinate to set up a divisional sales office, he must explain clearly the objectives, the sales territory, etc.
- b) **Conferment of power of authority:** Granting of authority is the second step in delegation. Authority may be defined as the powers and rights granted to another to perform the delegated work. These powers may include the authority to acquire necessary resources for the performance of the assigned work. Without adequate authority, the subordinate (delegatee) cannot be expected to perform his task or duties. For example, in the above case when the sales manager asks his subordinate to set up a divisional office he has to give him the right to procure and use necessary resources.
- c) **Accountability:** Once the duties are assigned and authority is given to a subordinate, the delegator creates an obligation/accountability to perform the tasks. The obligation to carry out the task and bear responsibility in terms of the standards established and specified is known as accountability. Thus, accountability is the obligation of an individual to render an account of the fulfilment of his responsibilities to the principal to whom he reports. The subordinate is always answerable to the superior for the task assigned to him. He cannot shift his responsibility to anyone else, that is accountability is fixed to the position. Thus, the superior can control the performance of his subordinate through accountability. The delegatee is accountable to his delegator through reports, meetings and evaluation.

Check Your Progress A

- I Which of the following statements are True or False?
 - i) Delegation takes place when one person gives another a free hand to perform all types of work on his behalf with no responsibility.
 - ii) The purpose of delegation is to share work with another, which means division of work.
 - iii) Delegation involves entrustment of work, grant of authority and creation of obligation.
 - iv) A manager can control the performance of his subordinate through his accountability.
 - v) Delegated duties are always a part of the subordinate's normal duties.
- 2 Fill in the blanks choosing the appropriate word from those given within brackets.
 - i) Delegation constitutes a relationship (master-servant/ master-agent/master-worker)
 - ii) As a process, delegation implies the transfer of a portion of superior's to his subordinate (activities/authority/obligation)
 - iii) The obligation to carry out the delegated task in terms of specified standards in known as, (responsibility/accountability)
 - iv) Accountability is fixed to the (person/position/superior)
 - v) The delegatee must function within the limits set by the (job description/superior/subordinate)

8.2.3 Principles of Delegation

Delegation is one of the most important elements in the organising process. It is through delegation that interrelationships are created in any organisation. There are certain principles which may be followed as guidelines for effective delegation. These principles are:

Principle of delegation by results: The purpose of delegation is to get work done through another more effectively and efficiently than it may be accomplished by the delegator himself in a given situation. It is, therefore, essential that the assignment of task or duty and the entrustment of authority should be done keeping in view the results expected.

Delegation by result implies that goals have already been set and properly communicated to the delegatee and understood by him and that the job assigned fits the objectives.

Principles of competence: The person selected as a delegatee should be competent for the task assigned to him.

Principle of trust and confidence: It is necessary that there is an atmosphere of trust and confidence in the organisation as a whole and that there is a feeling of trust between the delegator and the delegatee. The delegatee should enjoy mental freedom in his work. He would be able to use his initiative and drive in work if he is mentally free.

Principle of parity between authority and responsibility: Authority delegated should be adequate in relation to the responsibility. It is logical that the responsibility for actions cannot be greater than the authority delegated, nor should it be less.

Principle of unity of command: The principle of unity of command describes the authority-responsibility relationships. The principle stresses that each subordinate should have only one boss to whom he should be accountable to avoid confusion and conflict. In delegation, it is assumed that the right of discretion over a particular activity will flow from a single superior to a subordinate.

Principle of absolute responsibility: Responsibility is an obligation which can neither be delegated nor be temporarily shifted. No superior can escape the responsibility for the activities of his subordinates through delegation, because it is the superior who has delegated the authority and has assigned duties. Similarly, the responsibility of the subordinate to his superior for performance of the delegated duties is absolute and cannot be shifted.

Principle of adequate communication: There should be free flow of information between superior and subordinate to enable the latter take decisions and interpret correctly the nature of the task to be completed with the nature and degree of authority vested in him.

Principle of effective control: As the delegator delegates his authority but not the responsibility, he should ensure that the authority delegated is properly used.

Principle of reward: Effective delegation and proper exercise of authority should be rewarded. A rational rewarded system of reward would act as an incentive to subordinates to willingly take the responsibility and assume authority and also create a healthy environment within the organisation.

Principle of receptiveness: Delegation needs and it also creates an understanding between the superior and subordinate. Decision-making involves some discretion. This means that no two decisions or two persons can exactly be the same. It is therefore necessary that the superior who delegates authority accommodates the ideas of his subordinates.

8.2.4 Importance of Delegation

Delegation of authority is one of the most important element in the process of organisation. Organisations are characterised by a network of activities and roles. Delegation is the process through which the interrelationships are created among individuals in their different roles in the organisation.

Delegation is necessary because it is physically impossible for a single man to look after the affairs of a large organisation. The success of a manager lies in his ability to multiply himself through other people. The organisations of today are not only large but also complex in character. No manager can claim to have all the skills and expertise to perform all the diverse kinds of jobs. Again, large scale business activities are not confined to one place. It may have several branches and units at several places. Delegation becomes a necessity for running these branches.

An organisation is a continuity. Managers may go and come but the organisation continues. Delegation provides continuity of operations in the organisation. The process of delegation helps managerial development in an organisation.

Thus, delegation is important for any organisation because it reduces the burden of the manager and leaves him free to look after important matters of the organisation. It is a

method by which subordinates can be developed and trained to take up higher responsibilities. It provides continuity to the organisation and creates a healthy organisational climate by creating better understanding among the employees.

Check Your Progress B

- 1 Fill in the blanks with appropriate words from those given within brackets:
 - i) Delegation by result implies that goals have been properly
(**assigned/communicated/discussed**)
 - ii) Responsibility can be neither delegated nor shifted. It is
(fixed/absolute/rigid)
 - iii) Subordinates often avoid responsibility due to fear of
(penalty/criticism for **mistakes/discharge**)
 - iv) Subordinates should be to accept delegation (forced/
ordered/trained)
 - v) Managers are reluctant to delegate when they have no confidence in the
..... of subordinates (**morality/sense of responsibility/
integrity**)
- 2 Which of the following statements are True or False?
 - i) The responsibility of the delegatee cannot be greater than the authority delegated to him.
 - ii) Delegation is not possible if the managers are younger than the subordinates.
 - iii) Delegation provides continuity of operations in the organisation.
 - iv) Objectives have nothing to do with the effectiveness of delegation:
 - v) For effective delegation managers must have trust in their subordinates,

8.2.5 Barriers to Effective Delegation

The problem of delegation is essentially one of human leadership. 'Delegation is not only a technique of management; it is a part of the attitude of business itself.' As such what is necessary is the atmosphere of giving and taking responsibility in the organisation. This is possible by creating an atmosphere of mutual trust and confidence. The reluctance of the superior to delegate and the reluctance or avoidance of the subordinates to accept delegation are the major barriers to delegation which are discussed below.

Why are managers reluctant to delegate

Managers are sometimes reluctant to delegate authority due to the following reasons:

- 1 Lack of confidence in the capability of subordinates: A manager may not have confidence in the capability and competence of subordinates. We may consider that he can do the job better than his subordinates.
- 2 Lack of confidence in the subordinate's sense of responsibility: The manager's lack of confidence in the sense of responsibility of subordinates may also stand in the way of delegation of authority to others.
- 3 Fear of loss of power: Managers who feel insecure and fear that if the subordinates perform well they may lose their power, are usually reluctant to delegate.
- 4 Lack of self confidence: Some managers may lack self-confidence or may be too conscious of their own incompetence, and therefore, reluctant to delegate authority. This is true in organisations where professional management is lacking.

Why subordinates avoid delegation ?

subordinates are also found to avoid delegation under certain circumstances discussed as below:

- 1 Reluctance to bear responsibility: Researches have shown that many subordinates prefer controlled existence with minimum responsibility. Such employees are unwilling to accept responsibility which goes with delegation of authority.
- 2, Fear of criticism: Another factor which prompts subordinates to avoid responsibility is the fear of criticism for inefficiency or mistakes.

3. **Fear of inadequacy of resources:** Many subordinates hesitate to accept responsibility for fear of inadequacy of necessary resources for completion of the task and uncooperative attitude of the delegator.
4. **Lack of motivation:** In many cases, the organisational climate is not motivating enough. It prevents subordinates in accepting responsibility. Some studies undertaken in India show that delegator's love for authority, the tendency on the part of the superiors to hold back information needed by subordinates and delegators' lack of confidence in the subordinate are important reasons for the reluctance of the subordinate in taking up delegated tasks.

8.2.6 Means of Effective Delegation

Effectiveness of delegation is governed largely by the general attitude of business which depends on various factors, like management policies, organisational culture, professional outlook and willingness on the part of key managers to delegate authority and the willingness as well as competence of the subordinates to accept delegation. The studies undertaken have shown that poor or inept delegation is one of the most prominent causes for the lack of delegation or failure of delegation. For effective delegation, the following measures may be taken.

1. Improvement in the organisational climate and general management policies: The organisational climate depends on several factors, the most important of which is the general attitude of the key managers and the overall personnel policy of the organisation. A forward looking, progressive organisation believes in the development of its people and as such throws open more and more opportunities for the younger managers to develop.
2. Trust in subordinates: If the key managers create an atmosphere of trust and repose their confidence in the subordinates, the subordinates will be motivated to take responsibilities. Once trust prevails, the feeling of fear disappears.
3. Establish clear objectives: Effective delegation depends on clarity of objectives. The delegatee should clearly know what he has to achieve.
4. Define responsibility and authority: The delegatee should know the degree of authority he enjoys to perform the job, and its adequacy in relation to his responsibilities.
5. Motivate subordinates: Motivation is the moving force in delegation. About the best leader, the Chinese philosopher Lao-tzu said "when their task is accomplished, their work done, the people feel 'we have done this ourselves'." It is difficult to say what would motivate people. The true motivation is internal. What clicks in motivating an individual is not easy to know. Yet it is for the superior to know as to what the urgent needs of their subordinates are. Research studies have shown that group recognition and group cohesiveness encourage participative management. The introduction of participative management in the organisation must be encouraged at all levels — lower, middle and top levels.
6. Improve communication: Communication is an effective tool for promoting better understanding and improving the organisational climate. There should be a free flow of information about the policies and programmes of the organisation.
7. Provide necessary training: Subordinates should be trained to accept delegation and the manager should master the skill of delegation.
8. Establish adequate controls: Effective delegation requires a system of controls to free the manager from routine inspections and yet enable him to maintain accountability.

8.3 DECENTRALISATION

Delegation of authority is closely related to the concepts of centralisation and decentralisation of authority.

Centralisation

Centralisation is the reservation or withholding of authority by individual managers within the organisation. According to Henry Fayol, 'everything that goes to increase the importance of the subordinates' role is decentralisation, everything which goes to reduce it is centralisation.' In centralisation little delegation of authority is the rule; power and discretion are concentrated in a few executives. Control and **decision-making** reside at the top levels of management. However, absolute centralisation is untenable because it would mean that subordinates have no duties, power or authority.

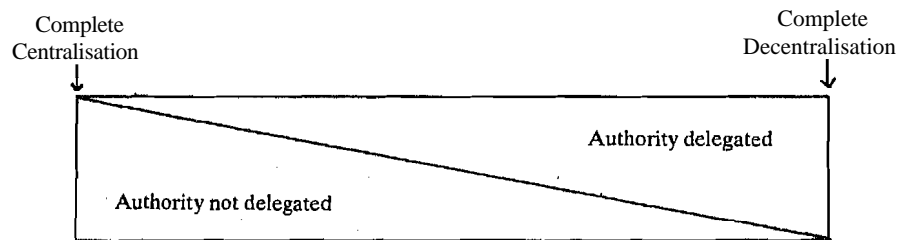
Centralisation may be essential in small organisations to survive in a highly competitive world. But as the organisation becomes more complex in terms of increasing size, interdependence of work-flow, complexity of tasks and spatial physical barriers within and among groups, a function requisite for efficiency is to move decision-making centres to the operating level. Thus, the larger the size of an organisation, the more urgent is the need for decentralisation. This does not mean that decentralisation is good and centralisation is bad.

Decentralisation

Decentralisation is the systematic effort to delegate to the lowest levels all authority except that which can be exercised at central points. It is the pushing down of authority and power of decision-making to the lower levels of organisation. The centres of decision-making are dispersed throughout the organisation. The essence of decentralisation is the transference of authority from a higher level to a lower level. It is a fundamental principle of democratic management where each individual is respected for his inherent worth, and constitution.

As you know, decentralisation is a correlate of delegation; to the extent that authority is not delegated, it is centralised. Absolute centralisation decreases the role of subordinate managers which in turn **encourages** decentralisation. Absolute decentralisation is also not possible because managers cannot delegate all their **authority**. If he does so, his status as manager would cease and his position would be eliminated. The degree of centralisation and decentralisation is shown in Figure 8.1

Figure 8.1 Degree of Centralisation and Decentralisation



8.3.1 Distinction between Delegation of Authority and Decentralisation

Although decentralisation is closely related to delegation, there are some differences between **decentralisation** and delegation which are discussed below.

- 1 Delegation is a process of systematic transfer of authority while decentralisation is the end result of planned delegation.
- 2 Delegation refers to the transfer of authority from one individual to another. Decentralisation refers to the systematic delegation of authority to all units in an organisation-wide context.
- 3 Delegation can take **place from** one person to another and be a complete process. But decentralisation is complete only **when** the fullest possible delegation is made to all or to most of the people.
- 4 Delegation is between a superior **and a** subordinate while decentralisation is company-wide delegation as between top management and divisions or departments.
- 5 Delegation is necessary for effective **management** because no individual manager can afford to look after everything. But decentralisation is optional, necessitated by the growth of the organisation.

- 6) In delegation, operational control is exercised by the delegatee but in decentralisation, the overall control is by the top management.

8.3.2 Merits and Limitations of Decentralisation

Centralisation and decentralisation are extensions of delegation. The belief that complete decentralisation is always desirable is fallacious. Equally fallacious is the belief that complete centralisation is good. The merits and limitations of decentralisation are discussed below.

Merits

- 1 **Facilitates growing and complex organisation** : Centralisation of authority may be desirable under certain special circumstances to accomplish specific results or when the company is small. But when organisation grows in size and becomes complex, even a hardcore autocratic manager is forced to delegate some authority and bring about decentralisation.
- 2 **Reduces the burden of executives**: Decentralisation is always preferable when an organisation has grown in size and complexity, and there is a need to reduce the burden of the top executives.
- 3 **Facilitates diversification**: Decentralisation is required when business needs to be expanded by diversifying its activities or product lines.
- 4 **Quick decision making**: Decentralisation facilitates consultative as well as quick decision-making at the action point. This promotes interaction among the different functionaries giving them an opportunity for self development and training and stimulating them to put in their best effort in the growth and development of the organisation as whole.

Limitations

- 1 **Leads to disintegration**: Extreme decentralisation, however, is a cure. It may lead to looseness and also ultimately to the disintegration of the organisation. It may bring about the diseconomy of scale with the increase in the overhead expenses of each decentralised unit. The duplication in functions may further add to the total cost.
- 2 **Does not suit specialised services**: For specialised services like accounting personnel, research and development etc., decentralisation is unwarranted. Moreover, there are certain areas of control and responsibility like setting up overall organisational objectives, long-term planning, formulation of policy, capital investment etc. which need to be under central control only.
- 3 **Conflict**: Decentralisation puts increased pressure on divisional heads to realise profits at any cost. This encourages the managers to become department conscious. Sometimes the top management deliberately encourages competition between different departments to increase the profitability. This competition results in bitter inter-divisional rivalries and conflict.

Thus neither extreme centralisation nor decentralisation is desirable. What is required is a golden means — a balance between centralisation and decentralisation. The question before managers, therefore is, not whether an organisation should be decentralised but to what extent it should remain centralised.

8.3.3 Factors Determining the Degree of Decentralisation

Decentralisation helps in achieving the organisational objectives more efficiently. Following factors are usually considered in determining the degree of decentralisation.

- 1 **Size of operations**: As an organisation grows in size and complexity, need for decentralisation tends to increase. More decisions are taken at different places and coordination of a large number of departments becomes difficult. Thus as the size increases, decentralisation becomes inevitable.
- 2 **Cost and risks of decision-making**: As the organisation grows in size the decisions involving heavy costs also multiply. With decentralisation of authority the high cost and high-risk decisions may be taken at the top level but routine decisions can be

taken at lower levels. "Thus decentralisation helps and quickens **decision-making** process.

- 3 **Top management philosophy:** The attitude of top executives and their philosophy have an important influence on the extent to which authority is decentralised.
- 4 **Availability of managerial resources:** The extent of decentralisation is limited to the extent of availability of trained and competent managerial personnel.
- 5 **Environmental influence:** The most important environmental forces affecting the degree of decentralisation are: Government controls, tax policies, and unionism.

For example where prices of a product are controlled, the sales manager's freedom is curtailed. Similarly, labour legislations and the decisions of worker's unions may limit the authority of managers.

Check Your Progress C

- 1 Which of the following statements are True or False?
 - i) **Decentralisation of authority and delegation of authority are closely inter-related.**
 - ii) **Delegation is essential for management but decentralisation is optional.**
 - iii) **Decentralisation of authority is not good for large organisations.**
 - iv) **Centralisation of authority is bad under all circumstances.**
 - v) **Delegation is not possible in all units of an organisation.**
- 2 Fill in the blanks
 - i) **Decentralisation** is the or planned delegation in the **organisation-wide context.**
 - ii) **Centralisation may** be desirable when the organisation is
 - iii) When business needs expansion by diversifying the product line, the **organisation** should be
 - iv) As of a business **increases** centralisation is not preferable.
 - v) For specialised services like accounting is unwarranted.

8.4 LET US SUM UP

Delegation may be defined as assigning **formal** authority and responsibility to another person for the performance of certain activities. As a process it is followed by managers in **dividing** up work with subordinates by entrusting a part of their duty and assigning them the necessary authority to accomplish it. **Delegation** involves entrustment of duties and responsibilities, assignment of authority and creation of accountability.

Delegation facilitates effective utilisation of resources, relieves top executives of their extra work-load, improves decision-making and encourages initiative and self-development.

The superior executives are **often reluctant** to delegate and **the subordinates** hesitate to take responsibility. These constitute barriers to effective delegation.

Managers may **be** reluctant to delegate authority **due to: lack** of confidence in the capability of subordinate's or in the subordinate's sense of responsibility, fear of loss of power, or lack of self-confidence. **Subordinates are often** reluctant to accept delegation on **account of** their preference to avoid responsibility, fear of criticism for mistakes or inefficiency, inadequacy of resources, and lack of motivation.

Effective delegation can be possible by improving the organisational climate, creating an atmosphere of trust in the subordinates, establishing clear objectives, precisely defining authority and responsibility, motivating the subordinates to accept delegation, improving communication, providing necessary training, and establishing adequate a golden mean — abalance between the two.

Centralisation is the withholding or reservation of authority by individual managers

within an organisation. **Decentralisation** refers to the systematic delegation of authority to **all** units in an organisation-wide context. It is complete only when the fullest possible delegation is made to all or most of the people lower down the level in an organisation.

Centralisation of authority may be desirable under special circumstances to accomplish **specific results** or **when** the company is small in size. Decentralisation is always **preferable** when **an organisation** has grown in size and complexity and there is a need to reduce the burden of the top executives.

Delegation is closely related to decentralisation. Delegation leads to decentralisation. **The degree of decentralisation** in any organisation is determined by several factors like **the size of organisation**, the rate of growth and the nature of organisation. It is influenced by the management philosophy and the environment in which an organisation operates. Whatever may be the size of the **organisation** there is nothing **like** a complete **centralisation** or complete decentralisation in an organisation: Neither complete **centralisation** nor complete decentralisation is desirable. What is required is a golden mean—a balance between the two.

8.5 KEY WORDS

Absoluteness of responsibility: The principle that responsibility can neither be delegated nor shifted to another person.

Accountability: Subordinate's responsibility to account for the performance of the task delegated to him.

Chain of command: Superior-subordinate relationship in an organisation which follows a hierarchical order of ranks from top to bottom.

Centralisation: The systematic and consistent reservation of authority to make major policy decisions at one or a very few central points within the organisation.

Decentralisation: Systematic delegation of authority pushing down the decision-making process to lower levels in the organisation.

Delegation: The act of assigning formal authority and responsibility to a subordinate for the achievement of specific objectives.

Parity of authority and responsibility: The principle that grant of authority should be at par with the responsibility of the delegatee.

Responsibility: The obligation owed by subordinates to their superiors for exercising authority delegated to them to accomplish a given task.

Unity of command: The principle of each subordinate being responsible to only one superior.

8.6 ANSWERS TO CHECK YOUR PROGRESS

- A) 1) i) False ii) False iii) True **iv) True** v) False
 2) **i) master-agent** ii) **authority** iii) accountability, iv) position v) superior.
- B) 1) **i) Communicated** ii) absolute iii) criticism for mistakes iv) trained v) sense of responsibility.
 2) **i) True** ii) False **iii) True** iv) False v) True
- C) 1) **i) True** ii) True **iii) False** iv) False v) False
 2) **i) end result** **ii) small** **iii) decentralised** iv) size v) decentralisation.

8.7 TERMINAL QUESTIONS

- 1 Define delegation. **What are** the elements of delegation?
- 2 Discuss the **principles** of delegation of authority.

- 3 What are the barriers to effective delegation? How can they be overcome?
- 4 Distinguish between delegation and decentralisation.
- 5 What do you understand by the terms centralisation and decentralisation? What are the advantages of decentralisation?
- 6 Extreme decentralisation is as bad as extreme centralisation. Discuss.
- 7 What are the factors that determine the degree of decentralisation of authority in an organisation?
- 8 What is the importance of delegation of authority? How is it related to decentralisation of authority?

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university. These are for your practice only.

8.8 SOME USEFUL BOOKS

Bhushan Y.K., 1985. *Fundamentals of Business Organisation and Management*. Sultan Chand & Sons : New Delhi. (Chapters 4,5)

Herbert M. Engel, 1985. *How to Delegate*. Jaico Publishing House.

Koontz Harold and Cyril O'Donnell, 1987. *Management*, McGraw-Hill Book Company : New Delhi. (Chapters 11 to 14 and 16)

Rao VSP and PS Narayana, 1987. *Principles and Practice of Management*. Konark Publishers Pvt. Ltd. : Delhi. (Chapters 13 to 22)

Singh B.P. and T.N. Chhabra, 1985. *Fundamentals of Business Organisation and Management* Sultan Chand & Sons : New Delhi. (Chapters 4, 5).

UNIT 9 STAFFING

Structure

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Meaning of **Staffing**
- 9.3 **Importance** of the **Staffing** Function
- 9.4 **Human** Resource Planning
- 9.5 **Recruitment**
 - 9.5.1 **Internal** Sources
 - 9.5.2 **External** Sources
- 9.6 Selection
- 9.7 Placement and Orientation
- 9.8 Training and Development
 - 9.8.1 **Purpose** and **Importance** of Training
 - 9.8.2 **Features** and **Requirements** of Training
 - 9.8.3 **Types** and **Methods** of Training
 - 9.8.4 **Management** Development Programme
- 9.9 Let Us Sum Up
- 9.10 Key Words
- 9.11 Answers to Check Your Progress
- 9.12 Terminal Questions

9.0 OBJECTIVES

After studying this unit, you should be able to:

- **explain** the meaning and **importance** of **staffing** function
- **describe** the **process** of staffing
- explain the concept and steps **human** resource planning
- **describe different** sources of recruitment
- explain different steps in the selection **process**
- describe the purpose and methods of training
- explain different **management** development programmes.

9.1 INTRODUCTION

In unit 7, you have learnt how managers perform their function of **organising** and how the structure of an organisation is designed. Once the most suitable structure of activities and job positions are shaped, efforts should be made to find out and hire the right **type** of individuals to fill in the various job positions. This **managerial** function is known as Staffing.

In **this unit**, you will learn the meaning and importance of **staffing**, major staffing activities such as human resource planning, recruitment, selection, placement and orientation and **training** and development.

9.2 MEANING OF STAFFING

“**Staffing**” may be defined as the managerial function of employing **and** developing human resources for **carrying** out the **various managerial** and **non-managerial** activities in the

organisation. The function is concerned with attracting, acquiring and activating the human resources for achieving organisational goals. Staffing also involves upgrading the quality and usefulness of members of the organisation with a view to get higher performance from them.

The staffing function includes such activities as manpower or human resources planning, recruitment, selection, placement, training and development, remuneration, performance appraisal, promotion, transfers and so on. In many organisations, most of the above activities are handled by the personnel management or human resources management department. The basic responsibility for staffing decisions and initiatives is that of line managers. However, the personnel management department provides the needed expert advisory services to line managers in order to enable them to do their function more effectively. Often, the personnel management department also handles the administrative aspects of staffing.

Staffing is a continuous function of managers. This is because the organisation's need to retain and maintain its personnel is a never-ending process. Managers have to keep a regular watch on the size and composition of personnel needed by the organisation. They have also to take care of the staffing needs as the organisation expands its activities and as new departments and work units are added. The on-going nature of the staffing function is self-evident to the extent that the nurturing and development of people is a constant concern of managers. Also, at any point of time, some people will be leaving, retiring, getting promotions or transferred. The vacancies thus caused have to be filled up.

9.3 IMPORTANCE OF THE STAFFING FUNCTION

The importance of the staffing function stems from its relationship with other functions, without people or personnel, organisations are empty entities which cannot move a bit in the achievement of their objectives. The function of planning, organising, direction and control become non-starters without managers and other members of the organisation. The effectiveness of the other managerial functions depends on the efficiency with which staffing function is done. An organisation which is in a position to hire, retain and develop the right quality of people will be in a position to take full advantage of opportunities of growth and verification. An organisation is strong to the extent that its members are strong in their abilities, skills and efforts to do things and to get things done.

It is a well recognised fact that all the physical, financial and other resources of the organisation have to be efficiently allocated and utilised by the managers and others who form part of its staff. Indeed, human resources of an organisation are its most valuable assets and give it a distinct advantage over other organisations.

The staffing function takes care of the need for building a sound organisation. Organisations greatly differ in the quality and competence of their members. This reality is to be traced to the staffing function. It is the staffing function which injects life and action into the organisation and makes its functioning possible.

Some organisations may somehow be able to attract right talent because of such factors as high remuneration, perquisites, security of tenure and so on. But the talent so attracted has to be properly preserved and developed through the staffing function. Otherwise, human assets will turn into liabilities and burdens on the organisation.

The Staffing Process : Just like the other managerial functions, the function of staffing may also be viewed as a process consisting of certain well recognised activities. These activities (also called elements) include human resource planning, recruitment, selection, placement, and orientation, training and development, promotions and transfers, remuneration, performance evaluation and so on. All these elements, when arranged sequentially may be regarded as the steps or phases of the staffing process.

We shall now discuss the major steps one by one.

Check Your Progress A

1 Which of the following statements are True and which are False.

1) Staffing means recruitment, selection and placement of staff.

- ii) Staffing decisions are the responsibility of line managers.
 - iii) All staffing activities are carried out in the personnel management division.
 - iv) The staffing process involves a number of sequential activities.
 - v) Staffing is a one time function.
2. Fill in the blanks.
- i) Personnel Management Department provides to line managers.
 - ii) The staffing function takes care of the need for building a sound organisation.
 - iii) The human resources of an organisation are its most valuable
 - iv) Staffing is afunction of managers.
 - v) The staffing function is concerned with and human resources.

9.4 HUMAN RESOURCE PLANNING

The first major element of the staffing function is human resource planning. It is concerned with the determination of the size and composition of personnel needed by the organisation over a specific future period. Planning for human resource requirements is also concerned with formulation of relevant policies, strategies and programmes for meeting such requirements in an efficient manner.

The objective of human resource planning is to ensure that the organisation gains full freedom and control over the size and quality of its personnel requirements on a continuous basis. Human resource planning provides a sound basis for making timely managerial decisions on hiring the various categories of personnel — skilled, unskilled, technical, clerical, administrative and professional needed at various levels of the organisation. It clears the way for the subsequent staffing functions of recruitment, selection, training, promotion and so on. Planning for human resource requirements also aids in formulation of action plans to optimise the contribution and satisfaction of the organisation's work force. It also keeps the investment and expenditure on staff at a reasonable level. The organisation is also likely to be free from situations of surpluses and shortages of staff at any point of time. In short, the objectives of human resource planning may be listed below:

- i) It helps in obtaining and retaining the quality and quantity of manpower.
- ii) It ensures the best use of manpower resources.
- iii) It helps in anticipating the problems arising from potential surpluses or deficits of manpower.

Human resource planning involves several activities. The management has to prepare a comprehensive account of the current size and composition of its personnel — their positions, qualifications, skills, experience, age and so on. Such an account of the present status of the personnel provides the basis for forecasting the future human resources requirements. The organisation has to take a close look at its future plans of expansion, possible changes in the technology of operations, and reforms contemplated in the organisational structure. All these give a partial idea of the future human resources needs. It will also have to make rough estimates and assumptions about the likely turnover of employees and workers, likely retirement and termination of services in the normal course, and so on. Projections are to be made about the likely promotions and transfers of its present personnel. The end-product of all these activities is a tentative plan of the intentions of the organisation about its manpower requirement. It is true that the plan so devised is to be implemented keeping in view the behaviour of employment market and other external factors as relevant to the organisation.

Steps in Human Resource Planning

Human resource planning consists of four basic steps listed as below:

- i) Determination of organisational objectives.
- ii) Determination of the skills and expertise required to achieve the organisational and departmental objectives,

- iii) Determination of the additional human resource requirements in the light of the organisation's current human resources.
- iv) Developing action plans to meet anticipated human resource needs.

As a part of human resource planning, the organisation has also to do job analysis to determine the qualifications, skills, experience **and** expertise required for major categories of jobs. **In** short, job analysis includes: (i) identification of each **job** in terms of duties and responsibilities; (ii) determination of the nature of work and work conditions, **and** (iii) **determination** of the requirements as to abilities and skills that are prescribed for the persons holding it.

Thus, there are two major aspects of job analysis as discussed below.

- 1 Job description refers to a narration of the activities and duties to be performed in a job, the relationship of the job with other jobs, the equipment and tools involved, the nature of supervision, working conditions and hazards of the job and so on. All major categories of jobs have to be described clearly and comprehensively in order to determine the qualifications and skills required.
- 2 Job specification is a statement of the minimum levels of qualifications, skills, **physical** and other abilities, experience, judgement and attributes required for performing a job well. It sets forth the qualities required for performing **the** job.

Job description and job **specification** are useful in recruitment and selection of employees **so as** to find the right persons for the jobs. They are **also** useful to establish proper wage and salary structure and to provide proper orientation and training for new employees.

9.5 RECRUITMENT

After determining of the requirements of staff, the next step is **recruitment**. Recruitment is the process of searching for and securing applicants for the various job positions which arise from time to time in the organisation. For this purpose, the organisation is to locate the sources and availability of prospective candidates and publicise the specific personnel needs so as to inform and induce the people to apply for the job positions. The purpose of recruitment is to get as many potentially suitable applicants as possible in order to have wide choice for the **organisation**. The organisation has to cast the net wide enough through proper communication and contact with the reservoirs of manpower.

There are two sources of recruitment internal and external. The internal sources are obviously the employees of the organisation. Some organisations largely rely on internal sources while others do not. It is a matter of organisational policy, preferences, the nature of job requirements, the level of calibre of employees and the bargaining power of their unions.

9.5.1 Internal Sources

Internal recruitment generally consists of exploration of possibilities for promotion and transfer of the **organisation's** employees for filling up vacancies. Many organisations maintain **an** inventory of qualifications, **skills** and **experience** of their existing **employees** so as to have a rough idea of their **promotability** and transferability.

Advantages: The advantages include the following:

- 1 Familiarity with own employees : The organisation has more knowledge and familiarity with the **strengths** and weaknesses of its own employees than of unknown outsiders.
- 2 Better **use** of the talents : The policy of **internal** recruitment provides **an opportunity** to the organisation to make a better use of the talents internally available and to develop them **further**.
- 3 **Inexpensive** Recruitment : Internal recruitment is inexpensive. The organisation does not have to spend much **effort**, **time**, and **money** to locate **possible** candidates and to attract their **applications**.

- 4 **Improves** the morale : In this-process employees are sure that they would be preferred over the outside competitors. This feeling helps in boosting the morale of the employees.
- 5 **A source** of motivation : The opportunity of promotion implicit in internal **recruitment is** a source of motivation for employee to improve their career and income levels. It is also a means of attracting and retaining competent employees, who are likely to feel that the **organisation** is the place where they can build up their life long career.

Limitations : The drawbacks associated with internal recruitment are as follows:

- 1 **Restricts** the options : It restricts the options of the organisation for tapping the **talent available** in the vast outside employment market. The organisation denies itself fresh **talent** from outside. Internal recruitment means 'inbreeding' which is not **healthy for the** future of the organisation.
- 2 **Lack** of availability of suitable **candidates** : Suitable candidates may not be available **internally**. In such situation the organisation may have to compromise its quality requirements for the job positions by taking mediocre people from within,
- 3 Discourage competition : In this process internal candidates are protected from the element of competition from outside candidates. Therefore, **they** may develop tendencies to take their promotions for which they need not put in any extra **performance**.
- 4 Creates controversies : Conflicts and controversies are likely to arise among the **internal** employees who desire promotion, whether or not they deserve it.
- 5 Stagnation of skills : In the long run the skill of **internal** employees may become stagnant or obsolete which decreases the productivity and efficiency of the organisation.

9.5.2 External Sources

In the external sources of recruitment a vast mass of skilled, semi-skilled and unskilled people are recruited from the outside of the organisation. There are various methods of external recruitment like public employment agencies, private employment agencies, labour unions, educational institutions, professional associations, former employees, etc. Organisation may also adopt informal approaches to get the employment aspirants through various contacts.

The success of recruitment from external sources depends upon the scales of **wages/salaries** offered, the general conditions of service, employment conditions in the market, the image of the organisation, availability of suitable conditions and so on,

Advantages : The advantages of external recruitment include the following:

- 1 **Open process** : **It** is a more open process and the organisation is likely to get a large number of applicants, thereby widening its options of selection.
- 2 Availability of talented candidates : The organisation can expect **to get talented** candidates from outside. It means injection of new blood into **the** organisation.
- 3 Opportunity to **select** the best candidates : The selection process would be **characterised** by competition. The prospects that the organisation can pick up the best candidates for the **jobs are** high.
- 4 **Provides** healthy **competition** : **External** candidates are supposed to be trained and **efficient**. As they join the new organisation they work with great **vigour** and put their best effort to achieve the objectives. This creates healthy competition and congenial work environment in the organisation.

Limitations : The external recruitment suffers from some **limitations**. They are:

- 1 Expensive and time consuming : It is expensive and time consuming. There is no guarantee that the organisation will get good candidates.,
- 2 **Unfamiliarity** with the **nature** of the organisation : **External candidates, being** new to the organisation cannot be expected to be **familiar** with the tasks, job nature and the

internal conditions in the organisation. The process of orienting them into the organisation will be time consuming.

- 3 **Generates feeling of discontent and frustration among existing employees :** External recruitment is likely to generate feelings of discontent and frustration among the existing employees. They may feel **ignored** by the organisation.
- 4 **Discourage the existing employees :** Existing employees are not sure to get **promotion**. Hence they feel discouraged from working **hard**. This **decreases** the productivity and efficiency of the organisation.

Check Your Progress B

- 1 Fill In the blanks.
 - i) Human resource planning is concerned with the determination of and of personnel needed over a specified period of time.
 - ii) Job description and job specification are two aspects of
 - iii) There are two sources of recruitment, and
 - iv) and are implicit in internal recruitment.
 - v) The selection process in external recruitment is characterised by
- 2 Which of the following statements are True and which are False
 - i) Job specification is a narration of the duties to be performed in a job.
 - ii) Surplus or shortage of staff can be avoided by means of human resource planning.
 - iii) External recruitment is more time consuming than internal recruitment.
 - iv) Internal recruitment is an open process.
 - v) Before recruitment there must be job analysis.

9.6 SELECTION

Selection is the process of choosing the most suitable candidates from applicants for the various jobs. It follows recruitment. Much information has to be obtained, analysed and evaluated from the prospective candidates to facilitate the selection process. The information relates to the qualifications, work experience, age levels of skills and other accomplishments, family background, aptitudes and interests, physical mental fitness and so on.

Steps in the selection process: Following are the steps in the selection process:

Filling in application form : This may be regarded as the first stage of the selection process. Candidates are supposed to provide complete **information** about themselves in a **written** form. The applications of candidates provide the basis for further analysis and **examination** of their **suitability**.

Preliminary Screening : This refers to initial assessment of basic suitability of candidates for the job positions. They see whether the applicants meet the basic academic and other minimum requirements as regards age, work experience and so on. The basic objectives of preliminary screening is to eliminate the unsuitable candidates and to reduce the overall **cost** of selection.

Holding of tests : Candidates who are filtered through the initial **screening** submit themselves to certain tests, formal or informal. Test is a means of evaluating their knowledge, skills, experience, attitudes, personality and so on. In some cases, as for example typing shorthand, computer knowledge, etc. tests are the **only** way to **determine** the suitability of candidates for the jobs,

There are several types of tests which are widely used for selection purposes. They include: **intelligence tests, aptitude tests, personality tests, performance tests** and so on. These and other similar tests are meant to measure the major dimensions of the suitability of candidates. Tests provide a more objective, authentic and consistent basis for selection of right candidates. They help the organisation in arriving at a judgement on the likely work behaviours and performance of candidates. However, it should be remembered that tests are not fool proof methods of selection.

Interview : The personal face-to-face interview with the candidates by a panel of selectors

is a widely used method of selection. Interview enables the selectors to get a first hand idea of the personality of candidates, their poises and poses, their communication, other related skills and their general behaviour. The interviewers typically ask candidates several searching questions to elicit their responses and to evaluate them. Questions may be spontaneously asked or pre-planned in some way. Candidates may be interviewed either individually or in groups. In the latter case, a small group of five or six candidates is observed and evaluated in group discussions and interactions, by the selectors. For certain types of jobs, especially managerial jobs, candidates may be required to go through a series of interviews of a progressively rigorous nature. Conducting employment interviews is a delicate and difficult task. It requires much planning, restraint, maturity and understanding on the part of interviewers. They should have a very clear perspective of the job requirements and should be able to judge the process of matching the candidates and the jobs.

In combination with other methods of selection, interviews are useful for making sound decisions on hiring. While tests are impersonal, interviews are interactional in nature. If conducted properly, they open up ways of sizing up the competence and calibre of the candidates for the job positions for which they offer themselves. They also provide an opportunity to the candidates to get more information from the interviewers about the nature of the job, prospects of promotion and about other conditions of service.

The other aids of selection, apart from the above are (i) physical examination of the candidates to assess their general fitness and health, and (ii) making references to previous employers and others so as to verify some information provided by the candidates.

The climax of all the above processes of selection is the final choice of the candidates for the jobs. A final ranking of the short-listed candidates is often made on the basis of their scores in the tests and interviews. Appointment offers are made to the top one or more candidates depending on the number of vacancies. The decision on selection may be made by members of the interview board. Alternatively, the interview board makes only recommendations on the right candidates and leaves it to the concerned top authority to take the final decision.

9.7 PLACEMENT AND ORIENTATION

Once the selected candidate eventually joins the organisation, he is to be placed in the job for which he is selected. In some cases, when two or more alternative positions are to be filled, the selected candidate is sought to be placed in the job to which he is more suited by virtue of his qualifications, experience, aptitudes and so on. It is partly a process of matching jobs and the selected candidates. Placement may be tentative in some cases; the final placement will be done after the incumbent is tested on alternative jobs, in actual practice.

Orientation is the process of introduction of the new employee to the organisation. He is given information on matters such as under whom and with whom he should work, requirements of job performance and behaviour, facilities and benefits available, hours of work and so on. Orientation is also a process of socialisation of the new employee with his fellow employees, superiors, seniors and subordinates. The purpose of orientation is to expedite the process of familiarisation of the new employee to the work culture of the organisation. Proper orientation of the new employees is likely to reduce their anxieties on how to cope with the job requirements, how to become acceptable to the work group and how to become a part of the organisation. A planned orientation programme for new employees is an essential requirement to make employees feel at home and to minimise their initial problems of adjustment with the organisation during the first few critical weeks.

Check Your Progress C

1 State whether the following statements are True or False:

- i) Selection is the process of eliminating unsuitable applicants for jobs.
- ii) The purpose of interview and tests is to get as much information from the applicants as possible.
- iii) Interviews are useful for making sound decision on hiring.
- iv) Orientation of a new employee is complete when he is acquainted with the rules and regulations of the company.

- v) Candidates are always interviewed individually never in groups.
- 2 Fill in the blanks.
- Interview enables selectors to get a first hand idea of the of candidates.
 - Selection tests provide a more basis of selecting the right candidates.
 - Orientation is the process of new employees to the organisation.

9.8 TRAINING AND DEVELOPMENT

Training is the process of helping employees to acquire more knowledge of the job **and** to learn or sharpen **the** needed skills, attitudes and values associated with efficient performance of their jobs. New employees as also existing employees often need training as a means of their progress in their jobs and careers. It is an important element of the staffing function. Many organisations make formal or informal arrangements for providing training to their managerial and non-managerial personnel. Typically, a separate **training department** under the charge of an expert in training techniques is established for the purpose.

A distinction is often made between training and development. Training is more **concerned** with the immediate work skills and knowledge of new or existing employees. It is rather narrowly oriented to upgrade skills for the specific purpose of improving the **job-behaviours** and performance of employees and workers. On the other hand, development focuses on the general improvement of the overall personality of the employee. The aims of development tends to be more general and sometimes unclear. Another point of distinction between training and development is the **term** training is used with reference to non-managerial employees and workers while the term development is reserved with reference to managers and executives.

9.8.1 Purpose and Importance of Training

The need for training and development, their purposes and importance are outlined as follows:

- Provides adequate training to new employees : Training is very essential for new employees who are often raw hands. Training make them more well-versed in the complexities of their jobs. It quickly helps the employees to reach the required level of efficiency in their work.
- Provides new skills to the existing employees : For existing employees also, training is generally helpful to gain more job knowledge and **skills**. There **are** always better ways of doing jobs which-can be transmitted by the former to the latter.
- Provides the knowledge of new technological development : In some cases, new ways of **performing** jobs emerge as a result of work studies and also as a result of technological developments. Employees and workers may be **required** to acquire new **skills**, techniques, job knowledge and new attitudes. In **such** cases also, employees should be exposed to training so as to enable them to catch up with the new job demands. **Employees who do** not update and upgrade their knowledge and **skills-will** become misfits in their jobs.
- Prepares employees for their promotion : Training is also essential to **prepare employees** for their promotion and for assuming **higher** job responsibilities. It makes them more eligible for promotion. Also, when employees are transferred **from** one job to another of a different **nature**, they should be trained in order to enable them to get **quickly** acquainted and adjusted with their jobs.
- Improves the attitudes and behaviours of the employees\ : Another way in **which training is** useful is orientation and re-orientation of employees **with their** jobs and **with their work** environment. Here the focus of **training** is to improve **the attitudes** and **behaviours of employees** in such **matters** as discipline, regular attendance, good relations with superiors **and co-employees**, careful use of equipment, materials, facilities and **so** on.

Advantages: Following are the advantages of training:

- i) It enriches the quality of personnel and the quality of their working life, in conjunction with other conditions of their service.
- ii) It broadens their perspectives and problem solving abilities.
- iii) It makes them more competent, confident and adaptive so as to cope with the complex and changing conditions of their environment.
- iv) It improves their relations with their jobs and prepares them for upward mobility..
- v) It helps in reducing employees absenteeism and turnover.
- vi) Trained people need less supervision. They become capable of self-direction and self-control.
- vii) It improves their level of motivation and job satisfaction.

9.8.2 Features and Requirements of Training

Certain typical features and requirements of training are listed as follows:

- 1 Training, like education, is based on certain principles of learning, such as **motivation to learn, reward for learning, feedback of training performance** and so on.
- 2 Training is a continuous process and includes programmes for retraining of people.
- 3 Training is a specialised function and should generally be handled by experts who are proficient in **training techniques**.
- 4 Training is to be tailored to **the** needs of jobs, job holders and the organisation.
- 5 It should be functional and practically useful to employees who undergo it.
- 6 The objectives of each training programme should be clearly spelt out.
- 7 The costs of **training** should be kept within **reasonable limits**. The benefits of training should commensurate with the costs.
- 8 Training programmes need to be reviewed and **evaluated** at periodic intervals to ascertain the extent of their effect on the job behaviour and performance of **those** who have undergone training.

9.8.3 Types and Methods of Training

There are several types and methods of training, suitable to different categories of employees and to different training needs. Management training, supervisory training and employee worker training may be categorised separately, based on the **hierarchical** status of the personnel. The techniques of training and treatment of training differ among these categories.

There are several methods of training which are discussed below:

On the job training : As the terms suggest themselves, **on the job training involves imparting of training to employees/workers in the course of their jobs**. Experienced workers, **first** line supervisors and specially qualified instructors serve as trainers in on the job training. The techniques of on the job training include job rotation coaching or job instruction, creation of assistant to or under study positions, temporary promotions, and so on. In general, on the job training methods have the merit of **learning by doing**. **Trainees are** in face-to-face interaction with their jobs and work environment. They quicken the process of self-learning and self-correction and are highly practice oriented. They **are** also relatively inexpensive.

Off the Job training : So far as off-the job training is concerned, the **techniques** associated with them include class room lectures, conferences and discussions, films and TV shows, case studies and discussions and so on. These methods **are** intended to impart training at places away from the atmosphere of the work place. **The chief merit of off-the job training is that it helps trainees to learn things in a steady and systematic manner without any job pressure**. The focus is **more** on learning than doing. **The quality** of training **tends to be** high because it is generally handled by experts.

Vestibule training : Vestibule training is intended to train workers and employees in specially designed workshops in which an attempt is made to duplicate as closely as possible the actual conditions of the work place. A large number of employees and workers could be trained in a relatively short period of time through vestibule training. It combines the advantages of on-the-job and off-the-job training approaches.

9.8.4 Management Development Programmes

In many organisations, the training programmes as also the methods and techniques of training for development of their managers at various levels are referred to as management development programmes. The techniques of management development are outlined as follows:

Creation of 'assistant to' positions : In some cases, it is possible to create assistant to positions to allow opportunities to junior managerial personnel to work under senior personnel. Senior personnel provides job-related insights and experiences to the junior personnel.

Temporary promotions : It is also possible to expose junior managers to higher responsibilities by offering promotions to them on a purely temporary basis. It helps them to acquire the needed skills and perspective.

Membership in committees : Committees often serve as training grounds to managers. Membership in or association with a formal or **informal** organisational committee is a valuable opportunity to individuals for meaningful interaction with other members. This provides them an opportunity for the development of communication and inter-personal skills and for understanding the diverse points of view expressed in committee deliberations.

Under study : This is a method adopted for specific individuals who are designated to take over certain job responsibilities from those who are to retire shortly or otherwise leave the organisation. The incumbent is to work with the current job holder for a period of time say 3 months, and get to know the job.

Job rotation : In this, the trainees are rotated on different but related assignments to broaden their perspectives and to make them well-rounded, before assuming permanent positions. The method permits the trainees to gain a systems view of **their** jobs.

Sensitivity training : The objective of sensitivity training is to develop the sensitivity of trainees to the views, feelings and reactions of others. This helps him to develop capability for behaving in an authentic **manner** and absorbing tensions and stresses. It makes the trainees understand their own behaviours self-awareness and to impart diagnostic and problem solving skills among them.

Sensitivity training is given to small groups of people (called T-Groups) from the same organisation. A trainer or consultant will be present in the session which begins without any agenda. The trainer functions as a catalyst or facilitator. He induces interactions and discussions among members who are allowed total freedom to express their views on one another — about attitudes, behaviours, mannerisms, pitfalls and so on. It is natural to expect violent out-bursts and emotional reactions from members. These very process are regarded as rich learning and training experiences. The duration of T-groups sessions ranges from a few days to a few weeks and the sessions are held outside the organisational work setting.

Transactional analysis : It is a technique of training developed by Eric **Berne** and **popularised** by Thomas Harris of U.S. It is a tool of improving human relations and interactions (transactions) and of **promoting** rational, mature behaviours among superiors, **subordinates** and peers in an organisation. Its basic proposition is that people have to behave as adults, although sometimes parent-like and child-like behaviour are also useful. Adult-like behaviour is characterised by objectivity, problem solving orientation, mutual respect, understanding, and so on. Parent-like behaviour takes the **form** of authoritarianism, protective and patronising stances. Child-like behaviours pertain to rebellious, angry, dependence-oriented moods and tantrums, though creative, **spontaneous**, **obedient** stances are not ruled out.

Lectures and courses : The trainees are provided with oral instruction on concepts,

principles, processes and practices, supported by relevant material and readings. The trainees are given assignments to test their acquisition of knowledge.

Conferences and discussions : Seminars, workshops and similar interaction sessions belong to this category. It permits multilateral communication, exchange and feedback of ideas and experience, broadening of knowledge and insights and so on. Conferences and discussions need to be guided and moderated by competent trainers.

Films and TV shows : These devices demonstrate to the trainers the ways of doing things. They are also effective in transmitting information and in enriching the knowledge of trainees. They generate interest among the trainees by **dramatising** usually certain events, incidents and realities.

Case studies : They provide opportunities for the trainees to study and **understand actual** problem situations. They aim at improving conceptual, problem-solving and judgemental skills of personnel. Discussions and interactions permit enrichment of knowledge on actual **organisational** problems and situations.

Simulation : This technique seeks to duplicate the real life environmental setting in which the trainees will eventually work. Role playing, business games and in-basket technique **are** some of the simulation methods. In role playing, the trainees, are assigned different roles in a case study and are expected to play the roles. Business games are spread over several **sessions** or sittings in which the trainees are required to make a series of decisions and tackle problems of a duplicated business situation.

Check Your Progress D

- 1 State whether the following statements are True or False.
 - i) All employees and managers do not need training.
 - ii) Training provides valuable learning experience to the trainees.
 - iii) The techniques of training for managers are different from those applicable to non-managers.
 - iv) The focus of on-the-job training is more on learning than doing.
 - v) Sensitivity training is organised within a real work setting.
- 2 Fill in the blanks.
 - i) Training is more concerned with immediate while development focuses on the improvement of overall.
 - ii) Training is essential for preparing employees for
 - iii) In sensitivity training, the trainer act as a

9.9 LET US SUM UP

Staffing refers to the **managerial** function of employing and developing human resources for carrying out the various managerial and non-managerial activities in **an** organisation. Staffing also involves upgrading the quality and usefulness of members of the organisation with a view to get higher performance from them. The function **includes such** activities as human resource planning, recruitment, selection, placement and orientation training and development, remuneration, performance appraisal, promotion and transfer. **The** importance of the staffing function stems from its relationship with other functions. Without people or personnel organisations are empty entities which cannot move **a bit** in the achievement of their objectives.

The staffing function, like other managerial functions, may be viewed as a process consisting of certain well recognised steps or activities. These include manpower **planning**, recruitment, selection, placement and **orientation**, training and development, **promotion**, **transfer**, remuneration, performance evaluation, **etc.**

Human resource **planning** is concerned with the **determination** of the size and composition of personnel needed by the organisation over a specified period of time. The objective of human **resource** planning is to ensure that the **organisation** gains full control over the size and quality of its **personnel** requirements on a continuous basis. It **requires** job-analysis which comprises two aspects: job description and job specification.

Recruitment is the process of searching for and securing applicants for the various job positions which arise from time to time. There are two sources of recruitment — internal (consisting of promotion and transfer of existing employees) and external (consisting of recruitment from outside the organisation).

Selection is the process of choosing the most suitable candidates from applicants for various jobs. The steps in the selection process include: filling in application forms, preliminary screening, holding of tests, interview, and final choice. Selection is followed by placement and orientation of the selected personnel.

Training and development refer to the process of helping employees to acquire more knowledge of the job and to learn or sharpen the needed skills, attitudes and values associated with efficient performance of their jobs. While training is concerned with the immediate work skills and knowledge of new or existing employees, development focuses on the general improvement of the overall personality of the employee.

There are several types and methods of training suitable to different categories of employees and to different training needs: on-the-job training, off-the-job training, and vestibule training. The techniques of management development include: creation of 'assistant to' position, temporary promotions, membership of committees, under study, job rotation, sensitivity training, transactional analysis, lectures, conferences and discussions, films and TV shows, case studies, simulation which may consist of role-playing, business games, and in-basket techniques.

9.10 KEY WORDS

Development : The process of improving the overall personality of an employee.

Human Resource Planning : Planning for determining the size and composition of personnel needed by an organisation over a specified period.

Job Analysis : Identifying the elements of jobs to determine the qualifications, skill, experience and expertise required for the job:

Job Description : Narration of the activities and duties to be performed in a job, equipment involved, working conditions, etc.

Job Specification : Statement of the minimum level of qualifications, skill, experience, etc. required for performing a job well.

Off-the-job Training : Training of workmen at places other than their actual workplace.

On-the-job Training : Training of workmen in the course of their jobs.

Orientation : Process of introduction of new employees to the organisation and a process of their socialisation.

Placement : The managerial task of placing new employees in the jobs for which they are most suited.

Recruitment : The process of searching for and securing applicants for job positions.

Selection : The process of choosing the most suitable candidates from among the applicants for jobs.

Sensitivity training : Training of employees to develop their sensitivity to the views, feelings and reactions of others.

Simulation : The technique of duplicating real life situation for training purpose.

Transactional Analysis : Technique of training by analysing human interactions in terms of parent, adult and child behaviour patterns.

Vestibule Training : Training in specially designed workshop replicating the actual working conditions.

9.11 ANSWERS TO CHECK YOUR PROGRESS

- A** 1 (i) False (ii) True (iii) False (iv) True (v) False
 2 (i) Export, advisory, services (ii) human (iii) assets (iv) continuous
 (v) attracting, acquiring activating.
- B** 1 (i) Size, competition (ii) Job analysis (iii) internal, external (iv) promotion, transfer
 (v) competition.
 2 (i) False (ii) True (iii) True (iv) False (v) True
- C** 1 (i) True (ii) True (iii) True (iv) False (v) False
 2 (i) personality (ii) objective (iii) introduction
- D** 1 (i) False (ii) True (iii) True (iv) False (v) False
 2 (i) Work skills, personality (ii) promotion (iii) Catalyst

9.12 TERMINAL QUESTIONS

- 1 Describe the importance of **staffing** function in **an** organisation.
- 2 There is no more important resource than human resources. Do you agree? Why?
- 3 What are the different sources of recruitment? Discuss its advantages and limitations.
- 4 Explain in detail the process of selection.
- 5 Do you agree that combinations of written test and interview provides better result.
- 6 Explain the importance of proper placement and orientation for effective job **performance** of a new employee.
- 7 Why is training so important for manpower development?
- 8 What do you mean by management development programmes? Explain the major techniques of management development programmes.

NOTE: These questions will help you to understand the unit better. Try to write **answers** for them. But do not submit your answers to the university. These are for your practice only.

UNIT 10 DIRECTING

Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Meaning of Direction
- 10.3 Feature of Directing Function
- 10.4 Importance of Directing Function
- 10.5 Principles of Directing
- 10.6 Supervision
 - 10.6.1 Meaning of Supervision
 - 10.6.2 Functions of Supervisors
 - 10.6.3 Significance of Supervisory Role
 - 10.6.4 Scope of Supervisory Responsibilities
 - 10.6.5 Qualities of a Good Supervisor
- 10.7 Motivation
- 10.8 Leadership
- 10.9 Communication
- 10.10 Let Us Sum Up
- 10.11 Key Words
- 10.12 Answers to Check Your Progress
- 10.13 Terminal Questions

10.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the meaning, nature and importance of directing
- enumerate the principles of directing
- explain the meaning of supervision and functions of supervisors
- describe the significance of the supervisor's role, and the qualities of a good supervisor
- describe the significance of leadership, communication and motivation in directing function

10.1 INTRODUCTION

In Unit 9 you have learnt about the nature of staffing function, recruitment, selection, and development of personnel. The next important managerial function relates to direction. It involves communicating and providing leadership to the subordinates and motivating them to contribute to the best of their capability for the achievement of organisational objectives. In this unit you will learn about the nature of directing function, its importance, principles and elements.

10.2 MEANING OF DIRECTION

Directing is the managerial function of guiding, motivating, leading and supervising the subordinates to accomplish desired objectives : It is an important managerial function that initiates organisers action. It is a connecting and activating link between various functions of management. It is a process around which all performance revolves. Direction

helps in **mobilising** and synthesising human resources and efforts to accomplish the goals of **the** organisation. Direction is the heart of management-in-action and essence of operations. Moreover, it is the process of defining and implementing an internal organisational environment highly conducive to **utilising** human resources for the attainment of organisational objectives.

According to Ernest Dale, "Direction is telling people what to do and seeing that they do **it to the** best of their ability. It includes making assignment, corresponding procedures, **seeing** that mistakes are corrected, providing on-the-job instruction and, of course, **issuing** orders." Direction involves communicating and providing leadership to the subordinates and motivating them to contribute to **the** best of their capability for the **achievement** of organisational objectives. It consists of all these activities which a manager **undertakes** to influence and induce subordinates for securing the desired performance. As a continuous process, direction comprises:

- i) Issuing orders that are clear, complete and within the capabilities of subordinates to accomplish
- ii) Training and instructing subordinates to carry out their assignments in the existing situation
- iii) Motivating subordinates to **try** to meet the expectations of the manager; and
- iv) Maintaining discipline and rewarding those who **perform** properly.

10.3 FEATURE OF DIRECTING FUNCTION

Following are the features of directing function:

Continuing function : Direction is a dynamic and continuing function. It is the essence of management practice. The **techniques** and methods of direction have to be changed with the changing organisational conditions. A manager is expected to guide his subordinates in all the changing environments. He must continuously supervise the execution of **his** orders or instructions by the subordinates. At the same time he should also provide them effective leadership and motivation.

Provides a link : Direction serves as a connecting and activating link among all the managerial functions. **In an** organisation planning, **organising** and staffing are **preparatory** functions whereas **control** is a continuous checking process. Direction helps in coordinating all these activities for the achievement of organisational objectives.

Concentrate on performance : Direction is a **creative** function that makes things happen. It converts plans into performance. Direction is a performance oriented function and ensures the continuity of operations. Effective direction helps in the achievement of group goal at the minimum possible cost.

Pervasiveness of direction : Direction is a pervasive function of management. It exists at every level, location and operation **throughout an enterprise**. For instance, the chief executive of a company interprets the objectives and policies of the company and delegates authority to the departmental managers; directing function is a part and parcel of these activities. Every manager, regardless of the number of subordinates, performs this function. He has to give instructions to the subordinates, guide them, and motivate them for the achievement of certain goals.

Involves human Factor : Direction involves **the management** of human behaviour. It creates cooperation and harmony among **the** members of a group. Increasing people's awareness has made managing human factor very difficult. Therefore, a manager must **understand** the needs, aspirations and expectations of their subordinates in order to manage them effectively.

10.4 IMPORTANCE OF DIRECTING FUNCTION

Direction is a very important **function** of **management**. Subordinates may not perceive the organisational goals in absence of direction. Subordinates must be communicated what the

organisational goals are, what the employees should do to achieve them, how they should do their jobs etc. Moreover, direction is directly concerned with human beings so it should be executed carefully to achieve the desired goal. The importance of direction may be listed as below:

- 1 Direction bridges the gap between managerial decisions and actual executions by people.
- 2 It is the make happen phase of management.
- 3 It is the **integrating** function of management because it effectively integrates the individual goals with organisational objectives.
- 4 Direction facilitates the **introduction** of changes in an organisation because people have tendency of resisting change in the organisation.
- 5 It provides links among all the managerial functions.
- 6 It works as a nucleus around which all other management functions revolve.
- 7 All the elements of directing viz. communication, motivation, leadership and supervision perform vital role in their respective areas. Effective direction requires proper synthesis of these four elements to achieve the organisational goals.

10.5 PRINCIPLES OF DIRECTING

Directing people at work is a complex function. It is more of an art. However, the efficiency of direction **can** be improved if the following principles are kept in view by managers.

Harmony of objectives : Every individual is assigned particular tasks which he is required to accomplish. He will do it better if he thinks that it is **going** to help **him** in the achievement of his **personal** goals which **may appear** to be different from the organisational goals. Therefore, a manager must **try** to reconcile the personal goals **of** his subordinates with those of the organisation.

Unity of command : This principle suggests that a subordinate should receive orders and **instructions** from one boss. He should be accountable only to one superior and know clearly to whom he is **accountable**. If he is asked to obey two **bosses**, the greater possibility is that he **will** not be able to satisfy any of the two. This may create indiscipline and conflict in the organisation. Therefore, it is essential that every subordinate should report to only one superior.

Direct supervision : Direct supervision **by** the boss and his direct advice to the subordinates boost their **morale** resulting in renewed and vigorous effort. This also increases loyalty among **the subordinates** which is better for effective direction.

Effective communication : Systematic flow of communication **between the** boss and his subordinates is essential for coordination. Effective **communication** is an instrument of direction. Two-way communication gives the subordinates a chance to express **their** feelings and **the** boss to know the feeling of the subordinates. Misunderstanding can be removed through effective communication.

Effective Leadership : **Subordinates** are happy if **they** get effective leadership from **their** boss. **The boss** must **possess the qualities** of **good** leader in order to get work done by the subordinates. As a leader, the **manager** should guide and counsel the employees not only on the work **problems** but also on their personal problems. In **this** way, he will win the confidence of **the subordinates** which **will make** their direction easy.

Effective motivation technique : **Motivation** provides **higher** job satisfaction. A manager should devise proper **motivation** technique to increase **productivity** and quality of the commodity produced. In order **to provide** proper direction and motivation to the **employees** an executive must **have** insight into his own personality as well as the attitude of the employees. Having understood others a **manager** can effectively motivate them.

Follow up : Direction is a continuous **process**. It **involves constant** supervision, **coaching**, advice, counselling and **helping** the employees in their respective activities. **Therefore**, . . .

managers should make sure that orders and instructions are well understood and properly carried out by the subordinates. This continuous feedback mechanism helps in increasing the efficiency of the employees.

Check Your Progress A

- 1 Which of the following statements are True and which are False.
 - i) Directing simply means telling other people what to do.
 - ii) Rewarding people who perform well is a part of the directing function of manager.
 - iii) Only the manager who has a large number of subordinates is required to undertake directing function.
 - iv) Orders should be issued by managers only if the subordinates are capable of executing it.
 - v) A manager must ensure that there is no conflict between the goals of the individuals and the enterprise.
 - vi) Unity of command means the accountability of a subordinate only to one superior.
- 2 Fill in the blanks.
 - i) There is greater loyalty of subordinates if they are subject to supervision of their boss.
 - ii) Directing is also a activity like all other functions of management.
 - iii) Issue of order is a fundamental of direction.
 - iv) The directing function of management is primarily concerned with managing
 - v) The manager's orders to the subordinates should be in written form if it relates to a job.

10.6 SUPERVISION

The directing function of management consists of four elements or sub-functions :

(1) supervision (2) motivation (3) leadership (4) communication.

Here we shall discuss supervision. The other elements have been discussed under other separate sections.

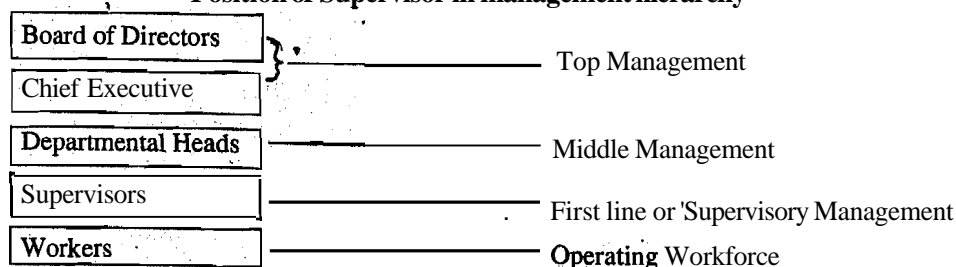
10.6.1 Meaning of Supervision

Supervision is an important aspect of the directing function. It involves the managerial task of observing the subordinates at work to ensure that they are working according to plans and policies of the organisation, keeping the time schedule. Supervision also includes helping subordinates to resolve their work problems.

Managers at all levels are in direct contact with subordinates and oversee their work performance. Top management supervises the work of middle-level managers, who in turn supervise the first-line managers or supervisors. The first-line managers are in direct contact with the operatives. Thus, all levels of management are generally engaged in supervising the work of their immediate subordinates. However, it is the primary duty of first line managers to supervise the employees engaged in basic operations. That is why first-line managers are known as supervisors as shown in Fig 10.1. Such a manager may be designated as a supervisor, foreman, charge-man, overseer, section incharge or superintendent,

Figure 10.1

Position of Supervisor in management hierarchy



A person who is primarily **incharge** of a section and its employees is known as 'supervisor'. **He** is responsible for both the quantity and quality of production, for the efficient performance of the equipment, and for the efficiency, training and morale of his subordinates. A supervisor derives authority from the departmental manager for getting work done by his subordinates. He issues orders and instructions and directs their activities as well as reports to the departmental managers on their **performance**.

Supervision consists of **instructing**, guiding and inspiring human **beings** towards better performance. Effective supervision depends on appropriate leadership, counselling, and communication.

The quality of leadership provided by a supervisor goes a long way in determining the performance of group activity. It is through effective leadership that the individual needs of groups of employees can be harmonised with organisation **goals**. It enables supervisors to mould human emotions, feelings, and sentiments of employees to sustain best possible performance in their work effort. Guidance and advice or counselling of individual employees give them a sense of recognition by the supervisor. In this process they are also kept informed about all developments in the organisation. Further, regular communication is also helpful in resolving human relation problems as it improves employees understanding and acceptance of the work situation. Talking to individuals and **listening** to and appreciating their problems, the supervisor can maintain high morale in the working group.

10.6.2 Functions of Supervisors

Supervisors **perform** all the basic functions of management, namely, planning organising, directing and control. More specifically, **they are** responsible for securing accomplishment of work in accordance with the standards of performance. For this purpose, the supervisors are expected to (a) specify daily or **weekly work** schedules; (b) assign work to different workers (c) issue necessary instructions (d) ensure **satisfactory** working conditions; (e) regulate the **performance** of workers, and (f) take **remedial** action whenever necessary.

The aforesaid functions of supervisors **are** their prescribed responsibilities which call for skill and competence in the technical aspects of the work **being** supervised. Over and above, there are also certain implied responsibilities of the supervisor. **A** supervisor is regarded as a vital link in the process of communication in **the organisation**. He acts as a liaison between top management and the workers. He explains **company** policies and decisions of the top management to the operatives. He is also required to communicate the worker's viewpoints, grievances and problems to the top management. This responsibility requires qualities of head and heart. It also provides opportunity to the supervisor to develop his ability not only to understand human problems but also to foresee them.

10.6.3 Significance of Supervisory Role

The significance of the role of a supervisor should be obvious from the nature of his **responsibilities**. He serves as an important link between higher-level management and **the** workers as he is in constant and direct touch with the workers. He **interprets** and explains management policies to the workers and acts as a medium enabling workers to communicate with **higher** management.

The supervisor is responsible for getting work done at the operational level. On the basis of his influence on work environment and human approach to the problems of employees, the supervisor can contribute a great deal towards securing workers-**amperation** and support. Otherwise even the best plans of organisation may be of not much use. Indeed, the policies and efforts of top management may go waste **if supervision** is imperfect.

The supervisor occupies a key position in the organisation. He represents ideas, thoughts and desires of management to the workers and conveys workers attitudes and opinions to the top management. **Thus**, he has the dual role of satisfying the company as well as employees needs.

10.6.4 Scope of Supervisory Responsibilities

The nature of supervisory responsibilities has **changed** a great deal over the time. Until the **turn** of the last century, supervisors were **granted** wide authority over **their** subordinates. All

personnel matters relating to hiring, discharge, compensation and discipline were entrusted to them. At times, they also took decisions for training, placement and promotion of employees. However, from the beginning of the present century, the powers of supervisors have been reduced in large enterprises due to the introduction of specialists and personnel management staff.

In modern organisations, supervisors are essentially line-managers, and as such they are directly accountable to the higher level management for the attainment of company objectives. For efficient execution of work, supervisors are provided with necessary staff advice and service through the personnel officer, the industrial engineer, the cost accountant, the production controller, the quality control specialist and so on.

10.6.5 Qualities of a Good Supervisor

To be able to discharge his responsibilities well, a supervisor should possess certain qualities of head and heart. Apart from skill and competence with respect to the jobs under his supervision, the supervisor should be a person of honesty and integrity. He should possess mental alertness and ability to undertake decisions on day to day matters. He should have a human approach to the problems of subordinates. His dealings with subordinates should be impartial and befitting his leadership role. He must be capable of controlling his temper and be patient in the face of critical situations related with the sentiments of workers.

To be effective in their job, supervisors must satisfy the following requirements:

- 1 Technical knowledge and managerial abilities : Adequate technical knowledge of the work under supervision is a must for supervisors. Besides, the supervisors must also possess managerial abilities to follow company policies and practices in proper context.
- 2 Ability to act in accordance with position and authority : Supervisors are expected to act in accordance with the position and authority enjoyed by them. Supervisors are vested with due authority commensurate with their duties and responsibilities. They must, therefore, act in conformity with the authority granted, and perform their role within the limits of such authority.
- 3 Human approach : A supervisor should treat his subordinates as human beings and accordingly deal with them so as to develop good human relations. As far as possible, he should adopt a helping attitude towards his subordinates.
- 4 Knowledge of rules and regulations : A supervisor should be familiar with the organisational policies and the rules and regulations laid down and applicable to his job. He should also possess working knowledge of the relevant labour laws.
- 5 Leadership qualities : A supervisor is to act as a leader in the true sense of the term. As a leader, he has to guide the subordinates and promote harmonious relationship among them.
- 6 Communication skill : The primary task of every supervisor is to issue orders and instructions to his subordinates. This requires communication skill. A good supervisor should be able to express himself clear in terms and ensure that orders and instructions issued are understood by the subordinates concerned.
- 7 Resources use and maintenance skills : Every supervisor should be able to make the best use of the resources at his disposal — men, materials, machine, equipment and space. He must be capable of handling situations involving breakdown of machines and shortage of materials. He should guard against hazards, delays and difficulties in the work process.
- 8 Sharing non-supervisory duties : Supervisors may be required to perform certain duties which are not strictly within the range of supervisory responsibility like, for instance, preparing reports and returns, training of newly recruited employees and apprentices, etc. Such duties often imply time and energy to be devoted which could be used for more effective supervisors. This problem may be resolved by reducing the number of returns and reports and employment of staff assistants, while training of fresh recruits may be assigned to job instructors. With the sharing of non-supervisory tasks with staff assistants, supervisors should aim at concentrating more.

Check Your Progress B

1 Fill in the blanks.

- i) Supervision is a of the directing function.
- ii) First-lilac managers are known asmanagers.
- iii) Issuing instructions, providing guidance, leadership and motivation are known as responsibilities of supervisors.
- iv) A good supervisor should be mentally
- v) Supervisors may also be required to undertake duties besides the prescribed supervisory functions.

2 Which of the following statements are True and which are False.

- i) The foreman of a workshop is not its supervisor.
- ii) A supervisor derives authority from the departmental manager
- iii) Communication may be regarded as a sub-function of the directing function.
- iv) A supervisor must be physically powerful to command obedience through fear.
- v) Managers at higher levels do not have any supervisory role.

10.7 MOTIVATION

The central task of a manager is to get work done with the cooperation of people for the attainment of organisational objectives. People must be **motivated** properly so that they may modify their behaviour and contribute towards the achievement of organisational objectives. Thus it is the duty of every manager to study the behaviour of people working under him and adopt the necessary techniques to motivate them.

Behaviour is basically goal directed. The behaviour of an individual is generally motivated by a desire to attain some goal. However, the specific goal is not always consciously known to the individual. This has made the problem of understanding the **behavioural** patterns very complex. But to predict behaviour, the manager must know which motives of people evoke a certain action at a particular time.

Rensis **Likert** called motivation as 'the core of management'. Motivation is an effective instrument in the hands of the management for inspiring the work force. To motivate his subordinates or to create the will to work among the subordinates is a major responsibility of every manager. It should also be remembered that a worker may be immensely capable of doing some work but nothing can be achieved if he is not willing to work. **Creation** of a will to work is motivation in simple terms.

In order to motivate employees, the manager must **determine** the needs of workers and provide an environment in which appropriate incentives are available for their need satisfaction. If the management is able to do it successfully-it will certainly increase the willingness of the workers to work. This will **in turn** increase the efficiency and effectiveness of the organisation. There will be better **utilisation** of resources and workers abilities and capacities.

Higher motivation leads to job satisfaction of the workers which reduces absenteeism, turnover **and** labour unrest. This will create better industrial relations in the enterprise. Given opportunities in the **organisation** for need satisfaction, workers will be more committed to the organisation and better work-force will be **Willing to join the organisation**. Motivation also fosters team spirit among the workers **and increases** their loyalty to the work group. You will learn motivation in detail in **Unit 11**.

10.8 LEADERSHIP

Leadership is an **important** part of the directing function of management. A manager must be **able** to lead the group working under him for effective **team-work** and accomplishment of the objectives of the **enterprise**. The manager **should** be able to influence the **subordinates** to work with confidence and **zeal**.

Effective leadership is necessary; for inspiring the people to work enthusiastically for the

achievement of objectives. It provides a cohesive force which holds the group intact and develops a spirit of cooperation. Effective leadership is also essential for efficient direction of human **efforts** towards some predetermined goal. A leader can have an immense effect on the performance of their subordinates. In armies, for example, it has been noted for centuries that while some officers receive only grudging obedience, others are able to inspire their men to do the seemingly impossible and do it willingly. The same phenomenon **has** been noted in other organisations including business organisations. It is not **surprising**, therefore, that business firms would like to discover some way of selecting better leaders and for training its managers in effective leadership techniques.

A good leader achieves maximum cooperation from the group members by providing two-way communication, and by motivating the subordinates. A good leader is also able to coordinate the activities of the followers to achieve certain goals. You **will** learn about leadership in detail in Unit 12.

10.9 COMMUNICATION

Communication is an important aspect of the process of management. No manager can be successful without communicating effectively with his superiors, peers, subordinates and outsiders. It is through the process of communication that the managerial function of directing becomes effective. Directing requires managers to communicate with subordinates for issue of instructions, advice and guidance, as well as for getting reports on their performance. Indeed, managers are able to **carry** out all their functions only by interacting and communicating with others. Managers can motivate employees and provide leadership if there is regular interaction with the employees. Managers must seek information relating to plans and programmes from their superiors and communicate with their fellow managers to coordinate their activities. At the same time, necessary information must be passed on to subordinates for their cooperation. On the other hand, information relating to the actual results which are achieved must also reach **the** managers from their subordinates. You will learn more about communication in detail in Unit 13.

10.10 LET US SUM UP

Direction is telling people what to do and seeing that they do it to the best of their ability. It is the managerial function of guiding, motivating, leading and supervising the subordinates to accomplish desired objectives. Direction is one of the most important functions of management. It is the process around which all performance revolves. In fact it is a pervasive function of management. It exists at every level, location and operations throughout the enterprise. Direction provides an opportunity to the subordinates to perceive the organisational goals properly and to act efficiently to achieve **them**. The basic principle of directing constitutes harmony of objectives, unity of command, direct supervision, effective communication and effective leadership.

The process of directing function consists of four elements **viz** : Supervision, Motivation Leadership and Communication.

Supervision is an important **part** of the directing function of every manager. It means observing the subordinates at work to ensure that they **are** working according to plans and schedules and to help them in solving their work problems.

The qualities of a good supervisor includes : technical knowledge and managerial ability, adequate authority, human orientation, knowledge of **rules** and regulations, communication skills, leadership, decision-making skill, and ability to cope with non-supervisory duties.

- 4 Motivation guides, directs and activates the **behaviour** of the people to achieve the goal.
- 1 Leadership influences the **behaviour** of **the people** to **work** willingly, while **communication**
- 4 **provides** a proper interaction between manager **and** subordinates. Manager has to coordinate
- 4 **all** these elements to achieve the **desired results**.

10.11 KEY WORDS

Communication : Flow of information at different levels in an **organisation**.

Delegation : The process of assigning a part of work to the subordinates and giving the necessary authority to perform the work.

Direction : Telling people what to do and seeing that they **do** it to the best of their **ability**.

Group Behaviour : The **behaviour** of individuals as members of a group.

Harmony of Objectives : Reconciling the individual and **organisational** goals.

Leadership : A process of influencing group activities towards the achievement of certain goals.

Motivation : The process which inspires people to cooperate and contribute their best efforts towards **organisational** goals.

Order : A fundamental tool of directing by means of which activities are started, guided, altered, and terminated.

Supervisor : A person who assigns work to subordinates and oversees their activities and performance.

Unity of Command : The principle of a **subordinate** receiving orders from and being accountable to only one boss.

10.12 ANSWERS TO CHECK YOUR PROGRESS

- A 1 (i) False (ii) True (iii) False (iv) True (v) True (vi) True
 2 (i) direct (ii) continuous (iii) tool (iv) people (v) non-routine
- B 1 (i) sub-function (ii) supervisory (iii) prescribed (iv) alert
 (v) non-supervisory
 2 (i) False (ii) True (iii) True (iv) False (v) False

10.13 TERMINAL QUESTIONS

- 1 Explain the nature of the directing function of management. Discuss the elements involved in the directing process.
- 2 Explain in detail the principles of direction.
- 3 What is meant by supervision? What are the requisites of effective supervision?
- 4 "Orders will be obeyed if they make sense". Comment.
- 5 Discuss the **importance** of supervisors in achieving better human relations in the organisation.

Note : These questions will help you to understand the unit better. Try to write answers for them. But do not submit your **answers** to the university. These are for your practice only.

UNIT 31 MOTIVATION

Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Concept of Motivation
- 11.3 Nature of Motivation
- 11.4 Process of Motivation
- 11.5 Role of Motivation
- 11.6 Theories of Motivation
 - 11.6.1 McGregor's Participation Theory
 - 11.6.2 Maslow's Need Priority Theory
 - 11.6.3 Herzberg's Motivation Hygiene Theory
 - 11.6.4 Distinction between Herzberg's and Maslow's Theories
 - 11.6.5 Relationship between Maslow's and Herzberg's Theories
 - 11.6.6 Job Enrichment
- 11.7 Types of Motivation
 - 11.7.1 Financial Motivation
 - 11.7.2 Non-Financial Motivation
- 11.8 Let Us Sum Up
- 11.9 Key Words
- 11.10 Answers to Check Your Progress
- 11.11 Terminal Questions

11.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the concept of motivation and the process of motivation
- describe the significance of motivation in present day organisations
- analyse some of the theories of motivation
 - compare Maslow's Need Hierarchy Theory with Herzberg's Motivation Hygiene Theory
 - explain the importance of job enrichment and its limitations in work motivation
- classify different types of motivations — positive and negative, extrinsic and intrinsic and financial and non-financial
- explain the relative importance of financial and non-financial incentives.

11.11 INTRODUCTION

In Unit 10 you have learnt that the directing function consists of four sub-functions, one of which is motivation. In any organisation, all employees do not perform their work with equal efficiency. Some are found to be more efficient than others. The difference in their performance can be attributed either to differences in their abilities or in their urge or willingness to perform as best as possible. Given the ability and skill, it is the motive of employees which determines whether they will be more or less efficient. Employee motivation i.e. bringing about an inner urge or desire in employees to work to the best of their ability is an important function of management. In this unit we shall deal with the concept and process of motivation its importance, theories of motivation and the types of incentives which may be provided to motivate people.

11.2 CONCEPT OF MOTIVATION

Motivation may be defined as the complex of forces inspiring a person at work to intensify his **willingness** to use his maximum capabilities for the achievement of certain objectives. Motivation is something that motivates a person into action and induces him to continue in the course of action enthusiastically. It **determines** the behaviour of a person at work.

According to Dalton E. McFarland

"Motivation refers to the way in which urges, drives, desires, aspirations, striving, or needs direct, control or explain the behaviour of human being."

The term 'motivation' is derived from the word 'motive'. Motive may be defined as needs, wants, drives or impulses within the individual. Motives are expressions of a person's needs and hence they are personal and internal. In this context, the term 'need' should not be associated with urgency or any pressing desire for something. It simply means something within an individual that prompts him to action. Motives or needs are 'whys' of behaviour. They start and maintain activity and determine the general direction of the person. Motives give direction to human behaviour because they are directed towards certain 'goals' which may be conscious or sub-conscious.

Motives or needs of a person are the starting point in the motivation process. Motives are directed towards the achievement of certain goals which in turn determine the **behaviour** of individuals. This behaviour ultimately leads to goal directed activities such as preparing food and a goal activity such as eating food. In other words, unsatisfied needs result in tension within an individual and engage him in search for the way to relieve this tension. He will develop certain goals for himself and **try** to achieve them. If he is successful in his attempt, certain other needs will emerge which will lead to setting a new goal. But if he is unsuccessful he will engage himself in either constructive or defensive **behaviour**. This process keeps on working within an individual.

11.3 NATURE OF MOTIVATION

Motivation helps in inspiring and encouraging the people to work willingly.

- 1 Motives are the energising forces within us: These forces are invisible and it is very difficult to measure them, because all of us are different and the motives energising us at a **point** differ from time to time. All that is possible is to observe and measure the behaviour we choose and **from** this behaviour make a kind of backward causation statement to the possible motive. **Observing** someone's behaviour may indicate that a certain need is present in this person, motivating him onward.
- 2 One motive may result in many different **behaviours**: The desire for prestige may lead a person to run for political office, give money away, get **additional** educational training, steal, join, groups or may change his outward appearance. A person wanting acceptance will behave differently in a car pool, office secretarial pool, or swimming pool.
- 3 The same behaviour may result from many different motives: Behaviour may be caused by a number of different motives. For instance the motives underlying purchase of a **car** may be: to **appear** younger and attractive; to appear respectable; to gain acceptance from others; to maintain the acceptance already gained through a similar income level; to satisfy economic values and to reinforce company created status differentials. Thus it would be wrong for the manager of an organisation to lump all **behaviour** as coming from the same motive people join unions, get married, attend class, laugh at professor's jokes for many different reasons (motives). Thus a motive cannot be identified from any specific behaviour.
- 4 **Behaviour** can be used as an estimate of an individual's motives: It is possible to get repeated observations of one individual's behaviour and then make an estimate of the cause of that behaviour. For example, there is truth in the statement that some people **always** seem to feel insecure and thus behave continuously in a manner reflecting the **insecurity** of feeling. There **are also** people who behave in away that radiates confidence. They are confident in **many** different social settings so that one finds a constant and

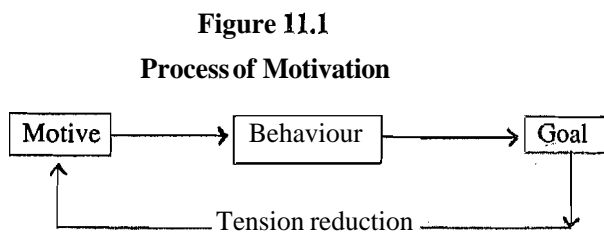
repeated behaviour from which people probably estimate the motive of the person.

Obviously, if a person is at a state of near starvation, most of his behaviour will be related to the need for food. Although it is dangerous to categorise people, it is also wrong to believe that individual behaviour, when looked at in a time perspective, cannot be used as an estimate for motivation.

- 5 **Motives may operate in harmony or in conflict:** Behaviour is frequently the result of the interplay of several motives. These motives may push a person in one direction or in a number of directions. For example, a girl may want to get high grades in school while also wanting to help her mother in the kitchen. An athlete may desire an outstanding performance and may also be sensitive to being shunned by his fellow teammates if he performs too well and receives too much of credit. Behaviour, therefore, is the result of many forces differing in direction and intent.
- 6 **Motives come and go:** It is very rare that a motive has the same energy potential over a long period of time. A young man who prefers to travel during vacation may give up the idea during the football season because the joy of travelling takes second place to the need to play football. The girl who is overly concerned about her hair and clothes during adolescence may turn her attention to other things once she grows up. Because humans are constantly growing, the motive at one point in time will not be as intense as the motive at another point in time.
- 7 **Motives interact with the environment:** The situation at a particular point in time may trigger or suppress the action of a motive. You probably have experienced situations where you did not realize the intensity of your hunger needs until your smelling senses picked up the odour of palatable food. Similarly, many of these sociological needs become stimulated when you are in a situation filled with the sociological factors. Thus needs that may be latent can be quickly stimulated by the environmental situation. We have now identified a number of generalisations that could be useful in understanding the concept of motivation. The topic of human motivation is very complex and is related to other fundamental ideas such as drives and needs so that it is difficult to put our thinking into a clear system of relationships.

11.4 PROCESS OF MOTIVATION

The basic elements of the process of motivation are (i) behaviour (ii) motives (iii) goals and (iv) some form of feedback as shown in figure 11.1



Behaviour: All behaviour is a series of activities. Behaviour is generally motivated by a desire to achieve a goal. At any moment individuals may indulge in multifarious activities like walking, talking, eating, and so on. They switch over from one activity to another activity swiftly. In order to predict and control behaviour managers must understand the motives of people.

Motives (Needs/drives/wants): Motives prompt people to action. They are the primary energisers of behaviour. They are the 'ways' of behaviour and mainsprings of action. They are largely subjective and represent the mental feelings of human beings. They are cognitive variables. They cause behaviour in many ways. They arise continuously and determine the general direction of an individual's behaviour.

Goals: Motives are directed toward goals. Motives generally create a state of disequilibrium, physiological or psychological imbalance, within the individuals. Attaining a goal will tend to restore physiological or psychological balance. Goals are the ends which

provide satisfaction of human wants. They are outside an individual; they are hoped for incentives toward which needs are directed. One person may satisfy his need for power by kicking subordinates and another by becoming the president of a company. Thus, a need can be satisfied by several alternate goals. The particular goals chosen by an individual depends on four factors; (i) the cultural norms and values that are instilled as one matures, (ii) one's inherited and biological capabilities, (iii) personal experience and learning influences and (iv) mobility in the physical and social environment.

The dilemma posed by a large number of needs can often be resolved by integrating wants where one activity may satisfy several needs. Researchers have found that many overweight people continue to eat excessively because they have fused the satisfaction of a number wants (Love, Security, Comfort) into the act of eating. Eating, in a way, releases the tension built by the numerous unsatisfied needs.

The process of motivation discussed above implies that individuals possess a host of needs, desires and expectations. All of these needs compete for their behaviour and ultimately the need with the maximum strength at a particular moment leads to activity. When a need is satisfied, it is no longer a motivator of behaviour.

11.5 ROLE OF MOTIVATION

The following factors contribute to the significance of the role of motivation:

- 1 Managers and organisational researchers cannot avoid a concern with the behaviour requirements of an organisation. Every organisation needs people (in addition to physical and financial resources) in order to function.
- 2 Motivation as a concept is pervasive and a highly complex activity that affects and is affected by a host of factors in the organisational milieu.
- 3 Organisational effectiveness becomes to some degree a question of management's ability to motivate its employees, to direct at least a reasonable effort toward the goals of the organisation.
- 4 As technology increases in complexity, machines tend to become necessary, but insufficient vehicles of effective and efficient operations. In other words, it becomes necessary for an organisation to ensure that it has employees who are both capable of using and willing to use the advanced technology to achieve organisational goals.
- 5 Many organisations are now beginning to pay increasing attention to developing their employees as future resources (for talent bank) upon which they can draw as they grow and develop.

Check Your Progress A

- 1 Which of the following statements are True and which are False.
 - i) Motives and needs are the 'whys' of behaviour.
 - ii) Motives always operate in harmony and drive individuals in a single direction.
 - iii) To control the behaviour of subordinates, managers must understand their motives.
 - iv) Environment has nothing to do with human motive.
 - v) Motives do not change in intensity over time.
- 2 Fill in the blanks.
 - i) Motives are expressions of a person's and hence they are personal and.....
 - ii) can be used as an estimate of an individual's motives.
 - iii) needs may be quickly stimulated by the environment.
 - iv) Motives are directed towards
 - v) Organisational effectiveness is to some degree a question of the management's ability to the employees.

11.6 THEORIES OF MOTIVATION

Theories of motivation generally aim at analysing the process of motivation and indicating

how to motivate people. We shall discuss here three well known theories of motivation. These are McGeorge participation theory; Maslow's need priority theory and Herzberg's two factor theory.

11.6.1 McGregor's Participation Theory

Douglas McGregor's formulated two sets of assumptions about human beings based on the participation of workers. The first set of assumptions are contained in Theory X and the second set of assumptions are contained in 'Theory Y'. In the Theory X, McGregor proceeds with the assumption that the average human being has inherent dislike for work and will avoid it if he can. The managers, of such employees think that "most people must be coerced, controlled, directed, threatened with punishment to get them put forth adequate efforts towards the achievement of organisational objectives." Theory X presumes that people by nature:

- 1 Lack integrity.
- 2 Are fundamentally lazy and desire to work as little as possible.
- 3 Avoid responsibility.
- 4 Are not interested in achievement.
- 5 Are incapable of directing their own behaviour.
- 6 Are indifferent to organisational needs.
- 7 Prefer to be directed by others.
- 8 Avoid making decision whenever possible.
- 9 Are not very bright.

McGregor described Theory X as the traditional theory of what workers are like and what management must do to manage them. Workers have to be persuaded and pushed into performance. Workers can be made to work only through autocratic leadership. After describing Theory X, McGregor questioned if this view of human behaviour is correct. He propounded theory Y which, he felt better represents the human behaviour. Under theory Y it is assumed that people by nature:

- 1 Have integrity.
- 2 Work hard towards objectives to which they are committed.
- 3 Assume responsibility within their commitments.
- 4 Desire to achieve.
- 5 Are capable of directing their own behaviour.
- 6 Want their organisation to succeed.
- 7 Are not passive and submissive.
- 8 Will make decisions within their commitments.

In developing theory Y, McGregor made the following assumptions:

- 1 Engaging in physical and mental efforts — as natural as play or rest. The average human being does not inherently dislike work.
- 2 External control and the threat of punishment are not the only means of directing efforts towards organisational objectives. Men will exercise self-direction and self-control in the service of objectives to which he is committed.
- 3 Commitment to objectives follows the rewards associated with their achievement. The most significant of such rewards namely satisfaction of ego and self-actualisation needs, can be the direct result of efforts towards organisational objectives.
- 4 The average human being learns, under proper conditions, not only to accept but to seek responsibility. Avoidance of responsibility, lack of ambition and emphasis on security are generally consequences of experience and not inherent human characteristics.
- 5 The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.
- 6 Under the conditions of modern industrial life the intellectual potentialities of the average human being are only partially utilised.

The assumptions of McGregor's theory Y suggest a new approach to management. It lays greater emphasis on cooperation between management and workers. The managers following this theory aim at getting maximum output with minimum degree of control. Generally, no conflict is visible between the organisational goals and individual goals. Thus, the efforts of employees which are in their best interest are also in the interest of the organisation. Theory Y has proved to be useful in such management practices as job enrichment, decentralisation and participative management. However these techniques are applicable in organisations where self-motivated, self-controlled mature and responsible people work. According to **McGregor**, researches in the behavioural sciences have shown that the assumptions of theory Y are more valid than the practices of theory X.

Appraisal: McGregor's **contribution** should be analysed in the proper perspective. All that he postulated and sought to dramatise through his theory X and theory Y is to outline the extremes to draw the fencing within which the organisational or enterprise man is seen to behave. No enterprise man would belong either to theory X or theory Y. He shares the traits of both, with emphasis shifting from one set of properties to the other with changing moods and impulses (needs and motives) and with the varying environment.

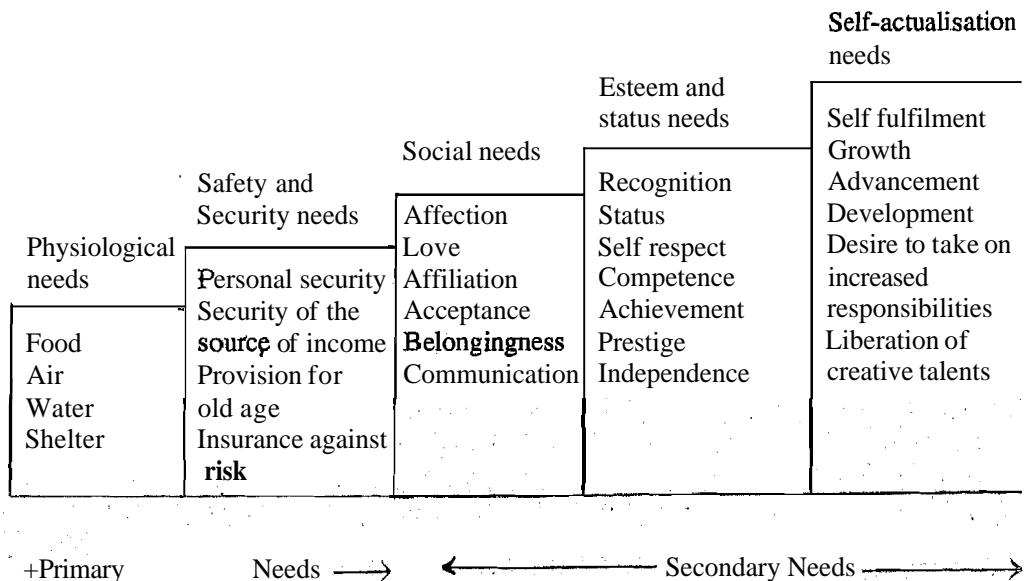
The chief **merit** of McGregor's formulation is that it helped to crystallise and set the right perspective to the findings of Elton **Mayo**, which had then puzzled in management and productivity experts and set in motion a wave of research into the behaviour of the enterprise man. It (alongwith Hawthorne Studies) can be said to have been the starting point and mainspring that evoked wide and lasting interest in the area of motivation, leadership and techniques of manipulating behaviour of the human element of the enterprise.

One might get the impression that theory X is bad and theory Y is good. This is not true because the assumptions under these theories are attitudes or **predispositions** of managers towards people. They are not behaviour patterns. Thus, although the 'best' assumptions for a manager to have may be theory Y, it may not be advisable to behave consistently with these assumptions about human nature, but he may find it necessary to behave in a very directive manner (as if he had theory X assumptions) with some people in the short-run to help to be mature and self-motivated as per Y.

11.6.2 Maslow's Need Priority Theory

Maslow's theory is based on the needs of people. **Maslow** was of the view that the process of motivation begins with behaviour which at least in part, is directed towards the satisfaction of needs. He proposed that human needs can be arranged in a particular order from the lower to the higher as shown in figure 11.2.

Figure 11.2
Maslow's Need Hierarchy



- 1 **Physiological needs:** The needs that are taken as the starting point of motivation theory **are** the physiological needs. These needs relate to the survival and maintenance of human life. These needs include such things as food, clothing, shelter, air, water and other necessities of life. These needs must be met at least partly before higher level needs emerge. They exert tremendous influence on behaviour. They are the most powerful of motivating stimuli. Therefore, we must satisfy most of them for survival.
- 2 **Safety and security needs:** After satisfying the physiological needs, people want the assurance of maintaining a given economic level. These needs include job security, personal security, security of the income, provision for old age, insurance against risks, etc.
- 3 **Social needs:** Man is a social being. He is, therefore, interested in conversation, social interaction, exchange of feelings, companionship, **recognition, belongingness**, etc. Socialising is one of those reasons why many individuals (especially older people) go to work, and why people generally work better in small groups where they can develop affiliations that are important to them.
- 4 **Esteem and status needs:** These are concerned with awareness of self importance and recognition from others. Most people feel this need to be rated higher than other needs and seek recognition and respect on that account. Satisfaction of esteem needs produces feelings of self-confidence, prestige, power, and control. The fulfilment of **esteem needs** leads to self confidence strength and capability of being useful in the organisation. Whereas inability to fulfil these needs results in feelings of inferiority, weakness and helplessness.
- 5 **Self-Actualisation needs:** The final step under the need priority model is the need for self-actualisation also called self fulfilment or the need to fulfil what one's potentialities for continued self-development and for being creative in the broadest sense of that term. After his other needs are fulfilled, a man has the desire for personal achievement. He **wants to** do something which is challenging and since this challenge gives him enough dash and initiative to work, it is beneficial to him in particular and to the society in general. The sense of achievement gives him satisfaction.

Maslow felt that the needs have a definite sequence of domination. The second need does not dominate until the first is reasonably satisfied, and the third need does not dominate until the first two needs have been reasonably satisfied and so on. The other side of the need hierarchy is that man is never satisfied. If one need is satisfied another need arises. According to **Maslow**, if one's lower order needs (physiological and security needs) are not satisfied, he can be motivated only by satisfying these needs first and not by satisfying the higher order needs. Further, once a need or a certain order of **needs** is satisfied, it ceases to be a motivating factor.

The physiological **and** security needs are finite, but the needs of higher order are sufficiently infinite and are likely, **to** be dominant in persons at higher levels in the organisation. Studies have also revealed that those needs which are thought to be most important like social needs, ego needs and self-realisation needs are also the best satisfiers.

Do needs follow a hierarchy

The need priority model may not apply at all times in all places. Surveys in continental European countries and Japan have shown that the **model** does not apply **very** well to their managers. The degree of satisfaction of needs **does not** vary according to the need priority model. For example, workers in Spain and Belgium felt that their esteem needs are better satisfied than their security **and** social needs. Apparently, cultural differences are **an** important cause of these differences. Thus, need hierarchy may not follow the sequence postulated by **Maslow**. Even if safety need is not satisfied, the ego or **social** need may emerge.

The proposition that one need is satisfied at one time is also of doubtful validity. The phenomenon of multiple motivation is of great practical **importance** in understanding the **behaviour** of man. Man's **behaviour** at any time **is** mostly guided by multiplicity of motives. However, **one** or two motives in any situation may be predominant while others may be of **secondary** importance. Moreover, at different levels of needs, the motivation will **be** different. Money can act as a motivator only for physiological and social needs, not for

satisfying higher order needs. Employees are **enthusiastically** motivated by what they are seeking, **more** than by what they already have. They may react protectively to **try** to keep what they already have, but they move forward with enthusiasm **only** when they are seeking something else. In other words, man works for bread alone as long as it is not available.

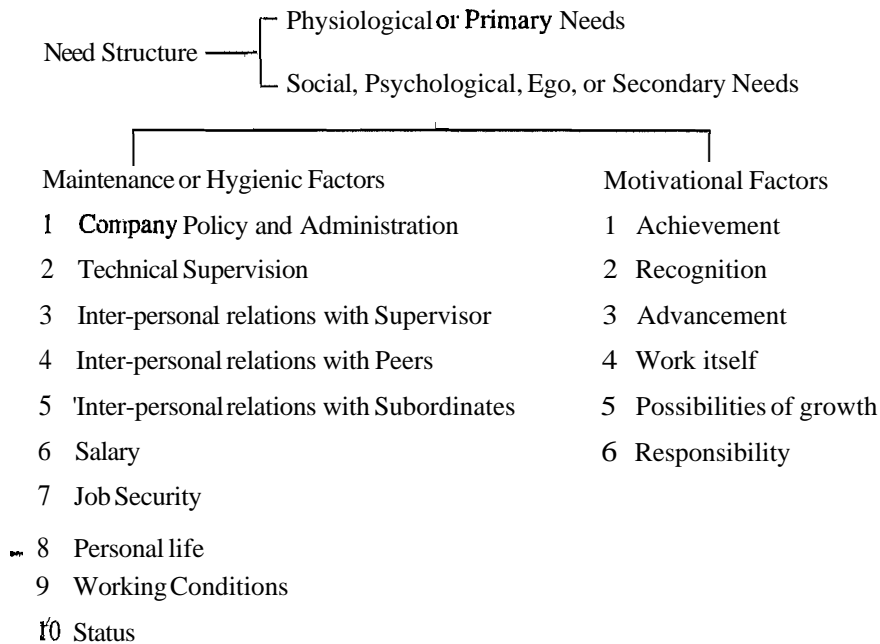
There are always some people in whom, for instance, need for self-esteem seems to be **more** prominent than that of love. There are also creative people in whom the drive for creativeness seems to be more important. In certain people, the level of motivation may **be** permanently lower, For instance, a person **who** has experienced **chronic** unemployment **may** continue to be satisfied for the rest of his life if only he can get enough food. Another cause of reversal of need hierarchy is that when a need has been satisfied for a long time it may be under-evaluated.

11.6.3 Herzberg's Motivation Hygiene Theory

A significant development in motivation theory is based on the distinction between motivational and maintenance factors in job situation. On the basis of his research findings **Herzberg** drew a distinction between what he called 'motivators' and 'hygiene' factors.

Some job conditions operate primarily to dissatisfy employees when the **conditions** are absent, but their presence does not motivate employees in a strong way. Many of these factors are traditionally perceived by management as motivators, but these **are** really more potent as dissatisfiers. The potent dissatisfiers are called maintenance factors in job because they **are** necessary to maintain a reasonable level of **satisfaction** among the employees. They are also known as dissatisfiers or 'hygienic factors' because they support employees' mental health. Another set of job condition operates primarily to build strong motivation and high job satisfaction but their absence rarely proves **strong** dissatisfier. These conditions are 'Motivational Factors'. Herzberg's maintenance and motivational factors have been shown in the table given below.

Table: **Herzberg's** Maintenance and Motivational Factors



Hygienic factors, include **wages**, fringe benefits, physical conditions and overall company **policies** and **administration**. The presence of these factors at a **satisfactory** level prevents job **dissatisfaction**, but they do not provide motivation to the employees. So they are not considered as motivational factors. Motivational factors on the other hand are essential for increasing the productivity of the employees. They are also known as **satisfiers** and include such factors as **recognition**, feeling of **accomplishment** and achievement, opportunity of advancement and potential for personal growth, responsibility and sense of job and individual importance, new experience and challenging work etc.

Herzberg further stated that managers **have** hitherto been very much concerned with hygienic factors. As a result, they have not been able to **obtain** the desired behaviour from

employees. In order to increase the motivation of employees. It is necessary to pay attention to the satisfiers or motivational factors.

According to Herzberg today's motivators are tomorrow's hygiene because the latter stop influencing the behaviour of persons when they get them. When a person gets one thing, then something else will motivate him and the need which has been fulfilled will have only negative significance in determining his behaviour. It should also be noted that one's hygiene may be the motivator of another. For instance it is likely that workers in underdeveloped economies will designate some of the maintenance factors as motivators because their primary needs have not been fulfilled and they continue to be motivated by these factors.

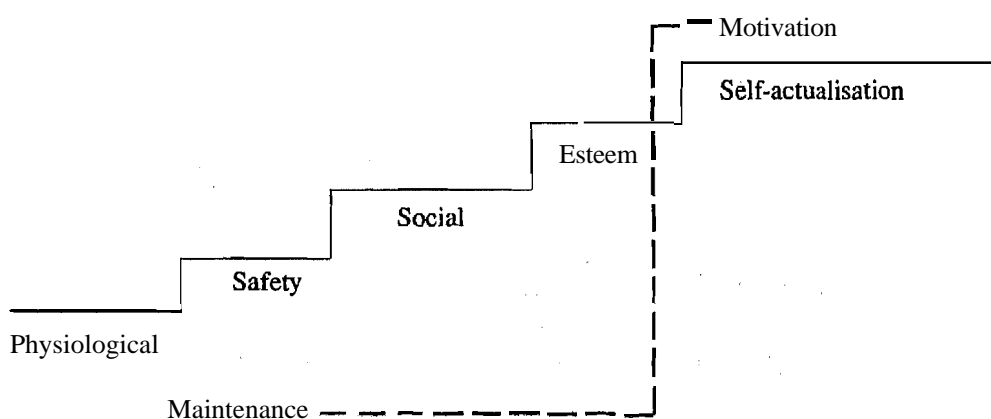
11.6.4 Distinction between Herzberg's and Maslow's Theories

Both Herzberg and Maslow theories focus on motivational factors. Maslow's motivation theory is based on the hierarchy of needs. According to him an unsatisfied need becomes a motivating factor for the individual and governs his behaviour in that direction. But Herzberg has developed a theory of motivation by differentiating between motivational and maintenance (or hygienic) factors. Maintenance factors avoid job dissatisfaction but do not provide motivation to workers. According to him lower order needs like physiological, safety and social needs act as maintenance factors.

Herzberg's theory has a limited applicability in the sense that it is more applicable to professional personnel, Maslow's theory on the other hand has universal applicability, it is applicable to all kinds of workers.

Figure 11.2

Relationship between Maslow's and Herzberg's Theories



11.6.5 Relationship between Maslow's and Herzberg's Theories

Though there are differences between the theories of Herzberg and Maslow, still they are related to each other. Most of the maintenance factors of Herzberg come under comparatively lower order needs. Most of these needs remain satisfied and hence cease to be motivating. Maslow's physiological, security and social needs come under Herzberg's maintenance factors while self-actualisation comes under motivating factors. A portion of esteem needs like status becomes part of the maintenance factors and the remaining portion including advancement and recognition comes under motivational factors.

11.6.6 Job Enrichment

Herzberg attached greater importance to job enrichment in his two factor theory. Job enrichment implies enriching the content of job or the deliberate upgrading of responsibility, scope and challenge in work. Job enrichment is a motivational technique which emphasises the need for challenging and interesting work. It suggests that jobs be redesigned so that intrinsic satisfaction is derived from doing the job. In its best application, it leads to a vertically enhanced job by adding functions from other organisational levels so as to contain more variety, and challenge and offering autonomy and pride to the employee.

The term job enrichment should be distinguished from the term 'job enlargement'. Job

enlargement attempts to make a job more varied by removing the dullness associated with **performing** repetitive operations. It involves a horizontal loading or expansion **i.e. the addition** of more **tasks** of the same nature. But in jobs enrichment, the attempt is to **build into** job a **higher** sense of challenge and importance of achievement. Job enrichment **involves** vertical loading. Additions in job enrichment require higher levels of skills **and** competence.

Some of the **principles** which make job enrichment effective are:

- 1 Give the workers the freedom of operation and responsibility.
- 2 Managers should have better understanding of what workers really want, They wish **that** their managers feel concerned about the welfare.
- 3 Workers should be consulted and given the chance to offer their suggestions.
- 4 Introduce new and more difficult tasks at each step, giving workers **an** opportunity to learn and **specialise**.
- 5 The workers should be given frequent feedback on their performance. Recognition **and** appreciation of their work induce them to learn more. It also eliminates possibilities of wide variations. This increases the efficiency of workers.

Advantages of job Enrichment

Following are the advantages of job enrichment:

- i) It makes the work interesting.
- ii) It decreases the rates of absenteeism and labour turnover.
- iii) It helps motivation through opportunities for growth and advancement.
- iv) It makes for **task** reinforcement and increases the skill of **workers**.
- v) Workers get higher job satisfaction.
- vi) The enterprise gains through improvement of output both quantitatively and **qualitatively** and higher satisfaction of the workers.

Limitations of job **Enrichment**

Following are the limitations of job enrichment:

- i) Technology may not permit the enrichment of all jobs. With specialised machinery, it may not be possible to make jobs very meaningful.
- ii) Job enrichment has proved to be a costly process in certain cases as the expenditure involved is bigger than the gains in productivity.
- iii) Jobs of highly skilled professional employees contain many challenging elements, but they are not necessarily that much efficient.
- iv) It is difficult to say that all workers really want challenging jobs. Many of them even like to avoid responsibility. They seem to like above all job security and pay.
- v) All **those** who **prefer** job enrichment may not have the requisite capability to meet the new challenges.

Check Your Progress B

1 Fill in the blanks.

- i) According to Theory X, workers can be made to work only through leadership.
- ii) Needs that are taken as the starting point of Maslow's **motivation theory** are the needs.
- iii) Lower order needs are..... but the higher order **needs** are.....
- iv) factors also known as **dissatisfiers** are of negative **importance** in motivation.
- v) Job enrichment is a technique.

2 Match the following words/phrases in columns I and II by pairing the alphabets and number against each:

Column I

- (i) Hygienic factor
- (ii) Theory X

Column II

- a) Increased responsibility
- b) Achievement

- | | |
|---------------------|-------------------------------|
| iii) Theory Y | c) Addition of similar tasks |
| iv) Job enrichment | d) Salary |
| v) Real motivators | e) Work is as natural as play |
| vi) Job enlargement | f) Dislike of work |

11.7 TYPES OF MOTIVATION — FINANCIAL & NON-FINANCIAL

Motivation may be classified on various bases:

- 1 Positive or negative
- 2 Extrinsic and intrinsic
- 3 Financial or non-financial

Positive motivation is the process of attempting to influence the employees' behaviour through recognition & appreciation of employees' efforts and contribution towards achievement of organisational goal. Examples of positive motivators **are** — taking interest in subordinates benefits, appreciation and credit for work done, delegating the authority and responsibility of subordinates etc. Negative **motivation** is based upon fear **i.e.** demotion, lay off etc. The fear of punishment affects the behaviour towards changes. Though punishment has resulted in controlling the misbehaviour and contributed towards positive performance but it may also lead to poor performance & lower productivity. The second classification relates to extrinsic and intrinsic motivation. Extrinsic motivators arise away from the job. They do not occur on the job. These factors include wages, fringe benefits, medical reimbursement, etc. Thus, they are generally associated with **financial** incentives. But, intrinsic motivators occur on the job and provide satisfaction during the performance of work itself. Intrinsic or internal motivators include recognition, status, authority, participation, etc.

Lastly motivators may be financial or non-financial. Financial motivators are those which are associated with money. They include wages and salaries, fringe benefits, bonus, retirement benefits, etc. Non-financial motivators **are** those which are not associated with monetary rewards. They include intangible incentives like ego satisfaction, self-actualisation and responsibility. Here we shall be confining our discussion only to financial and non-financial **motivation/incentives**.

117.1 Financial Motivation/Incentives

Money plays an important role in motivation. Management generally **make** use of financial incentives like wages and salaries, bonus, **retirement** benefits, insurance, medical reimbursement, **etc.** to motivate the workers. However, such incentives may not always **prove** to be motivating. In many cases, management may have to increase into the financial incentives to keep the workers with the organisation. This can be appreciated from the practice of making wages and salaries competitive between various enterprises so as to attract and maintain good work-force.

Money is a real motivating factor when the physiological and security needs of the workers have not been fully satisfied. Money plays a significant role in satisfying these needs, Therefore, management can use financial incentive for motivation. Money also helps in satisfying the social **needs** of employees to some extent because money is often **recognised** as a symbol of status, respect and **power**. Besides money is an important means of achieving a 'minimum standard of living' although this '**minimum**' has the tendency to go up as people become more affluent. But this should **not** lead one to conclude that money will always be a motivating factor to **all** people. **To** some people, importance of money may be **reduced** after a certain stage, and non-financial rewards may become more **important**. **They are** motivated by money **only** up to the stage they are struggling for satisfying their physiological and security needs.

Money provides for the **satisfaction** of **physiological** and safety needs only which have **been** called **hygienic** factors by **Herzberg**. Hygienic factors include wages and salaries **and other** fringe benefits. The presence of these **factors** at a satisfactory **level prevents** job dissatisfaction. They **do not** provide 'on a job **satisfaction**' to the employees **and, therefore, cannot** be considered as motivational factors. According to **Herzberg**, in order to motivate **the employees**, it is necessary to provide for **the** satisfaction of ego, **social** and self-

actualisation needs. But these needs are present generally in case of employees in the higher positions, who get higher monetary rewards and are not motivated by increased monetary benefits. In case of employees at the operative levels, money certainly plays a significant role in motivating them because their survival and safety depends on it.

From the above discussion, it can be said that money is not the only motivator and it is not always a motivator: **Management should therefore** establish a motivational system which is capable of satisfying different kinds of human needs. **On the job**, satisfaction can be provided by helping the employees to develop themselves. Job enlargement, participative management, recognition, status symbols, and making the job challenging are some of the other non-financial incentives which also motivate employees.

11.7.2 Non-Financial Motivation/Incentives

When the physiological and security needs are satisfied with the help of money, it ceases to be a motivating force; that is why it is regarded as a maintenance factor. Indeed employees have other needs also. They want status and recognition in society; they want to satisfy their ego needs and they want to achieve something in their lives. In order to motivate the employees having these needs, management may use the following non-financial incentives:

- 1 **Competition:** If there is healthy competition among individual employees, groups of employees, it leads them to achieve their personal or group goals. Hence competition acts as a non-financial incentive.
- 2 **Praise or Appreciation of work done:** Recognition of satisfactory performance acts as a non-financial incentive since it satisfies one's ego needs. Sometimes appreciation of work done is more effective than any other incentive. However, this incentive should be used with great care because praising an incompetent employee creates resentment among competent employees.
- 3 **Knowledge of the results:** Knowledge of the results of work accomplished leads to employee satisfaction. A worker feels happy if he is informed about performance. He derives satisfaction when his superior appreciates the work he has done. In modern industry, the production workers have no contact with the consumers and so they cannot get the reaction of the consumers. However, they can be motivated to a greater extent if they are told the rating of their performance.
- 4 **Workers' participation in management:** Participation in management provides strong motivation to the employees. It gives them psychological satisfaction that their voice is heard. Participation in management provides for two-way communication and so imbues a sense of importance.
- 5 **Suggestion system:** Suggestion system is an incentive which satisfies many needs of the employees. Many organisations which use the suggestion system make use of cash awards for useful suggestions. They sometimes publish the worker's name with his photograph in the company's magazine. This motivates the employees to be in search for something which may be of greater use to the organisation.
- 6 **Opportunity for growth:** Opportunity for growth is another kind of incentive. If the employees are provided opportunities for their advancement and growth and to develop their personality they feel very much satisfied and become more committed to organisation goals.

Check Your Progress C

- 1 Which of the following statements are True and which are False.
 - i) Negative motivation influences behaviour through the threat of penalty.
 - ii) Intrinsic motivation includes such factors as wages, fringe benefits, etc.
 - iii) Employees participation in management acts as a non-financial incentive.
 - iv) Opportunity for growth is a financial incentive.
 - v) Money can be a motivator to an unlimited extent.
- 2 Fill in the blanks.
 - ij Money is a real motivating factor so long as and needs are not fully satisfied.
 - ii) Positive motivation is based on.....

- iii) Hygienic factors satisfy the..... needs.
- iv) Competition among employees is a..... incentive.
- v) Knowledge of the result of one's performance leads to.....

11.8 LET US SUM UP

Motivation may be defined as the complex of forces inspiring a person at work to intensify his willingness to use his maximum capabilities for the achievement of certain objectives. Motives or needs of a person are the starting point of the motivation process. Motives are **energising**, invisible forces. One motive may result in many **different** behaviours. Also the **same** behaviour may result from many different motives. Behaviour can be used as an estimate of an individual's motive. Motives can operate in harmony or in conflict. Motives **change** over time. Motives can also interact with the environment.

The basic elements of the process of motivation are : (i) behaviour, (ii) motives, (iii) goals, (iv) some form of feedback or reaction. Behaviour is generally motivated by the desire to achieve a goal. Motives are directed towards goals and **prompt** people to action.

McGregor formulated two sets of assumptions about human beings, which formed the basis of Theory X and Theory Y of motivation. He described **Theory X** as the traditional theory which required workers to be persuaded and pushed into **performance** on the assumption that the average **human** being dislikes work and would, avoid it if he can. He propounded Theory Y based on the assumption that, people by nature love work and can exercise self-direction and self-control in the service of objectives to which they are committed.

Maslow's need priority theory is **based** on needs of people which arise in sequence and **hierarchical** order from physiological needs through security needs, social needs, **esteem** needs and self-fulfilment needs. Herzberg's two-factor theory distinguishes between maintenance or hygienic factors and **motivational factors**, the **former** having only negative significance and the latter having **positive** effect on **motivation**. The absence of maintenance factors like wages, job security, physical conditions of work and such extrinsic elements cause dissatisfaction, but their presence does not **provide** motivation. On the other hand, motivational factors such as recognition, achievement, etc. are essential for **motivating** employees and these factors provide positive incentives.

Herzberg emphasised the **importance** of job enrichment as **one** of the **motivational factors**. It refers to enriching the job content or the deliberate upgrading of **responsibility**, scope and challenge in work. Job enrichment differs **from** job enlargement which involves horizontal loading, that is, addition of **more** tasks of the same nature.

Motivation may be classified on different bases **e.g.** positive and negative, extrinsic **and** **intrinsic**, financial and non-financial. Positive motivation is the process of attempting to influence the employees behaviour through the **possibility** of reward. Negative motivation is based on fear & **threats** i.e. demotion, lay off etc. Extrinsic motivators arise away from the job and are financial in **nature**. Intrinsic motivators are concerned with the state of **self**-actualisation and occur on the job.

Financial motivation refers to motivation induced by **money** or money's worth, like wages and salaries, bonus, medical benefits, etc. Non-financial motivation includes incentives like competition, praise, knowledge of results, **participation** in management, opportunity for growth etc.

11.9 KEY WORDS

Behaviour : Behaviour refers to the series of activities undertaken by **an** individual or a group with a view to achieving stated goals.

Esteem and **status** needs : They relate to self-confidence independence, achievement, competence, initiative, success, etc.

Extrinsic Motivation : **Extrinsic** motivation **refers** to the incentives which **are** external to the job, such as, salary, fringe benefits, etc.

Financial Incentives : Financial incentives are those which involve money or benefits in kind like wage, salary, retirement benefits, insurance, medical reimbursement etc.

Goals : Goals are the ends which provide satisfaction of human needs.

Intrinsic Motivation : It refers to incentives internal to the job and provides satisfaction during the performance of work itself.

Job Enrichment : It refers to the process whereby a job is enriched in terms of its contents, responsibility, scope, variety and challenge.

Motivation : Motivation refers to the process by which human needs direct and control the behaviour of a human being.

Motives : Motives are the primary energisers of behaviour which prompt people to action.

Motivators : Motivators are associated with positive feelings of employees about the job.

Negative Motivation : It refers to the process of influencing employees' behaviour through fear of losing the job or losing promotion.

Non-Financial Incentives : It includes incentives like status, recognition, challenge in work etc.

Physiological Needs : These needs relate to survival and maintenance of human life, such as, need for food, clothing, shelter, water, rest, etc.

Positive Motivation : It refers to the process of influencing employees' behaviour through the possibility of reward.

Safety and Security Needs : These needs relate to job security, physical security, income security, provision for old age, etc.

Self-Actualisation or Self-Fulfilment : It refers to **realising** one's potentiality for continued self-development and for being creative in the broadest sense of the word.

Social needs : These relate to **need** for social incentive, relatedness, companionship, belongingness, etc.

11.10 ANSWER TO CHECK YOUR PROGRESS

- A 1 (i) True (ii) **False** (iii) True (iv) False (v) False
2 (i) needs internal (ii) behaviour (iii) latent (iv) goals (v) motivate
- B 1 (i) autocratic (ii) physiological (iii) finite, infinite (iv) **hygienic/maintenance**
(v) motivational
2 (i) -d (ii) **f** (iii) -d (iv) -e (v) -b (vi) -c
- C 1 (i) True (ii) False (iii) True (iv) False (v) False
2 (i) physiological security (ii) rewards (iii) lower-order (iv) non-financial
(v) satisfaction.

11.11 TERMINAL QUESTIONS

- 1 Define motivation. Explain its importance to a modern enterprise.
- 2 What do you understand by the term 'motivation'? Point out the difference between positive and negative motivation.
- 3 Explain **Herzberg's** two-factor theory and differentiate it from **Maslow's** theory of Need Hierarchy.

- 4 **Enumerate the** assumptions of **McGregor's** Theory X and Theory Y. Which one is **applicable** in India?
- 5 **What** is meant by hierarchical nature of needs? Is the hierarchy rigid? Discuss with suitable examples.
- 6 "Money holds the key to work motivation **in modern** business organisations." Discuss.
- 7 "**Non-financial** incentives are as strong **motivators as** the financial ones" Critically examine this statement in **the** light of need-priority model and two-factor theory of motivation.

Note : These questions will help you to understand the unit better. Try to write answers for them. But, do not submit your answers to University. These are for your practice only.

UNIT 12 LEADERSHIP

Structure

- 12.0 Objectives
- 12.1 Introduction
- 12.2 What is Leadership?
- 12.3 Importance of Managerial Leadership
- 12.4 Theories of Leadership
- 12.5 Leadership Styles
- 12.6 Functions of Leadership
- 12.7 Motivation and Leadership
- 12.8 Leadership Effectiveness
 - 12.8.1 Factors influencing Leadership Effectiveness
 - 12.8.2 Qualities of an Effective Leader
- 12.9 Morale
 - 12.9.1 Meaning and Significance of Morale
 - 12.9.2 Factors Determining Morale
 - 12.9.3 Leadership and Morale
- 12.10 Let Us Sum Up
- 12.11 Key Words
- 12.12 Answers to Check Your Progress
- 12.13 Terminal Questions

12.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning of leadership
- describe the importance of managerial leadership
- state the theories and different styles of leadership
- outline the functions of leadership
- analyse the relation between motivation and leadership
- explain the meaning of leadership effectiveness and enumerate the qualities of an effective leader
- describe the meaning and significance of morale.

12.1 INTRODUCTION

In Unit 11, you have learnt about one of the directing functions of management viz., motivation. In this unit, you will learn another aspect of the directing function, that is, leadership. As you know, management involves getting work done through the people. By virtue of their position, managers can issue orders and instructions to their subordinates to get work done. But it is also necessary to ensure that subordinates put in their maximum effort in performing their tasks. Hence, managers have to regulate and influence the subordinates behaviour and conduct at work. It is through the leadership role of managers that employees may be induced to perform their duties properly and maintain harmony in group activities. A manager having formal authority can direct and guide his subordinates and command their obedience by virtue of his positional power. But as a leader, the manager can influence work behaviour by means of his leadership ability to get the cooperation of all members of the group.

12.2 WHAT IS LEADERSHIP?

Leadership may be defined as a **process of influencing group activities towards the achievement of certain goals**. Thus, the leader is a person in a group who is capable of influencing the group to work willingly. He guides and directs other people and provides **purpose** and direction to their efforts. The leader is a part of the group that he leads, but he is distinct from the rest of the group. As defined by George R. Terry "Leadership is the activity of influencing people to strive willingly for group objectives".

Leadership naturally implies the existence of a leader and followers as well as their mutual interaction. It involves inter-personal relation, which sustains the **followers accepting** the leader's guidance for accomplishment of specified goals.

Managers have to guide and lead their subordinates towards the achievement of group goals. Therefore, a manager can be more effective if he is a good leader. He does not depend **only** on his positional power or formal authority to **secure** group performance but exercises leadership influence for the purpose. As a leader he influences the conduct and **behaviour** of the members of the work team in the interest of the organisation as well as the individual subordinates and the group as a whole. **But leadership and management** are not the same thing. Management involves **planning**, organising, coordinating and controlling operations in achieving various organisational goals. Leadership **is the** process which influences the people and inspires them to willingly accomplish **the** organisational objectives. Thus, a manager is more than a leader. On the other hand, a leader need not necessarily be a manager. For instance, in an informal group, the leader may influence the conduct of his fellow members but he may not be a manager. His leadership position is due to the acceptance of his role by his followers. **But**, the manager, acting as a leader, has powers delegated to him by his superiors. His leadership is an accompaniment of his position as a manager having an organised group of subordinates under his authority. Thus, managerial leadership has the following characteristics:

- i) It is a continuous process whereby the manager influences, guides and directs the behaviours of subordinates.
- ii) The manager-leader is able to **influence** his subordinates behaviour at work due to the quality of his own behaviour as leader.
- iii) The purpose of managerial leadership is to get willing cooperation of the work group in the achievement of specified goals.
- iv) The success of a manager as leader depends on the acceptance of his leadership by the subordinates.
- v) Managerial leadership requires that while group goals are pursued, individual goals are also achieved.

12.3 IMPORTANCE OF MANAGERIAL LEADERSHIP

The importance of managerial leadership **in** an organisation arises from the basic nature of the managerial and leadership roles of managers. Combination of these roles invariably leads to not only effective task **performance** and fuller achievement of organisation goals but also human satisfaction ground. This is because management is **based on** the formal authority of managers. Whereas, being leaders of work groups enables managers to achieve results on the **basis of inter-personal** relations. The leader manager identifies himself with **the** work group. He acts as an intermediary between his subordinates and the top management. He takes personal interest in the development of his subordinates, helps them **in** overcoming individual problems through advice and counselling, creates appropriate **work** environment and builds up team spirit. As a result the leader manager is able to develop better team work. The subordinates willingly accept **his** advice, guidance and direction and are inspired as a group to accomplish the specific goals.

12.4 THEORIES OF LEADERSHIP

There are a number of theories which provide explanations regarding various aspects of the leadership phenomenon. Let us examine some of the theories.

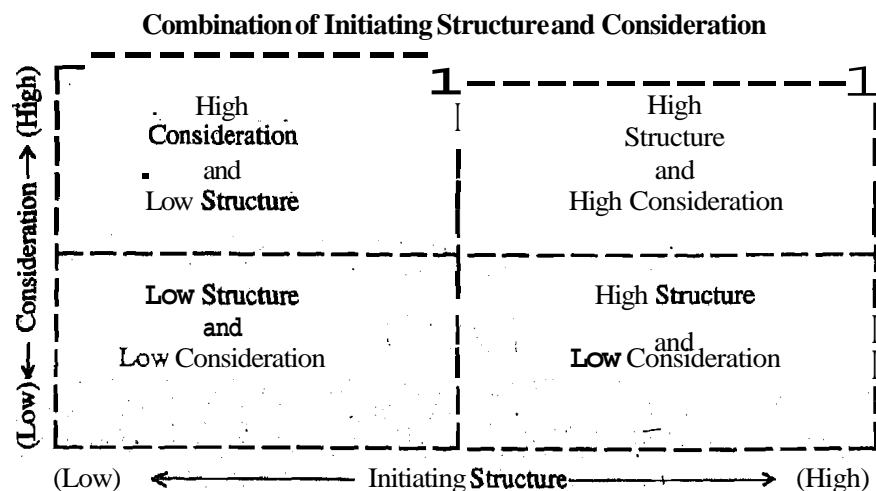
Trait Theory : This is the earliest theory based on a distinction between the personal qualities or traits of successful leaders. The theory suggests a list of personality traits or characteristics which must be present in a person for his success as a leader. According to this theory, leaders must be physically strong and well-built, intelligent, honest and mentally mature. He must have initiative, self-confidence, ability to take decisions, and so on. Since all individuals did not have these qualities, only those who had them would be considered potential leaders. Following are the limitations of this theory:

- i) The trait theory is not accepted as a valid theory.
- ii) There is no universally agreed list of traits associated with successful leaders.
- iii) It is difficult to measure the traits and, therefore it is not always possible to distinguish between leaders and followers.

Behavioural Theories : The behavioural theories of leadership are based on the belief that leaders can be identified by reference to their behaviour in relation to the followers. In other words, it is suggested that leadership can be described in terms of what leaders do rather than what they are. Behavioural theories have been presented mostly on the basis of research studies. According to the studies conducted in the States of Michigan, USA, leaders who treat their subordinates as human beings, are concerned about their well-being, and encourage and involve them in goal setting, are more effective. They are described as 'employee-centred' leaders. On the other hand, leaders who are 'production-centred' emphasise job performance in conformity with prescribed standards. He exercises close control over the employees as if they were tools of production. Such a leadership is associated with unsatisfactory work performance due to the low morale of employees.

Studies conducted in Ohio State University showed two dimension of leader's behaviour viz., Initiating structure and Consideration. Initiating structure refers to the leader's behaviour in delineating the relationship between himself and members of the work group and in endeavouring to establish well defined pattern of organisation, channels of communication and methods of procedure. Whereas, consideration refers to behaviour indicative of friendship, mutual trust, respect and warmth in the relationship between leader and the members of his staff.

Figure 12.1



Look at Figure 12.1 which shows that the behaviour of a leader may be described as any mix of both dimensions.

Situational Theories : In the situational theories of leadership the success of leadership depends upon the situation in which the leader operates. . . .

According to leadership contingency model developed by Fred E. Fiedler, the leader's effectiveness depends upon three situational factors:

- i) Leader-followers relations, that is the degree of follower's trust, confidence and respect for the leader.
- ii) The extent to which the task performed by subordinates is routine or non-routine (known as task structure).
- iii) The position power of the leader, that is, the power associated with the rank and position of the leader in the organisation. He defined favourableness of a situation as the degree to which the situation enables the leader to exert his influence over his group.

The most favourable situation for leaders to influence their group is one in which they are well liked by the members, the task is highly structured (i.e., routinised and predictable) and the leader has enormous power attached to his position. On the other hand, the most unfavourable situation for leaders is one in which they are disliked, the task is highly unstructured and he will have little position power.

Figure 12.2

Appropriateness of leadership behaviour for various group situations

Task Oriented	Relationship Oriented	Task Oriented
Very favourable leadership situation	Intermediate favourable leadership situation	Very unfavourable leadership situation

Look at Figure 12.2 which shows that task oriented leaders tend to perform best in group situations that are either very favourable or very unfavourable to the leader. On the other hand, relationship-oriented leaders tend to perform best in situations that are intermediate (medium) in favourableness.

Another situational theory is the (Path-Goal Theory'. According to this theory, leaders are effective due to their influence on followers' motivation, ability to perform, and their satisfaction. Subordinates are motivated by the leader to the extent he is able to influence their expectancies relating to the performance and attractiveness of the goal. Further, individuals are satisfied with their job if they believe that (a) performance of the job will lead to desirable outcomes and (D) with hard work they will be able to achieve the desirable outcomes.

12.5 LEADERSHIP STYLES

The dominant behaviour pattern of a leader-manager in relation to his subordinates is known as leadership style. There are three basic styles of leadership as follows:

- 1 Autocratic or Authoritative Style
- 2 Democratic or Participative Style and
- 3 Laissez-faire or Free-rein Style.

Autocratic or Authoritative Style

An autocratic leader centralises power and decision-making in himself and exercises complete control over the subordinates. In this style subordinates are compelled to follow the orders of the leader under threat of penalties. They have no opportunity to take part in goal-setting, or take initiative or make suggestions. They are subject to close supervision and, thus have a tendency to avoid responsibility. The autocratic manager has little concern for the well-being of employees, who suffer from frustration and low morale. They do not have any sense of belonging to the organisation and try to work as little as possible.

Limitations: It should be clear from the above that there are several limitations of the autocratic style of leadership.

- i) It results in low morale due to the inner dissatisfaction of employees.

- ii) Efficiency of production goes down in the long run.
- iii) It does not permit development of future managers from among capable subordinates.

Despite the above limitations, autocratic leadership can be successfully applied in the following situations:

- i) When subordinates are incompetent and inexperienced.
- ii) The leader prefers to be active and dominant in decision-making.
- iii) The company endorses fear and punishment for disciplinary techniques.
- iv) There is a little room for error in final accomplishment.
- v) Under conditions of stress when great speed and efficiency are required.

Since the leader-manager takes all decisions in autocratic style, there is uniformity and consistency in decision-making.

Democratic or Participative Style

The democratic style is also known as participative style. In this style, decisions are taken by the leader in consultation with the subordinates and with their participation in the decision-making process. The participative leader encourages subordinates to make suggestions and take initiative in setting goals and implementing decisions. This enables subordinates to satisfy their social and ego needs, which in turn, lead to their commitment to the organisation goals and higher productivity. Frequent interaction between the manager and subordinates helps to build up mutual faith and confidence.

Several benefits can be derived from the participative style of leadership as listed below:

- i) It helps subordinates to develop their potential abilities and assume greater responsibilities.
- ii) It provides job satisfaction and improves the morale of employees.
- iii) The group performance can be sustained at a high level due to the satisfied and cohesive nature of the group.

However, the democratic style cannot be regarded as the best style under all circumstances. Its limitations are as follows:

- i) Decisions taken through consultation may cause delay and require compromises to meet different viewpoints.
- ii) A few vocal individuals may dominate the decision-making process.
- iii) No one individual may take the responsibility for implementing the decision taken by the group as a whole.

Despite the above limitations, democratic style is suitable in the following situations:

- i) when subordinates are competent and experienced.
- ii) the leader prefers participative decision-making process.
- iii) rewards and involvement are used as the primary means of motivation and control.
- iv) the leader wishes to develop analytical and self-control abilities in his subordinates.
- v) the organisation has clearly communicated its goals and the objectives to the subordinates.

Laissez Faire Leadership Style

Laissez faire leadership style is just the opposite of autocratic style. A manager, who adopts this style, completely gives up his leadership role. The subordinate group is allowed to make decisions and it is left to the members of the group to do as they like. The role of any leader is absent. The group members enjoy full freedom as regards goal-setting and acting on it. Hence, there is chaos and mismanagement of group goals. However, laissez faire leadership is found to be quite suitable where the subordinates are well-trained, competent and the leader-manager is able to fully delegate the powers of decision-making and action to the subordinates:

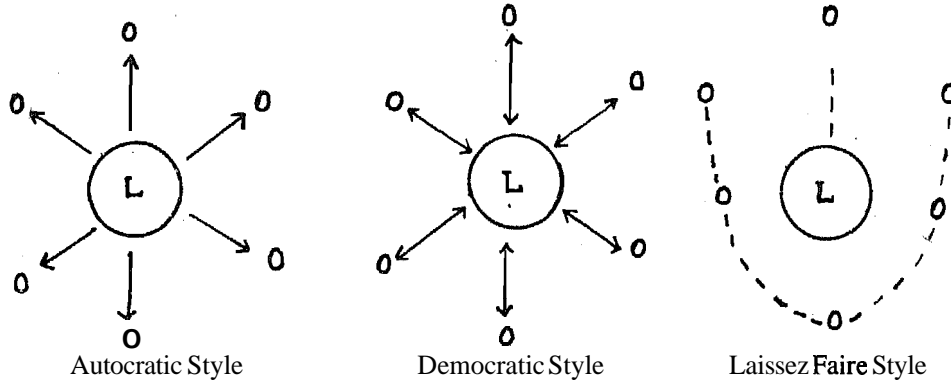
Laissez faire style is suitable in the following situations:

- i) when leader is interested in delegating decision-making fully.
- ii) subordinates are well trained and highly knowledgeable.
- iii) organisation goals have been communicated well,

Despite a few suitability this style should be adopted rarely because it may lead to chaos and mismanagement.

Look at Figure 12.3 which shows diagrammatic representation of all these leadership styles:

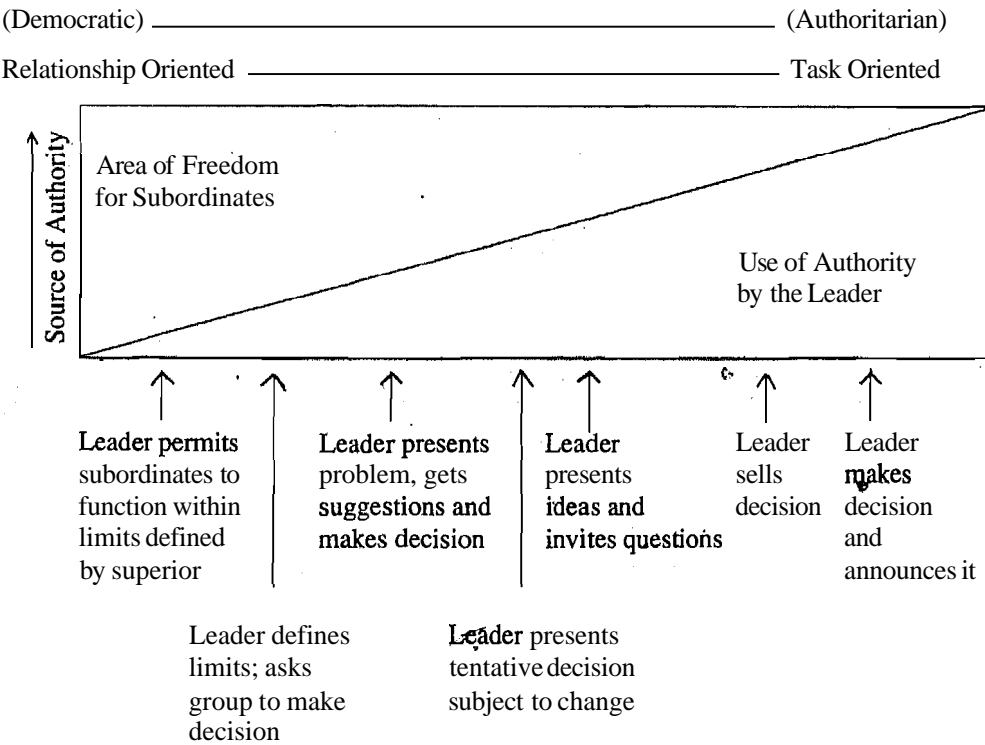
Figure 12.3
Diagrammatic Representation of Leadership Style



Continuum of Leader Behaviour

Robert Tannenbaum and Warren Schmidt depicted a broad range of leadership styles on a **continuum** which moves from **authoritarian** or boss-centred leader behaviour at one end to democratic or subordinate-centred behaviour at the other end.

Figure 12.4
Continuum of Leader Behaviour



Look at Figure 12.4 which shows that leaders who are at the authoritarian end of the continuum tend to be task-oriented and use their power to influence their followers. He enjoys a high degree of **control** and delegate very little authority. On the other hand, leaders who are at the democratic side tend to be group oriented and provide their followers considerable **freedom** in their work.

Although the leader continuum approach provides a wide range of leader's behaviour. It identifies the number of **behavioural alternatives** available to a manager. Moreover, the

success of the leadership style depends on the modification of the leader to the needs of the situation. Its major limitation is that it supports unidimensional thinking. It has been found that employees orientation and task-orientation are not opposite ends on a continuum.

Check Your Progress A

- 1 Which of the following statements are True and which are False.
 - i) Leadership is not the same thing as managership.
 - ii) Leadership is a function of management.
 - iii) Managerial Leadership involves pursuit of group goals, not individual goals.
 - iv) Trait theory of leadership emphasises the behaviour of leaders.
 - v) An autocratic leader-manager can be effective in the short-run, but not in the long-run.

- 2 Fill in the blanks selecting appropriate words from those given within brackets.
 - i) A leader manager invariablyhis subordinates (commands/ directs and guides/rewards).
 - ii) Managerial leadership is a process (regular/continuous / convenient).
 - iii) A democratic leader takes decisions on the basis of(his own judgement / group opinion / individual views).
 - iv) Employee-centre(leaders have maximum concern for(work / subordinates / organisational goals).
 - v) If the situation is highly favourable leadership is most suitable (relations oriented / task oriented).

12.6 FUNCTIONS OF LEADERSHIP

A leadership functions of a manager are closely related **with** his managerial functions. But they are somewhat different as well as overlapping. Essentially, the leader as a manager has to set the group goal, make plans, motivate and inspire subordinates **and** supervise performance. But he has to perform several other functions as leader. The more important of these functions **are** given below:

- 1 **To develop team work** : One of the primary functions of the leader is to develop his work-group as a team. It is his responsibility to create a congenial work-environment keeping in view the subordinates competence, needs and potential abilities.

- 2 **To act as a representative of the work-group** : The leader of a work-group is expected to act as a link between the group and top management. When necessary, the leader has to communicate the problems and grievances of his subordinates to the top management.

- 3 **To act as a counsellor of the people at work** : Where the subordinates face problems in connection with their performance at work, the leader has to guide and advise the subordinates concerned. The problems may be technical or emotional in nature.

- 4 **Time management** : The leader's functions include not only ensuring the **quality** and efficiency of work performed by the group, but **also checking** on the timeliness of completing different stages of work.

- 5 **Proper use of power** : While exercising power or authority in relation to his subordinates, the leader **must** be careful **about-using** his power in different ways **according** to the situation. It may be **necessary** to use reward power, coercive power, or expert power, formal or informal power, depending on what will stimulate positive response **from** the subordinates.

- 6 **Secure effectiveness of group-effort** : To get the maximum contribution towards the achievement of objectives the leader must provide for a **reward** system to improve the efficiency of capable workmen, delegate authority, and invite participation of employees in decision-making, ensure the availability of adequate resources, and **communicate** necessary information to the employees,

12.7 MOTIVATION AND LEADERSHIP

Effective leadership makes a positive impact on the motivation of members of a work group. This is due to the following reasons:

- i) Leadership creates a congenial work environment and thus ensures job satisfaction.
- ii) It enables group members to achieve individual goals as well as organisational goals.
- iii) It provides for a proper system of rewards and incentives for capable employees, which includes both financial and non-financial incentives.
- iv) The leader's concern for the well-being and development of subordinates promises self-fulfilment to every group member.

An effective leader-manager helps and supports his subordinates in the light of their individual values and expectations. This supportive relationship increases their motivation as it builds and maintains a sense of personal worth and importance of each individual.

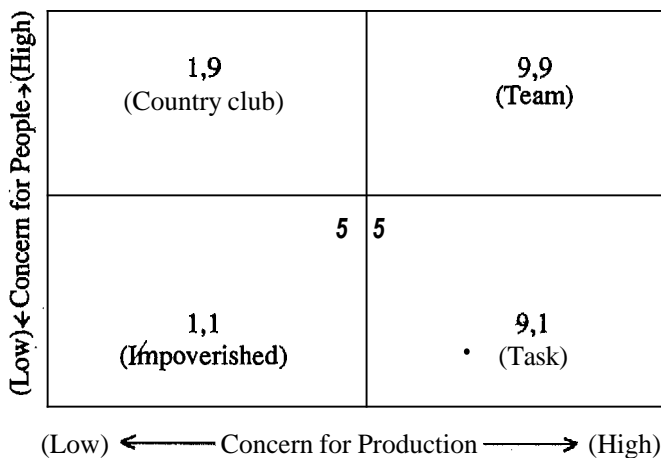
12.8 LEADERSHIP EFFECTIVENESS

We have discussed above how different styles of leadership reflect the behaviour pattern of the leaders. The manager leader may be effective or ineffective depending upon the leadership style adopted by him. He may be employee-centred (i.e., relations-oriented) or production centred (i.e., task oriented). In other words, the style may reflect the leaders concern for people or concern for production. But in reality, the manager-leader may combine his concern for people and concern for production with different degrees of emphasis on each. This idea was developed in the form of what is known as 'Managerial Grid', which is briefly outlined below.

Managerial Grid : The managerial grid refers to a diagrammatic representation of the possible combinations of concern for people and concern for production which may be reflected in the style of leadership. The concept of managerial grid was developed by Blake and Mouton in 1964.

Figure 12.5

Diagrammatic Representation of Managerial Grid



As shown in the diagram, there are nine degrees of concern each for people and production. Combining lower degrees and higher degrees of concern, five basic styles of leadership are distinguished as follows (No. 1 representing minimum concern, and No. 9 maximum concern) :

- 1,1 style, where the manager has minimum concern for people as well as production, is known as impoverished management. This represents a casual attitude of the manager towards his job and the organisation cannot be expected to survive.
- 9,1 style reflects the manager's highest concern for production but least concern for people. It is known as task management.
- 1,9 style in which the manager has the maximum concern for people and minimum

concern for production is described, as country club management. It implies that the manager is inclined to keep people happy expecting that happiness will make them more efficient, which is not true for business enterprises.

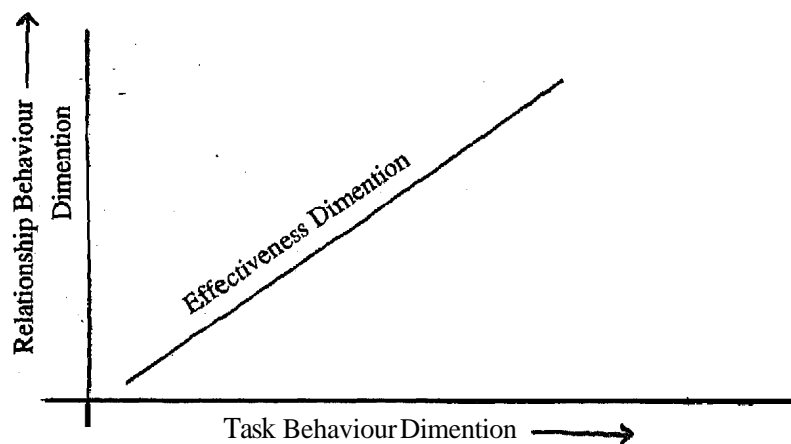
- 5,5 style represents moderate concern for both people and production and therefore known as middle of road management. This style of leadership is preferred by **many** managers whose approach to management is **that** of "live and let live".
- 9,9 style is the best combination of concerns for people and production with **maximum** concern for-both. In this case, the manager **tries** to integrate the objectives of the **organisation** with the objectives of the people employed. This style therefore represents team management. It may **be** suggested that the 9,9 management style is likely to be most effective.

Effective and **Ineffective** Styles

Effectiveness depends on the **situational** demands of a specific environment. When the style of a leader is appropriate to a given situation, it is **termed** effective. On the other hand, when the style is inappropriate to a given situation it is **termed** ineffective. Look at Figure 12.6 which shows the effective dimension of leadership.

Figure 12.6

Diagrammatic Representation of Effectiveness Dimension



The basic styles of leadership are further divided into eight styles according to their **degrees** of effectiveness i.e., as more effective and less effective styles. The following are regarded as more effective styles.

Executive : Used by a manager this style attaches maximum importance to work as well as the people. Such a manager is able to motivate people and utilise the team effectively. He sets high standards of performance and can accomplish the goals successfully.

Developer : **The** manager adopting this style attaches greatest importance to the people at work and has minimum concern for work. He devotes maximum attention to the development of individual subordinates and believes in their capability.

Benevolent autocrat : The manager whose attitude and style are those of a benevolent autocrat has high concern for work and low concern for people. But he is able to achieve the goals without causing **any** resentment among the subordinates.

Bureaucrat : With a bureaucratic style the manager is able to control the **work-situation and** achieve goals by means of rules and procedure. He has minimum concern for people **and** work as such.

The less effective (or ineffective) **styles** are stated to be those which are not appropriate to the situation. These are as follows:

Compromiser : A manager who is equally concerned with people and work in a situation which requires emphasis **on one** of these, is a **poor** decision-maker due to pressures on both counts. Thus he is ineffective manager leader.

Missionary : The missionary manager is one who aims at harmonious relations among people as an ideal and is little concerned with work, although the situation requires greater emphasis on work. He is unable to get results.

Autocrat : An autocratic manager is interested only in work and results thereof, whereas the situation requires relation-orientation. Such a manager lacks confidence in his subordinates and depends on high-handed management. So his leadership fails in the long-run.

Deserter : The manager who is concerned with neither people nor work reflects a passive attitude towards his job. He is an escapist.

12.8.1 Factors Influencing Leadership Effectiveness

Taking an overall view of the question of effectiveness of leaders, some writers have identified a number of factors that influence the leader and his effectiveness. These factors are:

- 1 The leader's own personality, past experience and expectations.
- 2 The expectations and behaviour of his superiors.
- 3 The subordinates' characteristics, expectations and behaviour.
- 4 The requirements of tasks to be performed by subordinates.
- 5 Expectations and behaviour of fellow managers (peers).
- 6 Organisational culture (climate) and policies.

12.8.2 Qualities of an Effective Leader

A leader cannot be effective unless he possesses certain qualities of head and heart. Irrespective of the nature of the manager-leader's own responsibilities of the job and the style adopted by him, a number of qualities are generally found to be possessed by the effective leader. The more important of these qualities are listed below :

- 1 **Mental and physical health** : To be able to bear the pulls and pressures of leadership, it is essential for the leader to have sound health both mental and physical. Along with a balanced temperament and optimistic outlook, he must possess stamina and sound health.
- 2 **Empathy** : A leader must have the capacity to appreciate others and look at things from his subordinates' angle. This attitude of the leader motivates his subordinates.
- 3 **Self-confidence** : Confidence about one's leadership ability makes it possible for a leader to analyse and face different situations and adopt a suitable style. Lack of self-confidence often prevents managers to adopt participative style and repose trust in his subordinates.
- 4 **Awareness of others' opinion** about himself : A leader having self-confidence should not ignore how others perceive him as a leader. He must be aware of his strength and weakness in relation to his subordinates.
- 5 **Objectivity** : A leader who is effective does not get carried away by emotions. He is fair and objective in his dealings with subordinates.
- 6 **Knowledge and intelligence** : A leader to be effective must have knowledge of group behaviour, human nature, and activities involving technical and professional competence. He must have intelligent perception of human psychology and ability to think clearly and argue cogently on points of dispute,
- 7 **Decisiveness** : Decision-making is a necessary but difficult task for every leader. A leader often has to take initiative and exercise mature judgement while taking decisions. Besides, he has to have foresight, imagination and creative ideas for effective decision-making. Open mindedness is yet another essential quality for that purpose.
- 8 **Ability to communicate** : The skill of effective communication of goals and procedure of work is extremely important in leadership. To achieve desired results and coordination of efforts in a group, oral communication is of great significance.
- 9 **Sense of purpose and responsibility** : A leader must have clarity of purpose and responsibility to be able to inspire his subordinates to achieve specific goals.

concern for production is described, as country club management. It implies that the manager is inclined to keep people **happy** expecting that happiness will make them more efficient, which is not **true** for business enterprises.

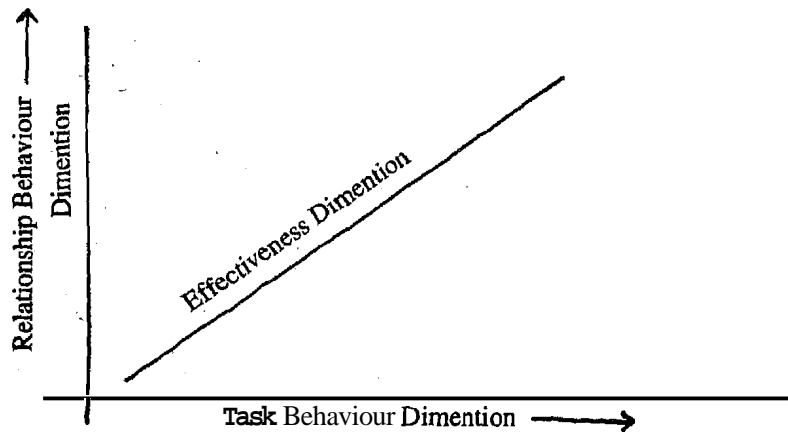
- 5,5 style represents moderate concern for both people and production and therefore **known** as middle of road management. This style of leadership is **preferred** by many managers whose approach to management is **that** of "live and let live".
- 9,9 style is the best combination of concerns for people and production with maximum concern for-both. In this case, the manager tries to integrate the objectives of the organisation with the objectives of the people employed. This style therefore represents team management. It may be suggested that the 9,9 management style is likely to be most effective.

Effective and **Ineffective** Styles

Effectiveness depends on the situational **demands** of a specific environment. When the style of a **leader** is appropriate to a given situation, it is termed effective. On the other hand, when the style is inappropriate to a given situation it is **termed** ineffective. Look at Figure 12.6 which shows the effective dimension of leadership.

Figure 12.6

Diagrammatic Representation of Effectiveness Dimension



The basic styles of leadership are further divided into eight styles according to their **degrees** of effectiveness **i.e.**, as more effective and less effective styles. The following are regarded as more effective styles.

Executive : Used by a manager this style attaches maximum importance to work as well as the people. Such a manager is able to motivate people and utilise the team effectively. He sets high standards of **performance** and can accomplish the goals successfully.

Developer : The manager adopting this style attaches greatest importance to the people at work and has minimum concern for work. He devotes maximum attention to the development of individual subordinates and believes in their capability.

Benevolent autocrat : The manager whose attitude and style are those of a benevolent autocrat has high concern for work and low concern for people. But he is able to achieve the goals without causing any resentment among the subordinates.

Bureaucrat : With a bureaucratic style the manager is able to control the work-situation and achieve goals by means of rules and procedure. He has **minimum** concern for people and work as such.

The **less** effective (or **ineffective**) styles are stated to be those which are not appropriate **to** the situation. These are as follows:

Compromiser : A manager who is equally concerned with people and work in a situation **which** requires emphasis on **one** of these, is a **poor** decision-maker due to pressures on both **counts**. **Thus** he is ineffective manager leader.

Missionary : The missionary manager is one who aims at **harmonious relations among** people as an ideal and is little concerned with work, although the situation requires greater **emphasis** on work. He is unable to get results.

Autocrat : An autocratic manager is interested only in work and results **thereof**, whereas the **situation** requires relation-orientation. Such a **manager** lacks confidence in his **subordinates** and depends on high-handed management. So his leadership fails in the long-run.

Deserter : The manager who is concerned with neither people nor work reflects a passive attitude towards his job. He is an escapist.

12.8.1 Factors Influencing Leadership Effectiveness

Taking an overall view of the question of effectiveness of leaders, some writers have identified a number of factors that influence the **leader** and his effectiveness. These factors are:

- 1 The leader's own personality, past experience and expectations.
- 2 The expectations and behaviour of his superiors.
- 3 The subordinates' characteristics, expectations and behaviour.
- 4 The requirements of tasks to be performed by subordinates.
- 5 Expectations and behaviour of fellow **managers** (peers).
- 6 **Organisational** culture (climate) and policies.

12.8.2 Qualities of an Effective Leader

A **leader** cannot be effective unless he **possesses** certain qualities of head and heart. Irrespective of the nature of **the manager-leader's** own responsibilities of the job and the style adopted by him, a **number** of qualities are generally found to be **possessed** by the effective leader. The more important of these **qualities** are listed below :

- 1 **Mental and physical health** : To be able to bear the **pulls** and pressures of leadership, it is essential for the leader to have sound health both mental and physical. Along with a balanced temperament and optimistic outlook, he **must** possess stamina and sound health.
- 2 **Empathy** : A leader must have the **capacity** to appreciate others and look at things from his subordinates' angle. This attitude of the leader motivates his subordinates.
- 3 **Self-confidence** : Confidence about one's leadership ability **makes** it possible for a leader to analyse and face different situations and adopt a suitable **style**. Lack of self-confidence often prevents managers to adopt participative style and repose trust in his subordinates.
- 4 **Awareness of others' opinion** about himself : A leader having **self-confidence** should not ignore how others perceive him as a leader. He must be aware of his strength and weakness in relation to his subordinates.
- 5 **Objectivity** : A leader who is effective does not get carried away by emotions. He is fair and objective in his dealings with subordinates.
- 6 **Knowledge and intelligence** : A leader to be effective must have knowledge of group behaviour, human nature, and activities involving technical and professional competence. He must have intelligent perception of human psychology and ability to think clearly and argue cogently on points of dispute.
- 7 **Decisiveness** : Decision-making is a necessary but difficult task for every leader. A leader often has to take initiative and exercise mature judgement while taking decisions. Besides, he has to have foresight, imagination and creative ideas for effective **decision-making**. Open **mindness** is yet another essential quality for **that** purpose.
- 8 **Ability to communicate** : The **skill** of effective communication of goals and procedure **of** work is extremely important in **leadership**. To **achieve** desired results **and** coordination **of** efforts in a group, oral communication is of great significance.
- 9 **Sense of purpose and responsibility** : A leader must have **clarity of purpose and** responsibility to be able to inspire his subordinates to achieve specific **goals**.

10 Other qualities - Enthusiasm, courage, sense of direction, judgement, tact, courtesy and integrity are also regarded as necessary qualities for a leader to be effective.

Check Your Progress B

- 1 Fill in the blanks.
 - i) The **primary** function of the leader is to develop the **work group** as a
 - ii) When subordinates at **work** face problems the leader must act as a
 - iii) Leadership enables **group members** to achieve as **well** as goals.
 - iv) The leader-manager's **effectiveness** depends upon the **adopted** by him.
 - v) **Maximum** concern for people and **minimum** concern for work is known as management.
- 2 Which of the following statements are True and which are False.
 - i) **Team** management refers to moderate concern of the manager for work and people.
 - ii) A Leader **provides** for a proper system of financial and **non-financial** incentives for subordinates.
 - iii) The managerial grid represents combination of lower degrees of concern for people and concern for work.
 - iv) Middle of **the road** management means a passive attitude on the part of **manager** leader.
 - v) **The** bureaucratic manager attaches **maximum importance** to **work** as well as to **people**.
- 3 Match the following expressions given in column (A) and (B) by reference to the alphabets and numbers against each.

Column A

- i) **Minimum** Concern for people & work
- ii) No Concern for people & work
- iii) **Maximum** Concern for people & work
- iv) **Maximum** Concern for work and **Minimum** Concern for people

Column B

- a) Executive
- b) Benevolent autocrat
- c) Deserter
- d) Bureaucrat

12.9 MORALE

You have learnt different dimensions of leadership **behaviour**. Effective leader tries his best to boost the **morale** of the employees which in turn motivate them to work **willingly**. Let us discuss about morale in detail.

12.9.1 Meaning and Significance of morale

Morale is the state of mind or attitude of an individual or group towards the work and environment i.e., towards the superior, fellow members of the group and goals of the **organisation** as well as the task assigned. A favourable attitude is an indication of high morale, while an unfavourable attitude indicates low morale.

Morale is an important factor which contributes to the willingness of people to work, leads to their happiness and determines their productivity. It is regarded as a significant variable which determines the success of an **organisation**. With high **morale**, people work willingly and enthusiastically for the achievement of organisational goals. Further, high morale leads people to attach greater **importance** to group goals as compared with their personal goals. It also reduces absenteeism and labour turnover. On the other hand, low morale leads to **inefficiency**, waste, low productivity, unrest and indiscipline among employees.

12.9.2 Factors determining Morale

Morale reflects a state of mind or attitude of people which results from the conditions under which they work in an organisation. The more important factors that influence morale are the following:

- 1 **Objectives of the organisation** : If the organisational **goals** are considered by the employees to be useful and important, morale generally tends to be high.

- 2 **Leadership** : The effectiveness of a leader in providing satisfactory work environment is another important factor in morale building. If leadership enables the **subordinates** to achieve their goals and aspirations, there is a positive impact on morale.
- 3 **Group members** : High morale also results from the nature and behaviour of co-workers in the group. If members of the work group are cooperative and there is mutual faith **and understanding** among them, morale is likely to be high.
- 4 **Job satisfaction** : The jobs assigned to employees are **performed** well if they derive **personal** satisfaction from the work they do and are proud of it. Satisfying jobs **contribute towards** high morale **particularly** when the employees thereby have opportunity of **self-**development.
- 5 **Structure of organisation** : The organisation structure defines the lines of **superior-**subordinate relations. If the authority and responsibility are clearly defined and there is free and frank communication between the superior and the subordinates, the situation is **highly** conducive to morale building.
- 6 **Compensation** : Satisfactory levels of wages and salaries as well as a system of rewards and incentives for higher **efficiency** are basic requirements for employee satisfaction, Thus, the morale tends to be high when fair compensation and rewards **are** assured.
- 7 **Advancement and promotional opportunity** : **An** organisation in which capable employee have opportunities of advancement in **their** career through promotion is highly preferred by ambitious people. The scope of promotion to position of higher responsibility and remuneration is a positive factor that determines the morale of employees.
- 8 **Living conditions and health** : The living conditions of employees which contribute to the physical and mental health also affect morale indirectly. People who live under **satisfactory** conditions **naturally** have a better attitude in relation to their work,
- 9 **Working environment** : Conditions in the work place have of course a direct impact on morale. Provision for safety, health care, and welfare of employees help a great deal in building up their morale.

12.9.3 Leadership and Morale

There **are different** reasons which may explain the correlation between **managerial** leadership and morale of subordinates. Good leadership inspires confidence in the subordinates not only to work **efficiently** but to derive adequate satisfaction from their work. Morale is generally high where the leader recognises the needs and aspirations of employees **and** identifies himself with the work group. Democratic leadership style wins over the loyalty of subordinates due to their involvement and participation in decision-making. The leader-manager who is concerned about the well being and advancement of careers of subordinates, supports them when they need his support, and represents their interests to higher-level managers, may build up the morale of subordinates more significantly. Provision of a system of fair compensation and incentive scheme by the leader also **contributes** a great deal to employee satisfaction leading to high morale.

Check Your Progress C

- 1 Which of **the following** statements are True and which are False.
 - i) Morale is an attitude of **mind** which is reflected in willingness to work enthusiastically.
 - ii) Living conditions of employees do not have any effect on **their** morale.
 - iii) Manager leaders who are autocratic in their behaviour **are** able to build high morale.
 - iv) People with low morale are misfits in their work-group.
 - v) Leadership and morale are positively **correlated**.
- 2 Fill in the **blanks**:
 - i) Good health has a effect on **morale**.
 - ii) Morale is when workers have a **favourable attitude** to **their work**.

- iii) Working conditions affect morale
- iv) Managerial leadership and morale are correlated.
- v) Morale tends to be high if there is a system of compensation.

12.10 LET US SUM UP

Leadership is a process of influencing group activities towards the achievement of certain goals. It is a continuous process whereby the manager influences, guides and directs the behaviour of subordinates to secure willing cooperation of the group. Combination of the managerial and leadership roles in the manager leads to not only effective task performance but also human satisfaction all round.

The trait theory of leadership suggests that the success of a leader depends mainly on his personality traits or characteristics. Whereas the behavioural theories of leadership are based on the belief that leaders can be identified by reference to their behaviour in relation to the followers.

In the situational theories of leadership the success of leadership is said to depend upon the situation in which the leader operates. The situational factors which influence leader's effectiveness include **leader-follower relations**, the **task structure** and the **position power of the leader**.

The dominant behaviour pattern of a leader-manager in relation to his subordinates is known as leadership style. There are three basic styles of leadership:

(1) Autocratic, (2) Laissez faire and (3) Democratic style.

An autocratic leader centralises power and decision-making in himself and exercises complete control over the subordinates. Hence it results in low morale, and decline of productivity in the long run.

In democratic style of leadership decisions are taken by the leader in consultation with members of the group and with their participation in the decision-making process. It helps subordinates to develop their potential abilities, provides job satisfaction and improves morale. In laissez faire style, subordinates are left to take the decisions and perform their work as they like. Hence there may be chaos and mismanagement under this leadership style.

The functions of a leader manager include : developing teamwork, representing the group and acting as a link with top management, advising and counselling subordinates, managing the time schedule of work performance, using power properly, and securing effectiveness of group effort.

Effective leadership makes a positive impact on the motivation of the members of the work group. The manager-leader may be effective or ineffective depending upon the leadership style adopted by him. The concept of managerial grid helps managers to identify their own leadership style in terms of the degrees of concern for people and concern for work combined in the style.

More effective styles are said to be the following which reflect the manager's orientation : Executive, developer, Benevolent autocrat, and Bureaucrat, Less effective styles are those which are not appropriate to the situation e.g., Compromiser, Missionary, Autocrat, and Deserter.

An effective leader must possess certain qualities like physical and mental health, empathy, self-confidence, awareness of his strength and weaknesses, objectivity, knowledge and intelligence, decisiveness, ability to communicate, etc.

Morale is the state of mind or attitude of an individual or group towards the work and work environment. It is an important factor which contributes to the willingness of the people to work, leads to their happiness and determines their productivity. A favourable attitude is an indication of high morale, while an unfavourable attitude indicates low morale. High morale makes for the success of an organisation as people work willingly and enthusiastically for

the achievement of organisational goals. Factors that influence the morale of employees are : Objectives of the organisation, leadership, behaviour of co-workers, job satisfaction, structure of the organisation, compensation, opportunity of career advancement, living conditions health, and working environment. There is a positive correlation between managerial leadership and morale of subordinates.

12.11 KEY WORDS

Leader : A person who is capable of influencing the group in its activities.

Leadership : The process of influencing group activities towards the achievement of certain goals.

Leadership Style : The dominant behaviour pattern of a leader-manager in relation to his subordinates.

Managerial Grid : Diagrammatic representation of the possible combination of concern for people and concern for work which may be reflected in the style of leadership.

Morale : The state of mind or attitude of people towards their work and work environment.

12.12 ANSWERS TO CHECK YOUR PROGRESS

A 1 (i) True (ii) True (iii) False (iv) False (v) True

2 (i) directs and guides (ii) continuous, (iii) group opinion (iv) subordinates (v) task oriented

B 1 (i) team (ii) counsellor (iii) individual, organisational (iv) leadership style (v) team

2 (i) False (ii) True (iii) False (iv) False (v) False

3 (i) and (d); (ii) and (c); (iii) and (a); (iv) and (b)

C 1 (i) True (ii) False (iii) False (iv) True (v) True

2 (i) Positive (ii) high (iii) directly (iv) positively (v) fair.

12.13 TERMINAL QUESTIONS

1 What do you understand by leadership? How does it differ from managership?

2 Enumerate the principal characteristics of managerial leadership.

3 Define 'leadership style'. What are the main differences between autocratic, democratic and free rein leadership styles?

4 What are the two types of leader behaviour identified in research studies in the State of Michigan and Ohio in U.S.A.? Explain briefly.

5 Explain in detail the concept of 'managerial grid' and its purpose.

6 Write explanatory notes on :

- Effective and Ineffective styles of leadership
- Functions of leadership
- Qualities of an effective leader
- Trait theory of leadership.

7 What is meant by morale? Outline the factors that influence the morale of employees in an organisation. What is the significance of leadership vis a vis morale?

Note : These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university, They are for your practice only.

UNIT 13 COMMUNICATION

Structure

- 13.0 Objectives
- 13.1 Introduction
- 13.2 What is meant by **Communication**?
- 13.3 Nature and Characteristics of Communication
- 13.4 Process of Communication
- 13.5 Channels of Communication
 - 13.5.1 Based on Relationships
 - 13.5.2 Based on Direction of the Flow
 - 13.5.3 Based on Method Used
- 13.6 Importance of Communication
- 13.7 **Barriers** to Effective Communication
- 13.8 Principles of **Communication**
- 13.9 How to make Communication Effective
- 13.10 Let Us Sum Up
- 13.11 Key Words
- 13.12 Answers to Check Your Progress
- 13.13 Terminal Questions

13.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the meaning of communication
- describe the nature and characteristics of communication
- outline the process of communication
- enumerate and distinguish between different types of channels of communication
- appreciate the importance of **communication** in management
- develop an insight into the **barriers** to effective communication
- state the principles of communication
- suggest how communication can be made effective.

13.1 INTRODUCTION

Communication is as important an aspect of the directing function of management as supervision, motivation and leadership. The success of management depends a great deal on effective communication. Since the purpose of directing is to activate subordinates to work towards the realisation of organisation goals, orders, instructions, plans, policies, rules, procedure and methods of operation must be communicated by managers to their subordinates. Similarly, the problems arising in the work process made at work, actual performance of employees etc. must be known to the superiors for proper guidance to be given to them in the day-to-day activities. In this unit we will discuss the meaning of communication in a business **organisation**, its nature, characteristics and importance. We shall also distinguish between the various channels of communication which may be used in an organisation, **analyse** the barriers to effective communication and discuss how communication can be made effective on the basis of the **principles** of communication.

13.2 WHAT IS MEANT 'BY COMMUNICATION?

Simply stated, communication means **transmission** of messages or exchange of ideas, facts, opinion or feelings by two or more persons. It is the act of making one's **ideas and** opinions known to others. It may also be regarded as the process of meaningfully **transferring information from one person** to another. In an organisational set up, communication is the means by which people are linked together for a common purpose, to establish a common **interest** or mutual understanding. Thus, communication does not simply involve sending of a message by one person. It also involves the receiver listening to it, interpreting it, and responding to it or acting according to it.

13.3 NATURE AND CHARACTERISTICS OF COMMUNICATION

Communication is essentially a two-way process. It is not complete unless the receiver of the message has understood the message and his reaction or response is known to the sender of the message. The basic purpose of communication is to create **mutual** understanding and unity of **commonness** of purpose. It may involve exchange of facts by way of information thought, or ideas, opinion or points of view, feelings or emotions. Communication is a continuous process in management. No manager can avoid communicating with his superior and subordinates in the course of his activities. Inadequate or ineffective communication is often responsible for making managerial performance unsatisfactory. Managers at all levels and in all departments must communicate to keep the wheels of operations running smoothly. Thus communication pervades the entire organisation.

The characteristics of communication in a business enterprise may be outlined as follows:

- 1 It is a **cooperative** process involving two parties, one who transmits and one who receives the message.
- 2 The respective **parties** to a **communication** must have the ability to convey and listen to what his counterpart has to communicate.
- 3 Communication includes sending the message as well as receiving the reaction or response to the message and therefore is a two-way traffic.
- 4 The response to a communication is as essential as the initial communication because the response indicates the impact of the communication.
- 5 The message to be communicated may be conveyed verbally, in writing, by means of signs, gestures or symbols. More than one **means** may be adopted to **make** the communication effective.
- 6 The purpose of communication is that of passing information and understanding, to bring about commonness of purpose, interest and efforts.
- 7 Communication is a continuous process for effectiveness and efficiency of on going operations, planning and policy making,
- 8 **Communication** may flow vertically upward or downward between superiors and **subordinates**, horizontally between **persons occupying similar** ranks in different departments, as well as diagonally between persons at different levels in different parts of the **organisation**. Hence, **communication** flows pervade the entire organisation.

13.4 PROCESS OF COMMUNICATION

The **process** of communication **implies** the existence of a sender, a receiver, a message **and** a motivating climate **for it**. The process includes the following steps:

- 1 **Clear perception of the idea or problem** : No message can be **transmitted properly**

unless the idea or problem is formulated with clarity of thought and perception on the **part** of the communicator. It is only on the basis of clear **thinking** that the communicator can decide on the means **to** be adopted to convey the message.

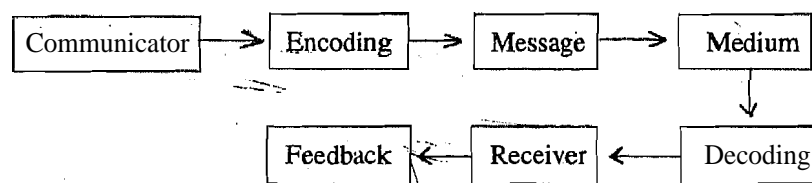
- 2 Participation of others involved : The next step is to secure the **participation** of other persons in the decision to communicate a message. This **may** be helpful in clarifying the ideas through interaction with others, gathering **new** ideas and **suggestions**, and in creating a motivating **climate** for securing positive response to the message.
- 3 Transmission **of** the message : What to communicate, to whom, **when** and how are expected to be decided before actual transmission of the message. Actual transmission involves preparing the matter and the form of communication (known as 'encoding' the message) and selecting the medium or means of communication (oral or written) keeping in view the nature of person or group to be addressed.
- 4 Motivating the receiver of the message : The communicator cannot depend on the message alone to get an appropriate response from the receiver. He must ensure that the receiver of the message is not only able to interpret the message correctly but **is** also prepared to act according to it. Thus, **apart from** the clarity of the message, it must inspire the receiver to do or behave as desired by the sender of the message.
- 5 Evaluation of the effectiveness of communication : After the message has been transmitted **and** accepted by **the** receiver, it remains for the communicator to ascertain and evaluate **the** nature of impact of the communication. This determines whether and to what extent the receiver has positively responded to the message.

Elements in the Communication Process :

The process of **communication** may be better understood if we take into account the basic elements in the **communication** process. The elements are shown in figure 13.1

Figure 13.1

Elements of Communication Process



Let us now discuss them one by one.

- 1 **Communicator** : The communicator plays an important role in the process of communication as the message originates from him. Communicators **may include** managers, subordinates, clients, customers, as well as outside parties.
- 2 **Encoding** : Encoding the matter to be **communicated** is the second element. It refers to preparing the subject of communication (idea, fact, information, etc.) in a suitable language.
- 3 **Message** : The encoded message needs to be transmitted by appropriate means. It may be in verbal or written **form** depending on the purpose in view.
- 4 **Medium** : The medium of communication carries the message from the **communicator** to the receiver. Face-to-face verbal communication, use of telephone, **inter-com** facilities, issue of memorandum, notice, circulars, statements, telegraph, telex, etc. are the various means available as media of communication. Besides, non-verbal media like signals, gestures, etc. may also be used. The choice of medium is an important aspect of **communication**, since proper **medium** also **determines** its effectiveness.
- 5 **Decoding** : Decoding refers to the conversion of the message by the receiver into meaningful **terms** so as to **make** it understandable. This is another important element of communication for the receiver's response depends upon his understanding of the **content** and purpose of the message.

Receiver : The receiver of the message has an equally vital role to play as the communicator. **Indeed**, communication to be effective must be **receiver-oriented**, for it is **the** receiver, his ability to decode the message and understand it, that contribute to a **positive** response from the receiver.

Feedback : The actual response of the receiver to the message communicated to him is **known** as 'feedback'. This is an important element of the communication process for it reduces the possibility of a difference between the intention of the communicator and the **interpretation** of the message by the receiver. Two-way communication requires feedback to the initial message sent and enables the sender to check whether the message received **has** been properly understood by the receiver.

Check Your Progress A

Which of the following statements are True and which are False.

- i) Communication involves something **more than** sending a message,
- ii) **The** basic purpose of **communication** is **to** issue orders and instructions to subordinates.
- iii) Encoding means writing a message in code language.
- iv) **Communication** is always made **either verbally or in writing**.
- v) Two-way communication **ensures feedback** to the initial message sent.
- vi) What **to** communicate must **be** decided first, **and when to communicate** decided later.

Fill in the blanks.

- i) **Communication** is a process in management.
- ii) **The** receiver has to the message to **understand its content** and purpose.
- iii) The response of the party to whom a **message** has been sent is **known** as
- iv) The respective parties to a **communication** must have **the** ability to, and **what his counterpart communicates**.
- v) The encoded message **may** be **transmitted** through one or more

13.5 CHANNELS OF COMMUNICATION

The direction or path through which the flow of communication takes place is **known** as the **channel** of communication. The channels of communication can be divided on the basis of
1) the relationships (2) the direction of the flow and (3) the method used.

13.5.1 Based on Relationships

The direction of the flow is **basically governed** by the relationships between the parties involved. Thus **communication** may be of two broad types: (1) **formal** (2) informal

1 Formal communication : The **formal** channels of communication are based on **organisational relationships** established formally by the management of the organisation. Orders, instructions and information which flow through these channels are official communication. In other words, the formal channels of communication **are** used for the transmission of official messages within or outside the organisation. In every organisation, the lines of **communication** correspond to the chain of command, that is the superior-subordinate relations in the hierarchy. A superior gives orders to the subordinates directly under his authority but cannot do so to anyone who is more than one level below him in the hierarchy. Similarly, a subordinate cannot report on his performance or seek information from anyone except his immediate superior. **He** cannot directly communicate with any one **who** is more than one level higher in the hierarchy. He can do so only through his immediate superior. Formal channels of communications help management in maintaining **order** and add to the seriousness of purpose of the message transmitted. But, formal communication which is intended to flow through more than one level suffers from delay and chances of distortion.

2 Informal communication : Communication which takes place on the basis of informal or social **relations** among people in an **organisation** is **known** as **informal** communication. Such communication does not generally follow the official, **formal** channels. **This type of communication** occurs due to the natural desire of human beings to communicate with each

other **and** is the result of social interaction among people. It may take place between persons cutting across the organisational positions occupied by them and among people **working** in different work units. The origin and flow of informal communication are difficult to trace. Hence, it is also known as 'grapevine'. The messages which flow through informal channels are of varied nature. It may be purely personal or related with **organisational matters**.

The characteristic feature of informal communication is that it spreads very rapidly among people. But at the same time, it may **consist** of half-truths and **rumours** passing between members of the organisation. No one can be made responsible for it, nor is it **taken** seriously. Moreover, it may lead to leakage of confidential information. Sometimes it causes tension. It is also liable to a great deal of distortion as it passes from one person to another. However, management can take advantage of it by maintaining friendly and cooperative relations with others.

13.5.2 Based on Direction of Flow

Whether the **communication** is formal or informal in nature, channels of communication may be **divided** according to the direction of the flow. These are : (1) vertical (2) horizontal (or lateral) and (3) diagonal communication. Let us examine the implication of these types.

- 1 Vertical Communication : This type refers to communication that takes place between persons occupying superior and subordinates positions in the organisational hierarchy. Orders and instructions issued by managers to **subordinates** and performance reports sent by subordinates to the managers are typical examples of vertical communication. It may be sub-divided into : (a) downward communication and (b) upward communication.
 - a) 'Downward Communication : Communication which flows from higher-level managers to others in lower-level positions is generally known as downward communication. Thus, messages transmitted from the superior to his subordinates, or from a manager to the **assistant** manager are downward communication. It also includes directives and messages which are issued by top management and are transmitted down the hierarchy through intermediate levels of management to employees at the lower levels. Such communications may consist of verbal messages conveying orders, policies, procedures, or written matter conveyed through notices, circulars, memorandas, bulletins, handbooks etc.
 - b) Upward Communication : This type of communication flows from lower level managers and **employees** to those in higher level positions. Information and reports communicated by subordinate workers to the foreman, by the manager to the general manager, or by the chief executive to the Board of Directors, are examples of upward communication. The upward channels of communication not only enable higher level managers to get valuable information but also opinions and suggestions from lower levels at the time of making decisions on plans and policies. The opportunity of upward communication encourages people to transmit their complaints and grievances to superiors, draw the attention of managers to problems and make proposals for improving the **efficiency** of work performance in the organisation. .
- 2 **Horizontal** Communication : **Communication** that takes place directly between two persons having equal ranks in the managerial hierarchy or between two subordinates **under** the same manager is called horizontal communication or lateral **communication**. Thus, horizontal communication consists of interaction between people in the same or different departments. This facilitates coordination of activities which are interdependent. For example, coordination of production and sales activities requires continuous exchange of information between the respective managers of the two departments. The same is true of factory manager and repairs and maintenance manager.
- 3 Diagonal Communication : **This type** of communication implies exchange of information between persons who are in positions at different levels of the hierarchy and also in different departments. This type of **communication** does not take place except under special **circumstances**. For example, the Cost Accountant **placed** in the Accounts Department may want reports from the sales representatives for the purpose of distribution cost analysis. These reports may be sent directly to the Cost Accountant instead of being **sent** to the **sales** manager. **This is** an example. However, formal

communications are normally expected to be routed through the manager who is in charge of the department from which the communication is made.

3.5.3 Based on Method Used

the basis of the methods used for the purpose, communication may be : (i) verbal
 (ii) written (iii) gestural.

Verbal Communication: When the messages are transmitted orally it is called verbal communication. It is more effective method of conveying ideas, feelings, suggestions, information etc. It gives communication a personal touch. It is especially useful when the manager wants to know the reaction of the other person quickly. It is economical both in terms of time and money. There can be nothing better and more economical than passing a verbal order. Verbal communication includes face-to-face contact, interviews, joint consultation. However, verbal communication has its drawbacks. It is not useful when the number of persons to be communicated is more and if the communicator and receiver are at places far away from one another. Moreover, when the subject matter of communication has to be kept as a record, verbal communication will not serve the purpose.

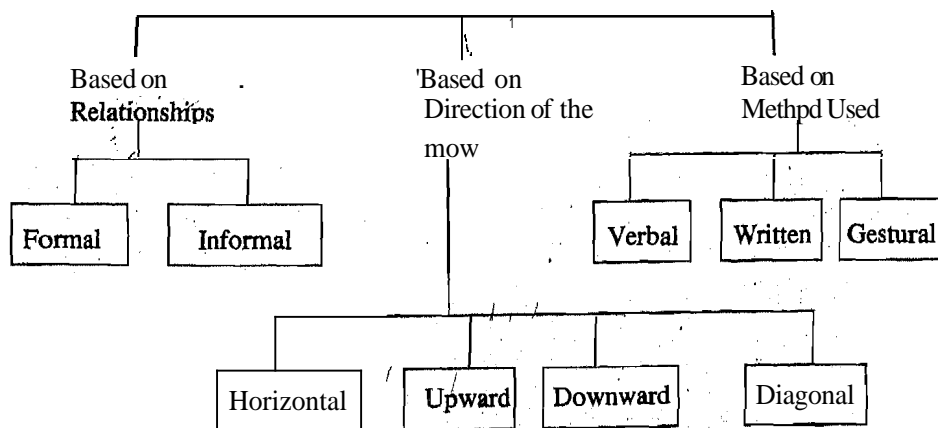
Written Communication: In a formal organisation, written communication is the most important media for conveying ideas, information etc. In every such organisation one comes across a variety of orders, instructions, reports and bulletins, serving as the basis of communication. Written communication is permanent, tangible and verifiable. The record is maintained and both the sender and the receiver have access to the records for further clarification. Written communication is advantageous where the subject matter to be conveyed is lengthy or where it is intended to be conveyed to a large number of persons. One fundamental limitation of written communication is that it is usually time-consuming. Written communications tend to be very formal and lack personal touch. It is difficult to maintain complete secrecy about a written communication. Some day or other it is bound to reach those whom it was intended to be kept as a secret.

Gestural Communication: Communication through gestures is often used as a means to make verbal or written communication more effective. One has only to attend meeting addressed by a trade union leader to see how he uses different gestures by hands, movement of eyes to make his point. If sometimes the superior pats his subordinate on his back, it will be considered as appreciation for his work. This will in turn increases the efficiency of the subordinate.

All types of channels of communication described above have been summarised in Figure 13.2

Figure 13.2

Types of Channels of Communication



13.6 IMPORTANCE OF COMMUNICATION

The significance of effective communication in a modern organisation is recognised all over the world. It is of vital importance for efficient and smooth functioning of an enterprise. The importance is evidenced by the fact that every manager on an average spends 80-90 p.c. of his time in the communication process.

Let us analyse the basis of its importance.

- 1 Adequate and timely communication is necessary for the managerial functions of planning, **organising**, directing and controlling to be carried out **successfully**.

It is on the basis of information communicated to them that plans can be developed by top management. On the other hand, plans, policies and procedures must be communicated to operating managers and employees without which implementation of plans can hardly be possible. Similarly to establish organisational relations, people must be informed about their position, tasks, and authority in the **organisation**. The directing function also **requires proper** communication between managers and their subordinates and between **members of** work-groups. Only then it is possible to achieve group goals as well as organisation goals. Again, timely feedback of actual performance against planned targets forms the basis of the control function of management.

- 2 Effective communication contributes a great **deal** to higher efficiency in job performance. It ensures willing cooperation of others due to the close understanding of ideas and instructions established through communication. Indeed a direct relationship exists between the **effectiveness** of communication and efficiency in an organisation.
- 3 The quality of decisions made in an organisation depends largely on the amount and quality of **information** available to the decision maker. However, the quality of information depends on the effectiveness of the communication system. Thus, a good communication system contributes positively to the quality of decisions.
- 4 Communication is the **means** by which delegation and decentralisation of authority is accomplished in an organisation. Operating **managers** must have a clear understanding of their respective limits of authority and accountability and the jobs assigned to them. This is possible only through **the existence** and use of communication channels.
- 5 **Coordination** of interdependent activities requires communication to flow horizontally as well as through all levels of **authority**.
- 6 The effectiveness of communication **also** helps in moulding attitudes and building up employee morale. It plays an **important** role in removing misunderstanding and developing harmonious labour-management relations.

Check Your Progress B

- 1 Fill in the blanks.
 - a) **Formal channels of communication** are *based* on **relationships established by management**.
 - b) **Downward communication** flows from **managers to others** occupying **positions**.
 - c) **and** **communication is essential for managerial functions to be carried out successfully**.
 - d) **Effective communication** leads to **in job performance**.
 - e) **Horizontal communication** facilitates **of interdependent activities**.
- 2 Which of the following statements are True and which are False.
 - i) **Diagonal communication** involves exchange of information between people of **different ranks and working in different departments**.
 - ii) **Upward communication** should be allowed **only** when there is a **crisis or emergency**.
 - iii) **Downward communication** takes place **only at the lowest level of the hierarchy of management**.
 - iv) **The channels of formal communication** correspond to the **chain of command in the organisation**.
 - v) **No one can be held responsible for informal communication**.

3.7 BARRIERS TO EFFECTIVE COMMUNICATION

Effective communication implies that the message transmitted by the sender is **understood, accepted** and acted upon by the receiver for the intended purpose. In **actual** practice, one or more factors often stand in the way of effective communication. These are obstacles or **barriers**, which create confusion, misunderstanding and may even lead to breakdown of the **communication** process. The following types of barriers are commonly found to create **problems** in organisations.

Multiplicity of Organisational Layers: The structure of organisation often causes messages to **be** distorted, stopped or absorbed particularly when there are many layers or **levels** in the hierarchy. In upward communication, the message tends to **be** distorted as it passes through intermediate levels. Information may be withheld at **a** particular level or passed on with changes. This is done **if** it is likely to have the effect of carrying **an** unfavourable impression to higher levels about the performance of **the** manager at that level. Downward flow of communication may also be distorted at intermediate levels to suit the convenience or serve the interest of managers concerned. This is known as 'filtering' of the message.

Language Barrier: The language used for communicating a message **may** create problems due to the difficulty of interpreting words or due to lack of clarity of **expression**. People with different educational and cultural background and intellectual ability may find it hard to understand the message due to jargon used by the sender. In such cases, the same word may be **attributed** different meanings by the sender and receiver of the message. This is known as the problem of semantics.

Status Barrier: Status relationships in an organisation may also be a serious obstacle to effective communication. People placed in superior and subordinate positions have difference in status on account of their respective ranks in the hierarchy. It is due to the status difference that subordinates often suppress or withhold information which may not be liked by their superiors, or pass on distorted information to please their superiors. No subordinate **likes** to reveal his mistakes to his superior. Similarly, **the** status consciousness of the superior prevents him from fully communicating information which may adversely reflect on his ability or **judgement**.

Physical Distance as a Barrier: In large organisations, the physical distance between the sender and the receiver of any message may become an obstacle to effective communication. This is because it is difficult to evaluate whether the receiver has understood, accepted and acted on the message sent to him if his workplace is far away from that of the sender.

Emotional and Psychological Barriers: When people have strong **attitudes** and feelings, **they** are emotionally affected by messages received **which** do not conform to their attitudes. Hence, they tend to either **reject** or refuse to accept **such** messages. The sender **may** also distort a message if he feels strongly about it or is under emotional stress at the time. Psychological barriers **often** arise due to lack of mutual trust and confidence. Similarly when subordinates have a favourable image of the superior **they** are psychologically more inclined to accept and respond positively to his messages. It does not happen if they have an unfavourable image. The image is built on the basis of experience and **interaction** between the superior and the subordinate. Any communication which purports to **bring** about a change in the existing state of affairs also creates psychological barriers since people generally do not like a change particularly when its effects are uncertain..

13.8 PRINCIPLES OF COMMUNICATION

There are no fixed principles for the guidance of communication by the managers of an organisation. The guidelines which are useful for **making** communications effective may be regarded as principles of communication. These are listed below:

- 1 The problem or idea to be communicated needs to be **analysed** systematically so as to be clear about it.

- 2 **The purpose** of each communication, that is, what is really to be accomplished through the communication should determine the language, means and media of communication.
- 3 The meaning and intention of communication is conveyed not by words alone. The timing, physical setting, and the organisational climate are important **determinants** of the success of communication.
- 4 Consultation with others may be appropriately made in planning communication so as to gain additional insight and objectivity to the message. .
- 5 The basic content and overtones of the message as well as receptiveness to the viewpoint of the **receiver** have considerable impact on the effectiveness of communication.
- 6 Whenever possible, messages should convey something of value to the receiver in the light of his interest and needs.
- 7 **Communications** have greater chances of **being** effective when followed up by encouraging the receiver to express his reactions, or by review of performance and ensuring a feedback.
- 8 Although communications are primarily necessary to meet immediate situations they must also be consistent with long-term interest and goals.
- 9 The **most** persuasive communication is not what is conveyed through words but the action of the communicator following the communication.
- 10 The sender of a message should not but ensure that the message is **understood** but he must try to understand the reaction and attitude of the receiver by listening to his viewpoint.

13.9 HOW TO MAKE COMMUNICATION EFFECTIVE

The principles or guidelines to making communications effective are of a general nature, operationally speaking, a number of more specific suggestions can be made to ensure the effectiveness of communications.

- 1 **Regulating the flow of communications:** Planning communication should involve determining the priority of messages to be **communicated** so that managers may concentrate on more important messages of high priority. Otherwise, there is a possibility of managers being overloaded **with** the task of communication. Similarly, incoming communication should be **edited** and condensed, if possible, to reduce the chances of overlooking or ignoring important messages received.
- 2 **Feedback:** Along with each communication there is need for feedback, that is, communication of the response or reaction to the initial message. Feedback may include the receiver's acceptance and understanding of the message, his action or **behavioural** response, and the result achieved. Two-way **communication** is thus considered to be more helpful in establishing mutual understanding than one-way communication.
- 3 **Language of the message:** Use of appropriate language is essential for effective **communication**. While preparing the **message**, its sender must keep in view the climate, as well as **the** ability of receiver to interpret the message accurately. **Abstract ideas should** be explained and vague expressions avoided. He must keep in view **the semantic** problem, that is, the **possibility** of particular words having more than one **meaning**. **Experimental** studies have shown that oral communication accompanied by its written version is more effective in bringing about the desired response.
- 4 **Importance of listening carefully:** Listening to verbal messages **carefully** implies an active process. **Half-hearted** attention to the communication is often the cause of **misunderstanding and confusion**. A listener has to be patient, mentally composed, and **avoid distractions while receiving** the message. He should be in a position to concentrate on the message and seek clarification, if necessary. On the **other hand**, the sender of the message must **also** be prepared to listen to what the receiver has to say, and respond to his questions, if any.

Restraint over emotion: Strong feelings and emotional stress on the part of either the sender or receiver of messages are serious handicaps in the communication process. To avoid any negative impact of emotion on the content of the message; the sender may defer the communication for sometime or consult to exercise restraint over his psychological feelings to avoid misinterpreting the message and to be able to respond to it with a composed mind.

Non-verbal signals of compliance: Verbal messages are generally accepted orally by the receiver. But whether action will follow the acceptance of the message is not certain. It is, therefore, suggested that in the case of verbal communication the sender should observe the action of the receiver to ascertain whether the actions are in conformity with the intent and understanding of the message.

Mutual trust and faith: No amount of seriousness of the parties involved can make the process of communication effective unless there is mutual trust and faith between them. The best means of developing these among people in an organisation are honesty of purpose and openness of the managers. However, it takes time to build such a climate. Both managers and subordinates have to cooperate for the purpose so that individuals feel free to make suggestions and correct each other's views without misunderstanding.

Check Your Progress C

- 1 Which of the following statements are True and which are False.
 - a) Communication suffers from semantic barrier when the message is conveyed in vague words.
 - b) As a principle, communication must be consistent with long-term interests and goals while meeting short-term needs.
 - c) Action should be taken on messages on a 'first come first serve' basis.
 - d) A subordinate should not be permitted to ask questions on the communication received from his superior.
 - e) Verbal acceptance of a communication is not enough, it must be acted upon.
- 2 Fill in the blanks.
 - i) Mutual faith and trust can be developed if there is and to the viewpoints of each other.
 - ii) Messages should convey something of value to the receiver in the light of his and
 - iii) Subordinates do not feel free to express their views on policy matters to their superiors due to difference in
 - iv) The most persuasive communication is that which is conveyed through of the communicator following the communication.
 - v) is as important in communication as speaking.

13.10 LET US SUM UP

Communication means transmission of messages or exchange of ideas, facts, opinion or feelings by two or more persons. Communication does not only involve sending a message but also its acceptance by the receiver. It is essentially a two-way process. It is not complete unless the receiver has understood the message and his reaction is known to the sender of the message.

Communication is a cooperative process involving two parties, each having the ability to convey and listen to what his counterpart communicates. The response to a communication is as essential as the initial communication. The message may be communicated verbally, in writing, through gestures, signs or symbols. The purpose of communication is to pass information and understanding to bring about commonness of purpose, interest and efforts. It is a continuous process in management, The process of communication includes the following steps; (1) clear perception of the idea or problem by the sender, (2) participation of others involved, (3) transmission of the message, (4) motivation of the receiver, and (5) evaluation of the effectiveness of communication.

The basic elements of the communication process are:

- (a) The communicator, (b) Encoding, (c) Message, (d) Medium, (e) Decoding, (f) Receiver, and (g) Feedback.

Communication channels may be of two broad types: **Formal** and **Informal**. **Formal** channels of communication are based on **organisational** relationships **formally** established by the management. These are used for the **transmission of official** messages within and **outside the organisation**. Formal communication corresponds to the **chain** of command.

Communication which takes place on **the** basis of informal or social relations among **people in an organisation** is known as **informal communication**. Generally, such **communications** do not follow the formal channels. It is also known as **grapevine**. Channels of communication may be divided into three categories according to the direction of **the flow viz.**, vertical, horizontal or lateral, and diagonal communication.

Communication that takes place between persons occupying superior and subordinate **positions** in the **organisational** hierarchy is known as **vertical communication**. The direction of **flow** of vertical communication may be downward or upward. Downward communication **flows from** higher level managers to others in lower level positions. **Upward communication** **flows from** subordinates to superiors in the hierarchy of management. Horizontal or **lateral** communication refers to communications that take place **directly** between persons **having equal ranks**, or between subordinates under the same manager. **Diagonal communication** **implies** exchange of information between persons **who are** placed at **different levels and in different** departments. Adequate and timely **communication** is necessary **for managers to be able to carry out** their functions **successfully**. Effective **communication** **contributes to higher efficiency** in job performance and ensures willing cooperation of others. **The quality of** decisions made by managers depends largely on the amount and **quality of information** available to them. Further, communication **provides the means by which delegation and decentralisation is accomplished**. ~~Coordination~~ of interdependent activities requires continuous **flow of information** and exchange of views among managers. The effectiveness of **communication** also helps in moulding the attitudes and building up employee morale. Barriers which stand in the way of effective communication are: (1) multiplicity of organisational layers; (2) language and semantic problems; (3) status difference; (4) physical distance; (5) emotional and psychological factors.

The guidelines or principles which may be followed for effective communication include: (1) systematic analysis of the idea or problem; (2) the purpose **determining** language, means and media of communication; (3) the importance of timing, physical setting, and the organisational climate as **determinants** of the success in communication; (4) planning communication in consultation with others; (5) consideration of the impact of the basic content and overtones of the message and receptiveness to the receiver's viewpoints; (6) necessity of conveying something of value to the receiver; (7) need for follow-up by encouraging the receiver to give his reaction, or by review of performance and ensuring feedback; (8) consistency of communication with the **long-term** interest and goals; (9) importance of **action** following the initial communication; (10) understanding the reaction and attitude of the receiver.

To make communication effective, the following factors should be given due attention; (1) regulating the flow of communication; (2) feedback; (3) use of appropriate language; (4) listening carefully; (5) restraint over emotion; (6) looking for non-verbal cues of compliance; and (7) mutual trust and faith.

13.11 KEY WORDS

Communication Barriers: The problems which create confusion, misunderstanding and lead to breakdown of communication process.

Communication Channel: The **direction** or path through which the flow of **communication** takes place.

Decoding: Conversion of a message by the receiver into meaningful term.

Diagonal communication: Exchange of **information** between persons holding different ranks and placed in different **departments**.

Downward Communication: The flow of **communication** is from the higher to the **lower** levels of management.

,coding: Expressing the message to be communicated in a suitable language.

edback: The reaction or response of the receiver to the message.

ormal Communication: It refers to communication among people strictly as per the **annels** laid down in the organisation structure.

rapevine: Channels or flow of informal communication.

orizontal or Lateral Communication: Communication between persons holding similar **anks** in the same or different departments.

ormal Communication: It flows through unofficial channels not specified in the **organisation** structure.

ransmission: The act of saying, sending or issuing the message.

oward Communication: This type of communication **flows from** lower level positions to **gher** level positions.

ertical Communication: Row of communication between persons having **superior-**
ordinate relations.

3.12 ANSWERS TO CHECK YOUR PROGRESS

- 1 (a) Right (b) Wrong, (c) Wrong, (d) Wrong, (e) Right, (f) Wrong.
- 2 (i) Continuous, (ii) decode, (iii) Feedback, (iv) Convey, **listen to**, (v) media
- 1 (a) Organisational, (b) Higher-level, lower-level, (c) Adequate, timely
(d) Efficiency, (e) Coordination
- 2 (i) Right, (ii) **Wrong**, (iii) Wrong, (iv) Right, (v) Right.
- 1 (a) Wrong, (b) Right, (c) Wrong, (d) Wrong, (e) **Right**.
- 2 (i) Honesty of purpose, openness, (ii) Interest, **need**, (iii) Status, (iv) Action,
(v) Listening.

13.13 TERMINAL QUESTIONS

- Define 'Communication'. Why is communication of vital importance to management?
- State and explain the basic elements of the communication process.
- What are the steps involved in the process of communication? Discuss.
- Distinguish **between** formal and **informal** communication. Why is informal communication called 'grapevine'?
- Explain the nature and significance of vertical, horizontal and diagonal communication channels.
- What are the most common **barriers** to effective communication? How can they be overcome?
- Discuss the major principles of communication. How can communication be made effective?
- Write Notes on
 - a) Status barrier to communication.
 - b) Communication channels.
 - c) Emotional and psychological barriers to communication.
 - d) Informal communication.

SOME USEFUL BOOKS

- Bhushan, Y.K. 1985. *Fundamentals of Business Organisation and Management*, Sultan Chand & Sons;, New Delhi (Part Four, Chapter 6).
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- Singh, B.P. and T.N. Chhabra, 1988. *Business Organisation and Management*, Kitab Mahal; Allahabad (Section Seven, Chapter 33, Section Four Chapters 10 to 13).

UNIT 14 COORDINATION

Structure

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Definition of Coordination
- 14.3 Need and Significance of Coordination
- 14.4 Objectives of Coordination
- 14.5 Coordination vs. Cooperation
- 14.6 Types of Coordination
- 14.7 Principles of Coordination
- 14.8 Management Techniques in Coordination
- 14.9 Problems of Coordination
- 14.10 **Let Us Sum Up**
- 14.11 Key Words
- 14.12 Answers To Check Your Progress
- 14.13 **Terminal Questions**

14.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the meaning and objectives of coordination
- distinguish between coordination and cooperation
- explain the various types of coordination
- enumerate the principles of coordination, and
- discuss the techniques of coordination.

14.1 INTRODUCTION

In Blocks 2 and 3 you have learnt the various functions of management **viz.**, planning, organising, staffing, directing and controlling. We shall now discuss the function of coordination which is very essential for any organisation to achieve its objectives.

Management has to procure and make the best use of resources like men, material, money and machines to succeed in achieving business objectives. The resources are at the disposal of managers for different types of functions and operations, which are inter-related. Thus, to attain the objectives of the organisation **efficiently**, different activities and efforts must be planned, organised and **carried** out in an orderly manner.

The various activities of a business organisation are grouped and carried out in **different** departments. Within each department again there is division and sub-division of operations according to the nature of tasks involved. Activities of such divisions, **sub-divisions and** departments are to be monitored by harmonising individual and group efforts. This can be achieved through coordination only.

In this Unit you will learn the meaning of coordination, its importance, the techniques and principles of coordination as well as the limitations to coordination.

14.2 DEFINITION OF COORDINATION

You must have seen that in an orchestra, its conductor directs activities of the group in such

a manner that it produces harmony and melody in music. Similarly, in an enterprise a manager (conductor) must also direct the activities of the group in such a manner that it brings harmonious and united action to achieve the common goal.

In every organisation, division and sub-division of activities become necessary to derive the benefits of specialisation and smooth operation. Individuals and members of groups are expected to contribute maximum efforts in the performance of their tasks. But, to ensure that their efforts are not in conflict with each other, individual and group activities are to be harmonised so that there is unity of action. The process by which a manager brings unity of action in an organisation is coordination. Thus, managers at all levels are required to coordinate the efforts of their subordinates.

Coordination refers to the orderly arrangement of individual and group efforts to ensure unity of action in the realisation of common objectives. It involves synchronisation of different actions or efforts of the various units of an organisation to provide the requisite amount, quality, timing and sequence of efforts so that the planned objectives may be achieved with minimum of conflict.

According to Brech, "Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with the harmony among the members themselves." According to McFarland, "Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose."

Theo Haimann defines Coordination as "the orderly synchronising of efforts of the subordinates to provide the proper amount, timing and quality of execution so that their united efforts lead to the stated objectives, namely the common purpose of the enterprise." From the above definitions we can infer that coordination is a conscious process of assembling and synchronising various kinds of activities with a view to achieve specific objectives.

The following five points emerge from the above discussion :

- 1 **Harmonisation of group efforts:** Most of the management thinkers have emphasised on harmonisation of group efforts to point out that organisation is not merely a collection of men, money, material, machines, methods, but these resources need to be properly organised. Besides, subordinates efforts must also be synchronised to ensure proper timing and quality of execution so that the organisational objectives are realised.
- 2 **Unity of action:** Each individual in the organisation performs certain unique and different types of tasks. He is not only related with others in the organisation (through structure) but his function also affects other's functions. A manager tries to synchronise individual efforts to attain unity of efforts in the pursuit of common objectives. Coordination, therefore, applies to group efforts.
- 3 **Pursuit of common purpose :** Each employee has goals, perceptions, values, beliefs, attitudes etc, and makes every effort to achieve his own goals. When individuals and groups work for achieving their objectives, they also contribute something for the achievement of organisational goals. The conflict, if any, between personal and organisational goals gets resolved through coordination. Managers have to persuade individuals and groups to work for a common purpose while achieving their own objectives as well.
- 4 **Continuous process :** Coordination is not a one-shot deal but a continuous process. It starts with the very first action in the process of establishment of business and runs through until its closure. It is a continuous process for achieving unity of purpose in the organisation.
- 5 **Responsibility :** It should be noted here that coordination is the most important responsibility of every manager in the organisation as he tries to synchronise the efforts of his subordinates with others. When this is not felt or realised by managers, there is a need to appoint special coordinators.

14.3 NEED AND SIGNIFICANCE OF COORDINATION

In any business organisation people are engaged in carrying out different tasks. A manager, through coordination, can avoid potential conflict among people, duplication of work, reduce wastage and save scarce resources. Synchronisation and harmonisation of various individual and departmental activities assume importance in achieving the desired organisational objectives.

To ensure harmonious and smooth functioning of an enterprise, the departmental activities, all decisions and human actions are required to be pulled together. In doing so the managers should prevent overlapping and duplication of efforts that may affect the unity of action. Therefore, effective coordination is required in every business organisation.

In every organisation coordination has become inevitable due to the following reasons:

- 1 Increase in size and complexity of operations : The advantages of economies of large scale production and distribution have led to the establishment of large business organisations. This has made the operations of the organisation more complex. Moreover, in a big organisation, a large number of people are employed to carry out a variety of tasks. This complex structure of the organisation has given rise to problems of supervision and communication. Therefore, coordination plays an important role in integrating all these activities in the organisation.
- 2 Specialisation : In this age of specialisation, highly skilled people are employed to perform technical jobs. Division of work into specialised functions and departments leads to diversity and lack of uniformity. Specialists in charge of various departments focus on their own functions with little regard to other functions. Coordination helps in synchronising the activities of different units and creates unity in the midsts of diversity.
- 3 Clash of interests : There is a possibility of conflict between the personal goal of the employee and the organisational goal. Sometimes they may pursue their own specialised interests at the expense of the larger organisational goals. Coordination helps to avoid conflict between individual and organisational goals. It brings about harmony between the two types of goals.
- 4 Different outlook : Every individual has his own way of working and approach towards problems. Capacity, talent and speed of the people differ widely in any organisation. Therefore, it becomes imperative to reconcile differences in approach, timing and effort to secure unity of action. By resolving the differences and bringing about unity coordination helps in creating congenial atmosphere in the organisation.
- 5 Interdependence of units: Various units of an organisation depend upon one another for their successful functioning. The output of one unit serves as the input of another unit. Therefore, the need for coordination increases with an increase in the interdependence between organisational units.
- 6 Human nature : There is a wide variation of human nature and attitudes in the organisation. Managers are confined with the job of their own departments. They do not involve in the activities of other departments. This is more so when managers are compensated on the basis of their performance. Coordination helps in the integration of the activities of different departments in the organisation,

14.4 OBJECTIVES OF COORDINATION

You have learnt the meaning and need for coordination. Let us now discuss the objectives of coordination which have been listed as below:

- 1 Reconciliation of goals : Conflicts in organisation arise because of differences between organisational goals and individual goals and the individualistic perception of goals and its realisation. Coordination is the only means by which such conflicts can be avoided.

Through personal contacts and better communication **conflicts** are minimised and unity of purpose is achieved. Commitment to organisational goal is also brought about.

- 2 Total accomplishment of goals : Although individuals are firmly committed for the achievement of organisational goals individual contribution to work bring about total accomplishment which is in excess of the aggregate of the individual contribution. This is realised **through** the establishment of a reporting system and **clear-cut spelling** out of business objectives.
- 3 Harmonious **relationships** : Another objective of coordination is to maintain **harmonious** relationship between individuals and the brganisation. Individuals derive satisfaction when their work **performance** brings about realisation of the desired goal. This keeps their morale high.

As the organisation is structured with clear lines of authority and responsibility, conflict between line and staff personnel is minimised and better **relationship** is established. This not only helps in reducing labour turnover, but also enables workmen to stick to their jobs in the organisation. Thus, coordination in an organisation is expected to promote good personal **relationships**.

- 4 **Economy and** efficiency : Coordination aims at bringing about economy and efficiency of operations through synchronisation of activities and individual **efforts** whereby wastage of resources is minimised and there is saving of time and expense. Reduced rejection and minimum delays in execution lead to efficiency of operations in the organisation.

14.5 COORDINATION VS. COOPERATION

The terms 'coordination' and 'cooperation' cannot be used interchangeably. Cooperation refers to the collective efforts of people who associate voluntarily to achieve specified objectives. Cooperation indicates the willingness of people to help each other, while coordination is much more inclusive requiring more than the desire and willingness to cooperate. Coordination is an organisational effort while cooperation is individual.

Coordination is an orderly arrangement of group effort to provide unity of action in the pursuit of **common** objectives. It requires deliberate effort on the part of management. Existence of cooperation among members of the group facilitates coordination but it does not mean that coordination originates automatically from the voluntary efforts of the group members.

Coordination has to be achieved through conscious **and** deliberate efforts of the manager. For example, when a dozen persons are required to shift a heavy object from its present position to **another** position, their willingness to cooperate with one another for the common purpose may not be successful unless one of them coordinates their efforts. He must give proper direction to all members of the group to apply the right type of effort at the right time and right place. Cooperation is a necessary but not a sufficient condition of coordination. Coordination without **cooperation** and cooperation without coordination are detrimental to the organisation. To be effective an organisation requires both cooperation and coordination.

Points of distinction between coordination and cooperation are:

- i). Cooperation is for the most part the **result of** voluntary attitudes on the part of people in **an organisation** while coordination is a state of affairs which an executive brings about through deliberate action on his part.
- ii) Cooperation is necessary for successful coordination, while coordination is necessary, for the success of the organisation as a whole. Coordination is a broader concept.
- iii) Cooperation has no elements like **time, quantity,** or direction. Whereas coordination is the concerted effort of requisite **quantity** and quality arranged at the proper time.

14.6 TYPES OF COORDINATION

On the basis of scope and flow in an organisation coordination may be classified as internal and external, and horizontal and vertical.

- 1 **Internal** and external coordination : Synchronisation of the activities and efforts of individuals within each of the respective units, departments, plants and offices of an organisation is known as internal coordination. External coordination relates to synchronisation of the activities and efforts between organisation and its external environment comprising market, technology, government, shareholders, etc. External coordination is very essential for the survival and growth of the organisation just like internal coordination.
2. **Vertical** and horizontal coordination: Vertical coordination refers to synchronisation of activities and efforts of people at different levels in the organisation. Vertical coordination is ensured by top management through delegation of authority. Horizontal coordination means coordination between various positions at the same level in the organisation, which is brought about through mutual consultation and cooperation.

Check Your Progress A

- 1 Define Coordination.

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- 2 Distinguish between Coordination and Cooperation.

i)

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ii)

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iii).....

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- 3 State whether the following statements are True or False,

- i) Coordination helps in resolving the conflict of personal goals and organisational goals.
- ii) Large size of business and its complex operations make coordination essential.
- iii) The need for coordination decreases with an increase in the interdependence between organisational units.
- iv) Coordination provides unity of action in the organisation.
- v) Coordination between various positions at the same level in the organisation is called vertical coordination.

14.7 PRINCIPLES OF COORDINATION

You have learnt that coordination is crucial to the success of any business enterprise. Let us now discuss various principles of coordination.

- 1 Direct person to person contact : Direct contact among the responsible persons in an organisation brings coordination through inter-personal relationships, exchange of views, responses and communication. Personal contacts bring about agreement on methods, actions, and lead to quick and efficient realisation of corporate objectives.

Direct contacts pave the way for removing misunderstanding, resolve controversies between the manager and his subordinates, and help in smooth functioning of the organisation.

- 2 Early take off: Coordination can never be initiated at the execution stage. In fact, coordination should start from the very beginning of planning process itself. Right from the time of setting objectives, policy formulation and drawing up plans for execution, coordination has to be carried out. It helps in resolving the problems as soon as they come up. Moreover, participation right from the initial stage not only facilitates agreement but also induces people to give their unconditional commitment to organisational goals. Therefore, coordination must have an early start.
- 3 Contingency : Coordination which starts early continues till the attainment of the desired objective. Coordination is a never-ceasing and never-ending exercise of managers who strive constantly to maintain proper balance among different groups.
- 4 Reciprocal relationships : All actions and people influence and are influenced by other actions and people in the whole organisation. Thus, all factors in a situation like material, men, environment are reciprocally related. This necessitates integration of all efforts and interests towards the same purpose.
- 5 Self-coordination : By self-coordination we mean that one department modifies itself favourably even when another department does not have direct control over it and the same is affected by other departments activity. For example, when the production department alters its total production in such a way as to suit the sales capacity of the marketing department, self-coordination is said to have taken place.

14.8 MANAGEMENT TECHNIQUES IN COORDINATION

It is clear, by now, that coordination is not something which can be ordered by an executive but is brought about by the executive as he performs his managerial functions effectively and efficiently. Management techniques available to an executive for achieving coordination are outlined below:

- 1 Coordination by rules or procedures: If the work is highly structured and proper systems have been laid down to carry them out, one can easily predict the outcome. Rules and procedures act as work guide to subordinates for taking decisions in course of their normal activities. Through rules and procedures, managers can easily specify ahead of time, and the required actions to be taken by his subordinates.
- 2 Coordination by type of organisation and departments: In business organisation coordination can be achieved by departmentalisation. Forms of departmentalisation facilitate coordination better than others. For instance, departments under functional organisation are highly interdependent. The chief executive has to work hard to coordinate production, marketing, finance etc. for the company as a whole. But in the departments under product organisation, the head of the product division will have his own production, marketing and finance departments under his authority and control. Hence, the chief executive does not have any difficulty in coordinating the activities under product organisation.
- 3 Coordination by simple organisation structure: A simple and sound organisation is an important means of coordination. The lines of authority and responsibility from top to the bottom should be clearly defined. This ensures minimisation of interpersonal conflicts and makes room for unified action. Unity of purpose is the primary goal of coordination. Therefore, goals of the organisation and members contribution to achieve the goals through their independent action within the structure must be clearly understood by everyone in the organisation. Only a simple organisation structure is expected to facilitate it and help in better coordination.
- 4 Coordination by chain of command: The principle of 'scalar chain' which creates superior-subordinate relationship in the organisation through hierarchy or chain of

command facilitates better coordination. Clear lines of authority and responsibility having been laid down by the superior, because of his organisational position, has the authority to issue orders and instructions to his subordinates. Moreover, coordination between interdependent units can be easily achieved by putting the subordinates under one boss.

- 5 Coordination by committees: Formation of committees to coordinate is a sound management technique. Committees are the body of knowledgeable, experienced and responsible persons entrusted with discharging some functions collectively as a group. Nowadays managers achieve coordination by creating interdepartmental committees, task forces, and teams. These committees are usually composed of representatives of interdependent departments and they are required to meet periodically to discuss common problems and ensure interdepartmental coordination. Committees help in establishing and maintaining face-to-face contact and personal relationships and to promote voluntary cooperation.
- 6 Coordination by **communication** : Communication is the life blood of decision making. It also plays a vital role in coordination. Communication facilitates proper understanding between individuals and group among whom coordination is to be achieved. Through effective communication each and every person understands his scope of activity and limits of functioning. As a result of such understanding one can ensure both horizontal as well as vertical coordination. Modern information systems, use of computers in data processing and communication network free from any barrier allow easy and quick flow of information. This enables the executives to coordinate business operations efficiently.
- 7 Coordination by conference : In large business organisation conferences are organised at regular intervals to provide a platform for discussion of various problems faced by different departments geographically dispersed. In such conferences top management and executives at unit level exchange views, identify problems and resolve it through discussion. Such discussions and decisions pave the way for better coordination throughout the organisation.
- 8 Coordination by special coordinators: In an organisation where an executive finds little time to attend to basic issues of coordination, he may hire an assistant to do the job for him. Such a person is known as special coordinator. His main task is to collect information regarding problems, analyse the same, list various alternatives available, and suggest steps to be taken by the executive to coordinate. Thus, the special coordinator provides valuable assistance to the executive in making decision.
- 9 Coordination by leadership and supervision : Leadership of top management is the surest means of achieving coordination. Sound leadership can persuade subordinates to have identity of interests and to adopt a common outlook. It may also bring self coordination within the group.

Personal supervision and establishment of informal contacts with people help to create a climate of mutual trust and cooperation which is the foundation of business coordination.

14.9 PROBLEMS OF COORDINATION

Though coordination between different departments, groups and activities is essential for the success of an organisation, some limitation must be overcome. They are discussed below:

- i) **Uncertainty**: A constant threat comes from an uncertain future. Natural phenomena like rain, flood, disease, uncertain political condition, abnormal changes in the behaviour of individuals etc., pose uncertainty and challenge to coordination.
- ii) **Personal limits**: Coordination is limited to the extent of managers knowledge, experience, ability and wisdom in business operations and also his personal character.
- iii) **Organisational limits**: There is a lack of orderly method of developing and adopting new and appropriate ideas and programmes in the organisation structure. Because of its

particular structure, managers are not able to develop and use administrative skills which limit the degree of coordination.

Check Your Progress B

- 1 State which of the following statements are True and which are False.
 - i) Coordination is best achieved by order or force.
 - ii) Coordination should start from the very beginning of the planning process.
 - iii) Self-coordination means coordination of departmental activities only.
 - iv) The chief executive has greater difficulty in coordinating functional departments than product divisions.
 - v) The principle of scalar chain facilitates coordination.

- 2 Fill in the blanks.
 - i) Communication facilitates both and coordination.
 - ii) Rules and procedures help to predict the of work effort.
 - iii) The limitations of coordination stem from, and limits.

14.10 LET US SUM UP

Complex nature of present day business organisations, conflict between organisational and individual goals and unpredictable nature of human beings require management to coordinate various activities in business to achieve its objective. To coordinate is to harmonise all the activities of a concern in order to facilitate its working and its success. Through coordination, an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common goal.

The main objective of coordination involves reconciliation of goals, total accomplishment of business objective, maintenance of satisfactory personal relationships, and economy and efficiency in operation. It is through continuous harmonisation of group efforts, and unity of action in pursuit of common purpose that the above can be attained.

Cooperation refers to the collective efforts of people who associate voluntarily to achieve specified goals, while coordination is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives. It is a deliberate effort by the management.

The basic principles of coordination involves: direct person to person contact, early take off, continuity, reciprocal relationships, and self-coordination. Whereas the techniques of coordination includes: coordination by rules or procedures, by type of organisation and departments, by organisation structure, by effective communication, by chain of command, by committees, by conference and by leadership and supervision.

14.11 KEY WORDS

Chain of command: An organisational hierarchy as a result of delegating authority sequentially from the top down to the first-line supervisors.

Coordination: Achieving harmony of individual and group efforts towards the accomplishment of group purposes and objectives.

Cooperation: The collective efforts of people who associate voluntarily to achieve specified goals.

Committee: A group of persons to whom, as a group some matter is entrusted for purposes of information, advice, interchange of ideas, or decision.

Horizontal coordination: Coordination between various positions at the same level in the organisation.

Self-coordination: Self motivated phenomenon in which people at work adjust themselves according to the work of others.

Vertical coordination: Synchronisation of activities and efforts of people at different levels in the organisation.

14.12 ANSWERS TO CHECK YOUR PROGRESS

- A 3 i) True ii) True iii) False iv) True v) False
- B 1) i) False ii) True iii) False iv) True v) True
- 2 i) horizontal, vertical ii) outcome, iii) uncertainty, personal, organisational.

14.13 TERMINAL QUESTIONS

- 1 What do you mean by coordination? What is the need for coordination in today's business environment?
- 2 What are the objectives of coordination? Distinguish between coordination and cooperation.
- 3 Explain the various principles of coordination and discuss its limitations.
- 4 How can coordination be used as an instrument of effective management action? Discuss the various techniques through which coordination can be achieved.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice only.

UNIT 15 PROCESS OF CONTROL

Structure

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Definition of Control
- 15.3 Characteristics of Control
- 15.4 Importance of Control
- 15.5 Stages in the Control Process
- 15.6 Requisites of Effective Control
- 15.7 Limitations of Control
- 15.8 Areas of Control
- 15.9 Let Us Sum Up
- 15.10 Key Words
- 15.11 Answers To Check Your Progress
- 15.12 Terminal Questions

15.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the nature **and** characteristics of control function
describe the importance of control in management
- enumerate and analyse the stages in the control process
- explain the requisites of effective control, and
- outline the various types of control.

15.1 INTRODUCTION

In the preceding units you have learnt in detail, the planning, organising, staffing **and** **directing** functions of management. Controlling is another very important function of management. The study of management practices cannot be complete unless the function is also examined in detail. In this unit we shall discuss the nature and importance of the control function of management, analyse the stages in control process, outline the **types** of control, and explain the requisites of an effective control system.

15.2 DEFINITION OF CONTROL

Control may be defined as the process of **analysing** whether actions are being taken as planned and taking corrective measures to make them conform to the plan of action. Control is the essence of good management. It is concerned with ascertaining that planning, organising and directing functions result in attainment of organisational objectives. In fact control precipitates bad decisions and their consequences and restores effectiveness and efficiency. It is a continuous process which helps a manager to get the **performance** of his subordinates **correspond** to the standard fixed. It also detects the variations as soon as they occur and takes corrective steps to prevent them in future.

According to Henri Fayol: "Control consists in verifying whether everything occurs in conformity with the plan adopted, instructions **issued and** principles established."

The control function of management involves **determining** what is to be accomplished (the standard); what is being accomplished (the performance), and, if necessary, applying

corrective measures so that performance takes place according to plans i.e. in conformity with the standard.

In other words controlling involves:

- a) Knowing exactly what work is to be done as to quantity, quality and time available
- b) Checking whether work has been or is being carried out with the resources available, within the time available, at a reasonable cost and in accordance with the required standard of quality
- c) Analysing deviations, if any, from the planned targets and standards to ascertain the causes thereof
- d) Adopting remedial measures to correct the deviations, and
- e) Suggesting revision of plans and targets, if necessary.

15.3 CHARACTERISTICS OF CONTROL

Control is a device or a procedure which keeps the manager informed as the activities for which he is responsible and which assures him that his plans and policies are being carried out according to schedule. The nature of control function will be clearly understood from the following characteristics of control:

- 1 **Control is all pervasive function:** Control is essential at all levels of organisation. It is a follow-up action to the other management functions. Every manager performs the control function irrespective of his rank and nature of job. Control is the essential counterpart of planning. It is the control function which completes the management process.
- 2 **Control is a continuous process:** Control is an ongoing and dynamic function of management. It involves continuous review of performance and revision of standards of operations. As long as an organisation exists, control continues to exist. It is amenable to change with the external environment. Therefore it is a highly flexible process.
- 3 **Planning is the basis of control:** Control can be exercised only with reference to and on the basis of plans. Effective control is not possible unless the management spells out clear objectives of the organisation. In fact, measurement of performance requires certain standards which are laid down under planning. Planning sets the course and control ensures that actual action conforms to the planned action.
- 4 **Action is the essence of control:** Control is an action-oriented process. A manager initiates action which guides the operation within the sphere of plans. In order to prevent a recurrence of deviations a manager modifies or improves the existing plans,
- 5 **Control is a forward looking process:** Control aims at future. Although past experience is the criteria for future standards, control is concerned with checking the current performance and providing guidelines for the future. Therefore, control is both backward-looking and forward-looking. It looks at future through the eyes of past.
- 6 **Delegation is the key to control:** Effective control requires adequate delegation of authority. An executive can perform the control function properly if he enjoys the authority to take remedial action and is to be held accountable for results.
- 7 **Control allows the organisation to cope with uncertainty :** Control helps in regulating the uncertain events of the organisation. It anticipates any shift in task and preferences of consumers and directs the organisation to modify its process in order to meet the contingencies of the future.

15.4 IMPORTANCE OF CONTROL

The necessity of control in business organisation cannot be over-emphasised. Proper control

smoothens the working of an organisation. Absence of control leads to lowering of efficiency of the employees, since there is no check on their performance. Existence of an efficient system of control creates an atmosphere of order and discipline and helps greatly in minimising the chances of work being defective or being delayed. The importance of control function also arises from the following benefits derived from it.

- 1 **Adjustment in operations:** A control system acts as a device for adjustment of organisational operations. There are various objectives which serve as the basis of control. It is through the control function that these objectives are achieved. Control provides the means of determining whether plans are being implemented and there is progress towards the achievement of objectives. It facilitates measures to be taken, if necessary, to correct any deviations.
- 2 **Managerial responsibility:** In every organisation, managerial responsibility is created through assignment of activities to various individuals. This process starts at the top level and then goes to the lower level. While manager assigns work to be carried out by his subordinates, he remains responsible for the performance of their activities. It is quite natural that when a person is responsible for the performance of his subordinates, he must exercise some control over them. Thus, **controlling** enables managers to discharge their responsibilities.
- 3 **Psychological effect:** The process of control induces individuals towards better performance. The performance of individuals is evaluated in the light of **targets** set for them. A person is likely to act according to the plan, if he is aware that his performance **will** be evaluated against the planned targets. Thus, he is more inclined to achieve the results according to the standards fixed for him, particularly when there is provision of reward or punishment on the basis of the performance. Since performance measurement is one of the basic elements of the process, it ensures that every person in the organisation contributes to his maximum ability.
- 4 **Coordination in action :** Though coordination is the essence of management and is achieved through the proper performance of all managerial functions, control affects this aspect significantly. Controls are designed in such a way that they focus not only on the operating responsibility of a manager, but also on his ultimate responsibility. So this forces a manager to coordinate the activities of his subordinates in such a way that each of them contributes **positively** towards the objectives. Since this follows throughout the organisation, coordination is achieved in the organisation as a whole.
- 5 **Organisational efficiency and effectiveness:** If the control function is carried out properly, it results in organisational efficiency and effectiveness. By making manager responsible, motivating them for higher performance, and achieving coordination in their performance, control ensures that the organisation works efficiently. As regards effectiveness, the organisation is effective if it is able to achieve its objectives. Since control focuses on the achievement of organisational objectives, it necessarily leads to organisational effectiveness.

15.5 STAGES IN THE CONTROL PROCESS

Controlling is the final step in the process of comparing actual performance with the plans and taking steps to initiate corrective action. The basic control process, wherever it is found and whatever it controls, involves the following steps:

- 1 **Setting standards:** The total workload of the business is broken down into departments, sections and individuals. Each of **them** has specific objectives for detailed operation. These objectives are set in physical terms, such as quantities of products, units of service, labour-hours, speed **or volume** of rejections or they may be expressed in monetary terms, such as volume of sales, costs, capital **expenditures** or profits or it may be expressed in **any** other verifiable qualitative terms. These standards must be clear so that the checking of **performance** becomes possible. At the same time it is essential that the responsibility should be identified with definite individuals in the organisation and he is accountable for the lapse, if the performance varies from the standard laid down.

Establishment of standard may be discussed with S-O-G-P chain. Standard is a measuring rod for the attainment of organisational objectives. These objectives aim at accomplishing the organisational goals, which is the ultimate purpose of every organisation.

Standards — Objectives — Goals — Purpose

As shown above, standards are used to control objectives, objectives are used to control goals, and goals are used to control purpose.

- 2 **Measurement of performance** : The second step is to measure actual performance of various individuals, groups or units in the light of standards. Management should not depend upon the guess that standards are being met. It should measure the performance and compare it with the standards. Quantitative measurement is done in those cases where standards have been set in numerical terms. This makes evaluation easy and simple. In all other cases, the performance is measured in terms of qualitative factors. For instance, performance of Industrial Relations Manager may be measured in terms of attitudes of workers, frequency of strikes, and morale of workers. Attitude and morale of workers are not capable of being measured quantitatively. They have to be measured qualitatively. If standards are appropriately drawn and if means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy.
- 3 **Comparing performance with standards and ascertaining the causes of difference, if any** : The responsibility of a manager does not end with measuring the performance. Deviations from the standard, if any, must be noted and the causes of deviation ascertained. Comparing performance with the standard and ascertaining the causes of deviation involve the third stage of control. The causes of factors responsible for deviations may be defective materials, machinery, process, slackening of efforts, etc. The comparative analysis should be done as close to the point of performance as possible. It assists in quick location of defects and results in correction with minimum losses.
- 4 **Adopting corrective measures**: The final step in the control process consists of remedial actions so that deviations may not occur again and the objectives of organisation are achieved. Towards that end, managers must take appropriate decisions so as to meet immediate needs, or revising the existing targets and standards, or changing the methods of selection and training of workmen, or even drawing up revised plans.

The above stages in the control process are shown in the Figs. 15.1 and 15.2.

Fig. 15.1 Control Process

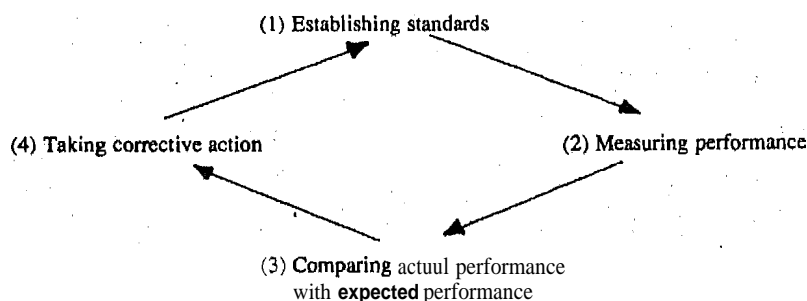
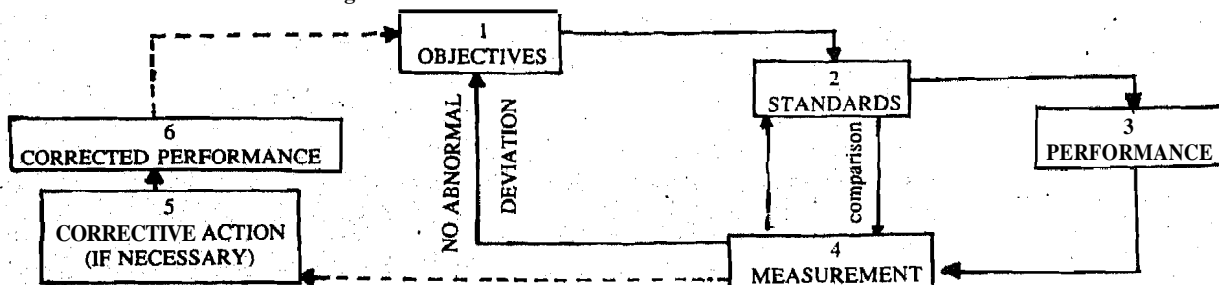


Figure 15.2 : The Control Process



- 1 Define 'Control' as a function of management.
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- 2 Which of the following statements are True and which are False.
 - i) Control relieves managers of their responsibilities.
 - ii) Control is necessary only when there is deviation of performance from standards
 - iii) Organisational efficiency is ensured with the help of controls.
 - iv) Controlling mainly involves punishing people and putting pressure on employees for efficient performance.
 - v) The process of control is relevant at all levels of management.
- 3 Enumerate the stages in control process.
 - i)
 - ii)
 - iii)
 - iv)

15.6 REQUISITES OF EFFECTIVE CONTROL

To be effective and to serve its purpose, the system of control must satisfy certain requirements. These may be regarded as the prerequisites of effective control. The requirements of an effective control system may be enumerated in brief as under:

- 1 **Definition of objectives:** Before planning a control system, it is essential to clearly define the objectives of the organisation. The control system must be directed towards the potential or actual deviations from plans early enough to permit corrective action.
- 2 **Efficiency of control techniques:** Control techniques are said to be efficient when they detect deviations from plans and make possible corrective action at an early stage with the minimum of unsought consequences.
- 3 **Responsibility of control:** The primary responsibility for the exercise of control should rest with the manager charged with the implementation of plans.
- 4 **Direct control:** Any control system should be designed to maintain direct contact between the controller and the controlled.
- 5 **Organisation suitability:** Controls should be tailored to fit the organisation. The flow of information concerning current performance should correspond with the organisational structure. If superior is to control overall operations, he must find a pattern that will provide control for individual parts.
- 6 **Flexibility :** A good control system must keep pace with the continuously changing pattem of a dynamic business world. It must be responsive to changing conditions. It should be adaptable to new developments including the failure of the control system itself. Plans may call for an automatic system to be backed up by a human system that would operate in an emergency; likewise, an automatic system may back up a human system.
- 7 **Self-control :** Units may be planned to control themselves. If a department can have its own goals and control system, much of the detailed controls can be handled within the department. These sub-systems of self-control can then be tied together by the overall control system,

- 8 **Strategic point control:** Effective and efficient control can be achieved if critical key or limiting points can be identified and close attention can be directed to adjustment at those points. This is known as '**Control by exception**'. It is called control by exception because according to this principle only significant deviations from standard, whether positive or negative, require management's attention as they constitute exceptions. An attempt to go through all deviations tends to increase unnecessary efforts and to decrease attention on important problems.
- 9 **Corrective action:** Merely pointing out deviations is not sufficient in a control system. It must lead to timely corrective action to be taken to check deviations from standards through appropriate planning, organising and directing.
- 10 **Forward-looking control:** The control system should be directed towards future. It should report the deviations from the plans quickly in order to safeguard the future. If the control reports do not relate to the future, then the reports are of no use as they will not be able to suggest the type of measure to be taken to rectify the past deviations.
- 11 **Human factor:** A good system of control should be **worker centred** rather than work centred as the control is exercised on the workers who do the work. It must find the persons accountable for results whenever large deviations take place and they must be directed accordingly. So the human factor must be given proper attention while controlling. A technically well-designed control system may fail because the human beings may react unfavourably to the system.
- 12 **Economical:** The system of control must be worth its cost. The controls must justify the expenses involved. A control system is justifiable if the savings anticipated from it exceed the expected costs in its working. Small-scale production units cannot afford elaborate and expensive control system.
- 13 **Objective standards:** As far as possible, standards should be objective, that is based on factual information. If they are subjective, a manager's or subordinate's personality may influence judgement of performance inaccurately. Effective control requires objective, accurate and suitable standards. Objective standards may be quantitative or qualitative. However, in either case, the standard should be factually determinable and verifiable. Although we have explained how the 'Control Function' can be effective with various requirements as mentioned above, even then there are some limitations of control. Let us now examine the limiting factors.

15.7 LIMITATIONS OF CONTROL

- 1 **No control over external factors:** Control is intended to be exercised on factors which are internal to an enterprise. But there are external factors like government action, change of market conditions, discovery and invention of new techniques and material of production, innovation and so on, which are often beyond the control of management. So, controls may be ineffective in the face of changing external factors.
- 2 **Want of satisfactory standards:** Satisfactory standards help control operations. But there are many areas and activities with intangible nature of performance which do not permit accurate measurement. No satisfactory standards can be established for them, e.g. results of management development, public relations, human relations, advice of staff service, loyalty of workmen, and such other human behaviour.
- 3 **Measurement of imperfections:** Intangible performance presents difficulties in setting up standards. It is also a complicated matter to measure its results in quantitative or qualitative terms. It is then left to managerial judgement and interpretation which cannot be taken as perfect measurement. Moreover, results of day-to-day activities involving uneconomic expenditure cannot be evaluated or measured properly on grounds of economy.
- 4 **Limitations of corrective actions:** Business can be run on an even keel if all deviations and mistakes can be corrected properly in time. This will guard against losses. Control operations are carried out in assumption of fixed personal responsibility and the person

concerned is expected to adopt necessary corrective and remedial actions. It is not uncommon that many deviations occur, but nobody in particular can be held responsible for them. Control becomes ineffective in such cases.

- 5 Adverse reaction against control: Control operations as a rule are not liked by the subordinates over whom they are exercised. Such operations curtail their freedom of action and interfere with their individual thinking and initiative. Control thus invites opposition and adverse reaction of the subordinates.
- 6 Practical impediments to application: Control involves analysis of deviations to find out their causes. But it faces great obstacles in such analytical work. First of all, it involves considerable expenditure. Secondly, it requires skilled and experienced staff to cope with the situation. Thirdly, corrections and deviations may require some time and even stoppage of work which may result in loss to the concern.

15.8 AREAS OF CONTROL

For effectiveness, it is important to decide on the critical areas where control should be exercised. There are many advantages of identifying these areas of control (also known as types of control) so as to enable management to:

- i) Delegate authority and fixing responsibility;
- ii) Reduce the burden of supervising each activity in detail ; and
- iii) Secure means of achieving satisfactory results.

Controls are actually needed in every area where performance and results directly and vitally **affect** the survival and prosperity of the organisation. These areas need to be specially mentioned. In this connection, Peter Drucker has identified eight key result areas where objective should be set and controls should be exercised. These are:

- 1 **Market** standing
- 2 Innovation
- 3 Productivity
- 4 Physical resources
- 5 Financial resources
- 6 Profitability
- 7 Manager performance and attitude
- 8 Public responsibility

Apart from the identification of key areas, control may be distinguished on the basis of their nature and purpose. Let us discuss them one by one.

1 . Physical and Financial Control

Physical controls refer to controls over the safety and maintenance of properties and assets, stocks of materials, stores, spare parts, and other articles on the task of quantitative and numerical measures. Financial **controls** include control over cash receipts and payments, fixed and **working** capital, income and **expenditure** as well as profits and the value of assets and liabilities.

2 Control Over Actual and Anticipated Performance

Day-to-day operations need to be controlled to achieve the short-run objectives, targets and standards as well as continuing goals. This is another category of controls.

3 Control Over Activities or Areas of Operations

- i) Control over policies and procedures : Policies are formulated procedures laid down to govern the behaviour **and** action of personnel in the organisation. These are generally controlled through manuals which are prepared by top management. Each individual in the **organisation is expected** to function according to manuals.

- ii) Control over **organisation**: Organisation Charts and Manuals are used to keep control over **organisation** structure. Organisation manuals attempt at solving **organisational problems** and conflicts, making long-range organisational planning possible, enabling rationalisation of the organisation structure, helping in proper designing and clarification of each part of the organisation, and conducting periodic check on facts about organisation practice.
- iii) Control over personnel: Generally the Personnel Manager or Head of the Personnel Department, whatever his designation maybe, keeps control over personnel in the organisation. Sometimes, a personnel committee is constituted to act as an instrument of control over key personnel.
- iv) Control on wages and salaries: Control over wages and salaries is exercised through job analysis and job evaluation. The functions are carried out by personnel and industrial engineering departments. Often, a wage and salary committee is constituted to provide help to these departments.
- v) Control over costs: Control over costs is exercised through making comparison between standard costs and actual costs. Standard costs are set in respect of different elements of costs. Cost control is also supplemented by budgetary control system which includes different types of budgets. The **Controller's** department provides information for setting standard costs, calculating actual costs, and pointing out differences between these two.
- vi) Control over methods and manpower: Control over methods and manpower is required to ensure that each individual is working according to schedule. For this purpose periodic analysis of activities of each department is conducted. The functions performed, methods adopted, and time consumed by every individual are studied to eliminate non-essential functions, methods and time. Many organisations create a separate department or section known as 'Organisation and Methods' to keep control over methods and manpower.
- vii) Control over capital expenditure: Control over capital expenditure or acquisition of fixed assets exercised through the system of evaluation of projects and ranking of projects on the basis of their importance, generally on the basis of their earning capacity. A capital budget is prepared for the business as a whole. The budget is reviewed by the budget committee or appropriation committee. For effective control over capital expenditure, there should be a plan to identify the realisation of benefits from capital expenditure and to make **comparison** with anticipated results. Such comparison is important in the sense **that** it serves as an important guide for future capital budgeting activities.
- viii) Control over service departments: It is effected:
- through budgetary control within operating departments.,
 - through putting limits upon the amount of service an individual department can ask for, and
 - through **authorising** the heads of service departments to evaluate the request for **service** made by other departments and to use discretion about the quantum of service to be rendered to a particular department. Sometimes, a combination of the methods may be used.
- ix) Control over line of products: Control over line of products is exercised by a committee whose members are drawn from production, sales and research departments. The committee controls the product-mix **on** the basis of studies about market needs. Efforts are made **to** simplify and rationalise the line of products.
- x) Control over research and development : Control over research and development is exercised in two ways:
- 1) by providing a budget for **research** and development, and
 - 2) by evaluating each project keeping in view savings, sales or profit potentialities.
- Research and development being a highly technical activity is also controlled indirectly. This is done **by** improving **the** ability and judgement of the research staff through training programmes and other devices.

- xi) Control over foreign operations: Foreign operations are controlled in the same way as domestic operations. The tools and techniques applied are the same. The only difference is that the chief executive of foreign operations has relatively greater amount of authority.
- xii) Control over external **relations**: External relations are regulated by the public relations department. This department may prescribe certain measures to be followed by other departments while dealing with external parties.
- xiii) Overall control: Control over each segment of the organisation contributes to overall organisational control. However, some special measures are devised to exercise overall control. This is done through budgetary control, project profit and loss account and balance sheet. A master budget is prepared by integrating and coordinating budgets prepared by each segment. The budget committee reviews such budget. This budget acts as an instrument for overall control. Profit and loss account and balance sheet are also used to measure the overall results.

Check Your Progress B

- 1) Which of the following statements are True and which are False.
 - i) Control techniques may be said to be efficient if subordinates like them.
 - ii) Post deviations can be corrected only if controls are forward looking.
 - iii) Expenses on control should not matter because control relieves the manager of their worries.
 - iv) Manager having no control over external factors should not try to control internal disturbances.
 - v) Identifying critical areas of control enables manager to delegate authority.
- 2) Enumerate the critical or key result areas where control should be exercised by managers.

i)	v)
ii)	vi)
iii)	vii)
iv)	viii)

15.9 LET US SUM UP

The study of management practices cannot be complete unless the **controlling** function is clearly understood. Control may be defined as the process of analysing whether actions are being taken as planned and taking corrective measures to make these **conform** to the plan of action. It is a continuous process which helps a manager to get the performance of his subordinates correspond to the standards fixed, to detect the variations **as** soon as they occur, and to take corrective steps to prevent them in future.

The characteristic features of control include: **Control** is all pervasive **function**, control is a continuous process, planning is the basis of control, action is the essence of control, control is a forward-looking process, delegation is the key to control and control allows the organisation to cope with uncertainty.

Proper control smoothens the working of an organisation. Existence of an efficient system of control creates an atmosphere of order and discipline and helps greatly in minimising the chances of work being defective or being delayed. The importance of control function also arises from the various benefits derived **from** it. Like adjustment in operations, managerial responsibility, psychological effect, coordination in action and organisational efficiency **and** effectiveness.

The process of control involves (1) establishing standards (2) measurement of **performance**

(3) comparing performance with the standards and ascertaining the causes of differences, if any, and (4) correcting deviations by remedial action.

To be effective and to serve its purpose, the system of control must satisfy certain requirements, which includes: (1) Definition of objectives in clear terms; (2) Efficiency of control techniques; (3) Assigning responsibility for control; (4) Direct contact; (5) Suitability of the system to the organisation; (6) Flexibility; (7) Encouragement of self-control; (8) Strategic point control; (9) Timely corrective action; (10) Forward-looking control; (11) Attention to human factor; (12) Economical; and (13) Specifying objective standards.

Despite all precautions, controls are not always perfect since there are several limiting factors which restrict the effectiveness of controls.

Controls may be distinguished on the basis of the key result areas where controls should be exercised. Controls may also be distinguished on the basis of their nature and purpose. Thus, controls may be divided into several categories, such as: (1) Physical and financial controls (2) Control over actual and anticipated performance, and (3) Control over activity or areas of operation.

15.10 KEY WORDS

Control: Process of verifying whether performance of work is in conformity with plan and correcting it where necessary.

Control by Exception: Attending only to significant or exceptional deviations in the process of control.

Financial Control: Control over cash flows, capital, income, expenditure and profits.

Forward-looking Control: Correcting deviations to safeguard the future operations in the concern.

Physical Control: Control over the safety and maintenance of properties, assets and physical quantifiable objects.

Standards: Norms of work performance.

Strategic Point Control: Identifying and directing closer attention to key or limiting factors and points in the process of control.

15.11 ANSWERS TO CHECK YOUR PROGRESS

- A 1 The controlling function of management may be defined as the process of determining what is to be accomplished, what is being accomplished, and, if necessary, applying corrective measures so that performance takes place according to plans.
- 2 i) False ii) False iii) True iv) False v) **True**
- 3 i) Establishing standards of performance.
ii) Measuring performance.
iii) Comparing **performance** with standards and ascertaining the causes of differences, if any.
iv) Adopting corrective measures.
- 13 1 i) False ii) True iii) False iv) False v) True
2 i) Market standing ii) Innovation iii) **Productivity** iv) Physical resources
v) Financial resources vi) Profitability vii) Manager **performance** and attitudes
viii) Public responsibility.

15.12 TERMINAL QUESTIONS

- 1 What do you mean by controlling function of management? Describe salient characteristic **features** of control.
- 2 "Control is a fundamental management function that ensures worth accomplishment according to plans." Discuss.
- 3 Explain the **importance** of control in a **business** enterprise. What are the requirements of an effective control system?
- 4 **Explain** in detail various stages in the control process.
- 5 Enumerate the various requisites of an effective control system and outline the limitations of control.
- 6 Discuss various types of control or control areas.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. **They** are for your practice only.

UNIT 16 TECHNIQUES OF CONTROL

Structure

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Traditional Control Techniques
 - 16.2.1 Budgetary Control
 - 16.2.2 Standard Costing
- 16.3 Modern Techniques
 - 16.3.1 Break-Even Analysis
 - 16.3.2 PERT (Programme Evaluation and Review Technique)
 - 16.3.3 CPM (Critical Path Method)
 - 16.3.4 Statistical Quality Control
 - 16.3.5 Management Audit
- 16.4 Let Us Sum Up
- 16.5 Key Words
- 16.6 Answers To Check Your Progress
- 16.7 Terminal Questions

16.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the characteristics, elements, advantages and limitations of budgetary control
- describe the advantages and limitations of standard costing
- explain the concept and limitations of break-even analysis
- describe the meaning, advantages and limitations of PERT (Programme Evaluation and Review Technique)
- explain the meaning, advantages and limitations of CPM (Critical Path Method)
- describe the meaning and nature of statistical quality control, and
- explain the meaning, advantages and limitations of management audit.

16.1 INTRODUCTION

We have discussed in the previous unit the nature and purpose of the control function, its **importance** and stages. A variety of techniques or methods have been used over the years to help management in this task. Some of these techniques are regarded as traditional techniques in the sense that they have long been used by managers. Some newer modern techniques have also come to be widely used in recent years. However, even with the application of newer techniques, the traditional ones continue to be used by management for control purposes. In this unit we shall discuss in detail the traditional and modern techniques of control.

16.2 TRADITIONAL CONTROL TECHNIQUES

The control function of management is a systematic effort to set performance standards with planned objectives, to compare actual **performance** with the predetermined standards, to determine whether there are any deviations and to adopt suitable measures to ensure that performance is in conformity with the plans..

A variety of tools and techniques have **been** developed and used over the years for purposes of managerial control. Some of these techniques **are** termed as **traditional** and others as

modern. The traditional techniques of control have been found useful for a long period of time in the past and some of these, are still used by organisations. Two such techniques commonly used are: Budgetary Control and Standard Costing. Let us discuss about them in detail.

16.21 Budgetary Control

Simply stated, a **budget** refers to the plan of an enterprise expressed in financial or physical terms. It lays down financial estimates relating to various programmes or activities for a defined period on the basis of given objectives. These estimates are intended to serve as targets or standards for the purpose of controlling actual performance. For a business firm, budgets generally include plans to produce and sell goods at costs and prices which will bring the desired profit. Thus, **budgeting** consists of formulation of plans for future activity. It lays down objectives and programmes of action. It also provides yardsticks by which deviations from planned achievements can be measured.

Budgetary Control, as a technique of managerial control, refers to the principles, procedures and practices of achieving given objectives through budgets. Thus, budgetary control involves preparation of budgets, relating the responsibilities of managers to budgeted activities, and the continuous comparison of actual with budgeted results. It aims at securing the objectives as per the budget and providing a basis for its revision, if necessary.

Usefulness of Budgeting and Budgetary Control

Budgeting serves as a valuable aid to management with respect to planning, coordination and control.

- 1 **Planning:** Budgeting involves drawing up budgets based on well-defined plans of action. The knowledge, skill and experience of all managers are combined in the budgeting process. Hence, problems, if any, can be anticipated in advance and their solutions found after due consideration of various aspects. Past performance, policies and procedures are also evaluated during budget formulation. As a result, proper steps can be taken if there are deficiencies and weaknesses in the organisation.
- 2 **Coordination:** Budgeting serves another useful purpose, that of coordinating plans and activities of various departments and sections. It involves flow of information and communication between various units of activity through which the plans and operations can be properly coordinated. Managers who have to bear the responsibility of executing the plans participate in the formulation of plans. Differences of opinion and conflict of interests can be resolved more easily while budgets are drawn.
- 3 **Control:** Budgetary control which follows budget preparation serves the purposes of controlling income, expenses, costs and profits. It is also a device whereby cash and liquidity as well as the amount of capital provided by owners and leaders can be regulated by management. Of particular significance is the budgetary control of costs and expenses. When budgets are drawn, managers concerned are required to justify their requirements. The budget provision of expenses become standards which set the limits of expenditure. The actual expenses and performance are compared with the budget standards at specified intervals. Differences, if any, have to be explained by the managers responsible for the same.

Characteristics of Budgetary Control

Certain characteristics of 'Budgetary Control' which are evident from its nature and purpose may be stated as follows:

- i) A budget generally relates to a given 'future period' known as the budget period, usually it is one year.
- ii) It differs from objectives or policies because it is set down in specific numerical terms. It is based on realistic expectations supported by factual data rather than abstract thinking or an ideal formulation.
- iii) A good budget has 'flexibility'; it can be adapted to changing circumstances of the future. As budgeting is correlated with planning, a budget should be such as can be revised when the plan is modified.

- iv) It is important to secure the maximum 'participation' of the entire organisation in both preparation of a budget and following it through.
- v) As budgeting is fundamental to the organisation, it generally receives the attention and support of the top management.

The Budgeting Process or Elements of Budgetary Control

The following four steps are generally required to be taken in a system of budgetary control:

- 1 **Budget policy guidelines:** While estimating the desired performance over a budget period, the line managers base their expectations on several assumptions. These assumptions relate to many spheres, like the state of the economy, political trends, Government Policies, competitors' actions, strengths of the organisation, basic managerial policies to be followed and so on.
- 2 **Preparation of budgets:** Budgets denote statements of desired performance to which managers commit themselves. To secure commitment from managers, it is advisable to involve the managers in preparing their budgets based on the activities of their own budget centres. But while doing so the following points need to be kept in view viz:
 - i) The budget of every department must be in complete harmony with those of other departments. The marketing department cannot budget for hectic sales, if the factory manager wants to close down the plant for a major overhaul.
 - ii) The departmental budgets must also be in line with the targets set by the top management for the entire company.
- 3 **Reporting of variances:** At specified intervals, the managers of the budget centres must know their performance and how they stand vis-a-vis their budgets.
- 4 **Review and follow-up:** For any control system, the review and follow-up are as important as the planning process; the system of budgetary control cannot be effective to any degree, if one neglects this last step.

In short, we may summarise the steps in budgetary control process as under:

- 1 Statement of plans for a future period, expressed in numerical terms,
- 2 Consolidation of estimates into a well-balanced programme,
- 3 Comparison of actual result with the budget, and
- 4 Follow-up action including adjustment of plans where necessary.

Types of Budgets

Budgets are future plans and because an enterprise has more than one plan, there are many types of budgets which are generally used in an organisation. Outlined below are the more commonly used budgets:

- i) **Expense budget:** It lays down the estimates of the standard or norm of operating expenses of an enterprise for a given period.
- ii) **Revenue budget:** It indicates the income or revenue expected to be earned from sale of goods produced or purchased for sale.
- iii) **Cash budget:** It is a statement of the anticipated receipts and payments for a given period along with the resulting surplus or deficit.
- iv) **Capital budget:** This type of budget outlines the anticipated expenditure on plant, machinery, equipment and other items of a capital nature.
- v) **Sales budget:** It represents the plan of sales for a given period.
- vi) **Production budget:** It shows the volume of production to be undertaken for a given period, together with the material, labour and machinery requirements. Sometimes production budgets also show the anticipated cost of production.
- vii) **Purchase budget:** It represents the quantities of raw materials and other consumable items to be purchased by a manufacturing company.

- viii) **Labour budget:** It indicates the types of skills of labourers and the numbers in each category estimated to be required in a given period along with the standard wages payable.
- ix) **Master budget:** This is prepared for the whole enterprise by compiling the different sectional budgets which is finally adopted and worked upon.

Advantages

- i) It provides the management with a means of control over planned programmes.
- ii) Wastage is minimised and hence maximum efficiency is achieved.
- iii) Expenditure beyond what is provided in budgets is not incurred without prior sanction, hence scrutiny is possible before actual expenditure.
- iv) Management by exception is possible, because comparison of actual and budgeted **performance** reveals where management attention is needed the most.
- v) It is not merely an instrument of planning but also of **coordination**.
- vi) It provides an effective means by which top management can delegate authority and responsibility without sacrificing overall control.

Limitations

While the advantages of budgetary control are recognised, certain limitations which may restrict its usefulness should also be guarded against:

- i) Budgets are drawn on the basis of estimates and forecast which are subject to future uncertainties. The usefulness of budgetary control depends on the reliability of forecasts and accuracy of data used for budgeting purposes.
- ii) A **serious** limitation of budgeting is that it tends to bring about rigidity in control. Deviations may be caused by factors beyond the control of managers. As a result, to avoid responsibility, there is a tendency on the part of the managers to play safe while taking decisions. On the other hand, if the budget standards are leniently enforced and deviations are too often excused, the purpose of control is lost.
- iii) Rivalry between departments with regard to budgetary allocation of expenditure may create problems for top management which cannot be easily resolved.
- iv) The cost of employing additional staff for budgeting is often quite high and beyond the means of small enterprises.

16.2.2 Standard Costing

Standard costing as a technique of control may be defined as a system which involves the use of predetermined 'standard costs' relating to each item of cost and for each line of product, manufactured or service rendered.

Standard cost refers to a predetermined estimate of cost which can be used as a standard or yardstick. It suggests what the cost should be under given conditions. Standard costs form the basis of control under standard costing. Actual costs are compared with the standards, variations, if any, are analysed, and **suitable** action is taken to correct adverse tendencies. Thus, standard costing may be **regarded essentially** as a tool of cost control.

Standard costing is an essential part of budgeting and budgetary control. It may be noted that budgetary control is a broader function. It consists of setting objectives and planning business activities for all departments; it lays down standards of cost and expenses as well as targets of sales income. Standard costing provides the **basis** of framing the expense budgets particularly in respect of direct material and labour costs.

Advantages

The advantages of standard costing as a technique of control may be outlined as follows:

- i) **Serves as a yardstick:** Standard costs serve as yardstick to measure the efficiency of operation. Deviations of actual costs **from standards** are regularly analysed and causes are examined. There is a continuous **check on** the costs incurred. Hence, adverse tendencies can be promptly located, and corrective measures may be adopted.

- ii) **Opportunity to review the costs:** Cost control is more effective under standard costing as the standards of cost are reviewed at intervals for improvement. This results in cost reduction and improves the efficiency of operation.
- iii) **Opportunity for the improvement in the method of operation:** A detailed study of all operations is undertaken while setting the standard costs. This involves defining the authority of managers and assigning responsibilities to employees. Causes of inefficiency are often corrected in that process. It may also lead to improvement in the methods of operation and reduction in costs.
- iv) **Serves as a valuable aid to management:** In preparing production plans and pricing of goods, standard costing serves as a valuable aid to management. It does not leave any scope for high prices being fixed due to inefficiency of operation. Thus, standard costing helps competitive pricing of products.

Limitations

Even though standard costing may be applied in any industrial organisation, in practice it is found to be most suitable in industries where the product and its components are standardised. In other cases, it is more difficult and expensive to apply. Secondly, the success of standard costing depends on the reliability and accuracy of standards. Employees often resent standards which are too ambitious and are difficult to attain. Moreover, standards may mean different things to different persons unless they are clearly defined and well understood by the employees concerned.

Check Your Progress A

1 What is 'budgeting' ?

.....

2 Define budgetary control.

.....

3 Why is standard costing regarded as an essential part of budgetary control ?

.....

4 Which of the following statements are True and which are False.

- i) The difference between actual and budgeted expenses must be explained by the managers concerned.
- ii) Budgetary control is a traditional technique of control which is not used in modern times.
- iii) Departmental budgets must be in harmony with each other.
- iv) Budgetary control serves only as an instrument of planning.
- v) Standard costs generally indicate what costs should be under ideal conditions.
- vi) Standard costing cannot be easily applied except in the case of standardised products.

16.3 MODERN TECHNIQUES

Besides the traditional techniques of budgetary control and standard costing, there are several other techniques of control which have been developed in modern times. These techniques may also be called non-budgetary techniques. One or more of these techniques may be adopted along with budgetary control and standard costing. Let us discuss the more important techniques in detail.

16.3.1 Break-Even Analysis

Break-even analysis as a technique of control consists of the analysis of costs in relation to changes in the volume of sales and its impact on profit. It is basically concerned with determining the relationship between cost, volume of sales and profit. One of the major concerns of the management of an enterprise relates to the impact of changes in the volume of sales on profits. It is of interest to them to know the volume of sales at which costs will be fully covered and beyond which profits will be earned. For this purpose, two types of costs are distinguished. Variable costs (like direct materials cost, direct wages, etc.) and Fixed costs (like factory and office rent, managers' salary, etc.). If production and sales increase, variable cost per unit remains constant but fixed cost per unit declines. Suppose, the direct materials cost of a product is Rs. 10 per unit and direct wages per unit come to be Rs. 5, whereas fixed cost up to the total production capacity is Rs. 400. Then, for 100 units produced and sold, the variable cost will amount to Rs. $(10 + 5) \times 100$ i.e., Rs. 1500. For 200 units, the variable cost will be double the amount i.e., Rs. 3000. Fixed cost remains the same. Total cost for 100 units will thus be Rs. 1900, and for 200 units it would be Rs. 3400, not Rs. 3800. Hence, the total cost is found to rise less than proportionately to the increase in sales revenue. If the volume of production and sales decrease, there is a reverse effect. Thus, for 50 units the total cost will be Rs. $(15 \times 50) + 400$ i.e. Rs. 1150. It will not be half of Rs. 1900 (total cost of 100 units). In other words, the total cost decreases less than proportionately to the decrease in sales revenue.

Further, suppose the selling price of the product per unit is fixed at Rs. 17. In that case, for each unit sold there will be a margin of Rs. 2 after meeting the variable cost of Rs. 15. To recover the fixed cost of Rs. 400, the firm must sell at least 200 units. The total sale price $(200 \times \text{Rs. } 17)$ will then be equal to the total cost i.e. Rs. 3400.

Thus, sale of 200 units (or Rs. 3400 sales revenue) may be regarded as the volume at which there is neither any profit nor any loss. This is known as the break-even volume. It indicates the number of units that must be sold if the business is to be run without loss. Each unit of product sold above the break-even volume is expected to yield profit. If 250 units are sold, the profit earned will be Rs. 100 $(50 \times \text{Rs. } 2)$. This is because, the variable cost will increase by Rs. 15 per unit while sales revenue will rise by Rs. 17 per unit and there being no increase in fixed costs, there will be a margin of Rs. 2 per unit on 50 units as the profit.

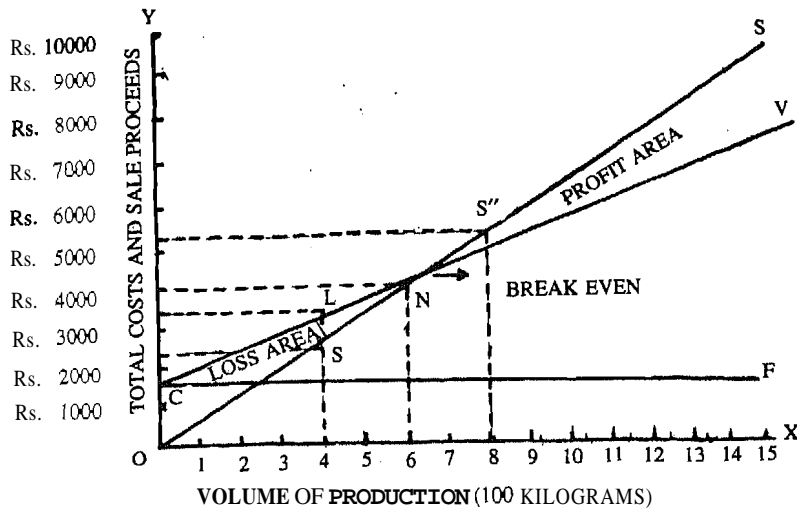
The difference between the selling price and variable cost per unit is known as the contribution margin. The amount of this difference contributes towards the recovery of fixed costs. Hence, the break-even volume of sales in units can be calculated by dividing the total fixed cost by the contribution margin. In the above example, the contribution margin is Rs. 2 $(\text{Rs. } 17 - \text{Rs. } 15)$, and the fixed costs are Rs. 400. So, the break-even volume is $\text{Rs. } 400 \div 2$ i.e. 200 units. On this basis, the break-even volume can be determined by the formula:

$$\text{Break-Even Volume} = \frac{\text{Total Fixed Cost}}{\text{Contribution Margin per unit}}$$

The break-even analysis is often carried out with the help of a chart. It is called break-even chart. This is a graphical representation of variable and fixed costs in relation to the volume of operation. The chart is described as break-even chart because there is a particular point in it, which breaks even the volume or shows the particular volume at which there is neither profit nor loss but equality between total costs and total revenues from the operation.

The figure below is a hypothetical break-even chart; the X-axis represents the volume of production in 100 kilograms unit; Y-axis, the total cost, as also the total sale proceeds; the line FC shows the (total) fixed cost; VC, variable cost; OS, the sale proceeds; and N the break-even point.

Figure 16.1: Graphical representation of BEP



When the volume of production is 600 kgs., the total cost of production = total fixed cost + total variable cost = Rs.1500 + Rs. 2500 (as read from lines FC and VC respectively) =Rs.4,000; total sale proceeds also = Rs. 4,000 (as indicated by the line OS). Thus, N is a point where total costs just equal sale proceeds. But when production is less, say 400 kgs., total cost corresponding to point L on VC is about Rs. 3,300 while total sale proceeds at point S' are about Rs. 2,600. This means a loss of about Rs. 700. On the other hand, when production is 800 kgs., total cost is about Rs. 5,000 and total sale proceeds at point S'' on OS equal about Rs. 5,300. This means a profit of Rs. 300. Similarly, it may be shown that all production which is more than 600 kgs, yields profits and all production which is less, leads to loss.

Advantages

The break-even analysis renders many benefits for managerial guidance and action:

- 1 **Tool for profit planning and controlling:** Cost, volume, price and product-mix being the four variables affecting profit, planning and controlling of profit are better effected by the break-even analysis which shows the interplay and mutual relationship of these variables.
- 2 **Basis for budgeting:** As budgeting calls for marshalling anticipated costs and budgeted revenues for realising optimum profits, break-even analysis show the most profitable path for projecting budgets.
- 3 **Objectivity in cost controlling:** The break-even analysis introduces objectivity in cost control by indicating the way of controlling cost. Although changes in fixed costs affect the break-even point, it is not susceptible to control by managerial actions in the short run.
- 4 **Indication of safety margin:** Break-even analysis not only points out the level of sales at which the company breaks even on expenses but it also indicates the extent of nearness of sales to the break-even point before they occur. By providing this information about the safety margin, management is warned for taking remedial actions.

Limitations

The break-even analysis tends to be rigid due to certain limiting assumptions involved therein. Assumptions which underline the break-even analysis include the following:

- 1 Either one product is **manufactured** or a group of products having the same volume and contribution margin are dealt in by the company.
- 2 Selling prices are not affected by the volume of operations and the general price level of the industry does not change.
- 3 Variable costs vary directly with the volume of output and sales and fixed costs remain **constant**. Actually, variable costs may change more or less proportionately due to

technical factors, and fixed costs may rise or fall in the long run. There is no time lag between production and sales and the entire production is sold out.

16.3.2 PERT (Programme Evaluation and Review Technique)

The key to success of most organisations is to clearly examine the projects or activities for the achievement of an objective within stipulated time and cost. Management is then required to determine detailed activities and their interrelationships, to estimate resources required and the time needed to complete these activities as per schedule, and to monitor and control the time and cost of the project.

Network analysis is a technique which is concerned with minimising the total completion time of the project, as well as minimising the over-all project costs. The network analysis is eminently suitable to projects which are not routine or repetitive and which may be conducted only once or a few times, such as construction of buildings, dams, research and development, marketing of new products, building a ship, construction of factories, missile production, etc. PERT and CPM are the two very popular types of network analysis used in modern management.

PERT is basically a technique of project which is useful in the following managerial functions.

- 1 **Planning:** The planning of any project involves the listing of various jobs that have to be performed to complete the venture. Requirements of men, material and equipment are drawn up alongwith the estimates of costs and durations for the various Jobs, in the process of planning.
- 2 **Scheduling:** Scheduling is the arrangement of the actual jobs of the project according to sequence of the time in which they have to be performed. Calculations of manpower and materials required at each stage of production are made alongwith the expected completion time of each job.
- 3 **Control:** The process of control commences with comparison of the difference between schedules and actual performance, once the project has begun. The analysis of the difference and the remedial action taken is the essence of control.

The first and most important condition for using PERT is the breaking up of the project into jobs or activities and determining the order of precedence for these jobs, that is, deciding which jobs are to be completed before an other can be started.

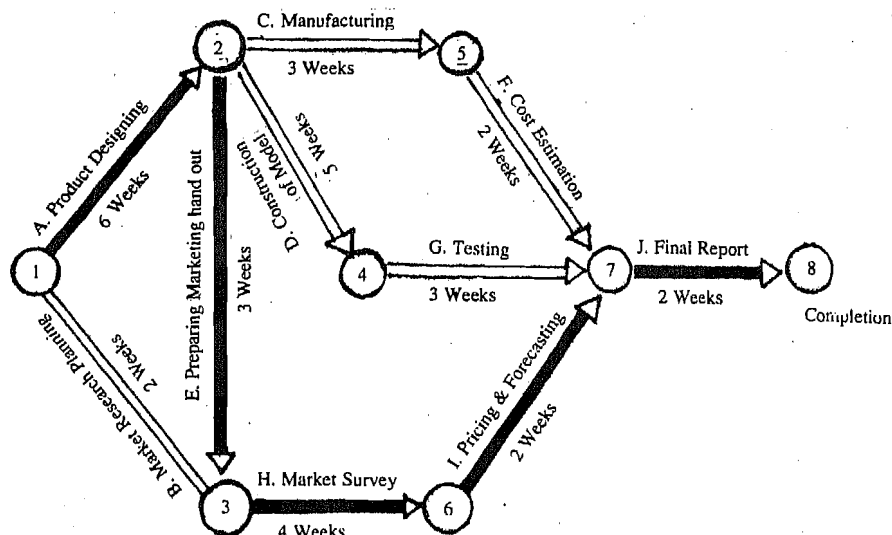
The next step is to draw a picture or graph which illustrates the jobs outlining the predecessor and successor relations among them. A thorough understanding of the steps associated with the construction of the graph is essential for the grasp of PERT and CPM.

The concept may be explained through an illustration. Let us suppose a company is developing a new product. The major activities (tasks) in this job are listed below in their sequence.

Activity	Description	Immediately preceding activities	Expected time of completion in weeks
A	Designing the product		6
B	Market Research		
C	Manufacturing	A	3
D	Prepare the model of product	A	5
E	Prepare marketing handout	A	3
F	Estimate cost	C	2
G	Test the acceptability of the product	D	3
H	Market Survey	B,E	4
I	Pricing and Forecasting of sale	H	2
J	Final report	F,G,I	2
Total			<u>32</u>

From the list of activities, it may be seen that estimation of cost (task F) cannot begin until task C, manufacturing, has begun. Similarly, pricing and forecasting of sale (task I) cannot be started till market survey (task H) is completed. The list of activities also shows the expected time of completing each task. The network of activities can now be constructed as shown in the figure below:

Figure 16.2: Pictorial representation of PERT and CPM



The network chart above shows which tasks can be performed simultaneously and which must wait for the preceding tasks to be completed. For example, once the product has been designed, preparing a model, testing the acceptability of the product, manufacturing and cost estimation can be undertaken at the same. Buhmarket survey cannot begin until the market research plan and the marketing handout have been prepared. The jobs are shown as arrows leading from one circle in the graph to another. The circles are described as 'nodes' and denote the events or completion of particular jobs. The 'node' from which the arrow starts is known as the 'initial node' and the node at which the arrow ends is the 'terminal node'. Thus, the 'node' where the arrow depicting a job ends will be the starting point for the arrow depicting the next job or the succeeding job.

Picturisation of a project is nothing but division of the project into activities and arrangement of activities in the order in which they are to be performed, first, second and so on. The activities are then named and portrayed in the project graph or arrow diagram.

Advantages

PERT is useful and convenient tool in the hands of management, particularly for the top level manager who has the overall managerial responsibility of a project. Moreover, it is helpful in solving problems of scheduling the activities of one-time projects, that is, the projects which are not taken on routine basis. As a tool of planning and control, its specific contribution is as under:

- 1 **Advance planning is possible:** It compels managers to make advance planning for fitting the relevant parts into an integrated whole. Actually speaking, it is impossible to make a time-event analysis without planning and seeing how the pieces fit together. It also forces planning at lower levels because each manager has to plan the activities for which he is responsible.
- 2 **Systematic planning:** Because it includes a number of events and activities at different levels of the organisation, it calls for systematic planning all down the line.
- 3 **Attention on critical events:** It is instrumental for concentrating attention on critical or strategic elements that may need correction or modification, because a delay in their performance will delay the whole project unless managers are able to make up the time by shortening some future activities.
- 4 **Possibility of forward-looking control:** It requires a system of forward-looking control with a view to completing sequential events and activities in proper time, i.e. it presses for right action, at right point and at right time in the organisation.

- 5 All-round coordination: It rosters all-round coordination by way of looking into the time, quantity and direction dimensions of coordination.

Limitations

It has got certain limitations also such as:

- 1 Time estimate: The main difficulty comes in the way of time estimates for the completion of activities because activities are of non-repetitive nature. Actually speaking, the expected time for each activity of any programme cannot be determined with certainty.
- 2 Not worthwhile for routine planning: PERT has special application in creating planning and it is not advisable for adoption in routine planning for recurring events as in the case of mass production.
- 3 No emphasis on costs: PERT gives emphasis on time only and ignores costs. As a result, it is suitable for programmes where time is of essential consideration or where time and costs have a close relationship. In other cases, it has limited application.

16.3.3 CPM (Critical Path Method)

CPM was developed by the engineers of the Du Pont Company in the 1950s for its application in all scheduling work, construction projects, research and development programmes and in many other situations that require estimates of time and performance. It calls for dividing a programme or project into its elementary parts in their chronological order of sequence. By breaking a project into interconnecting parts, the CPM technique is helpful in finding out the more strategic elements of a plan for the purpose of better designing, planning, coordinating and controlling the entire project.

Let us examine the concept of critical path to appreciate the significance of the critical path method as a technique of control.

In a network of activities one can enumerate a number of sequences of operations (paths) from starting event to end event of the project. Each sequence contains different combinations of activities with different durations. The study of the duration of various paths in a project can tell us the minimum time in which a particular project can be completed. The sequence of activities (path) for which the duration is the maximum indicates the minimum duration for the completion of the project.

This path is known as the 'Critical Path' being the path of maximum duration and reflects the minimum time necessary for the completion of the project. The critical path is so called because any delay in the completion of the activities lying on this path would cause a delay in the whole project. To finish the project in time, the activities lying on the critical path should be given top priority.

In the PERT network graph shown earlier, the critical path is marked by thick arrows. For example, once the path reaches node 2, there are three possible routes to node 8. The longest route is 2,3,6,7 which indicates the critical path since the path will take 9 weeks, the longest period. Other possible routes are 2,5,7, and 2,4,7 which would take 5 weeks and 8 weeks respectively. Paths other than the critical path are called sub-critical paths. The total time for their completion is less than that of the critical path. Hence, these are also known as 'slack' activities.

Main Features

The main features of the critical path method may be stated as follows:

- i) A network of events and activities is presented pictorially in CPM with the help of several circles and arrows.
- ii) Each circle represents an event and each arrow represents an activity.
- iii) An event signifies the beginning of one activity and the end of another activity.
- iv) Events are assigned serial numbers for expressing their sequence and their separate identification.

- v) An activity, on the other hand, implies time-consuming efforts or action required for achieving an event.
- vi) The flow of sequential activities is indicated by the arrowhead, and such flow calls for estimating the time in number of days or weeks in respect of each activity between any two events.

After a network of events and activities has been presented and times for all the activities have been shown, the critical path is identified by reference to those strategic events and activities which take the longest time to complete the whole project and which thereby leave the least slack time. (Slack time is the difference between the target time and project-completion time.) In other words, the critical path shows the minimum expected time in which the project as a whole can be completed. Although attention is focused on one critical path in network system, there may exist several paths in order of importance.

Objectives of CPM Analysis

The following are the main objectives of critical path analysis in a network:

- i) To determine a route or path between two or more operations which optimises some measure of performance.
- ii) To locate the points of likely obstacles and difficulties in the execution of any project.
- iii) To determine starting and finishing times for each operation/ activity in a network/ project.
- iv) To determine the slack associated with each non-critical activity.

Advantages

The network analysis through CPM leads to a number of benefits:

- 1 It focuses attention on the timely completion of the whole project.
- 2 It results in the optimum utilisation of resources and facilities.
- 3 It enables managers to:
 - i) make advance planning for all activities;
 - ii) identify strategic events;
 - iii) direct potential bottlenecks to the flow of work; and
 - iv) avoid an unnecessary pressure on other paths.
- 4 It improves the quality of planning and controlling in a number of ways, because of concentrated thinking and attention on each activity of the project, rather than on the whole of it.

Hence, it provides a systematic procedure to determine the minimum duration in which project can be completed.

Limitations

The CPM analysis is subject to two major limitations:

- 1 It has limited use and application in repetitive or routine operations and for recurring projects.
- 2 Time allowed for different activities may prove to be unrealistic, because the same estimate for each activity is based on a single time without any consideration of future contingencies and impending difficulties.

PERT and CPM Compared

PERT and CPM as techniques of planning and control have certain similarities as well as differences.

The two techniques are similar in the following respects :

- 1 Both CPM and PERT use the project network as their basis.
- 2 The concepts of critical paths and activity slack are common to both.
- 3 Both the techniques are basically time-oriented. They are now used for cost control as well.

The differences between the two techniques are the following:

- 1 PERT is used for new industries with rapidly changing technology having more uncertainties, while CPM is used for construction projects where uncertainties are limited.
- 2 CPM is activity-oriented while PERT is event-oriented.
- 3 CPM lays stress on the element of costs whereas PERT is concerned essentially with the time factor.

Usefulness of PERT, and CBM

The applicability and usefulness of PERT and CPM techniques depend largely on the validity of the following assumptions:

- 1 A project can be broken up into a set of independent and predictable activities.
- 2 The predecessor-successor relationships of the activities can be effectively represented by non-cyclical network graph in which each activity can be connected directly to its immediate successor. In many cases, it is not possible to clearly lay down the procedure relationship between the activities.
- 3 All the activities can be estimated in respect of the duration. Here again it is a difficult proposition in respect of many activities.
- 4 The CPM technique assumes that the duration of an activity is inversely related to the cost of resources allotted to the activity. Here again it is quite often that estimation is difficult.

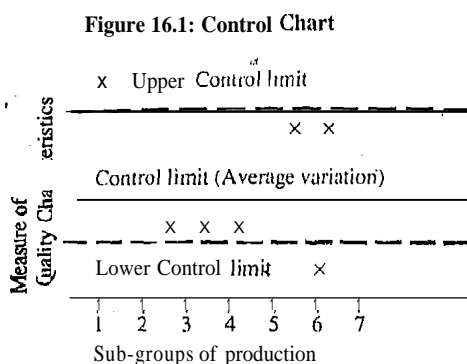
16.3.4 Statistical Quality Control

The purpose of quality control is to ascertain whether the quality of a product or service is being maintained or if there is any variation in size, weight, finish etc. In every production process there are always some standard specifications laid down either by the producer or the consumer. A good quality item is one which conforms to these specifications. However, variation in the quality of a product is inherent in every production process due to a number of factors. So, it is necessary to ascertain the variation which may be quantitative and qualitative. Quantitative characteristics are those which can be directly measured, e.g. weight, height, diameter etc, and such variations can be noted with the help of specific instruments. On the other hand in qualitative characteristics, direct quantitative measurement is not possible, e.g. cracks, breakage, colour etc. These can be determined by inspection only or by distinguishing between defective and non-defective items. But variation in the quality of products being an inherent characteristic of manufacturing process, irrespective of all possible precautions and measures there are possibilities of random disturbances responsible for deviations in the quality of the product from the set standards. The sources of these disturbances are known as chance causes, e.g. changes in machine speed due to sudden changes in temperature or voltage of power supply etc. The presence of these causes in the system is due to multitude of reasons which are difficult to identify and uneconomic to eliminate. There may be other sources of variations which further cause the product to deviate from set standards. These causes are individual and can be identified and eliminated economically. The magnitude of variability due to these causes varies with the conditions of the production process, nature of raw material, behaviour of operation etc. These causes are known as assignable causes.

Statistical quality control refers to the technique of ascertaining whether the variation in the quality of the product is due to chance causes or due to assignable causes. If the variation is due to assignable causes it is detected and some corrective action is planned to improve the quality of the product. Statistical quality control is carried out with the help of control charts. To prepare a control chart the whole production line is divided into a number of sub-groups. The basis of selecting these sub-groups is such that variation in the quality of items within each sub-group is attributed due to chance causes, whereas the corresponding variation between various sub-groups can be due to assignable causes. The variation of quality characteristic within and between the sub-groups is analysed by some method to identify whether the process is in control or not.

Briefly speaking, statistical quality control is based on statistical estimation of errors or possible variation from the average (normal) proportion of errors. In its simple operation it involves specifying the quality levels and limits on control, and then plotting the variations

on the control chart. For example if the lower limit of variation (due to assignable causes) is 5%, and the upper limit of variations (due to chance causes) is 10%, the management may allow variations of quality between 5 and 10% as acceptable. However, if the control chart indicates the variations (or errors) above 10%, the quality of work performed is investigated. The fixation of the control limits for a process is based on the assumption that the system is stable and only chance causes are present. In case assignable causes are operative in the system then quality characteristic will fall outside the two control limits. A typical control chart is shown below :



The following interpretations can be made from the Control Chart:

- i) If all the points in the chart lie within U.C.L and L.C.L. then the process is said to be in control indicating presence of chance causes only.
- ii) If points lie predominantly on one side of the central line then it is not safe to derive any conclusion about the process control.

16.3.5 Management Audit

Management audit is a systematic and impartial examination, analysis and appraisal of management's overall performance. It is basically a procedure of appraisal of management's total performance by means of an objective, and comprehensive examination of the organisation structure, its objectives, plans and policies, its operation and its use of physical and human resources, and methods of operation. Thus 'management audit' signifies a critical assessment of management of the enterprise from the broadest point of view. It may be undertaken by the management itself or it may be carried on with the help of management consultants.

One very important feature of management audit is that instead of comprehensive audit, company may even apply it to a specific section of the organisation. As regards its scope, 'production efficiency' or 'investment appraisal' may be the subject matter of 'management audit'. It may even be used to provide guidance on critical assessment of capital budgeting or profit performance.

Advantages

Management audit serves to make overall managerial functions more effective. Its advantages may be outlined as follows:

- 1 It is an insurance against self-complacency and illusions of good management on the part of managerial personnel.
- 2 It supplies management with useful information on a continuous basis which measures efficiency and shows deviations from plans, policies and procedures.
- 3 It has also a preventive effect on deviations and mistakes because the audit keeps executives on the track and make them careful: It acts as a sort of safety valve, watchman and conscience keeper of the organisation.
- 4 It can appraise all aspects of the organisation and lead not only to sound performance, but also to peak performance.
- 5 It enables management to see things in proper perspective and in the light of future developments.
- 6 Since plans, policies and operations are subjected to critical study under management

audit, their **appropriateness** and effectiveness in the organisation are also revealed in the process.

Limitations

The major limitation of management audit is that it may discourage management from taking initiative and bringing about changes in policy and procedures in view of risks involved. In other words, management audit may induce executives to play safe where critical decisions are required to be taken. Executives are also likely to be demoralised if their performance is critically reviewed and responsibility cast on them for deficiencies caused by factors beyond their control

Check Your Progress B

1 What is meant by Break-even analysis?

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2 Define Statistical Quality Control.

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3 Spell out the following abbreviations:

PERT:

CPM:

4 Which of the following statements are True and which are False.

- i) Management audit is nothing but appraisal of the financial performance of the organisation.
- ii) PERT and CPM are two aspects of network analysis.
- iii) PERT is only helpful in controlling the execution of time bound projects which may be undertaken occasionally.
- iv) Control Charts are not essential for statistical quality control.
- v) Break-even analysis is possible without the use of a break-even chart.

16.4 LET US SUM UP

A variety of tools and techniques of control have been developed and used for purposes of managerial control. The traditional techniques of control have been found useful for a long period of time and some of these are still used by organisations. Two of these techniques are: Budgetary control and Standard costing.

Budgetary control refers to the principles, procedures and practices of achieving given objectives through budgets. It involves preparations of budgets, relating the responsibilities of managers to budgeted activities, and the continuous comparison of actual with budgeted results. Budgeting and budgetary control serve as valuable aids to management with respect to **planning**, coordination and control.

There are several types of budgets, of which the more commonly used are: expense budget, revenue budget, cash budget, capital budget, sales budget, purchase budget, labour budget,

and master budget. Standard costing as a technique of control consists of the use of predetermined standard costs relating to each item of cost and for each line of product manufactured or service rendered. Standard costing is an essential part of budgeting and budgetary control.

Besides budgetary control and standard costing, several other techniques of control have been developed in modern time, such as, Break-even analysis, PERT, CPM, statistical quality control and management audit. One or more of these techniques are often used along with budgetary control and standard costing.

Break-even analysis is a technique of control which consists of the analysis of costs in relation to changes in the volume of sales and its impact on profit. It determines the volume of sales at which costs will be fully covered and beyond which profits will be earned. The analysis is often carried out with the help of a chart known as break-even chart. This is a graphical representation of variable and fixed costs in relation to the volume of production and sales. At the break-even point on the chart, there is neither profit nor loss and there is equality of total costs and total revenues.

PERT (Programme Evaluation and Review Techniques) is basically a technique of project management. It involves the use of the basic network technique and requires the following steps: (1) breaking up the project into jobs and activities, (2) deciding which jobs are to be completed before another can be started, (3) preparing a graphical flow chart indicating the predecessor and successor relations among the jobs, and (4) specifying time and cost estimates for completion of each job.

Thus, PERT lays down the schedule of job performance according to sequence of time for performance. The process of control commences once execution of the project starts. The difference between schedules and actual performance are analysed and remedial action is taken.

The critical path method calls for dividing a programme or project into its elementary parts in their chronological order of sequence along with the duration of various paths (sequence of operation) from starting event to end event of the project. This reveals the minimum time in which a particular project can be completed. The sequence of activities for which the duration is the maximum indicates the minimum duration for completion of the project and its path is known as the critical path. To finish the project in time, activities lying on the critical path is required to be given top priority.

Statistical quality control is concerned with ascertaining whether the quality of a product or service is being maintained or if there is any variation in the specified size, weight, finish, etc. The main objective of this technique of quality control is to keep the variation in quality due to chance causes within the control limit. Control is effected with the help of control charts. In its simple operation, statistical quality control involves specifying the norm of quality level and limits on control, and then plotting the variation on the control chart. If all the points in the chart lie within the upper control limit and the lower control limit, then the process is said to be in control indicating the presence of chance causes only. If points are outside the control limits, the matter is investigated for assignable causes.

Management **audit** refers to the systematic and impartial examination, analysis and appraisal of the overall performance of management. It consists of a critical assessment of the management of an enterprise through a comprehensive examination of the organisation structure, its objectives, plans and policies, methods of operation and control, and the use of physical and human resources. It may be undertaken by management as self-audit, or may be carried out with the help of management consultants.

16.5 KEY WORDS

Break-Even Analysis: Analysis of costs in relation to volume and impact of the same on profits.

Break-Even Chart: A graphical representation of break-even analysis.

Budget: Plan of an enterprise for a specified period expressed in financial or physical terms,

Budgeting: Formulation of budget.

Budgetary Control: Principles, practices and procedures of achieving given objectives , through budgets.

Control Chart: A chart indicating the variations of quality of products around the control limit.

CPM (Critical Path Method): Technique of determining the minimum duration of completing a project on the basis of the critical path.

Critical Path: Path of activities with maximum duration.

Fixed Cost: Cost which has to be incurred irrespective of the volume of production and sale.

Management Audit: Comprehensive appraisal of management performance with respect to various aspects of organisational plans, policies and decisions.

PERT (Programme Evaluation and Review Technique): Technique based on network analysis which uses estimates of time required to complete tasks for scheduling and controlling execution of projects.

Statistical Quality Control: Technique of controlling product quality through the establishment of control limits.

Variable Cost: Cost which varies in direct proportion to the volume of production and sales.

16.6 ANSWERS TO CHECK YOUR PROGRESS

A 4 i) True, ii) False, iii) True, iv) False, v) False, vi) True

B 4 i) False, ii) True, iii) True, iv) False, v) True.

16.7 TERMINAL QUESTIONS

- 1 What is budgetary control? What are its advantages and limitations?
- 2 Define Standard Costing? How does it help in keeping the costs within control.
- 3 What is meant by Break-even analysis? Explain its uses in decision-making.
- 4 Draw a Break-even chart analysing Break-even point taking imaginary data.
- 5 Discuss the nature, benefits and limitations of Break-even analysis as a control tool.
- 6 Explain the concept and importance of PERT and CPM as tools for control.
- 7 What is network analysis? Evaluate PERT/CPM as planning or control technique in project formulation, implementation and evaluation.
- 8 Explain the importance of statistical quality control. Describe how a control chart is constructed and interpreted.
- 9 Explain the concept of management audit.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not send your answers to the university. These are for your practice only.

SOME USEFUL BOOKS

Gupta C.B. 1989. *Business Organisation and Management*, Sultan Chand and Sons: New Delhi. (Section vi, Chapters 3, 15 and 16)

Koontz Harold and Cyrill O'Donnell. 1987. *Management*, McGraw-Hill Book Company: New Delhi. (Part 6, Chapters 25, 26 and 29)

Rao VSP and PS Narayana. 1987. *Principles and Practice of Management*, Konark Publishers Pvt. Ltd: Delhi. (Chapters 6, 30 and 31)

Singh B.P. and T.N. Chhabra. 1988. *Business Organisation and Management*, Kitab Mahal : Allahabad. (Section One, Chapter 3, Section Five, Chapters 14 and 15)