1

INTRODUCTION TO MANAGEMENT

Unit Structure

1.0 OBJECTIVES

After studying the unit the students will be able to:
- Define the concept of Management.
- Discuss the features of management.
- Know the management principles.
- Understand the factors responsible for new horizons of management,
- Explain the management skills and competence in the 21st century,
- Understand the concept of Management by exception.

1.1 INTRODUCTION TO MANAGEMENT

Management is a process of managing various activities. Management means managing an activity. It is a process of planning, organizing staffing, and controlling the organizational activities to accomplish its well-designed activities. Management is the art of getting things done by the people who are directly or indirectly associated with the organization. It is one of the important elements of business-like men, materials, money market, and management. Effective utilization of all their elements purely depends on effective and efficient management. The importance of management cannot be neglected in today's business

process. Management is not only essential to business concerns but also essential to an organization like schools, Colleges, Hospitals, Charitable trusts.

Many organizations are effective and efficient management for planning organizing and controlling their activities to accomplish their goals.

1.2 DEFINITIONS OF MANAGEMENT

1. Mary Parker Follet: - "Management is the art of getting things done through people".

2. George Terry: - "Management is a distinct process consisting of planning organizing staffing and controlling performed to determine and accomplish stated objectives by the use of human being and other resources".

3. Henry Fayol: - "To manage is to forecast and to plan to organize, to command, to coordinate and to control".

4. Harold Koontz: - "Management is the art of getting things done through and with people in formally organized groups".

1.3 FEATURES OF MANAGEMENT

The Features of management are as follows: -

1. Management is a continuous and never-ending process:
As stated, above management is a process. It includes four basic functions like planning organizing directing and controlling. It is a continuous and never-ending process as it does not come to an end like the accomplishment of organizational goals.

2. Management deals with the people:

Management involves people who are directly or indirectly involves with the organization effective management requires teamwork the collective efforts of all the people to bring success to the organization.

3. It involves getting things done through people:

Management involves people to get the thing done effective and efficient system of management maintain qualified and knowledgeable staff to whom a proper direction is given to implement the plans of an organization.

4. Management is goal-oriented:

Management places emphasis on the accomplishment of an organization's goal. Every managerial activity results in the achievement of well-defined objectives.

5. Management is a system of activity:

Management is an integral part of the system. A system may be defined as a set of various departments working in an organization to achieve a common objective.

6. Management is an art, science as well as profession.

7. Management is innovative:

Management techniques are creative and innovative. Every manager in the organization uses their innovative skills and talent to make better things with higher efficiency at minimum cost.

8. Management has a different operation level:

Such as higher level, middle level, and lower level. All the managers at different levels have to work with adequate authorities and responsibilities.

9. Management is dynamic:

Business is influenced by economics, social, political, and technological and changes in human resources. Management adjusts itself to the changing atmosphere. Management has to make suitable forecasts and make the changes in the existing policies, therefore it is a dynamic activity.

10. Management follows well-established principles:

It follows well-established principles in managing the organization. The principals include:-
- Division of work
- Authority and responsibility
- Discipline
- Unity of command
- Unity of direction etc.

These principles help to solve the problems of the organization.

11. Management is universal:

It is all-pervasive. It applies not to business organizations, but also to other organizations such as educational institutions charitable trusts, hospitals, etc. Management is a must for all activities.

12. Management adopts professional approach:

Nowadays managers use a professional approach for getting the work done by their subordinates. The delegates' authority and responsibility to their subordinates give direction and guidance and also accept the suggestion from the subordinates for improving their work.

13. Management adopts multi-disciplinary approach:

Management has to manage people. It is very difficult for managers to handle people of different backgrounds without the knowledge of different subjects such as economics, Information Technology, psychology, sociology, etc.

14. Ownership and management are separated from each other.
15. Management is an intangible activity.
16. Management is aided by computers but cannot be replaced- As managers can use computers to make quick decisions, computerized data can be used. But the judgment and experience of managers are required to use computerized data to take quick decisions.

1.4 IMPORTANCE OF MANAGEMENT

The need and importance of management can be stated as follows:-

1. Accomplishment of goal:

Effective and efficient management facilitates the accomplishment of an organization's goals Organizational activities are performed by the people under proper direction and guidance.

2. Optimum use of resources:

Management facilitates optimum utilization of available human and physical resources with the minimum cost. This helps to bring progress and prosperity to a business enterprise.

3. Management encourages initiative:

Management deals with people. It encourages people or subordinates to take an initiative to perform their work more effectively and efficiently. Employees and subordinates are encouraged to make their plans and policies and implement them to perform their work and accomplishment individual and organizational goals.

4. Management facilitates the introduction of new Techniques:

It facilitates the introduction of new machine methods in the conduct of business activities. It also brings useful technological developments and innovations in the management of business activities.

5. Cordial industrial relations:

Management develops better industrial relations. It ensures better life and welfare to employees and raiser their morale through suitable incentives.

6. Motivates employees:

It motivates employees to take more interest and initiative in the work assigned to them. Effective management facilitates higher performance. Employees can be motivated with higher incentives. Motivated employees work with application and dedication which leads to higher efficiency in the organization.

7. Expansion of business:

Effective management facilitates expansion growth and diversification of business. It creates a good corporate image for a business enterprise. Successful managers are responsible to bring success and stability to a business enterprise.

8. Reduction in wastages:

Effective management facilitates the reduction of wastages in the organization. This facilitates the improvement of productivity and overall efficiency of the organization.

9. Reduces absenteeism and labour turnover:

Absenteeism means remaining absent from the workplace without permission. Absenteeism creates several problems in the organization which affects adversely the efficiency and productivity of the organization.

Labour turnover means the employees learn the organization. Labour turnover and absenteeism raise the cost of pricing. Effective management uses different techniques to reduce absenteeism and labour turnover in the organization.

10. Encourages teamwork:

Management facilitates the improvement of better relations between individuals, groups, departments, and between various levels of management. Better relations among employees develop team spirit in the organization which helps to bring success and stability to the organization.

11. Exploiting opportunities:

Success, stability prosperity expansion, growth, and diversification of business organizations largely depend on effective management. Management helps to make effective use of available resources to exploit

the opportunities in a better manner. As well as it helps to face challenges effectively and efficiently.

12. Improves Corporate Image:

Efficient management enables the organization to improve its performance in respect of quality goods and services higher sales and higher profits. This creates goodwill and the corporate image of the organization in the minds of not only the employees but also in the minds of customers and society. A good corporate image helps to bring success and stability to a business organization.

13. Qualities of Worker's Life:

Modern Management shares the fruits of productivity and efficiency with the workers. At present workers are provided not only better working conditions but also other benefits like monetary and non-monetary incentives which enable them to work honestly and sincerely. Such monetary and non-monetary reward helps to improve the quality of life of the employees.

CHECK YOUR PROGRESS:

1. "An effective utilization of Men, Material, and Money purely depends on an effective and efficient management". Explain.
2. Give the definitions of management.
3. Enlist the Features of management.

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1.5 PRINCIPLES OF MANAGEMENT

Henry Fayol (1841 – 1925) is rightly treated as the father of Modern Management thought has developed the management principles and general management theory in the form of a book "Administration Industrialist General" Published in 1916. It was translated into English in 1930 as "Industrial and General Administration". Henry Fayol has given 14 principles of management to manage organizational activities smoothly and efficiently. Principles mean the fundamental truth or principles which can be used by organizations to manage their business activities smoothly and successfully.

Henry Fayol's fourteen principles of management are as follows: -

1. Division of work:

Division of work means dividing the total work into small divisions a department under the departmental head a manager. Fayol suggests that a division of works brings specification in the work and the managers and the subordinates will work with more interest and initiative. The performance of managers will also improve as they will get an opportunity to use their skills & talent to perform their work.

The principle of division of work can be applied at all levels of the organization

2. Authority and responsibility:

Authority and responsibility are two sides of management. Managers must be given authority to get things done delegation of adequate authority enables the managers to perform their activities with almost devotion and dedications it improves the morale of the manager's responsibility arises out of assignment of activity. to discharge the responsibility properly then should be a balance between authority and responsibility.

3. Discipline:

All the personnel serving in an organization should be disciplined. Discipline is obedience, application, energy behavior, an outward mark of respect shown by employees. Fayol stressed the need for discipline in the organization from top-level to lower level. There should be certain rules and regulations clear and fair agreements and judicious use of penalties to be laid down to govern the organization. All the employees and shareholders must respect all these rules and regulations and agreements to run the organization successfully. Principle of discipline state that subordinate should respect their superiors and obey their orders.

4. Unity of command:

Unity of commands means that a person should get orders and instructions from only one superior. As well as subordinate should report only to one superior. Fayol observed that if one subordinate receives orders from more than one superior then he will have problems and confusion regarding whom he has to report. Lack of unity of command creates confusion and chaos in the organization. Therefore Fayol suggested that dual subordination should be avoided unless and until it is essential.

5. Unity of Direction:

Fayol suggested that there should be one head and one plan for a group of activities having the same objectives. There should be the same directions to all employees doing similar activities. According to this principle, the efforts of all employees or members of the organization should be directed towards a common goal. Unity of direction is different from the unity of command in the sense that the former is concerned with

the functioning of the organization in respect of its grouping of activities while the latter is concerned with personnel at all levels in the organization in terms of reporting relationship.

6. Subordination of Individual to General Interest:

This principle suggests that the general interest of the organization is more important than the interest of one employee or group of employees. Fayols states that common interest is above the individual interest. All employees of the organization should give more importance to accomplish the organizational objectives rather than individual objectives or group objectives. The superior should set an example in fairness and goodness. In other words, the interest of the organization should come first and then the individual or group interest.

7. Remuneration:

Fayol suggested that the remuneration of employees should be fair and provide maximum satisfaction to employees and employers. Wages and salaries should be fair. More importantly, wages must be paid on time. Wages and salaries should be determined based on cost-of-living work assigned, the financial position of the business, and talent of the employees, etc. Fayol also suggested that wages should be supported by non-financial benefits such as good working conditions, canteen facilities, recreation facilities, etc.

8. Centralisation:

Everything which goes to increase the importance of subordinate's role is decentralization. Everything which goes to reduce it is centralization Fayol suggested that authority and responsibility must be centralization in any organization with adequate decentralization policies in other words extreme centralization and decentralization of authority should be avoided and proper balance between centralization and decentralization should be maintained

9. Scalar chain:

The scalar chain principle refers to the line of authority or command for communication from the top levels to the lowest level of management. Fayol suggested that there should be a scalar chain of authority and of communication ranging from the highest to the lowest level to avoid delay in the decision-making process principle of scalar chain suggest that each communication going up or coming down must flow through each position in the line of authority. Fayol has suggested a gangplank which is used to prevent the scalar chain from bagging down the action.
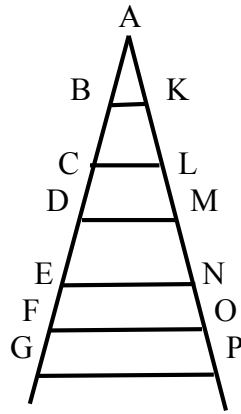
       In this diagram A to G and A to P is the scalar chain. A is the head of the organization having immediate subordinate B & K. Thus B is superior to C while K is superior to L and so on at the respective level of management. Ordinarily, communication must flow from A to B to C to E to F and so on while going down. Similarly, it must flow from G to F to E and the same while going up. It means if any communication is going from F too it will flow from F to A via E, D, L, and B and coming down to O via K, L, M, and N. Fay suggested that this scalar chain system takes time and therefore can be substituted by a gangplank. Gang Plank suggested that F & P can have direct communication to avoid delay as decision making. A gangplank is a temporary arrangement between two different points to facilitate easy and quick communication.

10. Order:

       This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. Similarly, in the social order, there should be the `Right person at the right place.

11. Equity:

       Equity is the combination of justice kindness and fairness. Equity is treatment and behavior is liked by everyone and it brings loyalty to the organization. Impartial, fair, and good treatment should be given to all employees of the organization. The application of equity requires good sense experience and good nature for soliciting loyalty and devotion from subordinates.

12. Stability of Tenure:

       Fayol suggested no employees should be removed within a short time from one job to another position job. Sufficient time is to be given to the employees to learn the new job to get used to new work and succeed in doing it well. It means enough time is to be given to employees to get stability in the organization. This creates team spirit and a sense of belongingness among the workers.

13. Initiative:

       Initiative means taking lead, coming forward to do the things. If managers are leading down the examples within the limits of authority and

discipline, managers should encourage their employees for taking initiative. The initiative is concerned with thinking out and executing a plan. The initiative increases zeal and energy on the part of employees.

14. Esprit de corps:
This is the principle of unity as a strength and extension of unity of command for establishing team spirit.

Fayol suggested that the managers should encourage team spirit among the employees of the organization. Employees should not be divided into small groups or competing groups. Because it might be damaged the morale of the employees. Esprit de corps facilitates to development of proper coordination, informal relations among employees. It also creates interest and enthusiasm.

1.6 FUNCTIONS OF MANAGEMENT

Management is a process that refers to various functions which a manager performs in an organization to accomplish organizational objectives. Henry Fayol has classified managerial functions in his well-known book "Industrial and General management" on 19/6. He identified fine functions of management such as planning organizing commanding, coordinating, and controlling.

George R Terry, a well-known author believes that management is a distinct process consisting of planning, organizing, directing, and controlling, which are performed to determine and accomplish objectives by the use of people and resources. Like this various management, scholars have identified separate functions of management. In 1937 Luther Gullite gave the seven functions of management they are POSDCORB which refers to: -

1. Planning (P).   2. Organizing (O).
3. Staffing (S).   4. Directing (D).
5. Coordinating (C).   6. Reporting (R).
7. Budgeting (B).

Hence, the function of management has been classified as per the studies undertaken by the management experts.
The important functions of management are as given below: -

1. Planning:
Planning is the first managerial function to be performed in the process of management. Planning is the primary function of management. It occupies the first position in the management process. It is the starting point of the whole management process as other management functions are related to the planning function. Planning is concerned with deciding in advance what is to be done & when, where, how, and by whom to what is to be done. It deals with -chalking out a future course of action and deciding in advance the most appropriate course of action for the

achievement of pre-determined goals of action. Planning is a decision-making process. It is an intellectual process as it deals with the determination of the course of action to achieve predetermined goals. Playing is bridging the gap between the present and future planning begins with the determination of objectives of the organization. i.e deciding the future course of action. Planning is necessary to ensure proper initialization of physical and human resources to accomplish the organizational objectives.

In the work of Alfred and Betty "planning is the thinking process, the organized foresight the vision, based on facts and experience that is required for intelligent action".

George Terry stated that "Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believe necessary to achieve the desired results".

Hence, planning is concerned with deciding in advance the future course of action. It is needed in all areas and at all levels.

2. Organizing:

Organizing is one of the basic functions of management. It is a process of integrating and coordinating the efforts of manpower and material resources for the accomplishment of certain objectives. Louis Allen states that organizing is a process of identifying and grouping the work to be performed defining and delegating authority and responsibility and establishing relationships to accomplish objectives.

George Terry defines organizing as "The establishing of effective authority relationship among selected work, persons and workplaces for a group to work together effectively".
Organizing involves the following aspects

1. Identification and classification of activities that are required to achieve organizational objectives.

2. Grouping of the activities into workable units for achieving objectives.

3. Assigning duties and responsibilities to subordinates to achieve the tasks assigned.

4. Delegating authority necessary and useful for the accomplishment of assigned tasks.

5. Establishing a superior-subordinate relationship.

6. Providing a system of coordination for integrating the activities of individuals and departments.

3. Staffing:

Staffing is one basic function of management and occupies a key position in the management process staffing refers to manpower or human resources required for the execution of a business plan. Staffing is the process of filling positions in the organization with adequate and qualified personnel. "Right man for the right job" is the basic principle in staffing.

Mcfarland stated that "staffing is the function by which managers build an organization through the recruitment, selection, and development of individuals as capable employees". Thus, staffing provides proper personnel who are competent qualified, and with the essential skills to perform the job efficiently. Staffing involves: -
1. Manpower planning.
2. Job Analysis.
3. Recruitment, selection, and placement.
4. Training and development.
5. Remuneration.
6. Performance appraisal.
7. Promotions and transforms.
8. Motivation.
9. Mentoring and counseling.
10. Retirement of employees.

4. Directing:

It is one of the most important functions of management. When people are available in the organization, they must know what they are expected to do in the organization. Directing means explaining the company's plans to its employees the managers should inform the subordinate by giving information about the plans, objectives of the organization and instruct the people that they know what is expected of them. Directing includes: -

- **Communicating:** - cleanly transfer of information from one person to another.

- **Leading**: - to lead the people and to create an interest among them to do the work for attainment and designed objectives.

- **Motivating:** - Subordinates should be motivated by the superior by providing incentives so that they work with dedication and sincerely to achieve the goals of the organization.

5. Coordinating:

It is one of the key functions of management. Coordination means integrating all the activities of an organization. Coordination is a managerial function in which different activities are properly adjusted, integrated, or inter-linked to achieve well-defined objectives. Such coordination among the different activities and department is essential. It is like bringing unity among diversity. Coordination gives one common

direction to all departments and employees functioning in the organization. Coordination is essential at levels of management-

- The top-level coordinates the activities of the middle level.
- The middle level coordinates the activities of the lower level.
- The lower-level managers coordinate the activities of the subordinates.

6. Decision Making:

Decision-making is an important function of management. Decision-making plays an important role in its effectiveness and also excellence. The concept of decision making is defined as "The selection from among alternatives of course of action". Decision-making is necessary for all management functions.

Oxford Dictionary defines decision making means "The action of carrying out or carrying into effects".

James Stoner states that - Decision making is the process of identifying and selecting a course of action to solve a specific problem.

The Decision-making process includes the following steps-

- **a.** Defining the problem or situation.
- **b.** Forming an alternative solution.
- **c.** Evaluating alternative solutions.
- **d.** Selection of the best alternative.
- **e.** Implementation of alternative.
- **f.** Review of performance.

7. Controlling:

Controlling is the end function of management. Controlling is the core of the management process. An organization cannot work without an effective control mechanism. Controlling is a regular activity. It is rightly treated as the soul of the management process. It is true that without planning there will be nothing to control. Along with this, it is equally true that without control planning will be useless.

In simple words to control means to check that the actual performance conforms to the standard and if any variance is observed, to find out the reasons for the same. It includes verifying the actual execution against the plans to ensure that execution is being done following the plans. The purpose of controlling is to ensure that everything occurs in conformities with the standards. Controlling has following

Steps: -
- **a.** Setting standards or targets.
- **b.** Implementation of Tasks.
- **c.** Measuring actual performance.
- **d.** Comparing actual performance with plans or targets.
- **e.** Finding out causes of deviations.

     f. Listing out various corrective measures.

     g. Selecting the appropriate corrective measures.

     h. Implementation and review of corrective measures.

1.7 NEW HORIZONS IN MANAGEMENT

It is the latest development in the field of management. Many developed countries have adopted new horizons in their industries to manage business activities and thereby to improve organizational efficiency and productivity. Large firms from developing countries also introduced new horizons in managing their activities. At present, it is essential to all firms' especially large firms to emphasize the introduction of new horizons in the field of management to improve overall organizational efficiency and to accomplish their objectives.

1.7.1 New horizons in the management include: -

- Flat organization structure.
- Virtual organization.
- Strategic business units.
- Knowledge management.
- Intra perineurial culture within the organization.
- Management by exception.
- Management information system.
- Total quality management.
- Six sigma technique.
- Value engineering etc.

1.7.2 Factors Responsible for New Horizons of Management

1. Globalisation:

Globalization is one of the important factors responsible for new horizons in management. Due to globalization, international business needs to expand their business to meet the global challenges. Like as expansion diversification, foreign direct investment global wagers and take one and research and developments. To face such challenges at the global level and also to achieve the growth of business at an international level many business firms must have to adopt modern techniques of organization and management.

2. Policies of the Government:

After 1990, most of the governments in the developing countries has introduced new business policies, which favors liberalization, privatization, and globalization. Govt. has deserved the public sector, delicensing of the industries, direct foreign investment, etc. Such policies are favoring the private sector enable them to participate in the economic and social development of the country. This has resulted in the expansion of business of private sector enterprises. To handle the expansion of business and to manage it effectively business firms now, have to give

importance to introducing new techniques in the field of management and business.

3. Competition:

Due to globalization, liberalization, and privatization, there is still competition among the firms within and outside the country. Every firm from the developed and developing countries needs to face competition. This leads to the introduction or use of modern techniques of management in the field of business to gain competitive advantages.

4. Technological Developments:

Technological Development is a factor responsible for use of new horizons in management and business. The use of the latest and updated technology is one of the important aspects of functional management which is essentially required to manage the business and managerial activities successfully. Therefore the business firms need to use modern technology new systems in the field of business management.

5. Customer expectations:

Nowadays, customer expectations are growing. They want a new and better product at the right prices. Due to this business firms must have to give importance to the use of new techniques in the field of production and management to provide better and quality products and services to meet the needs and expectations of customers. At present emphasis is given on total quality management, inventory control management customer satisfaction surveys, etc.

6. Dynamic environment:

The business environment has become very dynamic. It charges very quickly. People who like to take initiative and come out with solutions are likely to succeed in a dynamically changing environment. The organization recognizes managers who find their way and came to their niche. Taking initiative rather than waiting for instructions or solutions is a very important skill that is required when you work across the globe.

7. Shareholders expectations:

At present shareholders have more expectations from their companies. They expect the right information, higher dividend, best corporate governance practice, etc. Due to this business firms need to give more importance to the introduction of new techniques in the field of business and management which helps to improve the overall efficiency of the organization. At present the business firms have to introduce/uses total quality management techniques, flat organization structure, and six sigma techniques.

8. Employees expectations:

Employees' expectations are another important factor responsible for new horizons in management. At present employees expect more

freedom, empowerment, good working condition, better mgt. workers relations, etc. to meet such growing expectation of the employees and for the interment of the organization, business firms must have to give importance to the introduction of modern techniques of management in the field of production and other areas of business.

8. Growth and expansion strategies:

Due to globalization, liberalization, and privatization, the business firms use different growth and expansion strategies like internal growth strategies, external growth strategies which includes product development, market development, market penetration, diversification internal wagers, take ones, joint ventures, etc. to manage such growth and expansion strategies a business firm may have t adopt modern techniques of management and organization.

Check Your Progress:

1. Explain the following functions of Management:
    a. Controlling
    b. Directing
    c. Decision Making
    d. Coordinating
    e.
2. Explain the following Principles of management:
    a. Scalar Chain
    b. Centralization
    c. Unity of Direction
    d. Unity of Command
    e. Division of Work
    f. Equity
3. Enlist the New horizons in the management.

1.8 MANAGEMENT SKILLS AND COMPETENCIES IN 21ST CENTURY

To perform various management functions effectively, managers must possess certain skills. Skill refers to expertness, practical ability, or facility in action or doing something. Robert L. Katz identified three kinds of skills and made them more popular. Skills required by the managers are: -

1. Technical skill:

Technical skills are concerned with what is done. These certain to knowledge and proficiency in activities involving methods and procedures. These involve working with specific tools and techniques. Such skills are learned by accountants, engineers. Technical skills are required at all levels in the enterprise.

2. Conceptual skills:

Conceptual skills mean the ability to see the enterprise as a whole and recognize how the various functions of the enterprise depend on one another. It is the ability to understand concepts, develop ideas and strategies. It helps the managers to identify the causes of the problem and not the symptoms. It helps him to solve the problems for the benefit of the entire centralized . Such conceptual skills are more required by the top-level because they spend more time in planning and decision making.

3. Human skills:

It is also called interpersonal skills. It is also reformed as human relations skills. It involves working effectively with others on a person-to-person basis and building up cooperative group relations to accomplish enterprise objectives. Such skill helps the managers to understand, communicate, motivate, and lead the people in the enterprise. It also helps to build up team spirit in the enterprise.

4. Other skills

Other than these three basic skills the managers also possess the following skills: -

- **Communication skills**: - Such type of skill requires effective communication with the people in the enterprise to communicate plans policies, objectives, strategies, problems, and so on.

- **Administrative skills:** - Such skills are required at the top-level management. Top-level managers need to have the ability to formulate plans and policies. They should be able to coordinate the various activities of the enterprise.

- **Decision-making skills**: - Such skills are required at all levels of management. A manager must be able to take a quick decision and also he must be able to implement the decision wisely and quickly to solve the problem.

- **Design skills**: - It refers to problem-solving skills. Managers should not just identify a problem but design the best solution to solve the problem.

- **Leadership skills**: - Good managers need to be good leaders. They should be able to lead and motivate the employees or subordinates to work for the betterment of themselves and the enterprise. A good manager must possess certain qualities and leadership.

1.9 EVOLUTION OF MANAGEMENT THOUGHTS

1.9.1 Introduction

The evolution of management thought has originated when man started living in groups. The principles of management were used in the organization of the Roman Catholic Church and the organization of military forces in ancient Greece. These principles were practiced in different parts of the world since the dawn of civilization. After the industrial revolution, the structure of industry became extremely complex and this gave rise to modern management thought and a formal theory of management came into practice.

- **Stages in Evolution**

The stages in the Evolution of management thought - can be given as follows –
A. Pre-scientific management period.
B. Classical Approach / Scientific management -
    i) Taylor's scientific management theory
    ii) Fayol's principles of management
    iii) Bureaucratic model of Max Webber
C. Neo-classical Theory or Human Relations / Behavioral Approach
D. Modern Theory or Systems Approach.

A. Pre-scientific management period: Industrial Revolution revolutionalised the methods of production, tools & equipment, organization of labour, and methods of raising capital. To manage the business became complex and complicated. All these changes, in turn, brought about changes in the field of management, Traditional, conventional or customary ideas of management were slowly given up and management came to be based on scientific principles. Certain pioneers such as Prof. Charles Babbage, James Watt Jr, Robert Owens introduced new ideas and approaches to management - for taking decisions and solving business problems with the help of following -

1) Use of science and mathematics principles for taking decisions and solving business problems.

2) Improving working conditions and industrial relations

3) Combination of principles of engineering and economics to improve industrial productivity.

4) Need for labour welfare schemes for improving industrial relations.

B. Classical Approach / Scientific management - The use of scientific management started during the last decade of the 19th century. During this period, the advocates of classical theory such as F.W. Taylor, and Henry Fayol are generally regarded as the founders of scientific management.

i) F.W. Taylors scientific management theory

He is known as the founder of scientific management as he was the first to recognize and advocate the need for adopting a scientific approach for managing any business enterprise. He studied the causes of low efficiency in industry and he observed and came to the conclusion that waste and inefficiency are due to the absence of order and system in the management of the business. He noticed that the quota system was absent and the best methods of doing the jobs. He, therefore, advocated that the managers should make use of the 'scientific method' for achieving higher efficiency.

The scientific method should consist of the following **aspects of management.**

1) Management is based on a scientific approach and not rules of thumb.

2) Cordial relations among workers and management

3) Understanding and co-operation between the management and the workers.

4) Emphasis on improving efficiency and productivity by division of work & specialization.

5) Imparting training to workers to achieve their development.

6) Planning the work

7) Using the best tools, equipments & machinery

8) Time, motion & fatigue study.

9) Differential wage system

10) Use of scientific selection of workers.

11) Providing proper working conditions to achieve standard performance such as ventilation, safety measures, etc.

12) Profit-sharing among the workers.

The following are the **benefits of scientific management advocated by F.W. Taylor:**

1) Wider scope for specialization
2) Emphasis on planning the work
3) Use of standardized methods
4) Higher efficiency & productivity
5) Better quality of output.
6) Lower costs, minimum wastage of materials, time, and energy
7) Cordial relations between management and workers.

However, there are certain **arguments against the use of scientific management** which can be given as follows -

1) Due to specialization and division of work, the workers can face the monotony of work.

2) No scope for workers' initiative, innovativeness, and creativity.

3) Reduction of employment opportunities.

4) Lesser importance to trade unions as important issues of wages and working conditions are decided by the management.

5) The exploitation of workers.

6) Need for heavy investment in business

7) Unsuitable for small scale firms

ii) Henry Fayol's principles of management

Henry Fayol is considered the father of the modern theory of general and industrial management. The following are the principles of management advocated by Henry Fayol:

1) **Division of work or specialization -** Division of work or specialization can improve overall efficiency and productivity because it makes a worker specialized to carry out a particular activity.

2) **Authority and responsibility -** Authority and responsibility are the two sides of the same coin. If any person is assigned a responsibility to complete a particular job, he also should be given the necessary authority to help him to perform the job.

3) **Discipline -** Every employee should follow rules, regulations, policies, and procedures. There must be penalties/punishment for non-obedience or indiscipline. Any organization cannot function smoothly without discipline.

4) **Unity of Command -** Every employee of an organization should receive orders and instructions only from one superior to avoid confusion and conflicts.

5) **Unity of direction -** Every employee should work in one direction only and that is to achieve organizational objectives.

6) **Subordination of Personal interest** - Organisation's interest is supreme. Personal interest can be fulfilled only if the organization's interest is achieved.

7) **Remuneration -** Workers work in an organization for getting remuneration. Fair pay with non-financial incentives can motivate workers for better performance.

8) **Centralization -** There must be a good balance between centralization and decentralization of authority. Over or under centralization should be avoided.

9) **Scalar chain -** Organisation structure consists of steps / a chain or hierarchy of levels of management from the top to the bottom. All members of the organization are linked to each other with the scalar chain.

10) **Order -** Every activity in an organization should be performed with order and system. There has to be a standard procedure for performing routine activities.

11) **Equity -** An organization should treat all the parties connected to it in a fair or just manner.

12) **Stability of Tenure -** Every employee in an organization should be given security and stability of job within a certain period.

13) **Spirit of Co-operation -** An organization works better when there is cooperation or team spirit among the employees.

14) **Initiative -** Managers should encourage their subordinates to take initiative and develop innovativeness while performing the job.

Thus the functions of management involving planning, organizing, directing, coordination, and controlling are based on the principles of management advocated by Henry Fayol.

iii) **Bureaucratic model –**

It was developed by Max Weber. It is a rigid model of an organization involving rules, regulations, the hierarchy of authority, work procedures, division of labour, and so on. The human element is absent in this model. It is suitable where change is not anticipated or where the rate of change can be predicted. It is followed particularly in government organizations.

C. **Neo-classical Theory or Human Relations / Behavioural Approach**

This theory is an extension of classical theory. The classical theory focused on the job and improving efficiency and productivity whereas this theory gives importance to individual and group relationships in the workplace. It is interdisciplinary in approach and involves the study of sociology and psychology to understand the individual and group behaviour of the workers.

- **Elton Mayo's Hawthorne experiments**
  In 1927, Elton Mayo and a group of researchers of the Harvard Business School were given a project to study the Hawthorne Plant of Western Electric Company at Chicago. They believed that behavioral science played an important role in the management of the business organization. In this experiment, the researchers tried to find out the relation between output and sufficient light, physical conditions length of

the working day, rest hours, workers' attitudes towards work, working conditions, and supervision and group behavior. It was observed that the efficiency and productivity of employees depend more on employee's job satisfaction than the physical conditions of the work.

- **The important features of the Hawthorne Experiment** are –

1) A business organization is a socio-economic system.

2) An employee is a human being and his behavior is influenced by his emotions, feelings, and attitudes. An employee has to be motivated by using both monetary and non-monetary incentives.

3) Management should co-operate with workers.

4) Productivity is the effect of employee satisfaction in any business organization.

5) While managing business, management should make use of sociology and psychology to understand individual and group behaviour.

6) Management should have communication skills to get employee participation.

7) Developing high morale is very important to achieve organizational goals.

1.10 MODERN MANAGEMENT APPROACH

1.10.1 Meaning / Concept

The modern theory considers any business as a socio-economic organization. According to this theory, any business organization operates under the influence of various environmental factors such as social, political, economic, technological, and so on and it has to adjust itself as per the changes taking place in environmental factors/forces. The modern theory is called Systems approach because any organization is a set of interconnected and interrelated elements or components to achieve certain goals. Any organization is coordinated efforts of shareholders, creditors, suppliers, management, employees, customers, society, and so on. So it requires considering the interests of all these groups while achieving organizational objectives/goals.

1.10.2 Peter Drucker's Dimensions of Management :

Peter Drucker is known as the father of Modern Management. He has developed leadership terms and strategies that are still used today. In his book, 'The Principles of Management, he has defined management as it is a multi-purpose organ that manages the business and manages managers and manages workers and work.

Peter Drucker's management theory includes many modern concepts which can be given as follows -

1) Decentralization - Managers should decentralize their authority and responsibilities among their subordinates. It helps in creating a sense of responsibility and belongingness among the employees. However, if the decision is related to key areas of the business operations that is involving more funds and affecting the goodwill and reputation of the organization, then it is generally taken at a higher level of the management.

2) Knowledge work - Knowledge workers do jobs requiring handling or using information, such as engineers or analysts. According to P.F. Drucker, "The workers who solve problems and work creatively are valuable.

3) Management by objectives - Peter Drucker developed the concept of 'Management - by Objectives. It is a process in which goals & objectives are set, employees are encouraged to work together to achieve the targets, their performance is evaluated and employees are rewarded as per their performance. While setting objectives, care has to be taken to see that they are specific, measurable, achievable, relevant, and time-bound.

He advocated that management should give topmost priority to business ethics and morals while managing business activities.

1.10.3 Indian Ethos in Management

Indian Ethos in management refers to the values and practices that the culture of India can contribute to service, leadership, and management. These values and practices are rooted in Sanathana Dharma (the eternal essence) and have been influenced by various strands of Indian philosophy.

Work values that can be derived from the culture of India are:

1. Paropakaartham Idam Shareeram - The body is meant for serving others or for the higher common good,

2. Atmano mokshartham Jagat Hitayacha - Endeavors should be made considering the well-being of the world too while considering the spiritual well-being of oneself.

3. Trikaranasuddhi - To consider work as a means to grow oneself in 'Purity and Unity' of Thought, Word, and Deed.

4. Yognaya Charatha Karma - To engage in work as a sacred offering.

Various texts of India are useful for deriving aspects related to management - theory and practice such as Autobiography of a Yogi, Thirukkural, Vedas, Upanishads, Manusmiriti, Arthashastra, Mahabharatha, Ramayana, and Bhagavad Gita

As per Indian ethos, Indians believe in accommodative attitude, self-control, fulfillment of duties, advancement in spirituality, team achievement, protection of the surrounding environment, respect of elderly, and the belief in trust.

Indian Ethos in management can be applied for undertaking business activities fairly and equitably. The management can follow ethical principles in carrying out various business functions such as production, marketing, finance, and also Human Resources Management. It guides the management to put in their best efforts for the organization without having any selfish interest. It emphasizes giving due respect to everyone associated with the organization and performing duties to the best of one's abilities, Indian ethos places emphasis on a positive attitude and having good thoughts and actions. It strongly believes that good thoughts lead to good feelings, emotions, and attitude which ultimately results in good actions and good actions bring success to the organization. It teaches us to perform duties towards society's well-being. It helps the organization to undertake activities for achieving socio-economic objectives.

Significance of Indian ethos in Management:

1. Creates strong relation:
Organizations following Indian ethos consider humanity as supreme. This provides a strong bond with internal as well as external customers, resulting in an improved performance.

2. Inward considerations:
Indian ethos focuses on 'if a person is good then the whole world is good'. Any organization which follows the above ethical thought automatically get converted into an ethical organization with less conflicts and hindrances.

3. Avoids unethical aspects:
As Indian ethos is a principle derived from Upanishads, Bhagwat Gita and Puranas, where the performance is always ethical.

4. Balanced values:
Indian ethos promotes a person to live a life of materialism and spirituality by maintaining a balance between spiritual values and secular values.

5. Improves performance:
Indian ethos impacts the performance of business by emphasising on the concept like sacrificing individual desires in favour of social benefits, preferring long-term benefits.

6. Improves quality:
Self-motivation and self-development helps a lot in development of business and its quality.

7. Management Attitude:
Top management having firm belief in value-oriented holistic management. Profit is earned through service and satisfaction of all

stakeholders – employees, customers, shareholders and citizens. Fulfillment of social responsibility must be ensured.

8. Welfare:

Indian ethos teaches welfare of all (yagna spirit). "Atmano Mokharth Jagat Hitay Cha" (serve your personal interest but do not forget others). This philosophy is needed in modern times.

9. Unique Work Culture:

Indian ethos helps in development of unique work culture. Work is considered as duty or Sadhana and there is no difference between Karma(work) and Dharma(religion). The term Dharma does not indicate any particular religion. Dharma is a duty to be performed in a given situation. Thus, Dharma is possible through Karma only.

1.11 SUMMARY

After the above discussion is summarized as Management means doing various activities it is a continuous process having the features like continuous activity dealing with people, goal-oriented activity, system activity, it is innovative, activity having different operation levels, dynamic, universal and having professional and multi-disciplinary approach.

A business cannot survive without management because management is its means of support. Management is concerned with maximum prosperity with minimum efforts. Management is essential wherever group efforts are required to be directed towards achievements of common goals.

Henry Fayol's fourteen principles of management have been a significant influence on modern management theory which are as follows: -Division of work, Authority, and responsibility, Discipline, Unity of command, Unity of Direction, Subordination of Individual to General Interest, Remuneration, Centralisation, Scalar chain, Order, Equity, Stability of Tenure, Initiative, Esprit de corps. Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting are the main functions of management.

Due to globalization, increased competition, growing demands of the customers, and innovations in technology various new horizons are entered into the management process.

Management information system, or MIS, broadly refers to a computer-based system that provides managers with the tools to organize evaluate, and efficiently manage departments within an organization. To provide past, present, and prediction information, a Management Information System can include software that helps in decision making, data resources such as databases, the hardware resources of a

system, decision support systems, people management, and project management applications, and any computerized processes that enable the department to run efficiently.

Management by exception is the practice of examining the financial and operational results of a business and only bringing issues to the attention of management if results represent substantial differences from the budgeted or expected amount. The purpose of the management by exception concept is to only bother management with the most important variances from the planned direction or results of the business.

1.12 QUESTIONS

1.12.1 Multiple Choice Questions

1. Management is the _____ of getting things done through people
   a) **Art**   b) Science   c) Commerce e) Technique

2. Management is a _____ Process
   a) **Continuous** b) Temporary c) Permanent e) Slow

3. _____ means dividing the total work into small divisions a department under the departmental head a manager
   a) **Division of Work** b) Division of Time c) Division of Company d) Division of Money

4. As per _____ Principle of Management the employees should work as per the Rules and Regulations of the organisation
   a) Scalar Chain   b) Authority & Responisibility c) **Discpline** d) Direction

5. Principle of Espirit de Corps means _____
   a) Company's Unity b) **Team Spirit** c) Employer's Spirit d) Strength.

6. _____ Is the primary function of Management
   a) Staffing b) Directing c) Controlling d) **Planning**

7. _____ ia a decision making process
   a) Staffing b) Directing c) Controlling d) **Planning**

8. "Right Man for the Right Job" is the Principle of _____
   a) **Staffing** b) Directing c) Controlling d) Planning

9. _____ means integrating all the activities of an organization
   a) Staffing b) Directing c) **Coordinating** d) Planning

10. _____ is a factor responsible for use of new horizons in management and business.
    a) Customer Expectations b) Government Policies c) **Technological Develpment** d) Competition

11. _____ skills is known as interpersonal skills
    a) **Human Skills** b) Administrative Skills c) Conceptual Skills d) Leadership Skills

12. _____ is the ability to understand the concepts
    a) Administrative Skills b) **Conceptual Skills** c) Human Skills d) Leadership Skills

13. _____ is called as the father of Modern Management
    a) **Peter F. Drucker** b) Henry Fayol c) F.W.Taylor d) None of the above

14. _____ is called as the father of Scientific Management
    a) Peter F. Drucker b) Henry Fayol c) **F.W.Taylor** d) None of the above

15. _____ Principle states that Every employee should work in one direction only
    a) Scalar Chain b) Authority & Responisibility c) **Unity of Direction** d) Direction

16. _____ refers to the values and practices that the culture of India can contribute to service, leadership, and management.
    a) **Indian Ethos** b) US Ethos c) Chinese Ethos d) None

17. _____ is a management style that where managers only intervene when employees fail to meet their standards of performance
    a) Autocratic b) bureaucratic   c) **Management by Exception** d) None

1.12.2   Theory Questions
1.   Define Management. Explain the features/nature of Management.
2.   Discuss the functions of management.
3.   Explain the stages in the evolution of Management Thought.
4.   What are the factors responsible for the New Horizons of management?
5.   Write short notes:
      a.   Importance of Management
      b.   Management by Exception
      c.   Management Skills
      d.   Indian Ethos in management
      e.   Elton Mayo's Hawthorne experiments
      f.   F.W. Taylors scientific management theory
      g.   Peter Drucker's Dimensions of Management
      h.   Henry Fayol's principles of management

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PLANNING

Unit Structure

2.0 OBJECTIVES

After studying the unit, the students will be able to:
- To understand the features of Planning
- To know planning and its importance
- To do the planning perfectly
- To understand the procedure for MBO and its advantage
- To Give suggestions for effective MBO

2.1   INTRODUCTION

The concept of planning is as old as history and hasbecome very common in today's life. It is essential in every walk of life. It is not only important in human beings life but also business units life. Its importance has grain up since the systematic study of management hasbeen undertaken by the business. It is the most important aspect of every activity to complete it accurately and in an expert manner.

2.2   MEANING & DEFINITIONS

Meaning:
Planning is deciding in advance what is to be done. It is the determination of a course and action for achieving the desired result. It is

to look ahead and chart out the future course of action. This is undertaken to identify the alternatives and select the best alternatives from the available ones. It is also known as a blueprint of our actions. It is an intellectual process wherein the planner goes through certain steps and then comes to a perfect conclusion. That is what he's planning. As per Fayol's opinion, it is action at once and at sometime the result envisaged. It is the future picture wherein proximate events are outlined with certain distinctness. Therefore, to plan one needs imagination foresight and sound judgment planning involves problem-solving and decision making.

Planning is the first function of management without planning no business unit can survive, stare or progress and itspassion will be like a blind person who is searching for something in the dark. Here planning helps management to set the objectives, decides how to achieve them, and guide it to what exactly it has to accomplish and how best to go about it.

In short, we can conclude that planning is nothing but deciding in advance what to do how to do when to do were to do with whom to do, what will be the cost of it, etc. in another word answering all W and H questions related to the business activity for its successful completion is known as planning.

Definitions of planning:

1) "Planning is the process of setting goals and establishing methods or paths reaching them" **Gray and Smeltzer.**

2) "Planning is the selecting and relating of acts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieved desired results". "**George R Terry.**

3) "Planning is deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities" **Philip Kotler.**

2.3 NATURE / FEATURES OF PLANNING

1. **Planning is a process:**

It is not a single activity; or one-shot function. To perform, it needs lots of things that means it involves so many sub-activities with which it gets completed.

2. **It is result-oriented:**

Planning has no meaning if there is no gain or result without result it becomes mental exercise.

3. **It is an intellectual process:**

Because the quality of planning will be decided as well as it varies, according to the planner's caliber or intellectual capacity.

4. Continuous:

Planning should be continuous. It should continuously collect, evaluate, and select data for scientific investigation and analysis of the possible alternative course of action.

5. Planning is all-pervasive:

It is the prime function of management. It is concerned with all functions of management without a plan no management function is performed by any level of management. So it is all-pervasive

6. It aims at co-ordination:

Because of planning all management functions are co-ordinate and executed properly.

7. The elasticity of in planning:

The planning should be flexible. It should be changed as per the situation demands. If it is not, then that plan never became a success.

8. Planning directs efficiency economy and accuracy:

A good plan always gives these three things with this a planner reconciles all company's research well, and it will be easy to complete the good.

2.4 IMPORTANCE OF PLANNING

Planning is a systematic and orderly approach to management. It is a basic function of management; it has wide significance in management. This will be explained with the help of the following points

1. Planning is a primary function:

It is the primary function and management. Without planning there will be nothing to organize, direct, coordinate, and control. All these functions are interrelated and independents so to have a smooth function of all these is a need of planning.

2. Pervasive:

Planning is all-pervasive, it means it touches considers to all aspect of the business. It is necessary at all levels of management,The only difference between top-level management planning function lower-level management planning function is that the earlier one is strategic planning in native and later are is operational planning.

3. Planning is an intellectual process:

Planning is an intellectual process of decision-making. It involves thinking capacity, foresight, and vision for that one needs brain capacity. Planning cannot be done on the balls of guess or it, not a work of common people those who are lacking vision forecasting, no thinking capacity.

4. It is realistic and objectives oriented:

Planning is realistic it means it is based on facts & figures. If we put proper inputs then the result is ought to be planning is always directed at a particular object If the objectives are attained then it will call planning otherwise it is not planning.

5. Planning raises accuracy, economy, and efficiency:

With the plan, a business can do an activity better, systematically and with low detects. As it has been planned activity, all sub-activities are in a particular order & sequences, therefore low wastages are incurred. Its benefits are there is increased efficiency and low cost of operation.

6. Planning is the link between past-present-future:

While preparing a plan, the planner at first use to consider the post records its consequences, then he thinks about the present position of the planning activity, and how it would be in the future, in what way it will be considered in the future are assured and accordingly planned. Therefore, with the consideration of these the planning becomes perfect.

To make a plan very successful &beneficial to the organization planner should keep certain things in his mind while preparing the plan. These things are known as the essentials of a good plan.

Essentials of a good plan
I   Simplicity
ii   Clear objectives
iii   Suitability
iv   Flexibility
v   Continuity
vi   Unity of purpose & direction
vii   Realistic and acceptable

2.5 STEPS IN PLANNING PROCESS

Planning may be done at the corporate level or departmental level. It may be short-term as well as long-term. Whatever may be the nature of planning, it involves the following steps.

1. Analysis of external environment:

The manager must carefully analyze the external environment as these environmental uses one not controllable. He has to see factors of external environment like social, economical, and political nature of competition exists in the region or country and accordingly prepare a plan, policies or programs as per the need of The business unit.

2. Analysis of internal environment:

Internal environment factors are residing within the business and are controllable. Here manager needs to adjust them as per plans policies programming and accordingly go for planning. Generally, internal

environmental factors consist of men, machines materials, fiancé, methods of production know-how,etc

3. Establishing objectives:

After having analyzed the internal and external environmental forces, the planner needs to set objectives for the entire enterprise, and every department's objectives are the endpoints, which shows what is to be achieved. These objectives are at the root of the planning process course of action and shape the future policies while planning objectives are to be set in multiple objectives in different areas of the business.

4. Determining the planning premises (forecasting):

Planning premises are nothing but assumptions and predictions about the business situation. These premises supply relevant facts, information, or data to businesses based on business use to lay down the specific course of action. Forecasting is an assessment of the future. It is a systematic attempt to know probable events to provide against the future it works in relation to the activities and working of an enterprise. There are three types of premises do exist in business
- i) Controllable premises
- ii) Sem-controllable premises
- iii) Uncontrollable premises

5. Determining alternatives plans:

Here the planner must prepare and keep ready alternative plans, which are suitable for business under different situations. And the best one is to be used for actual execution. The preparation of an alternative plan is essential as one plan is not sufficient or adequate for business under different conditions. Therefore business units prepare certain plans. Generally, the preparation of alternative plans is subject to the availability and collection of data i.e. primary and secondary data. It data is enough and good related to a different business situation. Then more alternatives plans can be prepared.

6. Evaluating alternative plans:

After seeking out alternative courses and examining. Their strong and weak point, the next step is to weigh them in light of premises and goals. One alternative plan may appear to be most suitable and profitable but at the same time, it may require home amounts of funds. Another one may require low funds but not profitable and may have risk. Here proper evolution is to be done and then suitable plans need to be accepted.

7. Selecting the best plan:

It is the real point of decision-making. Once the evaluation is over the best & fittest plan is to be selective. It is to be done in The light of objectives and planning premises.
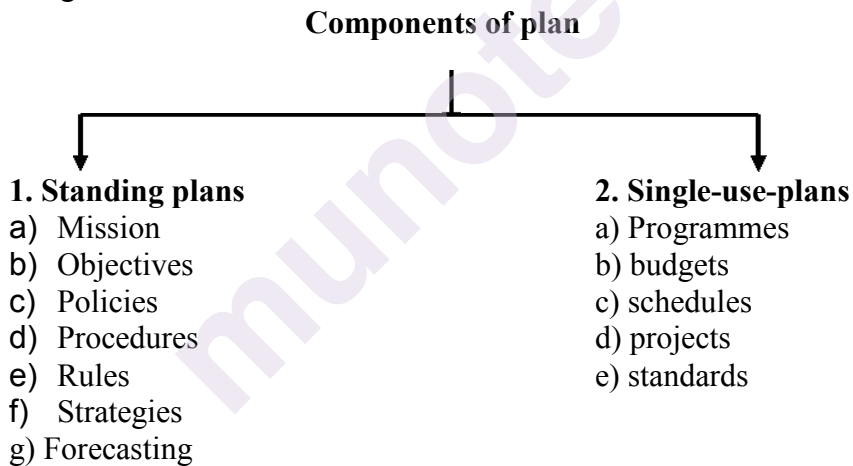
8. Preparing derivative plans:

Derivative plans are related to different department plans and are supporting to main plan of the business. It is important to easy execution of the whole plan

9. Formulating the plans:

For the implementation of plans, managers have to perform managerial functions, like organizing, directing, and controlling. Proper duties & responsibilities are to be assigned to employees with proper communication & explanation of the plan. then the manager has to after follow-up. It gives a periodical review of the execution process. It also helps to understand actual progress and deficiencies in the process of execution of the plan. this also helps to adopt suitable remedial measures as & when required.

2.6   COMPONENTS OF PLANNING

In the planning process, several plans are prepared. These plans are arranged in a hierarchy within the organization. These are known as elements or components of planning and are classified into two board categories.

Components of plan

1. Standing plans
a) Mission
b) Objectives
c) Policies
d) Procedures
e) Rules
f) Strategies
g) Forecasting

2. Single-use-plans
a) Programmes
b) budgets
c) schedules
d) projects
e) standards

1. Standing Plans or Repeated-use plans:

Standing plan is also known as one time plans once it is prepared then it will be used by business in future as & when it required. They are used over a long period, therefore, it is known as long term plans. Components of standing plans are:

a) Mission:

The mission is the basic or fundamental reason for the existence of an organization. Every business must havea definite mission to undertake and make the organization meaningful. Mission also points out the beliefs and philosophy of the management. It gives a long-run commitment to the organization.

b) Objectives / goals:

Objectives are the end points of not only planning but also all functions of management. It provides a basic foundation to build-up plans. They help in achieving consistency in decision-making in the long run. They help in measuring the efficiency of the individuals working in the enterprise. They prevent the people from deviating from the positions they have set for them.

c) Policies:

The policy is verbal written or implied statements, which are followed as a guide to action by managers and employees of an organization policies guide managers and provide stability to an organization. They are like well-prepared solutions to identical problems. Policies are intended to pre-decide the issue, avoid repeated analysis and give a unified structure to other types of plans. Policies define and delimit the area within which the subordinate managerial personnel can take a decision, permitting them to exercise their judgment and initiative.

d) Procedures:

Procedures indicate the specific manner to handle a situation. It is closely related to policies and useful for systematically conducting activities.

It avoids the burden on lower staff as it lay down a standard path to be followed to action rather than thinking. They detail the exact manner in which a certain activity must be accomplished its essence is chronological action required.

e) Rules:

It is the simplest and most specific type of standing plan. It guides what may or may not be done. A rule demands a specific action. It is more rigid than policy rules which are on the administrative area of a procedure. Rules demand strict compliance.

F) Strategies:

The term strategy is used in military science and is an art of a military General leading on army strategy means a plan based on the anticipated moves of the opponent.

Incorporate, strategy means the preparation of a comprehensive plan, which will enable the company to meet any type of situation effectively. Here competitors' plans are used as a background for the preparation of a strategy. The strategy is necessary as future events in business are unpredictable strategies will help management to win the race in the competitive market.

g) Forecasting

A forecast is a prediction. It is the estimate of probable events. Fore casting does not involve decision-making but helps in decision-making by providing tips about what is likely to happen in the future. In

short, forecasting is a systematic attempt to investigate the by inference from known facts.

2. Single- Use-Plans (Non- repetitive plans):

As its title suggests that it is prepared for a single activity. Once the activity gets over plan becomes null & void. It cannot use for other activities. Therefore there are formulated to meet unique, novel, and non-repetitive situations.

a) Programs:

A program is a sequence of activities designed to implement policies and accomplish objectives. The programs may be minor. Generally, programs are a complex of goals, policies, procedures rules, steps to be taken resources to be employed, and other necessary elements to carry out a given course of action. Programs are supported by budgets.

b) Budget:

A budget is an estimation of expected income and expenditure. It may be for cash, revenue, or capital expenditure. The budget provides a standard to the activity by setting a standard and in any variation. Then it will be checked. Therefore it is also known as a planning instrument and controllable device.

c) Schedule:

A schedule is a timetable of work. It is a process of establishing the sequence of work to be done schedule prescribes the exact time require by an activity to complete and start it. Scheduling helps to honor the delivery of goods. It helps to maintain inventory too.

d) Projects:

It is a scheme for investing resources. It can be evaluation an independent unit. It is a workplan established through scientific investigation and analysis.

e) Standards:

Standard is a criterion against which a program is compared and evaluated. It is a guide for performance evaluation. A company may set up a variety of standards expressing the anticipated results of the plans. There are two types of standards known as
  i)   Qualitative standards
  ii) Quantitative standards.

2.7 CO-ORDINATION

2.7.1   Meaning

Co-ordination means integrating or being together with all the activities of an organization. It is done for achieving the goals of an organization. There must be proper coordination throughout the organization. The functions of management i.e. planning, organizing,

directing, controlling, staffing need to be coordinated to achieve organizational objectives. Also, different levels of management and employees of the organization are required to coordinate.

2.7.2   Importance of Coordination

The need and importance of co-ordination can be given with the help of following points.

1. **It helps in developing team spirit**

It encourages employees to work as a team by improving communication and cordial relations among them.

2. **It gives proper direction**

Co-ordination brings together various activities of the organization for achieving the common goals or objectives of the organization. So it acts as a direction to all the departments of the organization.

3. **It leads to motivating employees**

By improving interpersonal relations, it leads to motivating employees through various monetary and non-monetary incentives.

4. **It facilitates optimum utilization of resources**:

Proper coordination helps in optimum utilization of resources such as machinery, materials, money, manpower, and management by avoiding wastages of all types.

5. **It leads to the achievement of organizational objectives:**

Co-ordination helps to achieve cordial relations among employees of the organization and thereby it facilitates the smooth working of the organization. So it leads to the achievement of organizational objectives.

6. **It can develop good relations in the organization:**

Coordination among different activities/functions of the organization can be achieved by effective communication among employees of the organization and it helps to develop team spirit and cordial relations among employees.

7. **It leads to higher efficiency**

As coordination helps in optimum utilization of resources, it leads to higher efficiency by reducing costs, labour, and time involved in doing the jobs in the organization.

8. Co-ordination improves goodwill of the organization:

Co-ordination helps the organization to sell good quality products at reasonable prices and also to provide efficient after-sales service and thereby it leads to improving the goodwill and reputation of the organization.

Check Your Progress
1. "Planning is a basic function of management having wide significance". Explain.
2. Define the following terms:
    a) Planning
    b) Standing plans
    c) Single-use plan
    d) Mission
    e) Policies
    f) Strategies
    g) Schedule
    h) Standards

3. Enlist the features of Planning.
4. What are the steps in the planning process?
5. What is the importance of Coordination

_____

_____

_____

_____

_____

2.8   MANAGEMENT BY OBJECTIEVES (MBO)

2.8.1 CONCEPT OF MBO:

Management by Objective term is developed by Peter Drucker in the year 1954 in the "The practice of management". The concept of MBO is very closely connected with planning. It is a dynamic system of management. Its core meaning is working together, with each other's involvement, and attaining The pre-decided goal by superior and subordinate. This type of work is needed to integrate The individuals' needs and organizational needs. MBO insists to the manager to be very clear about his objectives before he starts a task Ifhe is not sure about The task to be attained, Then there would not success of MBO. Its process starts from Top level management and is passed on to the middle and down level of management.

In the short whole idea of MBO is based on the assumptions that collaboratively set objectives to elicit subordinates commitment, which leads to improved or increased performance. In other words, it is the

establishment of goals by managers and their subordinates and assigning authority for achieving the goals with constant performance monitoring

Definitions:
1. MBO is regarded "As a system for improving performance both the individual managers and enterprises as a whole by the setting of objectives at the corporate, department and individual manager's level.

Peter ducker.

2. "MBO is a result-centered, non-specialist, operational managerial process for the effective utilization of material, physical and human resources of the organization by integrating the individual with the organization and the organization with the environment."

Prof. S. K. Chakravarty.

2.8.2 STEPS IN MBO / PROCESS OF MBO:
MBO is a process that consists of certain steps which are as follows.

1. Setting of organizational goal:
     In the process of MBO, the first step is to set up the organizational goals which need to be verifiable; this is generally decided by top management with the consultation of other managers. The goals should be set up in "Key-Result areas" (KRA) in a clearly defined manner and it should be made known to each & every member those who one involved in the process. Here the term "Key-Result-Area" means which are considered critical to the firm's long-term success. These areas also affect business survival & growth too. For example, reducing wastages of raw material by certain percentages (say 4%) leads to its survival, or increasing production by certain % age. Generally, key areas are included profitability, market standing, productivity Financial & physical resources, manager's & worker's performances, and innovations research & development.

2. Matching goals & resources:
     Management should think of the resources available and the goals to be accomplished and according to the allocation of resources is to be made. For example, if the goal has been set in the production area then, the resources like raw material, should be of quality and inadequate quality, here management's responsibility is to see whether this is available with the organization then set goals. In some way, it should happen with tools equipments, and machinery.

3. Manager – subordinate involvement:
     The success of MBO is depended upon the involvement of managers and subordinates in the chosen task. They both are loyal toward their authority and responsibility. The task will complete without any hurdles.

4. Developing action plan:
     After objectives are set, action plans must be developed. Action plans focus on the methods or activities required or necessary to reach

objectives. In other words, it suggests that how, when, What, Where, and with whom the task is to be complete. It also focuses on production planning and control.

5. **Establishing check-up plains/standards of performance:**

In the process of MBO, periodic meetings between managers and subordinates are required to review the progress for accomplishing the organization's goal. In this case superior uses to establish certain paints to check the subordinate's performance These paints are defined quantitatively.

6. **Implementation of the plan:**

After developing an action plan and establishing check-up points, the task is to undertake or start implementing while working on whenever subordinate felt/faces difficulties, they can seek guidance or clarification on particular points from the superior.

7. **Periodic Review of progress:**

The superior must make a periodic review of the progress in achieving subordinate's objectives and as & when needed to guide them so that the whole work can move smoothly & smoothly.

8. **Feedback:**

Feedback is last but not least important stage in MBO. Here superior gives comments on subordinates' performance based on their evaluation. Sometimes the superior use to make changes in the MBO program with the consultation of top management.

2.8.3 ADVANTAGES OF MBO:

MBO's core concept is to together, Share responsibility and accomplish the organizational goal. It is also known as management by task. While implementing it in the organization gives benefits to the organization, and employees. This will be made clear with the help of the following points.

1. **Participation and collaboration:**

In MBO, The departmental objectives are consistent with organizational objectives. Here every participant by clarifying, his role and responsibility, and knowing his contribution needed by the business, participate and involved in the process. There is no need for that superior to keep on insisting the employee do the work. That is way is beneficial of organization.

2. **Better management of Resources:**

MBO is important as in MBO resources are put in such a way that they give food results.

3. **MBO is a result-oriental approach:**

It is important because practically it results oriental. It does not favor management by crisis. Here individual and common goals are developed and executed well.

4. Definite and clear goals:

In MBO, the goals are clearly defined and they are veritable and measurable. General they focus on problematic areas.

5. Higher productivity:

MBO leads to higher productivity because it always concentrates on the important task of increasing productivity, decreasing costs, and minimizing waste.

6. Personal leadership:

MBO is important because in this process the individual leadership is developing to a large extent. Every individual has been given the freedom to think express and work. Here conceptual skill is also developed among the subordinates.

7. Efficient Communication:

In the process of MBO frequent interaction between superiors and subordinates workplace, leads to mutual faith and understanding between them.

8. Performance appraisal:

MBO provides objectives yardsticks for the evaluation of performance. Also, superiors use to have a periodic review of subordinates' performance. This enables the subordinate to know how well they are doing.

2.9 MANAGEMENT INFORMATION SYSTEM (MIS)

2.9.1 Meaning:

Information is the lifeblood of an enterprise. The information can be defined as the knowledge communicated by others or obtain from investigation or study. The senior firms need to have up-to-date knowledge about customers, dealers, suppliers, investors, and other as well as should have updated information about political, economic, social, technological, and legal changes. This information is required to take timely decisions. The flow of information is made regular by an information system, commonly known as a management information system (MIS).

Kennevans defines MIS as "An enterprise method of providing, past, present and projected information relating to internal operations and external intelligence.

H. Weihrich and H. Koontz define MIS as a formal system of gathering, integrating, comparing, and entrails and dispersing information internal and external to the enterprise in a timely effective, and efficient manner.

Thus MIS can be defined as the system providing needed information to each manager at the right time, in the right form and relevant form one which aids his understanding and stimulates his action.

2.9.2 Features:

Some of the features of MIS are as under-

1. Systematic process:

MIS involves a systematic process of gathering, integrating comparing, and centralizing information for effective decision making. It is a process of:-
- Data collection about interval.
- Classification of data into different categories.
- Integrating or combining data
- Comparing data
- Analyzing the data
- Transmitting the data

2. MIS is a continuous process.

Management is an on-going process as the management starts at the formation of the company and ends when the company dissolves. Management starts with the setting up of objectives for the organization which is followed by planning for achieving those objectives.

3. Scope of MIS: -

The scope of MIS includes: -
- Decision support system.
- Human Resource Management.
- Enterprise resource planning.
- Enterprise performance management.
- Supply chain management.
- Customer relationship management.
- Project management.
- Data retrieval applications.

4. Computer-Based System:

MIS is a computer-based system. It uses computers for storing centralized and supply information. It also uses microfilms for storing information.

5. Unified and centralized system:

MIS involves data collection processing storing and transmission. All these activities must be integrated into a unified system. The unified system must be managed in a 41centralized place.

6. Used by all levels:

MIS is used by all three levels of management. i.e. top, middle, and lower. It is used for making business plans, policies, and strategies. It also helps to solve business-related problems and to take advantage of business opportunities.

7. Professional Approach:

In MIS, data must be collected analyzed classified combined/compared, and transmitted to managers by well-educated, qualified, and trained staff. The managers and MIs staff must be well trained and are unable to take various decisions relating to production finance, marketing, and human resources.

8. Components of MIS: -

It includes: -
1. Hardware.
2. Software.
3. Procedures (Rules or guidelines for the use of MIS).
4. Personnel (Expert people).
5. Data (Information for decision making).

9. MIS is future-oriented:

It provides information for solving future problems.

10. MIS Helps in decision making:

MIS supplies up-to-date and accurate information. It helps managers to take quick and right decisions.

2.9.3   ADVANTAGES OF MIS
1.   Decision-making.
2.   Identifies strengths and weaknesses.
3.   Identification of opportunities and threats.
4.   Facilitates planning and control.
5.   Helps to recognize trends.
6.   Integration of information.
7.   Optimum use of resources.
8.   Accomplishment of an organizational objective.

2.9.4   Components of MIS :
A management information system is made up of five major components namely people, business processes, data, hardware, and software. All of these components must work together to achieve business objects.

1. People

These are the users who use the information system to record the day to day business transactions. The users are usually qualified

professionals such as accountants, human resource managers, etc. The ICT department usually has the support staff who ensure that the system is running properly.

2. Business Procedures

These are agreed-upon best practices that guide the users and all other components on how to work efficiently. Business procedures are developed by the people i.e. users, consultants, etc.

3. Data

The recorded day-to-day business transactions. For a bank, data is collected from activities such as deposits, withdrawals, etc.

4. Hardware

hardware is made up of computers, printers, networking devices, etc. The hardware provides computing power for processing data. It also provides networking and printing capabilities. The hardware speeds up the processing of data into information.

5. Software

These are programs that run on the hardware. The software is broken down into two major categories namely system software and applications software. System software refers to the operating system i.e. Windows, Mac OS, and Ubuntu, etc. Applications software refers to specialized software for accomplishing business tasks such as a Payroll program, banking system, point of sale system, etc.

2.10   MANAGEMENT BY EXCEPTION

Meaning:

Management by exception is a management style that where managers only intervene when employees fail to meet their standards of performance.

Management by exception is a management technique by which manager focus only on activities which deviate significantly from standards. Management by exception is one important and useful principle of managerial control. This principle is based on the well-accepted practical belief that any attempt to control everything results in controlling nothing. Management by exception is a policy by which management devotes its time to inverting ling only those situations in which actual results are different significantly from the planned result.

According to the principle of management by exception, only exceptional deviations from the standards decided should be brought to the notice of the higher-level management. as long as actual performance is within the acceptable range of deviation from the standards decided, it need not be reported to higher-level management for follow-up action as

such action is not necessary. However, if the deviation is major as compared to be standards set. It should be brought to the notice of the higher-level management for suitable remedial measures.

The concept of management by exception is used in a large number of production units and organizations and is proved more practical and result orientated. It is also used in the financial department of the organization. The basic purpose of management by exception concept is to refer only most serious deviation to the level management to find out remedial measures towards the serious deviations. Thus the concept of management by exception implies that top management should concentrate its attention, time, and effort on critical deviation only. The other deviation should be handled by the lower level of management.

2.10.1 Advantages/Benefits of Management By Exception:

1. Management by exception is a focus as productive work. Managers can focus on policy matters rather than focusing on routine daily work.

2. Management by exception saves the time of managers as they have to deal only with exceptional matters, rather than routine matters.

3. The basic advantage of management exception is that it enables the managers to use their talent and skills and attention to solve major problems or serious problems rather than normal problems or routine problems.

4. Management by exception facilitates delegation of authority within the organization. Top management concentrates on strategic decisions and delegates certain authority to middle and lower-level management to make certain operational decisions.

5. Management by exception helps to motivate the employees to perform their activities in the best possible manner to fulfill the organizational objectives.

6. Optimum use of resources: - Management by exception enables the organization to use the available resource in the best possible manner because all the employees of the organization are highly motivated to perform their responsibilities in the best possible manner to reduce the defects and also minimize the wastages.

7. Management by exception enables the firm to take a competitive advantage because management by exception enables the employees to take more interest and initiative in performing their activities. The employees come up with innovative ideas to develop new products, new processes, new schemes with minimizing the risks and wastage.

8. Management by objective enables a firm to achieve higher performance. The employees of the organization work with zeal and interest and trying

to produce defect-free products or schemes. This facilitates the improvement of the image of the firm in the minds of the stakeholders. Thus management by exception enables the firm to build up a corporate image.

9. Management by exception enables the firm to achieve the growth and expansion of the business.

2.11   SUMMARY

Management planning is the process of assessing an organization's goals and creating a realistic, detailed plan of action for meeting those goals. The basic steps in the management planning process involve creating a road map that outlines each task the company must accomplish to meet its overall objectives. Planning is one of the most important project management and time management techniques. Planning is preparing a sequence of action steps to achieve some specific goal. When following a plan, you can always see how much you have progressed towards your project goal and how far you are from your destination. Knowing where you are is essential for making good decisions on where to go or what to do next.

Management by objectives (MBO) is a systematic and organized approach that allows management to focus on achievable goals and to attain the best possible results from available resources. Here the organization has to define its objectives clearly that are agreed to by both management and employees. A key tenet of management by objectives is the establishment of a management information system to measure actual performance and achievements against the defined objectives. The major benefits of MBO are that it improves employee motivation and commitment, and ensures better communication between management and employees.

2.12   QUESTIONS

2.12.1 Multiple Choice Questions

1. _____ is deciding in advance what is to be done.
   a) Staffing   b) Directing
   c) Controlling   d) **Planning**

2. _____ is the link between past-present-future.
   a) Staffing   b) Directing
   c) Controlling   d) **Planning**

3. _____ is controllable in nature
   a) **Internal Environment** b) External Environment
   c) Natural Environment   d) Any Environment

4. _____ is not controllable in nature
   a) Internal Environment   b) **External Environment**
   c) Natural Environment   d) Any Environment

5. _____ plans are related to different department plans and are supporting to main plan of the business.
   a) **Derivative**   b) Important
   c) Departmental   d) None

6. _____ plans are also known as One Time plans
   a) **Standing Plans**   b) Sleeping Plans
   c) Single Use Plans   d) None

7. _____ plans are Long term plans
   a) **Standing Plans**   b) Sleeping Plans
   c) Single Use Plans   d) None

8. _____ plans are also known as Repeated Use Plans
   a) **Standing Plans**   b) Sleeping Plans
   c) Single Use Plans   d) None

9. In _____ plans Once the activity gets over plan becomes null & void
   a) Standing Plans   b) Sleeping Plans
   c) **Single Use Plans**   d) Any

10. _____ planis prepared for a single activity
   a) Standing Plans   b) Sleeping Plans
   c) **Single Use Plans**   d) Any

11. _____ is a sequence of work to be done
   a) **Schedule**   b) List
   c) Entry   d) None

12. _____means integrating or being together with all theactivities of an organization.
   a) a) Staffing   b) Directing
   c) Controlling   d) **Co-Ordination**

13. _____ is the lifeblood of an enterprise
   a) **Information**   b) Employees
   c) Workers   d) None of Above

14. _____ is a continuous Proces
   a) MBO   b) **MIS**
   c) Evaluation   d) Controlling

15. _____ is a Component of MIS
   a) Internal Environment b) **Hardware**
   c) MBO   d) External Environment

2.12.2 Theory Questions

1. Define the term planning and bring out its importance.
2. What are the components of the plan? Explain it in detail.
3. What are the essentials of a good plan?
4. What are the Features of MIS?
5. What are the Components of MIS?
6. What do you mean by MBO? Explain the importance of MBO.
7. Discuss the steps involved in MBO.
8. Explain the meaning and Importance of Coordination.
9. Write short notes:
   a. MBO
   b. Components of planning
   c. Standing Plans or Repeated-use plans
   d. Single-use plans
   e. Co-ordination

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3

DECISION MAKING

Unit Structure

3.0   OBJECTIVES

After studying the unit the students will be able to:
- Define the term Decision Making.
- Explain the essentials of sound Decision Making.
- Understand the process of Decision Making.
- Discuss the techniques of Decision Making.

3.1   INTRODUCTION

Decision Making is a very important aspect of business management, rather it is important in human beings' life. It is needed every walk of the individual as well as corporate life. It is sold that no business can survive without decision-marking. Further, it is stated that a manager's life is filled with making decisions and decisions. Therefore in every business managers are always wasted or spending their more time on this activity. It is an integral part of management. Without decision no planning, no controlling, no coordinating or no organizing, and no directing. it works at all levels of management continuously. Managers, without making decisions, are unable to lank means and ends, which means they can't accomplish their objectives well. Therefore every manager or anyone who is involved in this process has to take certain decisions.

3.2 MEANING & DEFINITIONS OF DECISION MAKING

Decision-making is nothing but choosing a course of action from several alternative courses of action. The word decision is derived from the Latin word 'decision, which means cutting away or cutting off or in a practical sense to conclude. It is a process of selecting the course of action which needs to take in other words it is part of planning. So it is called a step in planning. A decision is something that takes place before the actual performance of a course of action that has been chosen.

As per Peter Druckers'opinion decision means "whatever a manager does" because he does through making decisions. It is a course of action that is consciously chosen for achieving a desired result or goal. It relates to the end or means or both. For example, in some cases end may be given and the manager has to decide. It considers all functions of management. Therefore it is stated that no business can survive without effective decision making.

Definitions:

1) **As per Haynes and Massie's opinion,** "A decision is a course of action which is consciously chosen for achieving the desired result".

2) **The oxford dictionary defines the term decision making is,** " The action of carrying out or carrying into effect."

3.3 ESSENTIALS OF SOUND DECISION MAKING

While taking decisions the manager needs to conscious alert about some aspects of decisions. With the consideration of it if it is taken then the decision becomes more reliable or perfect. The following points should be considered as essential of decision making.

1. Availability of alternatives:
For a perfect decision, there is a need for the availability of various alternatives. If it is the decision-maker can choose the right, which is very much suitable and beneficial in the given situation. If it happens then that decision will be more effective.

2. Diagnosing the problem:
It is in other words, identifying and defining the problem. If the proper identification and its diagnosis have done, then the manager can make a better decision. Like a health doctor, before treatment use to diagnose the disease and then give medicine to the patient.

3. Rationality:

Decision-making is the manager's central job. His ability and capacity are judged based on the quality of the decision he has taken. So whenever he decides that time he should have to be rational. Rational means by knowing all pros and cons of the situation as well as the means and ends, the decision is to be taken.

4. Use Communication:

The taken decision should be communicated, that too, on time, to the concerned parties so that it would be executed well by them. If it happens then only that decision can stand as the best decision, otherwise, its effect will be lower, or sometimes no effect.

5. Use of creativity and consider new sources of information:

Decisions are mostly based on the information required on the specific problem. If relevant information is gathered accurately by using new means, or sources of information, sources, with newly developed technologies then it will be more reliant on information and the decision based on it would be the perfect decision. While taking decisions it should be logically suiting to the arisen situation and should to some other relevant activity, it should be an indifferent way.
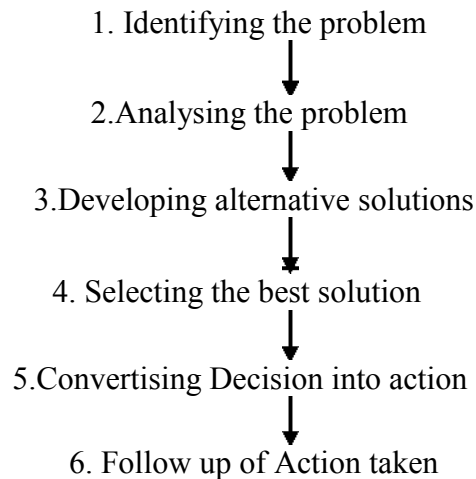
6. Integration of interest:

In the organization, two types of interests are existing. One is personal interest and the second is organizational interest. Manager, while taking decisions gives priority to organization interest as computer to personal interest. Then definitely that decision becomes more effective and beneficial to an organization.

7. Stress on feedback:

Feedback is a process of telling the manager that how you feel about the decision taken by managers. If feedback is good then the manager feels somehow it is against or negative then it may lead to chances of confusion and resentment.

3.4 STEPS / PROCESS OF DECISION MAKING

Decision-making is a very important aspect of management. It is said that the manager takes many decisions in a day. Some are routine and some are very crucial. So while taking such decisions he needs to be very cautious and alert so that he can make the perfect decision that will helpful and beneficial to the organization. While taking perfect or rational decision-maker should go through the following steps

1. Identifying the problem

↓

2. Analysing the problem

↓

3. Developing alternative solutions

↓

4. Selecting the best solution

↓

5. Convertising Decision into action

↓

6. Follow up of Action taken

1. Identifying the problem:

The decisions are taken only when there is a problem difficulty or undesirable situation. So the decision-maker should understand that what is exact problem and where and what he wants to do something good or better, so that business activity can run softly and smoothly and there will be a favorable atmosphere (environment) to the business when he does so then it is known as identification of the problem, for example, it the business sales is declining day by day, then managers need to identify why the sales are declining. Whether is because of non-quality product, on the efficiency of the sales force or lack of promotion.

Defining the problem is a later step. After identifying manager should have defined, the problem which means he has to go up to the root cause of the problem. For example, if sales are declined by the inefficiency of the sales force the way sales forces are inefficient what are the reasons for etc.

2. Analyzing the problem:

After properly diagnosing or identifying and defining the problem, the next step comes, is analyzing the problem. Analyzing means considering problems in depth, sort out various aspect of the problems like who will take decisions regarding different aspects of the problem, who is supposed to inform about its decision, what would be the scope of the decision taken and its impact, and how it helps to achieve an overall organizational goal, etc, All these parts are to examine minutely and according to get ready to have a fruitful decision, this is known as analysis of the problem. The analysis will be made based on collecting relevant data, that too reliable, true data, which will help to conclude the solution of the problem this data gives clarity to the problem's solution.

3. Developing alternative Solution:

Here the decision-maker first specifies the objectives that are to be achieved and based on it, he has to develop alternative solutions.

Developing or generating alternative solutions means findinga different way to solve the problem and finally picking up the best

solution for implementation for example suppose there is declining in organizational sales. Now, this could be because of either lower quality of a product, higher price, lack of warranty lacking in a promotional activity of may be due to inefficiency of the intermediaries Nowhere to increase sales manager must see all These aspects and according he has to do some select one beneficial in every area and boost the sale of the company.

4. Selecting the Best Solution :

Once you have weighed all the evidence, you are ready to select the alternative that seems to be the best one for you. You may even choose a combination of alternatives. Your choice in Step 4 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 3

5. Converting Decision into Action:

After developing and selecting the best alternative solution, the next step is to convert the selected decision into effective action. Here the manager has to convert or put his skilled leadership and his loyal subordinates. If it happens then only there is the use of that decision otherwise it may remain as a simple academic exercise.

6. Follow up of Action Taken:

It is last but not least an important step in decision making. Its simple meaning is to see that whatever is decided, is implemented and the objectives are achieved what activities were decided are taken are justifying through their result or not. Here for this purpose manager need to set up or establish a feedback chain, and continuously, be informed, and whenever and where ever there is a need according to take corrective steps so that the taken decision will execute well.

Check Your Progress:

1. Give the definitions of Decision Making.

2. Draw the chart showing the steps in the process of Decision Making.

3. "While taking decisions the manager needs to conscious alert about some aspect of decisions". Discuss

3.5   TECHNIQUES OF DECISION MAKING

The techniques of decision making are classified into two broad categories
A) Traditional techniques and
B) Modern Techniques

A) Traditional techniques:

Traditional techniques are also known as non-programmed decision techniques. In other words, these techniques are not based on adequate and reliable information, There is no structured format or predetermined guidelines to make the decision. These decisions are complex and require unusual solutions. Here creativity past & experience is a vital ingredient in successful decision making.
Following are the same techniques

i)   Creativity techniques
ii)   Quality listing techniques
iii)   Brainstorming techniques
iv)   Delphi techniques
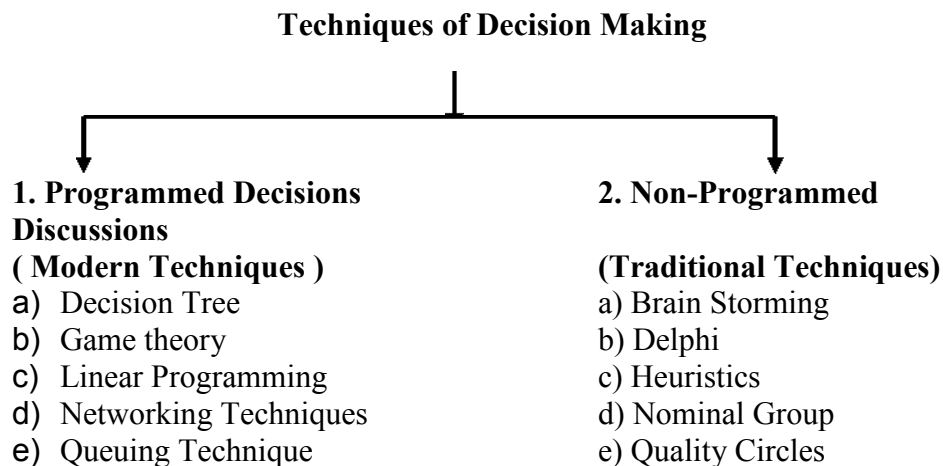v)   Nominal group techniques

B) Modern techniques:

Modern techniques are routine, repetitive, and are complex. These decisions are made with the reference to a predetermined set of procedures, rules, and guidelines.
These decisions are more precise, accurate, reliable, and scientific. There decision help to manager in the basic tool used is mathematical modeling these techniques are also known as operation Research", and includes the following techniques

1)   Linear programming
2)   Probability decision theory
3)   Pay off matrix
4)   Decision tree etc

The above noted two types of techniques of decision making are shown as under and explained

Techniques of Decision Making

1. Programmed Decisions Discussions (Modern Techniques)	2. Non-Programmed (Traditional Techniques)
a) Decision Tree	a) Brain Storming
b) Game theory	b) Delphi
c) Linear Programming	c) Heuristics
d) Networking Techniques	d) Nominal Group
e) Queuing Technique	e) Quality Circles

A. Programmed Decisions (Modern Technique) 1.

Decision tree:

The decision tree is a diagrammatic or graphical representation of the decision-making problem. It displays the information at a glance in a more easily understandable way. This diagram indicates the number of future chance events which affect decision-making. The value of the events arrived at for predicted outcomes of each possible decision and the decision which has the highest value graphical devices are based on the course of action available to him. It is being a mathematical tool, it enables the manager to take the decision tree as it shaped in tree form This tree is in horizontal instead of vertical form.

Suppose a company wants to sell its product in the market. Then it has to alternative options available one is by appointing sole selling agents and second is by undertaking the direct sale of the product in the market in this situation every option has high or low market penetration and market share. Here the selection of the best option will be based on its desired results. This will be made clear with the help of the following diagram.
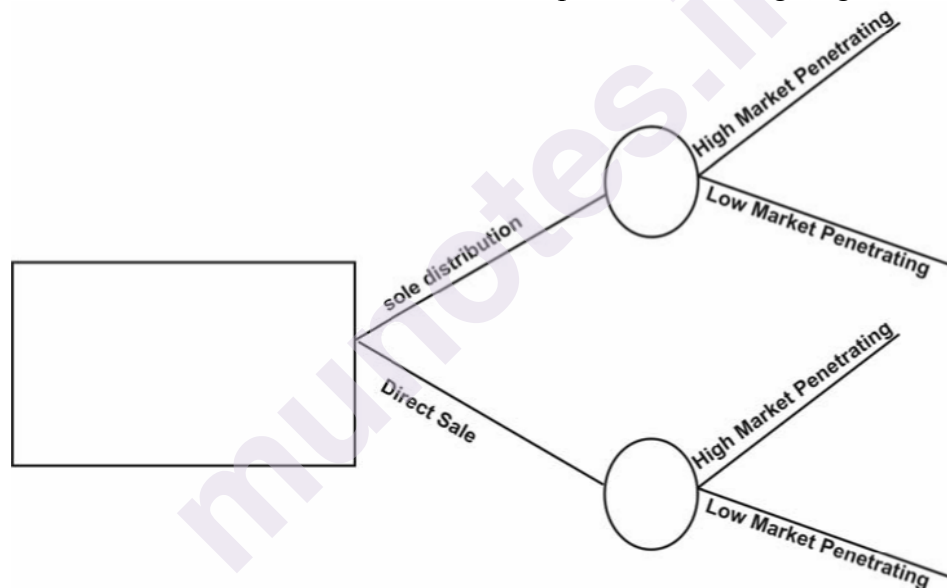
Here every option has its value. If sole selling options have a high value 06. & low value 0.4 then its total will be 88.0. it is arrived at by multiplying by 100%.

Then in the case of direct sale, the market penetration value is 0.8 at Rs 60 & low market penetrate value is 0.4 Rs 50 so here its pay off value is 68.0

2. Game Theory:

It is a mathematical theory that deals with the general features of the competitive situation. Generally, there are two types of factors residing during competitive situations known as zero-sum games and non-zero-sum games. This emphasizes the decision-making

process of the adversaries. It is like placing strategies and counter-strategies so that eventually winning strategy is decided.

3. Linear Programming:

This also a mathematical technique of determining the best combination of limited resources with a quantified and measured set of objectives of the business e.g. while allocating jobs to limited machinery. Here every job has varied time to be ready. So manager use to use the machinery as per the job time requirement i.e. less time requirement job will be take up fine and so on and a good combination of attainment of objects as well as machinery.

4. Queuing Theory (Waiting line):

This technique is useful for determining the optimum number of services facilities booking big lone on cash counter in the bank etc. Here in this case the problem is in balancing services and costs incurred in regards.

For example, if banks open a new counter for remittance of money, hereby open a new counter how much benefit the bank has, is to see. If the expenses new counters are more then it the services give benefit then it is not advisable to open new counter.

5. Network Technique:

These techniques are used for project planning and control that too of a complex nature and involving considerable time and cast. Here the sequence of activities is arranged in such away. The cost & time will be a minister and the project will complete in time or before time PERT AND CPM are two important techniques used in this method.

A. Non-Programmed Decision (Traditional techniques):

These techniques are on novel and non-repetitive problems. These problems are more complicated & challenging and need to be taken urgently in these techniques something different is done There is creativity and original thinking is required. So here managers need to be open-minded. These techniques are generally used by top-level management. These techniques include

1. Brain Storming Techniques:

Brainstorming techniques were developed by Alex F. Osborn. Under this technique, a group of persons/managers is given a complicated problem and they are asked and encouraged to suggest whatever solutions come to their mind Again there will be a discussion on the given solution hill Thevery fair idea/solutions gain. In brainstorming criticism is not allowed, but peoples/ managers are allowed & ask to generate as many as solutions they can do.
  a. The brainstorming technique encourages the group members to think independently on complex problems and give creative solutions. For purposeful brainstorming session, attention should be given to the following points:

b. Encouragement to a group member for suggesting new ideas/solutions.
c. Critic on a solution is to be avoided.
d. Stress should be given to the quality or uniqueness of ideas.
e. The Final idea should be accepted by all members.

2. Delphi Technique:

This technique is similar to the brainstorming technique. Here the difference is the members are not having face-to-face communication. They are residing in different places and connected with the help of the Internet, video conferencing, etc. The information will be collected in the form of responses to the questionnaires. This has been sent to each member for reaction and reassessment. This process will continue till the new solution emerges.

3. Heuristic Techniques:

This is a trial and error technique of decision-making. Here certain rules of thumb (Heuristic) are developed to take the decision. It is used only when the problem under consideration is complex and adequate information is not available. The environment for rational decision-making is extremely uncertain and may prove wrong in the future. For example, consumer durable companies sell on an installment basis on the assumption that people can regularly pay in installments rather than in lump-sum at one time. However, it is not a scientific technique of decision-making. So it is used rarely in the decision-making process.

4. Nominal Group Technique (NGT):

This is another technique of decision-making with the help of group members. Here in the group, one person is acting as a group leader and he explains the problem to the group members. Then each group member writes his/her ideas or solution independently and presents them to all. In addition to this, there will be a group discussion. The purpose of this technique is to give more chances to members to think independently and contribute to decision-making. The interaction between group members will take place only after ideas are presented. So every group member has given the chance to creative ideas and then these creative ideas are integrated.

5. Quality Circle:

This concept is popularised by Dr. Ishikawa Kaoru in the early 1960s in Japan. A quality circle is a small group of employees from the same department. The group members are meeting regularly to identify, analyze, and solving work-related problems. These members gave suggestions to management to improve efficiency or to give solutions to the problems. Therefore it is known as democratic and progressive decision-making techniques.

3.6 IMPACT OF TECHNOLOGY ON DECISION MAKING

Decision-making is one of the most significant functions of management. It is a complicated and long process. It involves developing alternative courses of action and selecting the best alternative after taking into consideration the objectives, resources, and environment of the business. So sound decision-making involves getting correct and required information and its analysis. Information technology helps the management in decision-making in the following manner.

1. **Data availability:** It helps in searching for the required information for decision-making from the huge amount of data available.

2. The data is made available faster so it saves time in getting the required information.

3. The data warehouse has data mining tools that computerize the process of decision-making.

4. Information Technology enables a group of employees to make quick and correct decisions by using a group decision support system.

5. The decision support system can be used in decision-making when the problem is not structured.

   Artificial Intelligence can be used to supplement human thinking and behavior

3.7 SUMMARY

Decision-making is a mental process of selecting a course of action from a set of alternatives. There is no exception to the decision. The corporate decision-making process is the most critical as an effective and successful decision makes profit to the company and unsuccessful ones make losses.

In the process of decision-making, we may use many tools, techniques, and perceptions. Decisions are taken by using the proper technique. The techniques are classified as Modern techniques and Traditional techniques. Modern techniques include Decision Tree, Game Theory, Linear programming, Network Techniques, Queuing technique. Traditional Techniques include Brainstorming, Delphi, Heuristics, Nominal group, Quality circles*

3.8 QUESTIONS

3.8.1 Multiple Choice Questions

1. _____ is choosing a course of action from several alternative courses of action.
   a) **Decision Making** b) Directing c) Controlling d) Planning

2. _____ is the first step of Decision Making
   a) Analysing the Problem   b) Selecting the Solution c) Follow Up
   d) **Identifying the problem**

3. _____ is the Last step of Decision Making
   a) Analysing the Problem   b) Selecting the Solution c) **Follow Up**
   d) Identifying the problem

4. _____ techniques are also known as non-programmed decision techniques.
   a) Modern b) **Traditional** c) New d) Any

5. _____ techniques are also known as programmed decision techniques.
   a) **Modern** b) Traditional c) New d) Any

6. Game Theory is a _____ Technique
   a) **Modern** b) Traditional c) New d) Old

7. Decision Tree is a _____ Technique
   a) **Modern** b) Traditional c) New d) Old

8. Brain Storming is a _____ Technique
   a) Modern b) **Traditional** c) New d) Old

9. Delphi Technique is a _____ Technique
   a) Modern b) **Traditional** c) New d) Old

3.8.2   Theory Questions
1. Point out the importance of decision-making.
2. Define decision making. Explain the steps involved in decision-making.
3. What are the techniques of decision-making? Enlist and explain.
4. Discuss the essentials of sound decision-making.
5. Explain the advantages of sound decision-making.
6. Write short note on "Impact of Technology on decision making"
7. Write short notes:
   a. Traditional Techniques of decision making
   b. Modern techniques of decision making
   c. Essentials of sound Decision Making

❖❖❖❖

4

ORGANIZING I

Unit Structure

4.0   Objectives

4.1   Introduction

4.2   Meaning and Definition, Steps of Organization

4.3   Organization Structure

4.4   Types of Organizations

4.5   Departmentation

4.6   Summary

4.7   Questions

4.0 OBJECTIVES

After studying the unit the students will be able to:

- Define the term Organization.
- Explain the structure of the Organization.
- Discuss the types of organizations.
- Know the meaning of Departmentation.
- Explain the bases of departmentation in detail.

4.1 INTRODUCTION

Three important factors organization management and administration are considered essential for the success of any business. Plans and policies are designed in the administration while the work of their execution is of the management, the decision about which work should be done by whom in the process of execution is the work of organization there are different opinions about the organization. Accordingly, the organization is found in two ways:

1. Formal organization and
2. Informal organization.

According to some authors, the organization is a process while others say that it is a system of directing business.

We are going to see the meaning of organization from all these views in this unit. Different organs in our body are supplementary to each other and the ultimate aim of all of them is one. Such type of work goes on in the business.

4.2 MEANING AND DEFINITION OF ORGANIZATION

4.2.1 Meaning:

The term "organization" is derived from the word "organism" which means arranging the ways and means for the execution of a business plan. To conduct any activity-business or non-business there is a need for an organization if there is no organization; it is not possible to conduct activities. It is an internal process of management organization is the structure where all people work collectively to achieving certain objectives.

It is the second step of management. After the planning manager focuses on the arrangement of organizing resources. An organization Deals with a number of the internal part which define the relationship between the number of a group the continuity and success of management depend upon strong organization only.

4.2.2 Definitions:

F. kart and S Rosenweing define the organization as a structure "organization structure is the established pattern relationship among the components or part of an organization."

Louis Allen defines an organization as "the process of identifying and grouping of the work to be performed defining and delegating authority and responsibility and establishing a pattern of relationship to enable people to work most effectively together in accomplishing objects".

4.2.3 Steps involved in Organizing:

The main steps involved in organizing can be given as follows:

1. **Understanding of plans and objectives of the organization** - It is required to consider the objectives and short term and long term plans of the organization before starting organizing activities of the organization.

2. **Deciding on the work activities** which are required to be undertaken for achieving the objectives.

3. After knowing the activities to be undertaken, the next step **is to group or classify them** into interrelated functional areas or departments.

4. When the activities are grouped or classified as per their general nature, then **they can be assigned to the right people to perform them**. The people are also required to be given appropriate authority to help them to perform the given jobs.

5. The last step is **to establish a hierarchy of authority and responsibility in the organization**. The highest authority and responsibility is the Board of Directors Middle-level authority and responsibility consist of Middle-level divisional managers and lower

level of authority and responsibility lies with departmental managers and their subordinates.
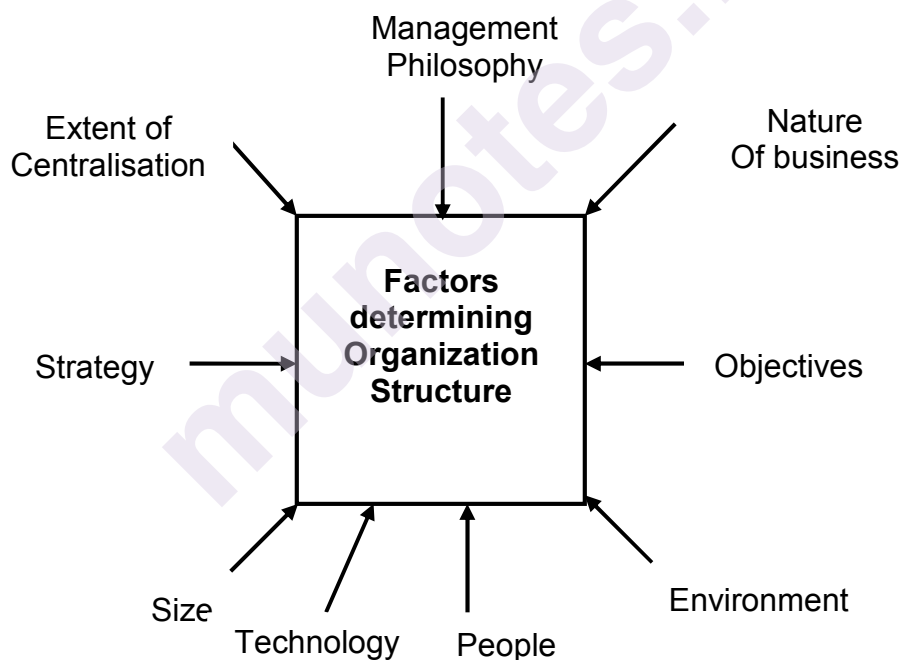
4.3 ORGANIZATION STRUCTURE

4.3.1 Meaning of organization structure:

Organization structure refers to a pattern of relationships among individuals and departments in an organization.

F. Kast and s Rosenweing defines organization structure as "Structure is the established pattern of relationship among the components or part of an organization".

4.3.2 Factors determining organization structure:

Organization structure is divided into two parts, viz. formal and informal organization. Every business organization helps the management in achieving the business goals and objectives. The factors determining the organization structure have explained with the help of the following chart:

Management Philosophy

Extent of Centralisation

Nature Of business

Strategy → **Factors determining Organization Structure** ← Objectives

Size

Technology

People

Environment

1. Management philosophy:

Management philosophy directly affects the organization's structure. Every organization's structure broadly depends on the management philosophy. Small scale organizations some of the line organization structure. The work by levels of management. Top-level to lower level in the other hand large scale organizations follow by decentralized organization structure to carry the business activities with principle of delegation of Authority,

2. Nature of business:

A business organization is divided into several parts, nature of the business directly influences/affected the organization structure. A large-scale business organization followed by the staff of matrix organization. A small size business organization followed by a line organization. So the nature of business directly define the structure of the organization

3. Goal's- / common objectives:

Every organization exists to achieve certain goal's The overall goals of the organization are decided by top-level management. All the business organization set their own goals if the goals are limited the management may adopt a line organization structure so goals play an important role in defining organizational structure.

4. Environment:

Every organization depends on the internal as well as the external factor of the environment. Some of the small organization which manufacturing & producing routine products may be less affected by the environmental factors but large organization followed by the decentralized structure they largely depend on the external environmental factor.

5. People:

The people is one of the most important factors in the business organization all the business activities are done through people. A larger number of individuals & groups develop the structure of the organization e.g. line, line & staff or, matrix organization structure. So it is an important factor in determining internal organizational structure.

6. Technology:

Business firms must constantly monitor changes in the technology, it may have an impact. This is because impact a technology change may have an impact on form business through the research and development the organization comes with new methods, new machines, and technologies. This can be effectively used for business activities technological factor play an important role in developing line staff & matrix organization structure

7. Size:

The organization structure depends on the size of the organization generally larger size of the organization, their level of management more & large number of departments & units therefore, in a large organization, line & staff or matrix structure can be followed in another hand small organization follow line organization structure.

8. Strategy/ planning:

Business firms plan to achieve certain aims & objectives. In a large firm, top-level managers formulate specific plans & policies to obtain the objectives of the organization strategy internal part of management. It would work on organizational tasks & choice of technology these factors mostly use in the planning process to determining organizational structure strategy use to find out the strength & weaknesses of the organization.

9. Extent of centralization:

Organization of structure divided into two parts such as centralized & decentralized structure when the organization is more centralized it may follow line organization structure in other hands. If the organization is more decentralized then they follow line & staff organization structure most of the large-scale firms are decentralized structures.

4.4 TYPES OF ORGANIZATIONS

The many types of organizations are observed. However, the right type of organization is selected after taking into account the size of the undertaking kind and need. So many changes are observed in organizational structure in modern days. Also, the basic concept of organization is seen changed very much according to the situation. The organization structure can be classified into the following types

1. Formal and informal organization
2. Line organization
3. Line and staff organization
4. Matrix organization
5. Virtual organization

1. Formal and informal organization:

In any set-up the existence of the relationship, which may be formal or informal or both. The same concept applies also to the classification of the organization and accordingly, the organization may be a formal organization and informal organization. The formal organization is an official form whereas informal organizations are unofficial and operate along with the formal organization.

A. Formal organization:

Meaning:

If the management has created a big industrial organization inspired by a particular objective then all the activities in that formal organization are run with the help of inspiration of that particular objective. According to Chester Barnard "An organization is formal when two or more persons consciously co-ordinate toward a common objective.

Features:

The features of formal organizations are as follows.

i) All the policies and objectives in this organization are predetermined

ii) The rights, duties of everyone are properly defined and therefore everyone can make their work maximum efficient separately due to it.

iii) The place of a person in the organization is fixed and clear indications are given regarding which how much, in what way and the work has to be performed by each employee

iv) The mutual relations among the employee in the organization are indicated regarding which responsible to whom who has to report to whom and who is eligible to order whom.

v) Each one is related to his present work, which is related to the ultimate objective of the business. The employee can't interfere in other matters leaving their work in it

vi) The organization has its own set of rules and regulations. These rules are to be followed by the people working in the organization.

B. INFORMAL ORGANIZATION:

Meaning:

Informal organization structure refers to the pattern of activities, interactions, and human relationships developed spontaneously due to social & psychological forces operating at the workplace. All these employees are not bounded by any rules or policies in it according to Keith Davis "Informal organization is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another"

Features:

The features of an Informal organization are as follows

i) Informal organization is self-inspired and voluntarily created

ii) There is a good communication system in this organization to inspire human power

iii) Such type of organizations fulfill the social need satisfactorily

iv) It exists within a formal organization and reflects human relationships

v) It brings people together to realize common interests, however, its membership is voluntary

vi) There are no questions of granting authority and no need for a system of coordination.
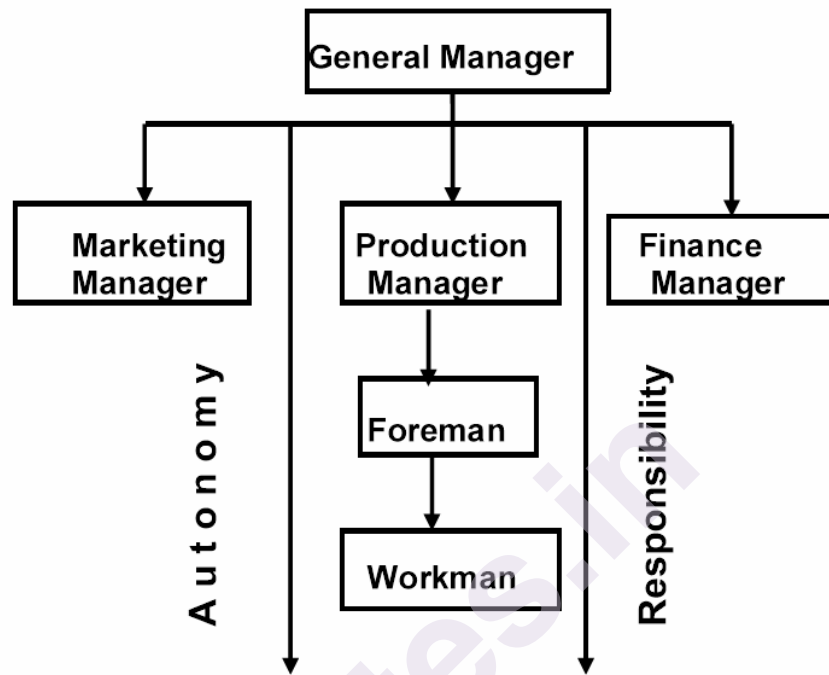
III) Formal v/s informal organizations

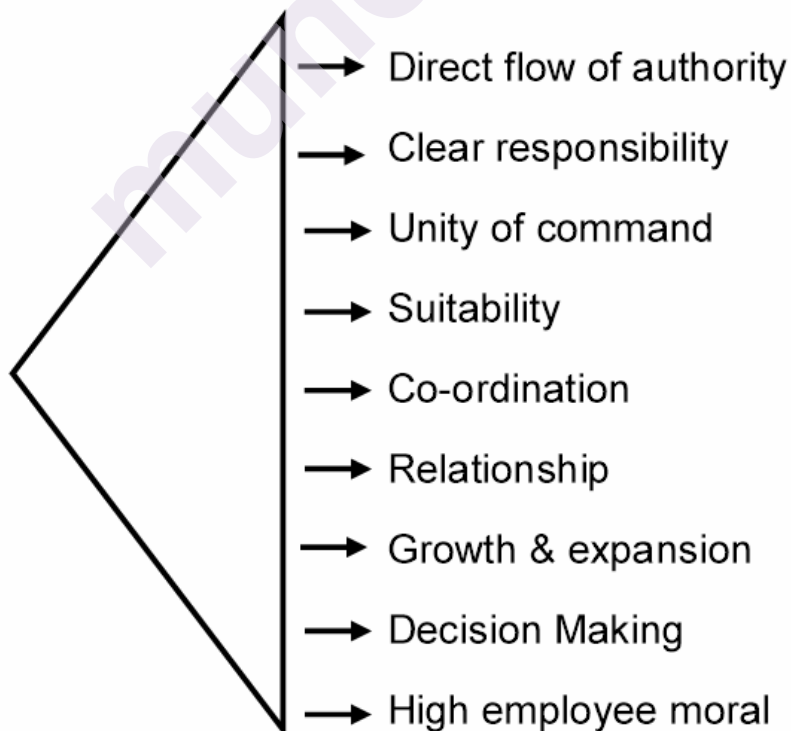| Point	Formal Organization	Informal Organization
I) meaning:-	It is a planned structure in which works rights duties and responsibilities are	It is an organization created with self-inspiration and voluntarily
ii)objective:-	It exists to achieve well defined and particular objectives	The main purpose is to develop personal and social relations.
iii) Motivation:-	Economic motivation such as promotions, increase in wages, etc	Fulfillment of social and personnel needs and acquiring self-satisfaction.
iv) Relationship :-	The superior-sub-ordinate relationship is clearly defined and exist	The superior-subordinate relationship is absent
v) Responsibility:-	There is a balance between authority and responsibility	There is no responsibility in this form.
vi) communication:-	The communication is normally through formal channels of communication	The communication is normally through a grapevine form of communication.
vii) stability:-	Formal organization is a stable type of organization Structure	There is no stability to informal organizations.
viii) Reward and punishment	It is in the form of monetary and non-monetary, whereas punishment is for breaking rules.	The reward is a continuation of group membership whereas punishment may be removed from the group.
Ix) Termination:-	It may be terminated by organizational process	It is difficult to terminate by the organizational process of when relationships become sour

2. Line Organization:

Meaning:

Line organization is the simplest & oldest form of organization. It is also called a military scalar organization or vertical organization structure there is a direct flow of authority from the top-level in the organization. All the major decisions are taken by the top management &

then process pass the order to their subordinates, the subordinates in the turn directly responsible to the manager this type of structure is application / suitable in any in small scale organizations. The following diagram indicates line organization.

- **Features of line organization**

→ Direct flow of authority

→ Clear responsibility

→ Unity of command

→ Suitability

→ Co-ordination

→ Relationship

→ Growth & expansion

→ Decision Making

→ High employee moral

a. Direct flow of authority:

There is a direct downward flow of authority from top-level to lower levels in this type of organization all authority and order send by the top-level manager to lower levels subordinates so it is called the direct flow of authority all the organization decision taken by the top-level manager and sub-ordinate in turn are directly responsible to the superior every small scale organization follow the structure of line organization

b. Clear responsibility:

Inline an organization every manager is responsible for the business board of directors pass responsibility to the general manager then after the general manager pass to another different head of manager and final authority and responsibility passed to general subordinate. They are responsible for scheduling work the top management has the responsibility to train and motivate every subordinate.

c. Unity command:

Inline organizations follow the principle of unity of command very effectively. A subordinate should receive an order from only one superior. In turn, the subordinate should report to anyone superior. The principle provides a proper guideline to managers and subordinates. It enables to improve the superior and subordinate relationship.

d. Suitability:

The line organization is suitable for the small-scale organization. The structure of line organization is small because production capacity is low as compared to the sharp conduct of the large organization. The manager sharply conducts ass activities in the organization. They easily send authority to subordinates.

e. Co-ordination:

It refers to the integration of activities or actions of the subordinates by superior there is a need for coordination in the line organization coordination is the basic responsibility of the manager. The top-level manager is responsible to coordinate the activities of the subordinate. It is a small organization so the manager easily conducts all the activities.

f. Relationship:

Inline an organization there is a chain of relationships among the different parts of the department. There is a need for a relationship between superiors and subordinates various levels affect the relationship to improve the corporate image and growth of the organization. It plays a great role in raising the morale of subordinate successful organization largely depends on the superior/subordinates relationship

g. Growth and expansion:

Lien organization is restricted in its growth and expansion. This is because of limitation of capital, lack of managerial skill of adoption, and traditional approach that are necessary for the expanding line organization manager find difficulty in expansive and growth because of limited organization structure.

h. Decision making:

Quick decision making is possible, however, the quality of decision without consulting others in the line organization, the manager gives clear authority to delegate work, sometimes there is often delay in decision making but line quality of decision making is superior.

i. High employee Moral:

Line organization increases morale among the staff. This because of a good relationship between superiors and subordinates sometimes subordinates carry the business activities in trust of superior it enables raising the morale of the subordinates and they work effectively.

3. Line and Staff Organization:

Meaning:

Line & staff organization is a combination of two systems to avoid defects & to achieve the common organizational objectives this type of organization structure is suitable for large-scale organizations. The line Managers decide on the advice or recommendation of the staff officer.

Definition:

According to Louis Allen "line refers to those position elements of the organization which has responsibility & authority & are accountable for the accomplishment of primary objectives staff elements are those which have responsibility & authority for providing advice & service to the line in the attainment of objectives."

Features:

a. Systematic planning and control:

Line and staff organization structure applies only to large-scale firms. The staff experts are planning activities. They set up plans and policies for the organization. the implementation of that's plans and policies systematically the line manager effective control over the plans and policies when the plans are well defined & clear it would be easy to organize resources and to take proper control by line manager.

Features of line & staff organization
→ Systematic planning & control
→ Sound decision making
→ Suitability
→ Specialization
→ Authority & Responsibility
→ Possibility of conflict's
→ Overdependence on staff
→ Crisis management
→ Confusion

b. Systematic planning and control:

Line and staff organization structure applies only to large-scale firms. The staff experts are planning activities. They set up plans and policies for the organization. the implementation of that's plans and policies systematically the line manager effective control over the plans and policies when the plans are well defined & clear it would be easy to organize resources and to take proper control by line manager.

c. Sound decision making (quality decision):

It is a sound decision-making organization. This is because of line manager take a quality decision after receiving opinion and view from staff specialist. The specialist staff provides accurate information about feature problems. In quality decision making they use the democratic method.

d. Suitability:

Line & staff organization structure is suitable for large-scale firms. In large firms there production capacity is higher. This type of organization line executive is The decision-makers he takes the positive decision whereas the staff is members are planning the activity it is useful in expanding the business.

e. Specialization / scope for specialization:

This type of organization specializes in nature the staff concentrates on the formulation of plan & also play the role of advisors the line manager focus on taking decision & implementation of plans & policies. It is a combination of two structure of organization play significant role in the development of large scale organization.

f. Authority & Responsibility:

This type of organization follows the principle of authority & Responsibility. The line Manager has to follow the principle significantly. The staff officers are planning the activities and delegation of work is given to the line manager here line manager gets clear Responsibility for the work so both organizations follow this principle.

g. Possibility of conflict:

Conflicts between staff & line managers are quite common in this organization the line managers are not responsible for the advice offered by staff experts. Secondary aware that line managers lack knowledge of new view & ideas. This leads to a rise in the problem of conflicts.

h. Overdependence of staff:

Inline & staff organization line manager largely depends on the staff expert. The staff focus on the Research & planning elements of business activities. They play important role in the formulation of plans & policies of business sometimes the line manager depends on staff experts for minor problems of business so dependency of line managers arises, it creates conflicts in the organization.

i. Crisis management:

The line & staff organization play a significant role in crises management both organization handle the crisis effectively. The staff officers providing proper & valuable advice to the line manager to solve these crises. Then line manager takes an appropriate decision in solving this situation. In this way, both organizations manage difficult situations in the organization.

j. Confusion:

This type of organization line & staff conflicts is common due to a lack of communication between both the line & staff organization. They both do not follow the principle of authority & Responsibility. There is a possibility of confusion in the organization, confusion arises due to line manager overdependence on staff experts & staff provides increases incorrect advice to the line manager.

3. Matrix Organization

Meaning:

The concept of matrix organization was first introduced in 1960 in the aerospace industry in the USA. This form of structure combines the functional organization with that project organization. This project can also call a Multi-project organization.

Depts / Projects	Dept. A Manager	Dept. B Manager	Dept. C Manager	Dept. D Manager
Project A Manager				
Project B Manager				
Project C Manager				
Project D Manager				
Project E Manager				

When there are several projects to be completed. Then the project manager takes the help of staff to complete the project. The employee Received an order from both managers & similarly they have reported functional as well as project Manager.

Definition:

According to Kenneth Knight, "matrix organization is a balanced compromise between departmentation based on functions & departmentation based on a specific product to be completed".

Features :

a. Hybrid / Compromise Structure:

This type of organization is combined between functional organization & project organization. Both organizations work in a single organization is known as a matrix organization. The goals & objectives of both organizations are equal They beep at each other for achieving a common target.

b. Responsibility / Role of project managers:

The project manager plays an effective role in conduct the administrative tasks project manager has a responsibility to coordinate the activity of the functional department & also other activities. Related to the project they set up/ prepare a schedule of project work. He has Authority to central administrative aspects of the project.

c. Responsibility/Role of Functional Managers:

The functional manager has a Responsibility to control functional aspects of the project they play a significant role in the technical part of the project & they are given the responsibility to handle the entire matrix organization. They set up the timetable of subordinates to project work.

d. Suitability:

Matrix is a complex organization but is suitable for large scale business organization in this type of organization attempts to solve complex problems With high-quality solutions it is mostly used for a large construction project that constructs server building in different areas different constructive side managed by the different project manager with the support of the functional department.

e. Specialization:

Matrix organization facilitates specification. The functional heads/manager focus on the technical parts of the project whereas the projects manager fours on all the administrative tactic/aspect of the project both organization specialize in our area & play a significant role in the department of a matrix organization.

f. Development skill :

In the matrix organization, employees develop their skill & knowledge proper training of managers & subordinates is essential for the effective working of matrix organization the process of job rotation facilitates self-development both the managers play important role in proper training to the employee.

g. Problem of unity of command :

Internal operations under matrix organization are difficult & complicated this is due to rules & procedures are not followed uniformly in all departments employees received order from functional heads as well as project manager This leads to increase the problem of the unity of command in the organization.

h. Need for effective communication:

The matrix organization uses two or more co-existing structures in this organization need of effective communication for the development of organizational structure effective communication between manager to subordinates leads to increase proper work in firms.

i. Inter-departmental co-operation:

Due to vertical & horizontal communication, the project manager co-operates many inter-department aspects of a particular project this co-operation leads to effective control over the operation.

4. Virtual Organization:

The meaning of virtual organization is a temporary alliance between two or more organizations that come together to active specific

objectives. The participants in a virtual organization are interdependence to each other in this type of organization participants may changing day by day, It can be composed differently every day.

It is a project organization formed for a particular project, it gets winding up once the target active. It may remain functional as long as consumer demand exists for their collaborative benefit.

Definition :

The virtual organization refers to a new organizational form characterized by a temporary or permanent collection.

Features of virtual organization:

a. No separate entity:

Participating organizations haven't clear rules contrasting to a traditional organization. It will have neither a central officer nor an organizational chart that is dependent on information communication and technology.

b. Interdependence:

A virtual organization is mostly interdependence in nature it is a temporary alliance between two or more organization that is come together to achieve a specific objective the participants in a virtual organization are interdependence to each other making it possible to deliver a product collaboratively all the alliance partners used combining working method for proper development of the organization.

c. Temporary in nature:

A virtual organization is generally temporary it is a project organization formed for a particular project it gets winding up once the target achieve. It may remain functional as long as consumer demand exists their collaborative beneficial limited duration required to the virtual organization for complication of the project so. This organization is always temporary.

d. Information & communication technology :

A virtual organization largely depends on the ICT for developing & diversification of organization informational networks will provide for flanged companies to link up work together from start to finish it is possible to communication within few seconds a worldwide net so, it is covered geographical border easily.

e. Changing participants :

In this type of organization, participants may change day by day it can be composed differently every day one day some organizations may

be a part of a network formulating virtual organizations along with others networks the following day virtual organizations could be composed of other organizations.

f. Excellence :

In the virtual organization, each partner brings its core competence to the joint efforts these facilities increase efficiency in the organization virtual organization can provide excellent performance in a particular project or product every feature & process or the product may be world-class something that no single company could probably achieve its generates teamwork in the organization.

g. Trust & Respect :

Mutual trust & respect play important role in the development of a virtual organization all the partners need to have complaints trust each other at the same time the alliance member must respect everyone's expansion & modification of virtual organization largely depends on the trust of the members to each other.

Challenges of vertical teams:

a. Challenges of diverse technological skills :

A virtual organization is often associated with such terms as virtual teams vertical teams face several challenges it explains with the help of the following points.

b. Challenges of Diverse Technological Skills:

It is one of the most important challenges faced by virtual teams. Diverse technological skills unable increases conflict among the team a member that is virtual teams primary fours in improve teamwork in the organization proper training develop trust & teamwork   unable virtual organization achieve the goals & targets. It may be a great impact on the expansion & modification of the organization.

c. Challenges of leadership :

Leadership plays a significant role in the development of the virtual organization it is an alliance of two or more teams so here appropriate leadership can result in the failure of a virtual team the leadership problem arises due to lack of communication therefore team members focus on exception were & co-ordination away the team members it may solve the problem of leadership.

d. Challengers of communication:

The members of a virtual team may not be located in one country however they can discuss each other through the medium of information

technology devices such communication always quick but in case of poor communication among the team of the organization so it is the biggest challenges that any virtual team faces proper communication easily solve this challenges.

e. Challenges of incompetent team member :

It is an alliance of two or more team so here the experienced team member is an important factor in successful organization project are more time in failure due to lack of coordination among member & incomplete knowledge about the project it may negatively affect the other team maintains proper team weak maintain proper team weakly are an important challenge of the virtual team.

f. Challenges of developing Trust:

Trust and mutual understanding are two basic requirements of successful functioning of virtual team's absence of coordination with the team affect the speed and orderly execution of the project very team primary focus on to build trust among the team members. Trust unable to Reduce conflict among the teams so it is an important challenge for the virtual teams.

g. Challenges of decision – making:

Every virtual team can take strategic decisions and plan for business expansion activities based on the project because of proper decision-making. When it is difficult to build trust and to manage conflict when team members take poor decisions so, decision-making by virtual teams can be a great challenge for its members.

h. Challenges of time zones:

The members of the virtual team communicate through portable communication tools including video conferencing meetings are arranged quickly if the need arises, however, there are different time zones it becomes difficult to coordinate and to hold a virtual meeting. Therefore, it directly impacts the work of a project time zones are great challenges of virtual teams.

4.5 DEPARTMENTATION

4.5.1 Meaning of Departmentation:

Departmentation is a systematic process of dividing an organization into smaller units called departments. It includes a grouping of activities, tables and processes, and resources. Departmentation is useful in all types of business organizations. It creates the principle of division of work.

Definition of departmentation :

According to Pearce & Robinson, "Departmentation is the grouping of Jobs, Process & resources into logical units to perform some organizational task"

According to Koontz and O'Donnell, "A department is a distinct area, division or branch of an enterprise over which a manager has authority for the performance of specified activities."

It can be defined "as the process by which activities or functions of an enterprise are grouped homogeneously into different groups."
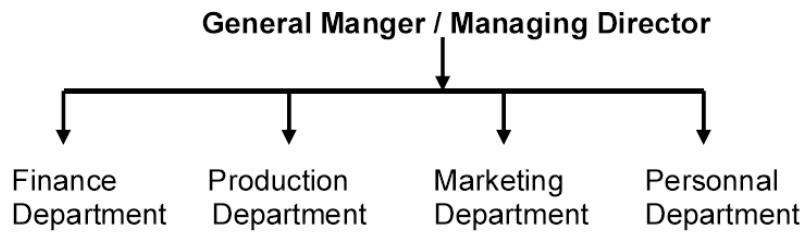
4.5.2 Bases of departmentation:

Departmentation play important role in the development of a business organization. Such bases include function performed development of area production patter number of customers & time activities.

The bases of departmentation are shown with the following chart.
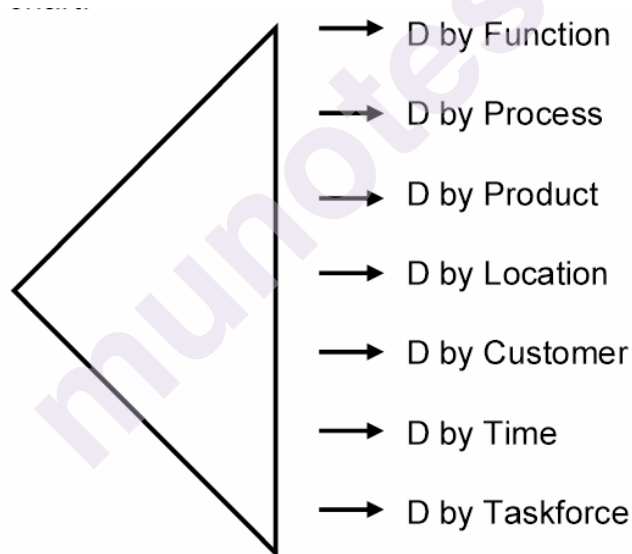
1. Departmentation by Functions:

It is the most common means of departmentation function plays the significant role in subunits of departments such as finance, production, marketing person, etc. this is shown in the following taste
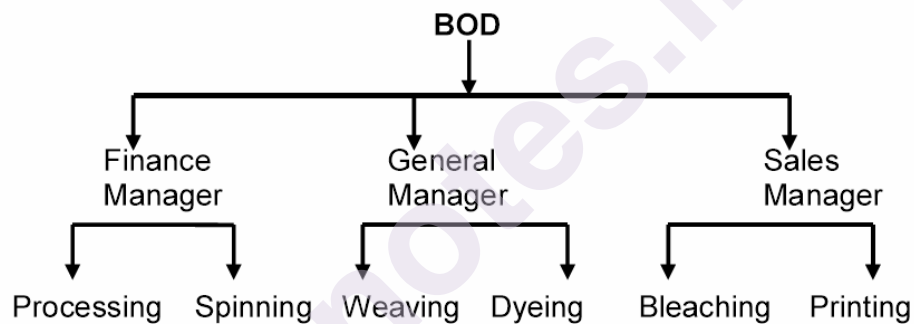
Benefits of departmentation by function:
- It is a logical method
- Facilities effective control & co-ordination
- It Facilitates optimum utilization of resources

2. Departmentation by process:

In this type, the organization is divided into basic of the process of manufacturing units. For example in the textile mill, the process can be spinning, weaving, dyeing, bleaching & printing.
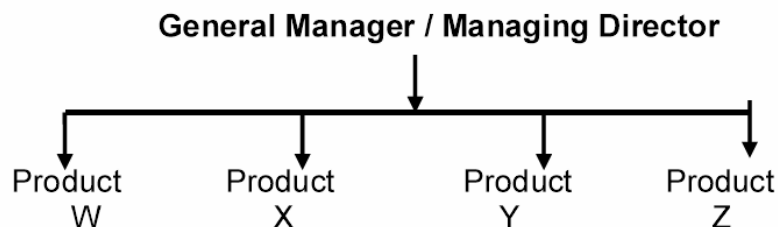

Merits / Benefits of Departmentation by process:
1) It is an easy & suitable process for manufacturing products.
2) It enables maximum utilization of resource
3) It requires costly equipments but gives more benefits in manufacturing products.

3. Departmentation by-product:

Most multinational companies or large industries dealing with the number of products time or types of brands. Departmentation largely depends on the types of products of brands.

In this type of organization different mange work on different products the entire manager getting responsibility for the kind of product.


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Merits / Benefits of departmentation by-product :
1) It can generate competition between the firms' brands
2) It enables the organization to get maximum profit
3) Encourages companies corporate image

4. Departmentation by / Geographical area / Location:

This is the most important method undertaken by the departmentation in these method business activities covered by geographical areas.

In India, the government banking sector has several departments such as a national bank, state bank, district bank, schedule bank & so on. This is shown in the following chart:

General Manager

National level   State level   District level
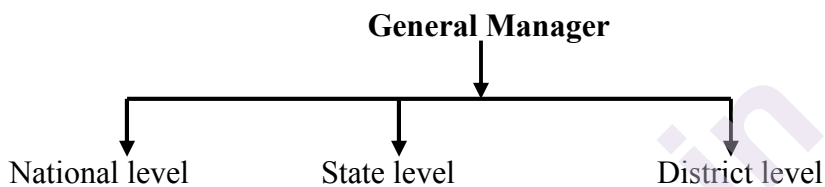
Merits & benefits are:
1) It improves the standard of living of people
2) Development of bank word areas & also an expansion of business to various part of the nation.

5. Departmentaion by Customer:

All types of the department directly & indirectly depend upon the nature of customer for an instant a cloths product supplying firm may be divided the organization all the bans.

General Manager

Roadways   Railways   Airlines
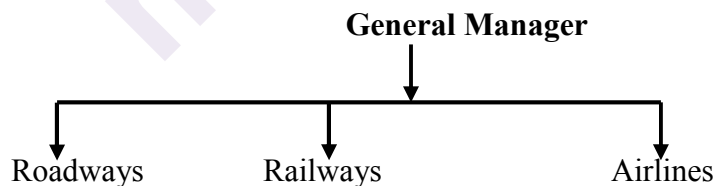
Benefits are:

1) It helps an organization to earn maximum profits & improve corporate image
2) Customer get maximum satisfaction

6. Departmentation by Time :

Most of the private sector departments use this means of departmentation. It includes a financial institution, educational institution,

hotels, etc. in which means the Nature of work depends on the clock or specific Time. Every organization sets up a particular time for the work.

Manager /Supervisor

Morning shift's   Day shift's   Night shift's
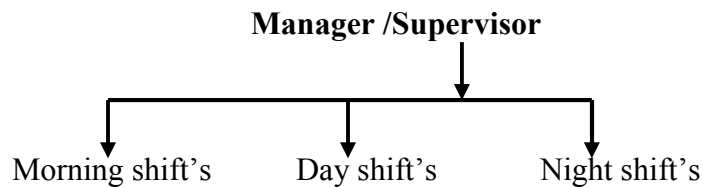
7. Departmentation by Task Force:

This means of departmentation involves the assigning of a project to a specific team of a subordinate. The group of a subordinate is known as Task Force. Each task has its own leader.

4.5.3 Advantages of Departmentation :

1. Division of work:

Division and specialization of work resulting in increasing overall efficiency.

2. Co-ordination:

Autonomy to departments for raising efficiency supplemented by coordination among different departments.

3. Responsibility:

Targets can be assigned to departments and fixation of responsibility on departmental heads.

4. Management Development:

It leads to management development as executives can have self-development

5. Resources utilization:

Departmentation ensures optimum utilization of resources.

4.5.4 Limitations of Departmentation :

1. Costly:

Departmentation is costly as it raises the administrative and operative costs of the organization. This is due to duplication of work, equipment facilities, and staff.

2. Co-ordination and control difficulties:

Departmentation creates a new problem of establishing effective coordination and control over the departments created, which affects the overall efficiency of the organization.

3. The autonomy given to departments may prove to be dangerous.

4.6 SUMMARY

Organizational structure is a system used to define a hierarchy within an organization. This structure is developed to establish how an organization operates and assists in obtaining its goals. The base of organizational structure is the distribution of work. The distribution can be formal or informal. Formal organizational structures are categorized as Line organizational structure, Staff or functional authority organizational structure, Line and staff organizational structure, Committee organizational structure, Divisional organizational structure, Project organizational structure, Matrix organizational structure, and Hybrid organizational structure.

A line organization has only direct, vertical relationships between different levels in the firm. An organization where staff departments have authority over line personnel in narrow areas of specialization is known as a functional authority organization. In the Line and Staff Organizational Structure, there are direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers.

Most large organizations belong to this type of organizational structure. A project organization is a temporary organization designed to achieve specific results by using teams of specialists from different functional areas in the organization.

4.7 QUESTIONS

4.7.1 Multiple Choice Questions

1. _____refers to a pattern of relationships among individuals and departments in an organization

   a) **Organization Structure** b) Salary Structure c) Rules d) Regulations

2. Organization Structure is divided into Two Parts Formal & _____

   a) Abnormal b) Normal c) Immortal d) **Informal**

3. _____ exists to achieve well defined and particular objectives

a) **Formal Organization** b) Informal Organization
c) Matrix Organization   d) Line Organization

4. In _____ The superior subordinate relationship is absent

a) Formal Organization b) **Informal Organization** c) Matrix Organization d) Line Organization

5. _____ is the simplest & oldest form of organization.

a) Formal Organization b) Informal Organization c) Matrix Organization d) **Line Organization**

6. In _____ All the major decisions are taken by the top management & then process pass the order to their subordinates

a) Formal Organization b) Informal Organization c) Matrix Organization d) **Line Organization**

7. _____ also called as a Multi-project organization

a) Formal Organization b) Informal Organization c) **Matrix Organization** d) Line Organization

8. _____ type of organization is combined between functional organization & project organization

a) Formal Organization b) Informal Organization c) **Matrix Organization** d) Line Organization

9. _____ organization is a temporary alliance between two or more organizations that come together to active specific objectives

a) Formal Organization b) Informal Organization c) **Virtual Organization** d) Line Organization

10. _____ is a systematic process of dividing an organization into smaller units called department.

a) **Departmentation** b) Decentralization c) Division of Work
d) Division of Labour

4.7.2   Theory Questions

1) What are the factors determining organization structure?
2) Explain the features of formal and informal organization.
3) Distinguish between formal and informal organization.
4) What are the feathers of line organization?
5) Explain the challenges of virtual teams.
6) What is meant by organization structure? state the types of internal organization structure.
7) What are the bases of Departmentation?
8) Explain the steps involved in Organizing
9) Write notes on the following
   a. Line and staff organization
   b. Organization structure
   c. Matrix organization
   d. Virtual organization

❖❖❖❖

5

ORGANISING II

Unit Structure

5.0 OBJECTIVES

After studying the unit the students will be able to:

- Define the concept of Span of Managementand explain the features of Span of control.
- Explain the factors included in the span of managementand the advantages of the span of control.
- Discuss the concept of Delegation, its process, advantages principles, and barriers.
- Distinguish between Tall & Flat Organization
- Distinguish between Centralization & Decentralization
- Factors Influencing Decentralization.

5.1 INTRODUCTION

In an organization, several activities are performed. These activities are required to be coordinated. The organization structure is designed for the division of tasks, the grouping of activities, and coordinating and controlling the tasks of the organization. A detailed study of all components and dimensions of organizational structure is required for the creation of an efficient and stable structure. Well, designed organizational structure facilitates the smooth functioning of the organization. The four design decisions related to Division of labour, departmentation, the span of control, and delegation of authority results in a structure of an organization.

'Span of control', is also known as 'Span of Management', 'Span of supervision' and 'Span of responsibility'. An organization performs different types of activities. These activities have to be performed efficiently to achieve organizational objectives. Therefore, the executives in charge of executing the activities of the organization have to perform them efficiently. However, the executives are human beings and they have limited physical, psychological, and intellectual abilities and capacities to managementor supervise subordinates directly. Therefore, it is necessary to determine the optimum number of subordinates under one executive, which is known as Span of Management.

More precisely, the term 'Span of Management' refers to the number of subordinates who can be effectively and efficiently supervised directly by a superior. The span of management is the range of direct reporting by subordinates to a superior above them. The span of management determines the shape of organizational structure. If the span of management is smaller the number of managerial levels will be more and if the span of management is large the number of levels will be small.

Grouping of activities into departments is a necessary part of the process of setting up an organization, whenever an enterprise expands beyond the size that cannot be effectively managed by one person. Departments and levels emerge from the grouping of activities.

In every organization, managers are assigned a lot of work and managers alone cannot perform all the work. He divides the work among different individuals working under him according to their qualifications and gets the work done from them. The manager begins by sharing his responsibilities with his subordinates. He deliberately passes some of his responsibilities to his subordinates. After passing the responsibilities the manager also shares some of his authority, i.e., the power to decide with his subordinates so that the responsibilities can be carried on properly. To make sure that his subordinates perform all the work effectively and efficiently in an expected manner the manager creates accountability and this whole process is known as delegation.

5.2 MEANING AND FEATURES OF SPAN OF MANAGEMENT

5.2.1 Meaning of Span of Management:

A span of Management refers to the number of subordinates that can be supervised or managed effectively Sir Lan Hamilton Introduces the concept of span of control. Later on, it was popularised by V.A Graicunus & Lyndall Urwick.

It is a universal process, in this process number of subordinates are managed by a single person. Here the number of subordinates should not be too large or too small if the number of subordinates is too large, Person

cannot supervise effectively and it enables one to lose managementof the subordinates. If the number of subordinate too small result in strict management on the members and its enable to reduce the efficiency of the subordinate (worker).

5.2.2Features:

Features of Span of Management:-
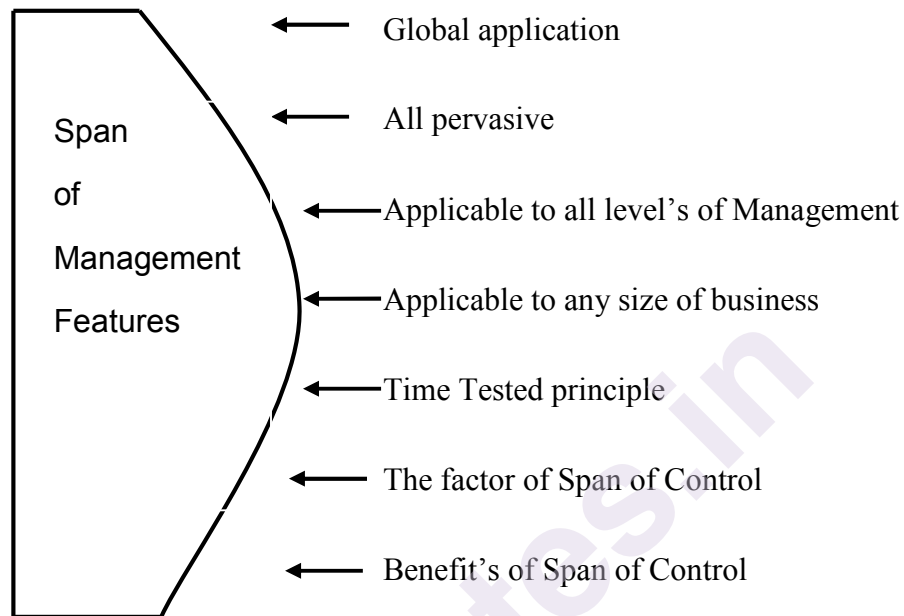
1. Global Application: Universal applicable:

The principle of span of Management has global application. This principle applies to all types of organizations. It playsa significant role in countries' developing condition span of Management enables increase efficiency of the manager or worker.

2. All pervasive - / Applicable to all:

It applies to public sector organizations as well as to private sector organizations. The different fields of organization commonly use the principle of span of management so it is an important principle of management.

3. Important Principle of Organising :

The span of management play the important role in organizing this principle provides appropriate information about how to supervise/manage the number of subordinate in a particular time. It plays a great role in the lever of management from the top level to the lower level of management. An effective span of management enables raising the morale of the management to subordinate.

4. Applicable at all levels of Management:

The principle of span of Management applicable at all levels of management. It is applicable at the top level, middle level,and lower level. The member of top-level depends on middle level & vice versa. So the principle of span of management more effective in all levels of management.

5. Applicable to any size of business:

The principle of span of management applies to a sole trader to a Joint Stock Company. It's directly affected to any size of the organization. E.g. A smaller organization employing about so needs to have various section & each section follow the concept of span of management also a large organization employing over a thousand of employees needs to adopt the concept of span of management for the effective span of Management of the business.

6. Time Tested Principle:

The principle of span of management is time tested all the business & non-business organizations have used the principle of management. It includes educational institutions, hospitals, hotels, etc. in which Means the nature of work depends on the specific Time.

5.2.3 Advantages of Span of Management:

The concept of span of Management plays curtail role in an organization. Some of the benefits are as follow:

1) Improvement in a superior-subordinate relationship
2) Optimum utilization of resources.
3) Improvement of goodwill and reputation of organization
4) Reduce absenteeism
5) Property motivated employee
6) Development of leadership ability

5.3 FACTOR'S INFLUENCING SPAN OF MANAGEMENT

The factor of the span of management plays a significant role in developing the principle of the span of management process. Some factors are affected directly and some indirectly. We can understand with the help of the following diagram.

Factor's Influencing Span of Management

- Relationship
- Nature of Work
- Experience of Superior
- Subordinates abilities
- Faith in Subordinates
- Technology Used
- Incentives offered
- High Moral
- Extend of delegation
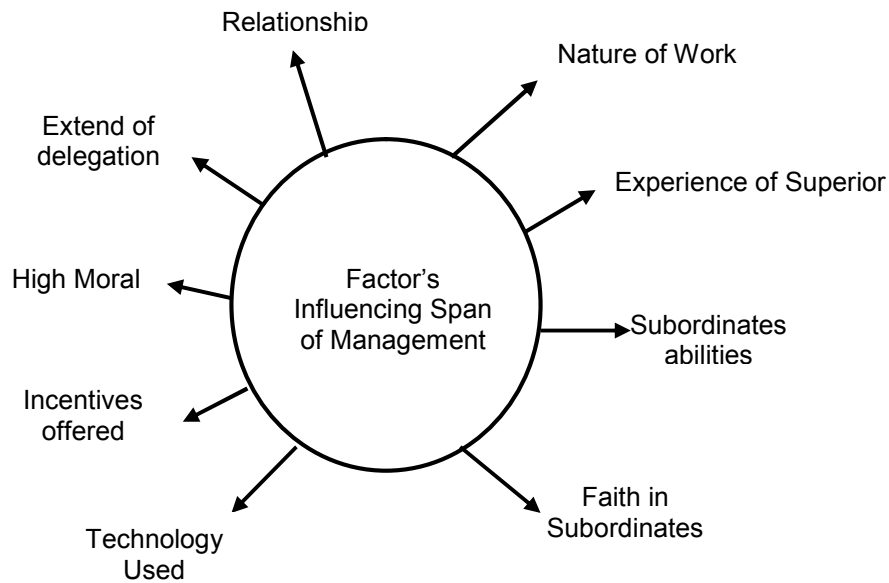
1. Nature of Work:

Nature of work divided into two parts such as routine repetitive nature & complex nature of the work is of routine & repetitive nature the span of management may be more other band work performed by subordinates is complying, there should be fewer subordinates. So routine method directly affected the principle of span of control.

2. Experience & Capacity of Superior:

Normally more the experiences of the superior the more are the span of management if the manager is capable & experienced be easily handle the number of subordinates he gives respect from subordinates & also improve the standard of living of subordinates. Thus the span of management depends on the experience & capacity of the superior.

3. Subordinated abilities:

The span of management depends on the ability of subordinates it includes the nature & experiences of subordinates if the subordinates are well trained & experienced. They require less time for supervision & therefore the superior can have more span of management experience subordinate enable the increases the efficiency of the worker.

4. Training and Faith on subordinates:

Trained subordinates can do the work quickly. Ultimately the span of management is more proper training enable subordinates work is proper position right time if the manager has faith and trust in subordinates the span can be wider if the positive relationship between manager to subordinates enable the span of management can be made wider.

5. Use of Communication Technology:

It is one of the most important factors to determining principle of span of management electronic devices &equipments help in increasing the span of management manager use proper electronic devices in daily work to ultimately subordinate can do work effectively in an organization.

6. Incentives offered:

Incentives are one of the prime factors to determining span on management if the manager offered good incentives of management more number of subordinate similarly due to the incentives offered. The subordinates are easily motivated & increasing working habits of employees.

7. High Moral:

Proper working conditions& incentives offered to enable raising the morale of the subordinate manager always focus on the expectation of the subordinate it increasing the working habits of employees.

8. Effective delegation of Authority:

When a manager delegates clear specific and adequate authority to his subordinates it becomes possible to increase the span of control.

9. Relationship:

In a direct relationship between manager and subordinate, the manager may be in a position to supervise and management the number of subordinates. However, if the inverse relationship between manage and subordinate the span of management is low.

5.4 TALL AND FLAT ORGANISATION

Tall Organisation	Flat Organisation
1. Meaning	
A tall organization refers to the organization in which there are more levels in the management hierarchy. In this type of organization, each manager has very few people /subordinates working under him.	Flat organization refers to the organization in which there are fewer levels in the management hierarchy. In this type of organization, each manager has more people/subordinates working under him.
2. Manager / Subordinate Relationship	
As in Tall Organisation, every manager has a few people working under him the relationship between manager and his subordinates is informal.	As in a flat organization, the manager has many subordinates working under him, the relationship is generally formal.

3. Span of Control	
In a tall organization, the span of managementis narrow, as vary few subordinates report to the manager.	In a flat organization, the span of managementis wider, as many subordinates report to the manager.
4. Discipline	
In a tall organization, the manager manages a few subordinates, so there can be better discipline among the subordinates.	In a flat organization, the manager manages many subordinates so it may not be possible for him to maintain discipline among subordinates.
5. Cost:	
A tall organization may be costly due to many levels in the management hierarchy.	A flat organization may be less expensive due to fewer levels in the management hierarchy.
6. Decision making:	
As a tall organization has many levels decision-making may take a longer time.	Due to the fewer levels, in a flat organization, decision-making can be faster.
7. Co-ordination & Control	
The manager in a tall organization can achieve better coordination and management among his subordinates.	Whereas the manager in a flat organization, may not achieve proper coordination and management among his subordinates.

5.5 DELEGATION

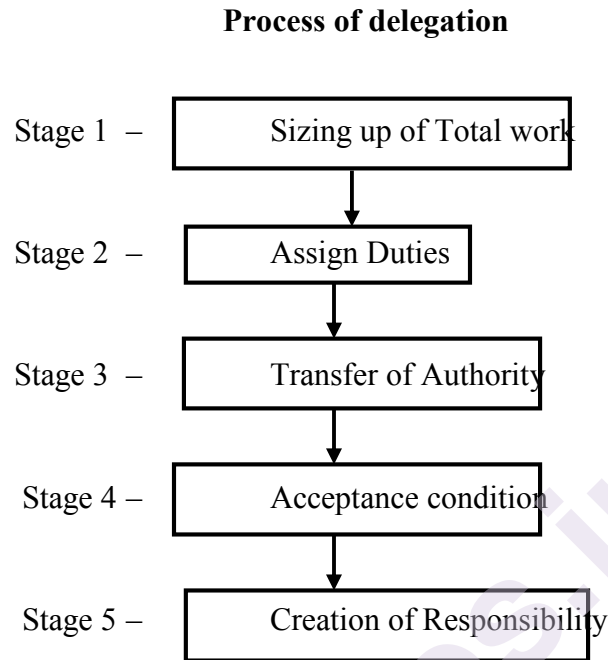### 5.5.1 Meaning and Definition of Delegation:

Meaning:

Delegation of authority is one of the vital organizational processes, it is a process by which a superior transfers authority to his subordinate. Delegation means assigning certain responsibilities along with the necessary authority by a superior to his subordinate manager. It is a universal process applicable to all.

Definition:

1. According to F.C. Moore "Delegation means assigning work to the other & giving them authority to do so."

2. John Pearce & Richard Robinson define delegation of authority as " A process by which a manager assigns tasks & authority to subordinates who accept responsibility for those jobs."

5.5.2 Process of delegation:

There are five stages in the delegation process. This steps shows with the help of the following chart

Process of delegation

Stage 1 – | Sizing up of Total work |

Stage 2 – | Assign Duties |

Stage 3 – | Transfer of Authority |

Stage 4 – | Acceptance condition |

Stage 5 – | Creation of Responsibility |

Stage 1 – Sizing up of Total work:

It is a first & important stage in process of delegation every manager must see the sizing up of work, then he decides how to manage & divided working in subordinates when total work is more the need for delegation arises every manager to focus on the nature of total work.

Stage 2 - Assigning duties:

Before delegation superior must identify the work or activity. The manager must select the right subordinate to delegate the activity this is the responsibility of the manager to find out the right subordinate. The manager must communicate clearly & discuss the duties at subordinate & also given proper guidelines about the nature of work assigning duties enable increasing morale of the subordinate is relation to work.

Stage 3 – Transfer of Authority:

In the third stage manager must be transferred authority to the subordinate appropriate authority to enable the subordinate to take the right decision at any time. It enables delegation of work effectively limited authority will bring about only limited performance so they manage always focus on the transfer of authority to right subordinate.

Stage 4 – Acceptance / Rejection of Delegation:

In this Fourth stage, the subordinate has to follow acceptance or rejection of delegation of authority when the subordinates reject the authority. The process of delegation has to be restarted again.

The subordinate may not accept delegation on the following grounds

- Poor relation with the manager
- Lack of self-confidence
- Internal politics
- Increasing responsibility to compare to other subordinates
- Lack of incentives

Stage 5 – Creation of Responsibility:

In this last stage in the process is the creation of an obligation on the part of the subordinate to perform duties & used assigned authority properly.

In this stage manager & sub, ordinate hasthe authority to complete the duties & responsibilities. It is the duty of the delegator (manager) to assist the delegate (subordinate) a subordinate gives a positive reply of the work to the manager about the work or task at this stage. Process of delegation of authority completed.

5.5.3 Barriers to Delegation:

Delegation authority outwardly appears to be a simple process with several benefits. Some of the barriers faced by superior & subordinate it explains with the help of the following points.

a. Difficulties / Barrier's on the part of Manager / Superior:

1. Fear of Competition:

The Manager may feel that the subordinate can be a threat to his position. If the subordinate performs delegated were effective. We get a promotion ahead of the superior. Some time superior fear about the competition if the organization's fear of subordinates excellence may come few the way of delegation.

2. Fear of losing control:

Sometimes managers fear losing management over their subordinates because of superior gives some orders to subordinates & therefore they may not depend on the superior for here manager face difficulties. Concerning the delegation of were educated subordinates done work effectively at a superior level so that's why managers fear losing management over a subordinate.

3. Fear of Subordinate excellence:

It perpetuates barriers on the part of superior some time educated & well knowledge subordinate done were effective as compare to superior so here clones of subordinate do well excellence that's why superior may feel that subordinate can be a threat to his position.

4. Lack of confidence insubordinates:

The poor superior-subordinate relationship creates a lack of confidence if subordinate manager may have this skill & the expertise to take quite a decision about the particular were but he feels that his subordinate is not competent to deal with the problem it may reduce the confidence of superior to subordinate the delegation of work.

5. Lack of ability to direct / inability to direct:

Every time manager delegation authority but sometimes may not be able to do it effectively because of lack of ability to direct subordinate inexperience manager lazy face this problem of the proper directing subordinate.

6. Desire to dominate:

Managers normally have the desire to dominate their subordinates they prefer to dominated subordinate all subject/matter of organization. So they do not properly delegate authority they also feel that to delegation most of the subordinates know their managerial ability.

7. Fear of being exposed:

The fear of being exposed due to personal shortcomings may cut as an obstacle for the delegation. Delegation may expose the manager to his corrupt practices because of where is delegated subordinate that gets knowledge about such malpractices.

b. On the port of Subordinate

1) Fear of criticism:

Every subordinate expresses unwillingness to accept delegated authority because of the fear of criticism. The subordinate does not delegate work properly it may chances of criticism if they commit a mistake.

2) Lack of Information:

Some subordinates lack information about delegated work it may reduce the efficiency of the employee about particular work if a subordinate does not get full information about work he may not accept authority.

3) Lack of self-confidence:

Some subordinates take quick and wrong decisions because of a lack of self-confidence about delegated work. Negative managerial behavior may reduce own confidence of subordinates it may directly affect the actual work.

4)Fear of losing Job:

It is an important barrier for the subordinate. Most of the subordinates may feel that if they do not delegate were properly be may lose their job therefore they do not delegate authority.

5) Overdependence on superior:

Most of the subordinates are over dependent on their superior about delegated work they do not directly interfere if the authority and responsibility of the superior are to prepare to delegated work. the subordinate is not confident about his were ability will certainly manage the responsibility.

6) Difficulty in decision making:

Subordinate facing a problem at decision making. Most of the time all order decisions are taken by the superior. So subordinates may not have to use skill and experience to make a decision it may arise the problem of delegation.

7) Poor superior-subordinate relations:

Inverse relationships between superior-subordinate may directly impact the process of delegation of authority most of the bad things reduce the superior-subordinate relation such as lack of communication to each other interference by superior in subordinate where.

8) Fear of being exposed:

Some subordinate feel that they have limited capacity to accept the challenges which are bound to come due to delegation, therefore, they may not accept delegation for the fear of being exposed of their ineffectiveness.
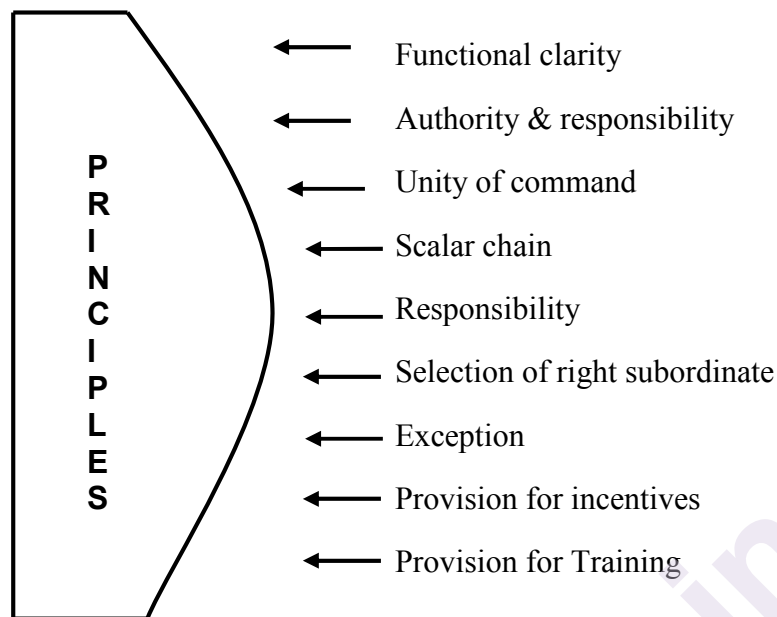
5.5.4 Principles of delegation:

Principle play important role in the process of delegation. Some of the important principles explain with the help of the following figure.

1. Principle of Functional clarity:

Before delegation authority, the subordinates should be made to understand their duties and responsibilities. Sub ordinates followed rules

& regulation & completed the work in the period they play a positive role in this process. Sub ordinates followed the principle of functional clarity.

P
R
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S

← Functional clarity

← Authority & responsibility

← Unity of command

← Scalar chain

← Responsibility

← Selection of right subordinate

← Exception

← Provision for incentives

← Provision for Training

2. Principle of Authority &responsibility:

This principle of delegation suggests that the subordinate followed the authority of the manager & their responsibility to complete them every manager & subordinate are especially responsible about their work there should be a proper balance between authority & responsibility.

3. Principle of unity of command:

The subordinate should receive instruction & order by one superior to undertake the delegated work. This principle suggests that all subordinate follow order by one manager or boss unity of command enable every organization done the work effectively. Subordinate do maximum work in minimum time because of unity of command in other side reporting to more than one manager will create problems & there may be confusion.

4. Principle of scalar chain:

This principle suggests that give authority from the manager to subordinate principle of scalar chain included three tends top level, middle level & lower level, therefore, the order may depend on the chain the subordinate should know who delegates authority to whom be should contact for matters beyond his authority.

5. Principle of absoluteness of responsibility:

This Principle of delegation suggests that it is only the authority that is delegated & not the responsibility. Manager always responsible

about their authority manager send the order to subordinate about the work in the time. Subordinate about the work effectively at a time responsibility face by superior as well as subordinate not all the burden goes in the head of the subordinate so superior always responsible about the total work.

6. Selection of Right subordinate:

The superior always select the right subordinate to delegate work subordinate play important role in the delegation of work trained & educated sub ordinate completed work effectively superior always focus on that kind of subordinate they reduce the maximum burden of the other subordinate. So the selection of subordinate important principle of delegation.

7. Principle of exception/use of exception principle:

The superior always delegated authority to subordinate in that time they should interfere with work of subordinate some of the exceptional cases the superior refocus on the working condition of the subordinate. This is a normal method /rule applied by the superior, here they keep subordinates about delegation of work. So it is a significant principle of delegation of authority.

8. Provision for incentives/reward effective delegation:

In the process of delegation subordinate is always focus on needs of subordinate in that needs incentives is an important part of worker they adopt some innovative activities for raising the morale of subordinate.

9. Provision of Training:

The principle of training suggests that all subordinates provide the right technique to delegate work training would help to improve skill & knowledge to manage the work trained subordinate enable reduce the burden of superior & raising working nostrils.

5.5.5 Advantages of Delegation of Authority:

The following are the advantages of the process of delegation of authority, which answers why delegation is needed?

1. Management Function:

When the area and nature of business are very large then management can function properly due to the delegation of authority.

2. Trust &opportunity:

It becomes very easy and possible to the officer to get the various works done by putting trust in the assistants. Similarly, assistants get the opportunity to perform the work separately.

3. Challenging jobs:

The workload on the officers is reduced and they can concentrate on other important functions and more challenging jobs.

4. Cordial relationships:

The superiors trust subordinates and give them the necessary authority. The subordinates accept their accountability and this develops cordial relationships between superior and subordinate.

5. Team Spirit:

Due to delegation effective communication develops between the superiors and subordinates. The subordinates are answerable to superiors and the superiors are responsible for the performance of subordinates.

6. Leads to the motivation of subordinates:

Subordinates are encouraged to give their best at work when they have authority with responsibility. As result, it leads to the motivation of subordinates.

Check Your Progress

1. Draw the figures showing:
   A. Factor's at Span of Management
   B. Features of Span of control
   C. Principles of Delegation
   D. Process of Delegation
2. Enlist the barriers of Delegation.
3. Enlist the advantages of Delegation.

5.6 DECENTRALIZATION

5.6.1 Decentralization Meaning

Decentralization refers to the orderly delegation of authority throughout all the levels of management in an organization. It means allowing or assigning the managers of all levels to take decisions.

5.6.2 Factors influencing decentralization:

The following are the factors determining the degree of decentralization.
1) **Importance of the decision:** If the decision is related to key areas of the business operations i.e. involving more funds and affecting

goodwill and reputation of the organization, then it is generally taken at a higher level of the management.

2) **Management's attitude:** The attitude of top-level management plays a significant role in determining the extent to which authority is delegated to lower levels. If the management's attitude is traditional then they do not encourage delegation of authority to a larger extent whereas modern or professional management encourages delegation of authority to a larger extent.

3) **Size of the enterprise:** Delegation of authority to a larger extent takes place in large-sized organizations than in small-sized organizations.

4) **Availability of qualified manpower:** Availability of qualified manpower and training facilities of the organization also determines delegation of authority. An organization with more qualified and capable manpower and good training facilities can delegate authority to a larger extent.

5) **Impact of environmental factors:** They include factors like government control, the fiscal policy of the country, national unions, the policy of government purchases, and so on.

Any organization can never be fully centralized or decentralized. The above-given factors can decide the extent of decentralization in the organization.

5.6.3 Centralisation v/s Decentralisation :

Centralisation	Decentralisation
1. **Meaning**	
When the authority with respect to planning and decision making is held by the top management it is known as centralization.	When the authority with respect to planning and decision making is dispersed to the various management levels, it is known as decentralization.
2. **Nature of authority**	
Centralization is the systematic and consistent concentration of authority at the higher level of management.	Decentralization is the systematic delegation of authority to different levels of management in an organization
3. **Size of the organization**	
The policy of centralization is suitable for small-sized organizations	The policy of decentralization is used in a large-sized organization.
4. **The type of communication**	
Formal and vertical communication exists in the centralized organizations	Open and free communication exists in a decentralized organization.

5. Leadership and Co-ordination	
Leadership and co-ordination is better in centralized organizations	Leadership and coordination is less good in decentralized organizations than the centralized organizations
6. Time is taken for decision making	
Decision-making takes time in centralized organizations as it is done at higher-level management.	Decision-making is faster in decentralized organizations, as the decisions are taken much closer to the actions.
7. Sharing of burden	
In centralized organizations, planning and decision making is done at a higher level of management	In decentralized organizations, the burden of planning and decision-making is shared by all levels of management.

5.7 SUMMARY

The span of management is simply the number of staff that reports to a manager. Span of Management means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization. In reality, the ideal span of management depends upon various factors, such as Nature of an organization, Nature of job, Skills, and competencies of the manager, Employees skills and abilities, The kind of interaction that takes happens between superiors and subordinates, etc

A manager alone cannot perform all the tasks assigned to him. To meet the targets, the manager should delegate authority. Delegation of Authority means a division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates to achieve effective results. Authority, responsibility, and accountability are the main principles of Delegation of Authority

Departmentation is a part of the organizational process. It involves the grouping of common activities based on the function of an organization under a single person's control. The process of the grouping of activities into units for administration is called departmentation. The followings are the basis of departmentation: Departmentation by Function, Departmentation by Product, Departmentation by Territory or Geographic Area, Departmentation by Customer or Market, Departmentation by Processor Equipment.

5.8 QUESTIONS

5.8.1 Multiple Choice Questions

1. _____refers to the number of subordinates that can be supervised or managed effectively
   a) **Span of Management** b) Decentralization c) Delegation d) Tall Organization

2. In _____ process number of subordinates are managed by a single person
   a) **Universal** b) Non Universal c) Formal d) Informal

3. A _____ refers to the organization in which there are more levels in the management hierarchy.
   a) Span of Management b) Flat Organization c) Delegation d) **Tall Organization**

4. _____ a process by which a superior transfers authority to his subordinate
   a) Span of Management b) Flat Organization c) **Delegation** d) Tall Organization

5. _____ is a first & important stage in process of delegation.
   a) **Sizing up of Total work** b) Assigning Duties c) Transfer of Authority d) Creation of Responsibility

6. _____ is the last stage in process of delegation.
   a) Sizing up of Total work b) Assigning Duties c) Transfer of Authority d) **Creation of Responsibility**

7. _____refers to the orderly delegation of authority throughout all the levels of management in an organization
   a) Span of Management b) **Decentralization** c) Delegation d) Tall Organization

8. When the authority with respectto planning and decision making is held by the top management it is known as _____
   a) **Centralization** b) Decentralization c) Delegation d) Tall Organization

9. When the authority with respect to planning and decision making is dispersed to the various management levels, it is known as _____
   a) Centralization b) **Decentralization** c) Delegation d) Tall Organization

10. Decision-making is faster in _____ organizations.
    a) Centralized b) **Decentralized** c) Flat d) Tall

11. The policy of centralization is suitable for _____ organizations
    a) Small Sized b) Medium Sized c) Large-Sized d) Any

5.8.2 Theory Questions

1. What are the features of the span of control
2. Explain the factors determining the span of control
3. State and explain the steps of delegation of authority
4. What are the principles of delegation
5. Why delegation is needed?
6. What are the obstacles to delegation?
7. Distinguish between Centralization and Decentralization of Management.
8. Distinguish between Tall organization and Flat Organisation
9. Write short notes on:
    a. Factors influencing decentralization
    b. Tall Organisation
    c. Flat Organisation

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6

DIRECTING & CONTROLLING

Unit Structure

6.0 OBJECTIVES

After studying the unit the students will be able to:

- Explain what is motivation and what are the factors influencing motivation.
- What is Communication and what are the barriers to effective communication.
- Discuss the concept of Leadership and functions of a Leader
- Know the different styles of Leadership
- Explain the concept of controlling and Techniques of Controlling.

6.1 INTRODUCTION

In an organization, several activities are performed. These activities are required to be Directed and Controlled. The organization structure is designed for the division of tasks, the grouping of activities, and directing and controlling the tasks of the organization. A detailed study of all components and dimensions of organizational structure is required for the creation of an efficient and stable structure. Directing refers to a process or technique of instructing, guiding, inspiring, counseling, overseeing, and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the organization.

A directing function is performed by the managers along with planning, staffing, organizing, and controlling to discharge their duties in the organization. While other functions prepare a platform for action, directing initiates action. Directing takes place at every level of the

organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

Controlling is one of the important functions of a manager. To seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals. Managers at all levels of management Top, Middle & Lower – need to perform controlling function to keep control over activities in their areas. Therefore, controlling is very much important in an educational institution, military, hospital, & club as in any business organization. Therefore, the controlling function should not be misunderstood as the last function of management. It is a function that brings the management cycle back to the planning function. Control is an indispensable function of management without which the controlling function in an organization cannot be accomplished and the best of plans which can be executed can go away.

6.2   MOTIVATION

6.2.1 Meaning :

The word motivation is derived from the word 'motive' which means needs desires, wants or drives which encourages people to do any particular activity to achieve the goals. At a workplace, motivation can be defined as the willingness to put in more effort to perform a particular job.

6.2.2   Importance of Motivation:

Employee motivation is highly important for every company due to its following benefits.

1. It helps the company to build a sense of responsibility, loyalty, and commitment among the employees towards the organization.

2. It helps motivated employees to get job satisfaction.

3. It helps the organization to achieve employee / HR development and the employees to achieve their personal career goals.

4. It helps to improve the efficiency, productivity, and thereby profitability of the organization.

5. It helps the organization to achieve employee co-operation in introducing organizational changes.

6. It helps the organization to retain capable and efficient employees so it leads to a reduction of employee turnover.

7. Motivation promotes self-discipline employees maintain orderly behavior without any fear of punishment.

6.2.3 Factors influencing Motivation:

The factors influencing motivation can be broadly divided into two groups
- (A) Monetary factors and
- (B) Non Monetary factors.

A) Monetary Factors:

Monetary factors of motivation refer to giving monetary or financial benefits to employees to encourage them to perform better and the factors are:

1. **Salaries or Wages:** An organization must pay reasonable salaries/wages to employees as compensation for the work performed by them. While fixing salaries, the organization may take into consideration certain factors such as loss of living, the company's ability to pay, the capability of the employers, salaries paid by competitors, and so on.

2. **Bonus:** Bonus refers to sharing of profits earned by the company among employees of the organization. It's a kind of incentive for performing better in the organization.

3. **Allowances:** Allowances are paid over and above salaries/wages paid to employees. Various allowances include traveling, education, house rent, entertainment, etc. can be a pain to the employees to motivate them.

4. **Special incentives:** Special incentives are given to employees who achieve their targets within a given time.

5. **Stock option:** Employees are given shares on a preferential basis, thus enabling them to share the profits of the organization.

B) Non-Monetary Incentives

They refer to encouraging employees by making use of nonfinancial incentives and they are.

1. **Security of Service:** Employees can work bettering an organization if they are given security of service.

2. **Appreciation:** Employees should be appreciated by their superiors for good work done by them. Good words of appreciation can encourage employees for better performance.

3. **Worker's participation:** If the employees are involved in day-to-day decision-making, it helps to create a sense of responsibility and belongingness among the employees.

4. **Job Enrichment:** Capable employees can be promoted to higher posts, thus motivating them to share higher responsibilities to undertake challenging jobs.

5. **Working conditions:** The organization can provide better working conditions to help the employees for better performance such as air-conditioning, better lighting, sanitation facilities, safety measures, repairs and maintenance of machinery, proper plant and/or office layout, etc.

6. **Other factors** such as training to employees, proper job placement, promotions and transfers, proper performance appraisal, flexible working hours, proper welfare facilities such as canteen, recreation, sports facilities, etc. will also motivate the employees.

6.3 COMMUNICATION

6.3.1 Meaning:

Communication at the workplace means the transmitting of information between one person or group and another person or group in an organization. It can include verbal and non-verbal communication verbal communication involves the usage of spoken words for giving messages. It can be one-to-one, over the phone, or in group settings such as conducting meetings. Nonverbal communication consists of written communication which can be in the form of written messages, documents, letters, text charts, emails, reports, SMS.

Good communication is an essential tool in achieving productivity and maintaining strong waking a relationship at all levels of an organization.

6.3.2 Importance of Communication

The following are the benefits of effective communication in an organization.

1. It improves overall company performance by improving employees' efficiency and productivity.

2. It helps in giving clear instructions to employees about the jobs and other related issues.

3. It helps to build team spirit in the organization.

4. It facilitates job satisfaction.

5. It also helps to reduce absenteeism and turnover.

6. It helps to encourage employees to come up with innovative ideas.

7. It helps to manage workforce diversity.

8. It helps to solve recurring problems in the organization.

9. It helps to create a sense of loyalty and responsibility among the employees.

10. It helps to give good customer service and maintain good relations with several parties directly or indirectly associated with the

organization such as shareholders, creditors, government, and the society at large.

6.3.3 Barriers to effective communication:

The common barriers to effective communication can be given as follows:

1. The **use of complicated**, unfamiliar, and technical terms.

2. Some people may be unable to express their feelings or emotions and they **may feel awkward to receive any communication** as regards certain topics such as politics, religion, disabilities, sexuality and sex, racism, and so on.

3. **Lack of attention**, interest, distractions, or irrelevance to the receiver.

4. **Differences in perception** and viewpoint.

5. **Physical disabilities** such as hearing problems or speech difficulties.

6. **Inability to see or understand nonverbal communication** such as non-verbal cues, gestures, posture, general body language, etc.

7. Inability to understand the language and/or unfamiliar accents.

8. **Bias:** People sometimes hear what they expect to hear rather than what is said and derive incorrect conclusions.

9. **Cultural differences**: The norms of social interaction may be different in different cultures. Even emotions may be expressed differently in different cultures.

6.4 LEADERSHIP

6.4.1 Meaning and Definitions :

Leadership is an important element of the directing function of management. It is an activity of influencing people to work voluntarily towards the achievement of a common goal.

The term leadership has been defined as follows:

According to Koontz and O' Donnell, Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.

Allford and Beaty define it as the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion.

George R. Terry defines it as the activity of influencing people to strive willingly for group objectives.

Thus in a leadership function, the manager acts as a leader and influences his subordinates to put in their best efforts to achieve certain

objectives A leader can function only when he has followers A leader has to take complete responsibility for the results. As leadership is a personal/human activity, its style may change as per the person/situation.

6.4.2 Functions of a leader:

Following are the important functions of a leader.

1. **Setting goals/targets:** Leadership is an activity of influencing people to work voluntarily towards the achievement of certain goals/objectives. So a leader has to set first goals/targets for his subordinates.

2. **Assigning jobs:** A leader has to assign the jobs to his subordinates as per their abilities. He also has to make available facilities and work conditions to help the subordinates to perform their jobs effectively.

3. **Influencing subordinates to take actions:** A leader has to take initiative and required decisions to instruct employees to perform their jobs effectively.

4. **Co-ordination:** In an organization, a particular job may be performed when many people put in their best efforts. So a leader has to coordinate the activities of the people to achieve the required performance.

5. **Direction and Motivation:** A leader has to direct and motivate his subordinates to put in their best efforts to achieve the desired goals/targets.

6. **A bridge between management and subordinates:** A leader has to work as a bridge between management and subordinates. He has to communicate the plans and policies of the management to his subordinates and he has to put forward problems and grievances of subordinates to the management.

6.4.3 Qualities of a good leader:

Leadership is a personal activity. A leader is required to have certain qualities to be a successful leader. The following are the qualities required by a good leader.

1. Truthfulness:

Truthfulness is an essential trait for great leaders. Your capacity to be open, honest and forthright is a measure of your leadership. Telling the truth with zero tolerance for dishonesty in others, is your hallmark.

2. Responsibility
True leadership means 100% responsibility for your actions. Total ownership even when the outcome is undesirable. High scores in this attribute gives you the most freedom as a leader.

3. Accountability

In this trait we are measuring your capacity as a leader to hold others accountable for the results they promised. Your ability to notice and not walk past unmet deadlines or commitments will have the team operate at a high level.

4. Loyalty

As a leader making decisions for the greater good where you can put aside your personal needs or goals is Loyalty. Loyalty means the leader serves the organisation, not the individuals in it.

5. Vision

A leader has to have a vision. Great ones are able to see possibilities and identify opportunities but don't stop there. Great leaders turn ideas into action.

6.Assertiveness

Assertiveness done right has great impact on leadership. Leaders are to express their opinions confidently, irrespective of relationship. They are to stand up for self even in difficult situations. Good leaders know the power of a No, when it is most necessary.

7. Ability to Talk

Good leaders enjoy talking with people. They are articulate and have no problem expressing their opinion.

8. Ability to Listen

Employees esteem bosses who choose to give patient and thoughtful attention to what is being presented to them. There is nothing more attractive to a member than a leader who listens.

9. Appreciation

Appreciation is a potent source of motivation for people. A leader is able to inspire by acknowledging others' contribution, and by constantly offering positive and critical feedback.

10. Empathy

Empathy is an enviable trait. One who chooses to see the world through others' eyes is able to provide support and build a sense of trust. Leaders must understand differing perspectives and needs, and work at being socially sensitive, tactful and perceptive.

6.4.4 Styles of Leadership:

Effective leadership is required to lead and guide the subordinates so that they can perform the jobs properly. Every leader/manager makes use of some pattern or style of leading the subordinates. So such styles differ from leader to leader from situation to situation and from organization to organization depending upon the philosophy and values of the leader and the organization.

Following are the different styles of leadership:

1. **Autocratic Style:**
   In the Autocratic style of leadership, the leader takes all decisions by himself, and subordinates are expected to follow them. He is only responsible for all his decisions. The relations between superiors and subordinates are formal.

2. **Bureaucratic Style:**
   This style of leadership is generally followed in government organizations. The leader follows rules and regulations of the organization. He has limited authority to make the decisions. He has to follow the scalar chain even in the case of urgency. The relations between superiors and subordinates are formal. In this style, there is a delay in decision-making and taking action.

3. **Consultative / Democratic Style of Leadership:**
   In this type, the leader consults his subordinates before making decisions. He considers the opinions, and views of his subordinates. The relations between superiors and subordinates are informal.

4. **Participative Style of leadership:**
   In this style, the leader allows his subordinates to take part in decision-making. The leader and his subordinates share the responsibility for making the decision. So this type of leadership creates a sense of responsibility and loyalty among the subordinates.

5. **Laissez-faire Style:**
   In this style, the superior allows the subordinates to take decisions. The superior acts as a friend, philosopher, and guide while taking decisions.

6. **Paternalistic Style:**
   This style of leadership creates a family atmosphere within the organization. The leader is respected and treated as a father figure by the subordinates. This style is mostly followed in Japanese organizations.

7. **Sociocratic Style:**
   In this style, the leader is more concerned about the welfare of his subordinates rather than protecting organizational interests.

8. Neurocratic Style:

The leader of this style is highly task-oriented and concerned about getting the job done at any cost. He is highly sensitive about the job.

9. Situational Style:

In this style, the leader is very professional and changes / adjusts his style as per the situation. He may use an autocratic style while taking urgent and important decisions. He may use the consultative style for getting co-operation and views and opinions of subordinates and may make use of participative style when group decision making is necessary.

6.5 CONTROLLING

6.5.1 Meaning:

Controlling is the last function of management. It comes after other functions of management such as planning, organizing staffing, and directing. The planning function starts with setting objectives or standard results and deciding the future course of action. Organizing staffing and directing take care of the course of action and the organization gets results in terms of profits, net worth, goodwill and reputation, and customer feedback. The controlling function relates to comparing actual results with the objectives. If the actual results are not in line with the objectives or standard results, corrective measures can be taken to improve the performance.

6.5.2 Steps of Controlling:

Some of the essential steps of control are as follows:

1. Setting performance standards:

The first step in the process of controlling is fixing performance standards. These standards are the basis for measuring actual performance.

2. Measurement of Actual Performance:

Once the standards are fixed, the next step is to measure the actual performance some of the ways for measuring the actual performance are -

a) Appraisal reports of employees for measuring their performance.

b) For measuring financial performance various ratios like gross profit ratio, debtor turnover ratio/return on investment, current ratio, etc. can be used.

c) Marketing performance can be measured with the number of units sold, increase in market share, etc.

d) Sample checking can be done to check the quality of the units produced.

3. **Comparing Actual Performance with standards:**
    This step involves comparing the actual performance with standard performance to find out the deviations from the standards fixed. The manager has to find out the extent of the deviation and has to focus on those deviations which are critical and important for business. Minor or non-important deviations can be ignored. Major deviations like replacement of machinery appointment of workers, quality of raw material, rate of profits are required to be studied and analyzed.

    Once the deviation is identified, a manager has to analyze various causes which have led to deviation. The cause can be wrong planning, lack of coordination, defective implementation of plans, ineffective supervision, etc.

4. **Taking remedial actions:**
    Once the causes and extent of deviations are known / the manager has to take corrective measures to improve the performance. After taking the corrective measures, if the performance is not improved, then the manager can revise the targets.

6.5.3   Essentials of a good control system:

The essentials of a good control system are as follows:

1. **Focus on objectives:**

    The control system should be based on the objectives of an organization because its primary aim is to help the organization to achieve its objectives by identifying the weaker areas and taking measures to improve upon them.

2. The control system **should be suitable** for the needs of the organization.

3. The control system **should be prompt or quick** in finding out the weaker areas. This can help the management to correct them quickly.

4. The control **system should be flexible**. It should change as per the company's plans, objectives, situations, environment, technology, etc.

5. The control **system should be future-oriented**. It should take into consideration the future requirements.

6. **Economical:**

    The control system should be economical. This means that the cost of the control system should not be more than the benefits.

7. **Simplicity:**

    The control system should not be complicated. It should be easy to understand and simple to use.

8. **Motivating:**

The control system should be such that it should have certain measures to prevent mistakes as prevention is always better than cure. It should encourage employees to perform better and attain their targets.

9. **Suggestive:**

The control system should not only identify the problem but also give solutions to solve the problem.

10. **Realistic:**

The control system should have proper standards. The standards should be very clear. They should be definite, verifiable, specific, and measurable. They should not be too high or too low.

6.5.4 Techniques of Controlling:

Techniques of controlling can be grouped into two categories

A) Traditional Techniques	B) Modern Techniques
1) Personal Observation	1) Return on Investment
2) Statistical Reports	2) Ratio Analysis
3) Breakeven Analysis	3) Responsibility Accounting
4) Budgetary Control	4) Management Audit
	5) PERT and CPM
	6) MIS

A) Traditional Techniques

Traditional techniques refer to the techniques which are being used by business organizations for a longer period and are still in use. Such techniques are.

1. **Personal Observation / Inspection :**

These are the most traditional techniques of control. It helps the manager to collect first-hand information about the performance of the employees. It helps to improve the performance of employees as they become aware that they are being observed by the manager. It cannot be used in all types of jobs as it is very time-consuming.

2. **Statistical Reports :**

Statistical analysis in the form of percentages, ratios, averages, etc. in different areas provides useful information regarding the performance

of an organization over some time. It facilitates comparison of performance with the standards fixed and also with the previous year's performance.

3. Break-even Analysis :

The sales volume at which there is no profit, no loss is known as the break-even point. This analysis is useful to study the relationship between costs, volume, and profits. It can show the overall picture of probable profit/losses at different levels of sales volume while analyzing the overall position.

4. Budgetary Control :

The budget can be defined as a quantitative statement prepared for a definite future period to obtain a given objective. It is also a statement that reflects the policy of that particular period.

The common types of budgets used by an organization are as follows:

a) **Sales budget:** A statement of what an organization expects to sell in terms of quantity as well as value.

b) **Production budget:** A statement of what an organization plans to produce in the budgeted period.

c) **Material budget:** A statement of estimated quantity and costs of materials required for production.

d) **Cash budget:** Anticipated cash inflows and outflows for the budgeted period.

e) **Capital budget:** Estimated spending on major long-term assets like a new factory or major equipment.

f) **Research and Development budget:** Estimated spending for the development or refinement of products & processes. It is a controlling technique because budgetary performance/results can be compared with actual performance/results and if there are any deviations, necessary measures can be taken.

B) Modern Techniques of controlling:

Modern techniques of control are those which are new and have been developed recently. They are

1. Return on Investment:

It is a technique for measuring whether or not invested capital has been used effectively for earning a reasonable return on investment. It is used to control the overall performance of an organization or its departments or divisions. Net income before or after-tax may be used for making comparisons. Total investment is the investment made both in working as well as fixed capital.

2. Ratio Analysis :

The most commonly used ratios as a "controlling technique are liquidity ratios, solvency ratios, profitability ratios, and turnover ratios.

3. Responsibility Accounting:

It is a technique in which the managers/heads of different sections, divisions, and departments of an organization are made responsible for achieving the target set for his center. Responsibility centers may be of the following types - cost center, revenue center, profit center, investment center.

4. Management Audit:

Management audit refers to a systematic appraisal of the performance of different managerial functions during a certain period. The aim is to assess the efficiency and effectiveness of managerial plans and policies and to improve its performance in future periods.

5. PERT and CPM:

the full form of PERT is Programmed Evaluation and Review Technique and the full form of CPM is Critical Path Method. These are network techniques and are used while performing various managerial functions and also while implementing and reviewing various complex and complicated projects.

6. MIS:

Information is the lifeblood of an enterprise. The information can be defined as the knowledge communicated by others or obtain from investigation or study. The seniors in the firms need to have up-to-date knowledge about customers, dealers, suppliers, investors, and others as well as it should have updated information about political, economic, social, technological, and legal changes. This information is required to take timely decisions. The flow of information is made regular by an information system, commonly known as a management information system (MIS).MIS can be defined as the system providing needed information to each manager at the right time, in the right form and relevant form one which aids his understanding and stimulates his action.

6.6 SUMMARY

Directing has an important role to play in establishing harmony and coordination between the objectives of both parties. Every manager of the organization performs some function of directing. From top executives to low-level managers all give direction to their subordinates. Direction is said to be consisting of human factors. In simple words, it can be described as guidance to workers who are doing work. In the infield of management,

the direction is said to be all those activities that are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned" Therefore, Directing is the function of guiding, inspiring, overseeing, and instructing people towards accomplishment of organizational goals.

Controlling is a function that brings the management cycle back to the planning function. Thus, the controlling function act as a tool that helps in finding out that how actual performance deviates from standards and also finds the cause of deviations & attempts which are necessary to take corrective actions based upon the same.This process helps in the formulation of plans in light of the problems that were identified &, thus, helps in better planning in future periods. So from the meaning of controlling we understand it not only completes the management process but also improves planning in the next cycle

6.7 QUESTIONS

6.7.1Multiple Choice Questions

1. The word motivation is derived from the word _____

    a) **Motive** b) Motivate c) Demotivate d) None of the above

2. _____is the willingness to put in more effort to perform a particular job

    a) **Motivation** b) Demotivation c) Coordination d) Communication

3. _____factors of motivation refer to giving monetary or financialbenefits to employees

    a) Non Monetary b) Less Working Time c) Excess Authority d) **Monetary**

4. _____ is a Monetary Factor of Motivation

    a) **Bonus** b) Job Security c) Working Conditions d) Job Enrichment

5. _____ is a Monetary Factor of Motivation

    a) **Allowances** b) Job Security c) Working Conditions d) Job Enrichment

6. _____ is a Non-Monetary Factor of Motivation

    a) Bonus b) Allowances c) **Job Security** d) Salaries

7._____ is a Non-Monetary Factor of Motivation

    a) Bonus b) Allowances c) **Working Conditions** d) Salaries

8. _____ Means people sometimes hear what they expect to hear rather than what is said

    a) **Being Bias** b) Being Interested c) Distraction d) Irrelevance

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9. _____is an activity of influencing people to work voluntarily towards the achievement of a common goal

   a) Motivation b) **Leadership** c) Coordination d) Communication

10. In _____style of leadership, the leader takes all decisions by himself, and subordinates are expected to follow them.

    a) **Autocratic** b)Bureaucratic c) Democratic d) Participative

11. In _____ style of Leadership, leader follows rules and regulations of the organization

    a) Autocratic b)**Bureaucratic** c) Democratic d) Participative

12. In _____ type, the leader consults his subordinates before making decisions

    a) Autocratic b)Bureaucratic c) **Democratic** d) Participative

13. In _____ leadership style, the leader allows his subordinates to take part indecision-making

    a) Autocratic b) Bureaucratic c) Democratic d) **Participative**

14. In _____style of leadership creates a family atmosphere within the organization

    a) **Paternalistic** b) Sociocratic c) Neurocratic d) Situational

15. In _____ style, the leader is more concerned about the welfare of his subordinates

    a) Paternalistic b) **Sociocratic** c) Neurocratic d) Situational

16. The leader of _____ style is highly task-oriented and concerned about getting the job done at any cost

    a) Paternalistic b) Sociocratic c) **Neurocratic** d) Situational

17. In _____ style, the leader is very professional and changes adjusts his style as per the situation

    a) Paternalistic b) Sociocratic c) Neurocratic d) **Situational**

18. _____is the last function of management.

    a) **Controlling** b) Demotivation c) Coordination d) Communication

19. The sales volume at which there is no profit, no loss is known as _____

    a) Break Even Analysis   b) Cash Sales c) Credit Sales d) Sale at cost

6.7.2   Theory Questions

1. What is the meaning of motivation? Explain the Factors influencing Motivation.
2. Define the term communication and explain the barriers to effective communication.
3. Discuss the Techniques of controlling.
4. Elaborate on the different styles of leadership.

5. Write short notes
   a. Importance of Motivation
   b. Importance of Communication
   c. the function of a leader
   d. Qualities of a good leader.
   e. Modern Techniques of controlling
   f. Traditional techniques of controlling

6. Explain the following terms
   a. Motivation
   b. Communication
   c. MIS
   d. Leadership
   e. Autocratic style of leadership
   f. Bureaucratic Style
   g. Democratic Style of Leadership
   h. Paternalistic Style

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