

NATURE OF MANAGEMENT

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1.0 INTRODUCTION

A universal concept that is needed in every organisation whether it is a business organisation or a non-business organisation such as hospital, school, etc., is known as **Management**. An organisation's success depends on the successful functioning of its management and is always required whenever human and non-human resources of an organisation work together for the accomplishment of any objective.

Management can be defined as per **Traditional Approach** and **Modern Approach**.

Traditional Definitions of Management

Management consists of getting things done through others. A manager is one who accomplishes objectives by directing efforts of others.

Modern Definitions of Management

Management is the creation of an internal environment where individuals working in a group can perform effectively and efficiently for the achievement of organisational goals.

– Koontz and Donnell

Management is a process through which an organisation designs and maintains an environment in which individuals work together with the motive of achieving organisational goals effectively and efficiently. The three essential elements that come under the modern concept of Management are as follows:

1. Management is a Process:

Management involves a series of int-related functions like planning, organising, staffing, directing, and controlling, which makes it a process. Every manager performs these functions to achieve goals.

2. Management requires Effective Performance:

Effectiveness in Management means achieving goals **on time**. In simple terms, it aims at end result. **For example**, if an organisation achieves its sales target within time, it is said to be effective.

3. Management needs Efficiency:

Efficiency in Management means doing tasks correctly and with minimum cost. It is not enough to just complete the task on time, it should be accurate also. Besides, management also aims at using its resources efficiently as it reduces the cost of the firm ultimately resulting in higher profits.

1.1 FEATURES OF MANAGEMENT



1. Continuous Process:

Management is a continuous process. It means that the process of business management goes on until the company exists, as it helps in achieving the organisational goals. Every manager of an organisation has to perform the different functions of management in a series (planning, organising, staffing, directing, and controlling).

2. **Goal-oriented:**

Every organisation has a set of predetermined goals or objectives that it aims to accomplish during its existence. Every organisation has different goals. Hence, management helps these organisations in fulfilling their goals by utilising the given limited resources in the best optimum manner.

For example, If the objective of Airtel is to add a billion Airtel Xtreme customers in a year, then all of its managerial activities will be directed toward the achievement of this objective.

3. **All Pervasive:**

The process of business management is universal in nature. Every organisation, whether small scale, large scale, economic, social, etc., uses the process of management at every level or stage. Besides, the activities involved in the management of an organisation are common for all whether it is a social, political, or economic enterprise.

4. **Multidimensional:**

Management is a multidimensional process as it does not involve only one activity. The three main activities involved in management are Management of Work, Management of People, and Management of Operations.

- **Management of Work:** Every organisation is set up to perform some work or goal, and the management aims at achieving these goals or tasks. The work of an organisation depends upon the nature of Business; **for example,** work to be fulfilled in a hospital is treating patients, in a university is educating students, etc.
- **Management of People:** People are the most essential assets of an organisation and refer to human resources. It is the duty of the management to get the work completed through human resources/people by making their strengths effective and weaknesses irrelevant. Managing people have two dimensions; viz., Taking care of a group of people and Taking care of employees' individual needs.
- **Management of Operations:** Operations are the activities of an organisation's production cycle, like purchasing inputs, converting them into semi-finished goods, and finished goods. Simply put, Management of operations consists of a mix of Management of Work and Management of People, and decides what work has to be done, how it has to be done, and who will do it.

5. **Dynamic Function:**

There are different internal and external factors that affect the working of an organisation. An organisation has to change and adapt

itself on the basis of changing environment to accomplish the organisational goals and objectives. Hence, management is a dynamic function.

6. Management is a Group Activity:

Management involves a group of people performing managerial activities. The functions of management can be executed only when every individual performs his/her role their respective status and department. And as the result of management affects every individual and every department of an organisation, it always refers to a group effort.

7. Management is an Intangible Force:

Management is a function that cannot be physically seen but its presence can be felt by watching the orderliness and coordination in work environment and happy faces of the employees when the task is completed.

1.2 IMPORTANCE OF MANAGEMENT

1. Increases Efficiency:

The management process of an organisation increases its efficiency by reducing cost and increasing productivity by utilisation of the available resources in the best possible and optimum way.

2. Helps in Achieving Group Goals:

Effective management process creates teamwork and builds coordination among the members of an organisation. The managers provide a common path or direction to their employees for the accomplishment of the overall objectives of the organisation.

3. Creates a Dynamic Organisation:

Every organisation works in a changing environment. The managers of an organisation have to help their members adapt to the changing environment, which ultimately helps them ensure the survival and growth of the organisation. Besides, the management convinces the employees that the changes brought in the organisation will benefit their future prospects.

4. Development of Society:

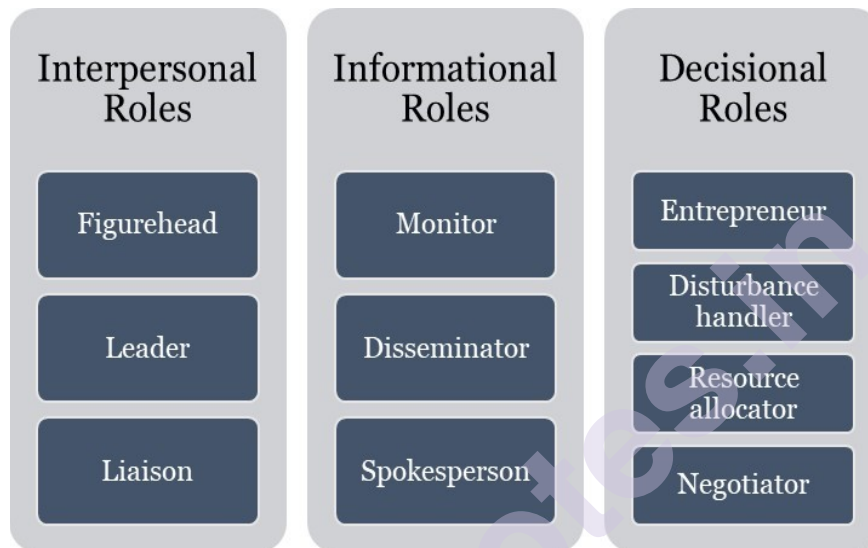
Every organisation has various objectives toward different groups of society. Along with the development of the organisation, its management has to develop the society too. To do so, the management helps the organisation produce good quality products, adopt new technologies, and provide employment opportunities to the weaker sections of society.

5. Helps in Achieving Personal Objectives:

Every individual or employee of an organisation has different objectives or goals they wish to accomplish while doing their jobs. Management helps these employees in fulfilling their personal objectives along with the organisational objectives.

1.3 MANAGEMENT ROLES

Managers have many responsibilities to perform in their roles as leaders of their departments.



Mintzberg categorized all activities into ten managerial roles performed over the course of a day. These are as follows:

- Interpersonal Roles**

Figurehead – includes symbolic duties which are legal or social in nature.

Leader – includes all aspects of being a good leader. This involves building a team, coaching the members, motivating them, and developing strong relationships.

Liaison – includes developing and maintaining a network outside the office for information and assistance.

- Informational Roles**

Monitor – includes seeking information regarding the issues that are affecting the organization. Also, this includes internal as well as external information.

Disseminator – On receiving any important information from internal or external sources, the same needs to be disseminated or transmitted within the organization.

Spokesperson – includes representing the organization and providing information about the organization to outsiders.

- **Decisional Roles**

Entrepreneur – involves all aspects associated with acting as an initiator, designer, and also an encourager of innovation and change.

Disturbance handler – taking corrective action when the organization faces unexpected difficulties which are important in nature.

Resource Allocator – being responsible for the optimum allocation of resources like time, equipment, funds, and also human resources, etc.

Negotiator – includes representing the organization in negotiations which affect the manager's scope of responsibility.

In addition to above , few additional roles include:

1. **Resource allocator:**

Managers often allocate funds and resources within their office or department, such as equipment, in the most efficient and cost-effective way. They may plan the best way to complete projects on time and within a set budget. Managers may assign projects to employees and monitor those projects to see if any reassignments need to occur along with determining if the workload is manageable.

2. **Leader:**

A manager may lead their staff by providing employees with a vision or long-term goal to achieve. Employees look to managers to provide direction, decide on courses of action, and inspire them to reach both short-term and long-term goals.

3. **Trainer:**

A manager may help train new hires and existing employees. This can involve facilitating on-site training and development opportunities, or leading training sessions. They also may provide hands-on supervision for employees as they learn new skills, or when there are new technologies added, they help employees learn and adjust to the changes.

4. **Representative:**

A manager may be a representative for the company in formal situations and meetings. They may also appear at community social events such as a lunch with a client, an employee's wedding or charity fundraisers.

5. **Mentor:**

Managers may coach their staff and help employees develop skills in order to help them succeed personally and professionally. They can

help their staff members develop a specific skill and offer constructive criticism to let them know how they are doing. Mentoring employees may allow managers to not only lead the entire team but focus on an individual level as well.

6. **Entrepreneur:**

Managers often solve problems and brainstorm new ideas for the company or their department. Using a vision, they create the change they want to see in the company to improve and start projects. Managers may be passionate about their company and unafraid of taking risks in order to come up with better solutions.

7. **Mediator:**

Managers can resolve and control internal or external disturbances, such as a conflict between two employees, a customer complaint or losing an important client. Managers may act similarly to a judge in resolving problems and stopping minor problems from escalating.

8. **Policy enforcer:**

A manager may implement company-wide policies and keep employees accountable for their actions. When violations occur, they may discipline employees, enforcing rules and regulations to ensure misconduct won't occur in the future.

1.4 MANAGEMENT SKILLS

What are managerial skills?

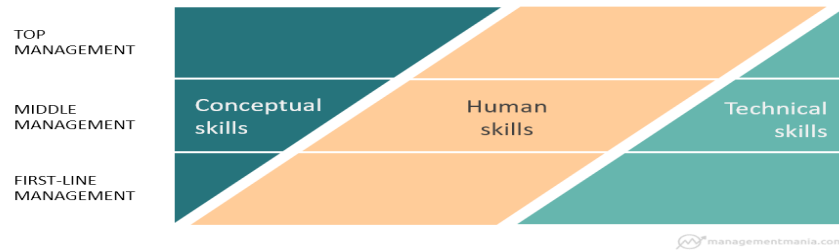
Managerial skills are the **knowledge and ability** of the individuals in a managerial position to fulfil some specific **management activities or tasks**. This knowledge and ability can be learned and practiced. However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through **learning and practical experience as a manager**.

Types of managerial skills

Robert Katz identifies three types of skills that are essential for a **successful management process**:

- Technical skills
- Conceptual skills
- Human or interpersonal management skills

Management Skills by Robert L. Katz



Technical skills

As the name of these skills tells us, they give the manager **knowledge and ability to use different techniques** to achieve what they want to achieve. Technical skills are not related only for machines, production tools or other equipment, but also they are skills that will be required to increase sales, design different types of products and services, market the products and services, etc.

Technical skills are most **important for first-level managers**. When it comes to the top managers, these skills are not something with high significance level. As we go through a hierarchy from the bottom to higher levels, the technical skills lose their importance.

Conceptual skills

Conceptual skills present **knowledge or ability of a manager for more abstract thinking**. That means he can easily see the whole through analysis and diagnosis of different states. In such a way they can predict the future of the business or department as a whole.

Conceptual skills are **vital for top managers**, less critical for mid-level managers and not required for first-level managers. As we go from the bottom of the managerial hierarchy to the top, the importance of these skills will rise.

Human or interpersonal managerial skills

Human or interpersonal management skills present a manager's **knowledge and ability to work with people**. One of the most critical management tasks is to work with people. Without people, there will not be a need for the existence of management and managers.

These skills enable managers to become leaders and motivate employees for better accomplishments.

Apart from the above few additional skills to be possessed by managers are listed below.

1. Critical thinking:

Critical thinking is the ability to process information and make informed judgments on a particular subject. Management consultants

often first hope to understand the larger strategic goals of a company. When reviewing processes and data, one of your tasks might be to suggest how a company can improve its processes so they support the strategic vision better. This requires them to think critically about what they learn through employee interviews, task observations and data analysis before making improvement suggestions.

2. Consulting:

Consulting skills are a larger group of smaller skills like collaboration, creative thinking and communication. To use these for a consulting role, it's important to listen to your clients, collaborate with them and propose solutions. Consulting may require you to negotiate or persuade clients as well. For example, if a company hopes to keep an older system rather than making the update you recommend, you might persuade them to change certain processes to maximize their efficiency. Consulting skills help you become the advisor a company might need.

3. Collaboration:

Collaboration means the management consultant works with the employees of a company with the shared goal of improving business performance and reducing overhead. This can require strong active listening, empathy and communication skills. You may need to work with employees at every level, so knowing how to collaborate with employees completing tasks and high-level management to understand strategies can help you achieve your goals.

4. Process improvement:

There are several areas where a company want to hire a management consultant to improve their processes:

- **Decrease costs:** Decreasing costs may mean reducing the number of duplicate tasks employees might perform or reallocate resources.
- **Reduce waste:** Reducing waste can mean maximizing inventory use, producing fewer defects or leveraging employee's specific talents.
- **Improve collaboration:** Increased collaboration means employees have the tools and resources to communicate frequently to improve efficiency.
- **Clarify processes:** Clarifying processes includes mapping out current processes, defining roles and determining timelines.

5. Project management:

Project management skills involve scheduling and facilitating meetings, creating project schedules, allocating resources and

defining success metrics. Companies may hire management consultants to both provide potential solutions and oversee the completion of them. Learning how to be an effective project manager can help you with increasing employee buy-in, completing projects on schedule and under budget and ultimately helping a business achieve its goals.

6. Research:

Management consultants often perform investigative work to understand potential problems within an organization. You might research company databases for historical data, organizational charts, sales information and system used to understand how a company can improve. You may also need to research competitive companies to see how others solved problems or how they excel in the market

7. Data analysis:

Data analysis is the ability to transform pieces of information into information that businesses can use to improve performance. Management consultants may review data, such as the time needed to complete a certain task or how productivity changes over time. While analyzing data, you may input figures into charts or graphs that you can use to share with the company's management. This might involve making predictions for how the data might change if you implement some process changes.

8. Problem-solving:

One of the biggest parts of management consulting is proposing solutions to problems. This means you imagine how a company can more successfully operate while learning about how they currently operate. This requires creative thinking and creating scenarios that can help an organization better solve its problems and improve business performance.

9. Public speaking:

Public speaking means sharing information with people, often live. Once you complete your observations and research, you may need to present data to leadership teams. Consider speaking objectively and confidently, using the data you've found to provide the context for any solutions. Sometimes, the information can be complex, so it's important to explain any complicated areas and encourage questions so you can provide the business with the service they expect.

10. Flexibility:

Flexibility is the ability to adapt between tasks and adjust your plans based on obstacles or changing goals. For example, a company may adjust the amount of cost they hope to reduce, so you may need to create alternative solutions to achieve these goals. Similarly, change

management skills are important in helping a company adjust to new processes, systems or policies.

11. Time management:

Time management involves planning and executing tasks within certain deadlines. Management consultants often manage products from the research phase through maintenance, so it's important to estimate timeframes accurately to ensure you complete the project on time.

12. Business knowledge:

Management consultants often use their business knowledge when helping companies reach their goals. A basic knowledge of transactions, financial records and market influences can help you when analysing data, especially if the goal is to improve financial performance. Business knowledge can also mean understanding organizational hierarchies and standards.

1.5 LEVELS OF MANAGEMENT

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

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:



1) Top Level of Management:

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

- Top management lays down the objectives and broad policies of the enterprise.
- It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- It prepares strategic plans & policies for the enterprise.
- It appoints the executive for middle level i.e. departmental managers.
- It controls & coordinates the activities of all the departments.
- It is also responsible for maintaining a contact with the outside world.
- It provides guidance and direction.

The top management is also responsible towards the shareholders for the performance of the enterprise.

2) Middle Level of Management:

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

3) Lower Level of Management:

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely

with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

- Assigning of jobs and tasks to various workers.
- They guide and instruct workers for day to day activities.
- They are responsible for the quality as well as quantity of production.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- They help to solve the grievances of the workers.
- They supervise & guide the sub-ordinates.
- They are responsible for providing training to the workers.
- They arrange necessary materials, machines, tools etc for getting the things done.
- They prepare periodical reports about the performance of the workers.
- They ensure discipline in the enterprise.
- They motivate workers.
- They are the image builders of the enterprise because they are in direct contact with the workers.

CONCEPT OF PODSCORB

POSDCORB is an acronym which means **Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting** which was first coined in a paper on administrative management that was written for the Brownlow Committee by Luther Gulick and Lyndall Urwick.



Steps of POSDCORB

The various steps or stages involved in a typical administrative process. POSDCORB can be explained sequentially in detail below:

1. Planning

This essentially refers to establishing a broad sketch of the work to be completed and the procedures incorporated to implement them.

Planning is the first and most important step in POSDCORB as it sets the overall structure of the process with activities and timelines.

2. Organizing

Organizing involves formally classifying, defining and synchronizing the various sub-processes or subdivisions of the work to be done.

It makes sure that the activities and timelines in the first step of planning are refined and organized further so that right people can be staffed to execute these tasks.

3. Staffing

This involves recruiting and selecting the right candidates for the job and facilitating their orientation and training while maintaining a favorable work environment.

4. Directing

This entails decision making and delegating structured instructions and orders to execute them.

Directing is an important step in the POSDCORB cycle as it makes thing happen by giving clear objectives to teams and individuals.

5. Coordinating

This basically refers to orchestrating and interlinking the various components of the work.

6. Reporting

Reporting involves regularly updating the superior about the progress or the work related activities. The information dissemination can be through records or inspection.

7. Budgeting

Budgeting involves all the activities that under Auditing, Accounting, Fiscal Planning and Control.

IAL GRID

The managerial grid model is a **self-assessment tool by which individuals and organizations can help identify a manager's or leader's style.** The

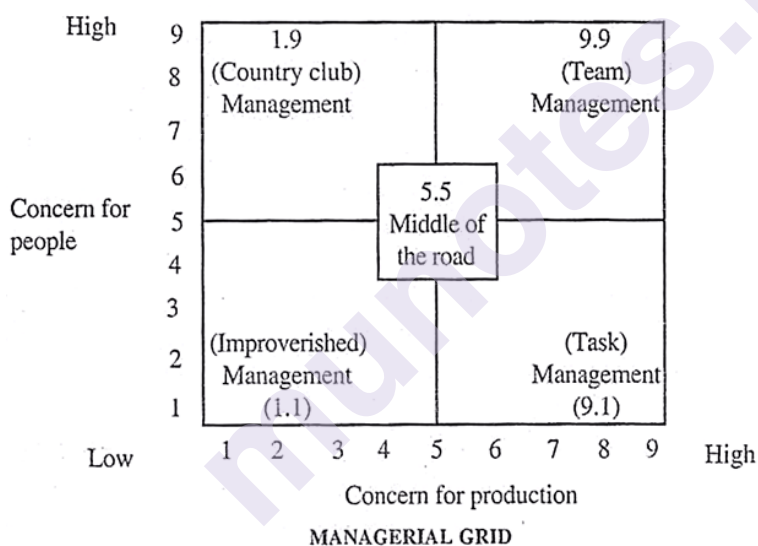
grid was originally developed by Robert R. Blake and Jane S. Mouton in the 1960s and has evolved in subsequent decades.

The Blake Mouton Grid plots a manager's or leader's degree of task-centeredness versus their person-centeredness, and identifies five different combinations of the two and the leadership styles they produce. It's also known as the Managerial Grid, or Leadership Grid

The model is based on two behavioural dimensions:

- **Concern for People:** this is the degree to which a leader considers team members' needs, interests and areas of personal development when deciding how best to accomplish a task.
- **Concern for Results:** this is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task.

Blake and Mouton defined five leadership styles based on these, as illustrated in the diagram below.



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Figure 1 – The Blake Mouton Grid

The five leadership styles in detail.

1. Impoverished Management – Low Results/Low People

The Impoverished or "indifferent" manager is mostly ineffective. With a low regard for creating systems that get the job done, and with little interest in creating a satisfying or motivating team environment, this manager's results are inevitably disorganization, dissatisfaction and disharmony.

2. Produce-or-Perish Management – High Results/Low People

Also known as "authoritarian" or "authority-compliance" managers, people in this category believe that their team members are simply a means to an end. The team's needs are always secondary to its productivity.

This type of manager is autocratic, has strict work rules, policies and procedures, and can view punishment as an effective way of motivating team members. This approach can drive impressive production results at first, but low team morale and motivation will ultimately affect people's performance, and this type of leader will struggle to retain high performers.

They probably adhere to the Theory X approach to motivation, which assumes that employees are naturally unmotivated and dislike working. A manager who believes people are self-motivated and happy to work is said to follow Theory Y. You can learn more about these theories in our article, [Theory X and Theory Y](#).

3. Middle-of-the-Road Management – Medium Results/Medium People

A Middle-of-the-Road or "status quo" manager tries to balance results and people, but this strategy is not as effective as it may sound. Through continual compromise, they fail to inspire high performance and also fail to meet people's needs fully. The result is that their team will likely deliver only mediocre performance.

4. Country Club Management – High People/Low Results

The Country Club or "accommodating" style of manager is most concerned about their team members' needs and feelings. They assume that, as long as their people are happy and secure, they'll work hard.

What tends to be the result is a work environment that is very relaxed and fun, but where productivity suffers because there is a lack of direction and control.

5. Team Management – High Production/High People

According to the Blake Mouton model, Team Management is the most effective leadership style. It reflects a leader who is passionate about their work and who does the best they can for the people they work with.

Team or "sound" managers commit to their organization's goals and mission, motivate the people who report to them, and work hard to get people to stretch themselves to deliver great results. But, at the same time, they're inspiring figures who look after their teams. Someone led by a Team manager feels respected and empowered, and is committed to achieving her goals.

Team managers prioritize both the organization's production needs and their people's needs. They do this by making sure that their team members understand the organization's purpose, and by involving them in determining production needs.

When people are committed to, and have a stake in, the organization's success, their needs and production needs coincide.

This creates an environment based on trust and respect, which leads to high satisfaction, motivation and excellent results.

1.6 EVOLUTION OF MANAGEMENT OF THOUGHTS

Management thought is regarded as an evolutionary concept. It has developed along with it and in line with social, cultural, economic and scientific institutions. Management thought has its origin in ancient times. It is developed along with other socio economic development. The contributors to management theory include management philosophers, management practitioners, and scholars.

What Does Management Thought Means?

Management thought refers to the theory that guides management of people in the organization. Initially management theories were developed out of the practical experience of the managers in the industrial organization.

The Concept of Evolution of Management Thought

The evolution of management thought can be viewed in the following broad stages:

(A) The Classical Theory of Management (Classical Approach):

It includes the following three streams of thought:

- (i) Bureaucracy
- (ii) Scientific Management; and
- (iii) Administrative Management

(B) The Neo-classical theory of Management:

It includes the following two streams:

- (i) Human Relations Approach
- (ii) Behavioural Sciences Approach.

C) The Modern Theory of Management:

It includes the following three streams of thought:

- (i) Quantitative Approach to Management (Operations Research);

- (ii) Systems Approach to Management and
- (iii) Contingency Approach to Management.

It is rather difficult to state the exact period of each stage in the evolution of management thought.

Experts, in general, agree with the following period for each thought/school.

- a. Classical School/thought: 1900 to 1930.
- b. Neo-classical School/thought: 1930 to 1960.
- c. Modern School/thought: 1960 onwards.

The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology.

CONTRIBUTION OF F.W.TAYLOR TO MANAGEMENT THOUGHT

F.W. Taylor is one of the founders (the other two are Max Weber and Henry Fayol) of classical thought/classical theory of management. He suggested scientific approach to management also called scientific management theory. F. W. Taylor (1856-1915) is rightly treated as the father of scientific management. He suggested the principles of scientific management. His concept of scientific management developed into a movement and dominated the industrial management for several decades after him. His concepts and principles were refined and popularized by several of his followers, notable among them being Henry Gantt, The Gilberths and Emerson.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

According to Taylor, scientific management in its essence consists of a philosophy which results in a combination of four important underlying principles of management. First, the development of a true science, second, the scientific selection of the workers, third, their scientific education and development, fourth, intimate co-operation between management and their men. The basic principles of Taylor philosophy of scientific management are as noted below.

These principles of scientific management are most crucial aspects of scientific management. The development of 'One best way' of doing a job. This suggests the task of finding out the best method for achieving the objectives of a given job. The standards are decided scientifically for Jobs and incentive wages were paid for all production above this standard.

Here, job analysis and standardization of tools, equipment, machinery, etc. are required.

1. Scientific selection of workers and their development through proper training.
2. Scientific approach by management. The management has to develop a true science in all fields of work activity through scientific investigation and experiments.
3. Close co-operation of managers and workers (labour management relations) for better results and understandings.
4. Elimination of conflict between methods and men. The workers are likely to resist to new methods. This can be avoided by providing them an opportunity to earn more wages.

1.7 FEATURES OF SCIENTIFIC MANAGEMENT

1. Scientific task setting:

F. W. Taylor suggested the introduction of standard task which every worker is expected to complete within one day (working hours) the task is to be calculated through careful scientific investigation. For this, work study (i.e. method study and work measurement study) is essential. Taylor suggested time study, motion study, fatigue study and rate-setting for the introduction of scientific task. Time study is the art of observing and recording the time required to do each detailed element in an industrial operation. Motion study refers to the study and analysis of the movements of an operator while performing a job so that attempts can be made to remove useless/unwanted movements from the process. Both the studies together help in determining the best method of performing a job and the standard time allowed for it. This replaces the old rule-of-thumb knowledge of the workers. The workload, the best method of performing the same and the time within which it must be performed are suggested in this feature of scientific management by Taylor.

2. Planning the task:

For performing the task by every worker, Taylor suggested the need of planning the production activity accurately. This idea of planning is Taylor's gift to the science of management. Planning of task gives answers to the following questions. What has to be done, how it is to be done, where the work shall be done and when the work shall be done.

3. Scientific selection and training of workers:

Taylor suggested the need of scientific selection of workers for the plant/production activities. The procedure of selection must be systematic so as to select the best and the most suitable persons for different types of jobs. Correct placement of workers is equally important. He also suggested the need of training of workers so as to raise their ability or efficiency. Training is to be integrated with the promotion policy. He also suggested differential piece wage plan for

compensation payment to workers. He also suggested the importance of cordial relations between management and workers.

4. Standardization:

Taylor suggested the importance of standardization of tools and equipment, materials, conditions of work and speed of machines. This brings co-ordination in different activities and all workers will be able to perform the task assigned easily. The workers will have satisfactory working conditions for work due to such standardization.

5. Specialization:

Taylor suggested specialization in the administrative and organizational setup of the plant. He suggested functional foremanship. Taylor recommended eight functional foremen for different activities and functions. The foremen suggested by him are like route clerk, instruction card clerk, speed boss etc. Such specialization is useful for raising efficiency of the whole organization.

6. Mental revolution:

The techniques suggested by F. W. Taylor in his scientific management are different as compared to traditional techniques and methods. Naturally, these techniques can be used only when workers, supervisors and managers accept them in theory and also in practice. For this, Mental revolution on their part is essential. The success of scientific management rests basically on the attitude of management and workers. They must give up their old ideas and methods and must accept new scientific methods. For this, mental revolution on the part of both is essential. Cooperation from workers and management for the introduction of scientific management depends on this mental revolution.

1.8 BENEFITS OF SCIENTIFIC MANAGEMENT

1. Application and use of scientific methods.
2. Wide scope for specialization and accurate planning.
3. Minimum wastages of materials, time and money.
4. Cordial relations between workers and management.
5. Benefits to workers (higher wages and less burden of work), management (cost reduction, better quality productions) and consumers (superior goods at lower prices)

Scientific management not only developed a rational approach to solving organisational problems but also contributed a great deal to the professionalisation of management. Time and motion studies, scientific selection of workers, work design and one best way to doing a job are some

new ideals suggested by Taylor and are responsible for the introduction of Many positive changes in the field of industrial/ production management.

F.W.TAYLOR'S CONTRIBUTION TO THE DEVELOPMENT OF MANAGEMENT THOUGHT / SCIENCE

The contribution of F. W. Taylor to management thought is as explained below:

1. Emphasis on rational thinking:

Taylor suggested rational thinking on the part of management for raising efficiency and productivity. He wanted managements to replace old methods and techniques by Modern methods which will raise productivity and offer benefits to all concerned parties. He was in favour of progressive, scientific and rational thinking on the part of management on all managerial problems. Such progressive outlook is essential for the introduction of new techniques and methods in the Management.

2. Introduction of better methods and techniques of production:

F. W. Taylor suggested the importance of improved methods and techniques of production. Work-study techniques are his contribution to management thought. He suggested new methods after systematic study and research. Taylor recommended the use of new methods for raising overall efficiency and productivity.

3. Emphasis on planning and control of production:

Taylor suggested the importance of production planning and control for high production, superior quality production and also for low cost production. He introduced the concept of production management in a systematic way.

4. Importance of personnel and personnel department:

Taylor suggested the importance of manpower in management. He was in favour of progressive personnel policies for the creation of efficient and satisfied labour force. He suggested the need of personnel department and its importance. He favoured incentive wage payment to workers.

5. Industrial fatigue and rest pauses:

Taylor noted the nature of industrial fatigue and suggested the introduction of suitable rest pauses for removing such fatigue of workers. He wanted to reduce the burden of work on workers through the use of scientific methods.

6. Time and motion study:

Taylor introduced new concepts like time study, motion study and work study in the field of industrial management such concepts are

for the introduction of new methods which will be more quick, scientific and less troublesome to workers. The positive view of scientific management was described by Taylor as "Science, not rule of thumb; Harmony, not discord; Co-operation, not individualism; maximum output in place of restricted output. The development of each man to his greatest efficiency and prosperity".

F.W. Taylor is rightly treated as father of scientific management. In fact, through his concept of scientific management, Taylor actually developed a new science of management which is applicable not only to management of industrial units but also to the management of all other business units. He suggested certain techniques which can be applied purposefully to all aspects of management of business activities. This is treated as Taylor's unique contribution to management thought. The fundamental principles suggested by F. W. Taylor in his scientific management can be treated as his contribution to management thought. In fact, Taylor suggested scientific attitude and a new philosophy for discarding old and outdated ideas and techniques. He was instrumental for the introduction of new ideas and techniques in the science of management. These ideas and techniques are now accepted in theory as well as in practice.

1.9 CRITICISM OF SCIENTIFIC MANAGEMENT

Scientific management has wider economic and social significance. It has succeeded in revolutionizing the very concept of management by offering a novel approach to the managers in managing men, materials and methods. In spite of several benefits, Taylor's scientific management concept has widely been criticized by employers, workers, trade unions and also by theorists. They oppose Taylor's scientific management on different grounds. The points of criticism are as explained below:

Criticism from Employers :

1. Huge investment required:

Heavy investment is necessary for reorganization of preliminary standardization of tools, machines and equipment and conduct of time and motion studies and other research activities for the introduction of scientific management. Such investment may not be possible in small and medium size enterprises.

2. Sudden change may disturb existing working arrangements:

Sudden change due to the introduction of scientific management may paralyze the existing arrangement of work and will bring the entire Organisation in difficulties. There will be loss due to reorganization, if scientific management is to be introduced.

3. Unsuitable to small units:

Small manufacturers argue that the concept of scientific management is not suitable to their units due to financial and other difficulties.

4. Benefits after a long period:

The benefit of scientific management will be available only after a long period and the business unit may come in financial and other difficulties during the process of introduction of new changes as suggested in the scientific management.

5. Huge overhead expenses required:

Introduction of scientific management involves huge overhead expenses which may erode profitability.

1.10 CONTRIBUTION OF HENRY FAYOL TO MANAGEMENT OF THOUGHT

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916.

He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance.

According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling.

The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organisations such as colleges, hospitals, charitable institutions and government departments.

Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought.

Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book —General and Industrial Management.

The functions of management according to Fayol are,

1. Planning
2. Organising

3. Staffing
4. Commanding
5. Coordinating
6. Controlling

The fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted.

Henry Fayol also suggested 14 principles of management. These principles are:-

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction
6. Subordination of personal interest to organizational interests
7. Remuneration
8. Centralization
9. Scalar chain
10. Order
11. Equity
12. Stability of tenure
13. Span of co-operation and
14. Initiative

1.11 CONTRIBUTION OF ELTON MAYO TO DEVELOPMENT OF MANAGEMENT THOUGHT

Elton Mayo (1880-1949) is recommended as the Father of Human Relations School. He introduced human relations approach to management thought. His contribution to the development of management thought is unique and is also treated as human relations approach to management.

Mayo and his associates came to the following conclusions from their famous Hawthorne experiments:

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms.
2. Non-economic rewards play a significant role in influencing the behaviour of the workers.
3. Generally the workers do not react as individuals, but as members of group.

4. Informal leaders play an important part in setting and enforcing the group norms.

Mayo discussed the factors that cause a change in human behaviour. He concluded that the cause of increase in the productivity of the workers is not a single factor like rest pauses or changing working hours but a combination of these and several other factors such as less restrictive supervision, giving autonomy to workers, allowing the formation of small cohesive groups of workers and so on.

Mayo believed that a factory is not only a workplace but also a social environment in which the employees interact with each other. This gave rise to the concept of the 'social man' whose interaction with others would determine the quality and quantity of the work produced.

Mayo developed his Human Relations Theory of Management on his Hawthorne experiments. He introduced human relations approach to management and is rightly considered as one of the pioneers of the Human Relations Theory of Management.

Features of Human Relations Approach

1. A business organisation is not merely a techno-economic system but also a social system and involves human element.
2. An individual employee is motivated not merely by economic incentives but also by non economic incentives, psychological and social interests, needs and aspirations.
3. The informal groups in the organisation are more important than individuals and play an important role in raising productivity.
4. In place of task-centered leadership, the employee-centered, humanistic, democratic and participative style of leadership should be introduced as it is more effective / productive.
5. Employees are not necessarily inefficient or negative in their approach. They are capable of self-direction and control.
6. Employees performance can be raised by meeting their social and psychological needs. Cordial atmosphere at work place is also useful for raising productivity.
7. Management needs social skills along with technical skills in order to create a feeling (among the employees) that they are a part and parcel of the organisation and not outsiders.
8. Employees need respect and positive feeling from the management. For this, employees should be encouraged to participate and communicate freely their views and suggestions in the concerned areas of decision making.
9. The management has to secure willing cooperation of employees. The objective before the management should be to secure cooperative effort of its employees. For this, employees should be made happy and satisfied.

Limitations of Human Relations Approach:

1. Too much importance to employees, and social needs:

Human relations approach to management has given too much importance to employees, their needs and satisfaction. It has given undue stress on the social side of management as compared to technical side. It is another extreme as compared to classical theory where employees were neglected considerably. Human relations approach has also neglected many other aspects such as organizational issues, environment at the work place, labour unions, structure of the organisation and so on.

2. Employee-oriented approach to a limited extent:

It is argued that human relations approach is apparently employee-oriented but in reality it is organisation-oriented. Many measures are suggested for the happiness and satisfaction of employees. Measures are suggested to satisfy employees in order to achieve organizational objectives and not for meeting the real needs of workers. In brief, the human relations approach is employee-oriented but only to a limited extent.

3. Faulty assumption in the theory:

The human relations approach is based on a wrong assumption that satisfied workers are more productive. After 1950s, it was proved that productivity improvement, as a result of better working conditions and the human relations skills of manager's did not result in productivity improvement as expected. Thus, workers satisfaction is one but not the only factor which raises industrial productivity.

4. Limited importance to economic incentives:

The human relations approach has given limited importance to economic incentives in motivating employees. They prefer informal groups and cordial relations among them. However, their interest and loyalty to the organisation largely depends on monetary incentives. Low wages lead to Labour turnover even when the good treatment is given to employees. The human relations movement is based on the experiments conducted in the Hawthorne Plant in Cicero (USA). The major conclusion (of Hawthorne Experiments) was that the workers respond to their work situation as a whole and their attitudes and social relations constitute an important part of the total situation

The basic purposes of both the approaches are identical.

However; the approaches of Taylor and Mayo are different. Taylor's approach was purely engineering while may referred to social needs of employees and their satisfaction. Taylor's approach to scientific management lacks human elements in the production process.

Mayo applied psychological approach to management. He recommended humanization of management for better results in terms of production and productivity.

He rightly suggested that workers are human beings and not machines. They should be treated with dignity and honour while on job. Both the approaches (of Taylor and Mayo) are supplementary in the present management thought.

1.12 SYSTEM APPROACH TO MANAGEMENT THOUGHT

Contributions to management thought/theory after 1960s are covered by modern management theories. Modern theories are based on classical and neoclassical theories but consider the management problems as they developed in the recent years. There are three streams under modern management theory. These are:-

- a. Quantitative / Mathematical Approach to Management,
- b. Systems Approach to Management, and
- c. Contingency Approach to Management.

Systems Management School- A system is an organised entity i.e. a company or a business enterprise made up of parts connected and directed to some purpose. Each system has an input, a process and an output.

It acts as a self sufficient unit. Every system is interlinked with its subsystems. Any organisation is looked upon as an artificial system, the internal parts of which work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result.

Features of Systems Approach to Management

1. Open or Closed Systems:

Systems may be either open or closed. An open system is one that is dependent on the outside environment for survival e.g., human body as a system is composed of many subsystems. This is an open system and it must depend on outside input and energy for survival. A system is considered closed if it does not interact with the environment.

2. Interdependent parts:

A system is a set of interdependent parts which together form a unitary whole that perform some function. An organisation is also a system which consists of four interdependent parts viz., task, structure, people and technology.

3. Consideration of whole system:

No part of the system can be precisely analyzed and understood apart from the whole system. Conversely, the whole system cannot be exactly evaluated without understanding all its parts. Each part is related to every other part. It means rather than dealing separately with the various parts of one organisation, the systems approach attempts to give the manager a way of looking at the organisation .

For example, in order to understand the operations of the finance or production or marketing departments, he must understand the company as a whole.

4. Information, energy and material:

Generally, there are three basic inputs that enter the processor of the system viz., information (technology), energy (motive power) and materials to be transformed into goods. If the output is service, materials are not included in the inputs. If we have a manufacturing company, output is goods or materials. If we have a consultancy firm, output is information or advice. If we have a power generating company, output is energy

5. Defined boundaries:

Each system including an organisation has its own boundaries which separate it from other system in the environment. For open systems the boundaries are penetrable whereas for closed systems, they are not. The boundaries for closed systems are rigid. In a business organisation, it has many boundary contacts or 'interfaces' with many external system like creditors, suppliers, customers, government agencies etc. The system is inside the boundary, the environment is outside the boundary'.

6. Synergy:

Output of a system is always more than the combined output of its parts. This is called 'synergy'. In organizational terms, synergy means when separate departments within an organisation cooperate and interact, they become more productive than if they had acted in isolation

e.g., it is certainly more efficient for each department to deal with one secretarial department than for each department to have a separate secretarial department of its own.

7. Feedback mechanism:

A system can adopt and adjust itself to the changing environment through the feedback mechanism. As operations of the system proceed information in feedback to the appropriate people. This helps to assess the work and if need be, to get it corrected.

8. Multidisciplinary approach:

Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis etc.

Merits of Systems Approach

Systems approach to management is comparatively new to the management thought. This approach represents a refreshingly new thinking on organisation and management. It stresses that managers should avoid analyzing problems in isolation but should develop the skills for integrated thinking on management problems.

- The systems approach provides a unified focus to organizational efforts. It provides a strong conceptual framework for meaningful analysis and understanding of organisations.
- Systems approach provides clues to the complex behaviour of organisation. The systems theory suggests to practicing manager to study/analyze a particular element by taking into consideration its interacting consequences with other elements.
- A variety of systems concepts and perspectives have been developed for managers.
- The systems approach rightly points out the role of 'synergy' in management. Each subsystem derives strength by its association and interaction with other sub-systems.

Limitations of Systems Approach

- The systems approach is criticized on the ground that it is too abstract and vague. It is difficult to apply it to practical problems directly and easily.
- The systems theory/approach fails to provide specific tools and techniques for the practicing executives/managers.
- The systems approach does not recognize differences in systems.
- It fails to clearly identify the nature of interactions and interdependencies between an Organisation and its external environment it also fails to offer a unified body of knowledge.

1.13 CONTINGENCY MANAGEMENT THOUGHT / SITUATIONAL MANAGEMENT THOUGHT

The classical approach emphasizes on 'task' while behavioural approach emphasizes on 'people'. The stress of quantitative approach is on 'mathematical decision making'.

However, it is difficult to understand precisely which aspect is most useful and appropriate in a given practical situation. This brings the need to develop the broad conceptual framework that can help a manager diagnose a problem and decide which tool or tools will best do the job. The systems approach as well as contingency approach provide one integrated approach to management problems.

The contingency/situational approach is the second approach (the first being the systems approach) which attempts to integrate the various schools of management thought in an orderly manner.

The contingency management approach is similar to known leadership theory called situational leadership theory. The contingency approach is applicable to leadership as well as to business management.

Features of the Contingency / Situational Approach

1. Management is entirely situational. The management has to use the measures/techniques as per the situation from time to time.
2. Management should match its approach as per the requirements of the situation. The policies and practices used should be suitable to environmental changes.
3. The success of management depends on its ability to cope up with its environment. Naturally, it has to make special efforts to anticipate and comprehend the possible environmental changes.

Managers should realize that there is no one best way to manage. They have to use management techniques as per the situation which they face. According to contingency approach, management principles and concepts of different schools have no universal/general applicability under all situations.

Contingency approach views are applicable in designing organizational structure and in deciding the degree of decentralization in establishing communication and control systems and also in deciding motivational and leadership approaches.

In brief, the contingency approach is applicable to different areas of organisation and management it is an attempt to integrate various viewpoints and to synthesize various fragmented approaches to management.

The contingency approach is the outcome of the research studies conducted by Tom Burns and G. W. Stalker, James Thompson and others.

Merits of Contingency Approach

1. Contingency approach is pragmatic and open minded. It discounts preconceived notions, and universal validity of principles.
2. Theory relieves managers from dogmas and set principles. It provides freedom/choice to manage to judge the external environment and use

the most suitable management techniques. Here, importance is given to the judgment of the situation and not the use of specific principles.

3. The contingency approach has a wide-ranging applicability and practical utility in, organisation and management. It advocates comparative analysis of organisations to bring suitable adjustment between organisation structure and situational peculiarities
4. The contingency approach focuses attention on situational factors that affect the management strategy. The theory combines the mechanistic and humanistic approaches to fit particular/specific situation. It is superior to systems theory as it not only examines the relationships between subsystems of an organisation but also the relationship between the organisation and its external environment.

Limitations of Contingency Approach

1. It is argued that the contingency approach lacks a theoretical base.
2. Under contingency approach, a manager is supposed to think through all possible alternatives as he has no dried principles to act upon. This brings the need of more qualities and skills on the part of managers.
3. Contingency/ situational approach appears to be better suited to lead management out of the present management theory jungle. Contingency theories do not give special importance to any specific theory. It suggests that there is no one best way to management.

1.14 QUESTIONS

- 1) Define the term Management. Explain Characteristic of Management?
- 2) Write a note on Role & Skills required by a manager?
- 3) Levels of Management?
- 4) Describe the concept of PODSCORB?
- 5) Write a note on Managerial Grid?
- 6) Describe in detail Evolution of Management of thought?
- 7) Write Short NOTES:
 - i) Henry Fayol
 - ii) Contingency Approach
 - iii) F.W.Taylor
 - iv) System Approach

PLANNING & DECISION MAKING

Unit Structure

- 2.0 Introduction
- 2.1 Characteristic of Planning
- 2.2 Importance of Planning
- 2.3 Steps in Planning Process:
- 2.4 Limitations of Planning
- 2.5 Management by Objectives
- 2.6 Steps in Management by Objectives Process
- 2.7 Benefits of Management of Objectives
- 2.8 Limitations of Management by Objectives
- 2.9 Decision Making
- 2.10 Features of Decision Making
- 2.11 Importance of Decision Making
- 2.12 Steps in Decision Making Process
- 2.13 Decision Making Techniques
- 2.14 Questions

2.0 INTRODUCTION

Meaning:

Planning is the predetermination of objectives and course of action to be taken to achieve defined goals effectively and efficiently. It is an intellectual process that is concerned with deciding in advance what is to be done, how it is to be done when it is to be done, and who is to do it.

Planning is the primary function of management. It focuses on future courses of action. It specifies the objectives to be achieved in the future and selects the best course of action to achieve defined objectives. It involves many activities like analyzing and deciding about technical, personnel, financial, and other elements essential to implement the predetermined course of action.

Planning is the intellectual process that clearly defines 5W and 1H i.e. what, where, when, who, why, and how to take any action in order to achieve planned goals. A manager defines goals and takes necessary steps to ensure that these goals can be achieved in an efficient manner. Planning reflects vision, foresight, and wisdom.

Some popular definitions:

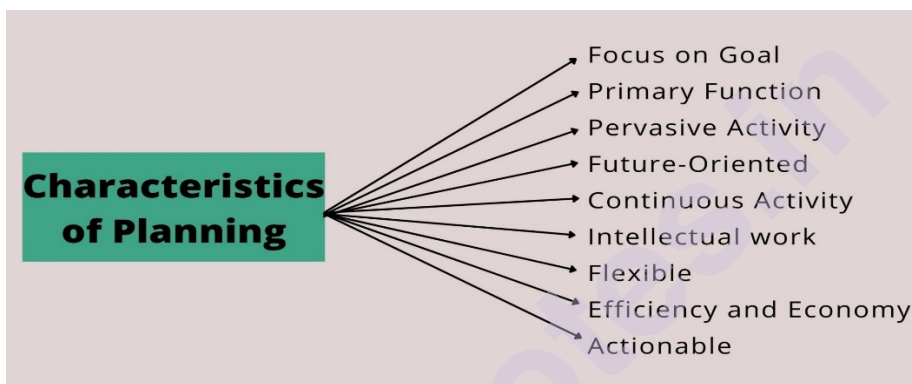
Rickey W. Griffin – Planning is setting of organization's goals and deciding how best to achieve them.

Richard Steers – Planning is the process by which managers define goals and take necessary steps to ensure that these goals are achieved.

Mary Coulter – Planning involves defining the organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of plans to integrate and coordinate organizational works.

2.1 CHARACTERISTIC OF PLANNING

The major characteristics or features of planning are:



- **Planning is Goal Oriented**

The goal of planning is to achieve specific goals. It specifies a key line of action for achieving objectives. All divisions of an organization's activities should be focused on the execution of plans. Plans will be worthless if they do not provide some constructive suggestions for achieving objectives.

- **Primary Function**

It is management's first and most basic function. It is critical to the coordination of all other management functions. Other management tasks such as organizing, staffing, directing, and controlling are all dependent on it in some way.

- **Pervasive Activity**

It is a prevalent behavior among managers at all levels. It isn't only about upper-level management. Rather, planning is based on the nature and scope of the project. Strategic plans are created by top-level management, departmental plans are created by middle-level management, and day-to-day operational plans are created by first-line management.

- **Future-Oriented**

It is ready to take action in the future. Its primary goal is to prepare for potential unknown circumstances. Forecasting is something it looks forward to. Forecasting allows management to foresee future events and scenarios.

Forecasting is a scientific technique that is used to properly predict future courses of action. As a result, it offers rules and recommendations, as well as a foundation for future operations.

- **Continuous Activity**

It is a continual process that lasts as long as the organization exists. Because of the ever-changing work contexts, it's a never-ending process. When an organizational goal is met, a new strategy is devised to meet the organization's future goals.

According to the changing climate, the business environment will change. As a result, strategies must be updated in order to react to the changing business environment.

- **Intellectual Work**

Planning is a mental activity. It necessitates creativity, forethought, knowledge, and objective judgment. Before forming a plan, a manager must consider the numerous alternative courses of action and their implications.

- **Flexible**

Plans must be drawn in such a way that they can be changed in any situation. A design that works well today may be difficult to replicate in the future. Many environmental elements may have an impact on it.

Both internal and external elements play a role in these environmental parameters. As a result, plans should be able to be modified and revised in response to changing circumstances.

- **Efficiency and Economy**

One of the most important aspects of planning is the cost-benefit analysis. It aims to improve the business's operational efficiency by choosing the best course of action. Sound planning aids in achieving organizational goals with the least amount of work and expense.

- **Planning is Actionable**

Last but not least, a plan must be able to be implemented. It should not be limited to works on paper. Only when it has been implemented can the findings be acquired. The plan should be written in such a way that it can be properly implemented. As a result, overly ambitious and unworkable plans must be avoided.

Following are the various importance of a sound planning:

- **Planning provides direction:** Planning is involved in deciding the future course of action. Fixing goals and objectives is the priority of any organization. By stating the objective in advance, planning provides unity of direction. Proper planning makes goals clear and specific. It helps the manager to focus on the purpose for which various activities are to be undertaken. It means planning reduces aimless activity and makes actions more meaningful.
- **Planning reduces the risk of uncertainty:** Every business enterprise has to operate in an uncertain environment. Planning helps a firm to survive in this uncertain environment by eliminating unnecessary action. It also helps to anticipate the future, and prepare for the risk by making necessary provisions.
- **Planning reduces overlapping and wasteful activity:** Plans are formulated after keeping in mind the objective of the organization. An effective plan integrates the activity of all the departments. In this way, planning reduces overlapping and wasteful activities.
- **Planning promotes creativity and innovative ideas:** Planning encourages creativity, and helps the organization in various ways. Managers develop new ideas and apply the same to create new products and services leading to overall growth and expansion of the business. Therefore, it is rightly said that a good planning process will promote more individual participation by throwing up various new ideas and encouraging managers to think differently.
- **Planning facilitates decision-making:** Decision-making means searching for various alternatives and selecting the best one. Planning helps the manager to look into the future, and choose among various alternative forces of action. Planning provides guidelines for sound and effective decision-making.
- **Planning establishes a standard for controlling:** Planning lays down the standards against which actual performance can be evaluated and measured. Comparison between the actual performance and predetermine standards help to point out the deviation, and take corrective actions to ensure that events confront plans. In case of any deviation, the management can take remedial measures to improve the results.

2.3 STEPS IN PLANNING PROCESS:

Following are the steps in the planning process:



- **Setting Objectives:** The idea behind planning is to achieve desired objectives. Therefore, the first step is to clearly define and describe the objectives of the organization. Firstly, the major objectives should be specified, and then they should be broken down into individual, sectional and departmental objectives.

Objectives serve as guidelines for discussion making in terms of resource allocation. Work schedule, nature of actions, etc., are kept in mind while setting objectives. All efforts must be made to anticipate the problems and relevant opportunities that are likely to arise in the future.

For example, an enterprise ABC Ltd. is opening their new branch of laptops, firstly they have to specify the objective, i.e., to sell 3,000 units this year, which is double the previous year's sales. For achieving this aim, they have to distribute this objective into various departments, such as production, marketing, sales, and finance departments.

By distributing the main objective into departmental objectives, the company will face fewer problems in managing its organization.

- **Developing Planning Premises:** The next step in planning is to establish premises. Planning premises are the anticipated environment in which the plans are expected to operate. These include assumptions and forecasts in the future and knowing conditions that will affect the course of the plan.

In short, these provide the environment and the boundaries within which the plans will be executed. Planning premises may be classified as internal and external premises, controllable, semi-

controllable, and uncontrollable premises, tangible and intangible premises, and the last foreseeable and unenforceable premises.

For example, ABC Ltd. company has set the objective to sell 3,00,000 units of laptops this year. For this, they need to gather information by forecasting, as it is an important technique in developing premises. The enterprise has set this objective after forecasting the increase in demand for laptops due to work from the home policy. An accurate forecast is very important for successful plans.

- **Identifying alternative courses of action:** After setting the objectives and making assumptions about the future. The next step is to determine alternative courses of action through which the organization can achieve its objectives. In order to identify the various alternative courses of action, it is required to collect all necessary information from primary and secondary sources.

The information collected must be correct and believable. The only information which is directly and strategically related to the achievement of the desired objective should be considered. For every plan, there are several options. All the alternative courses of action should be identified.

For example, ABC Ltd. should have an innovative way that can be adopted by involving employees and consumers sharing their own ideas. The company has many alternatives like decreasing prices, increasing advertisement, promotion, and after-sale service.

In important projects, the enterprise generates more alternatives through discussion amongst the members of the organization.

- **Evaluating alternative courses:** After identifying different alternatives the next step is to evaluate each alternative. Evaluation means the study of the performance of various actions.

All the possible alternatives should be evaluated keeping in mind their expected cost and benefit to the organization. Comparison among the alternatives should be made in terms of factors, such as the risk involved, planning premises, goals to be achieved, etc.

The positive and negative points of each alternative must be thoroughly examined, and thereafter planner should make a choice. For example, ABC Ltd. should evaluate all the possible alternatives and check their positive and negative points.

- **Selecting an alternative:** After evaluating various alternatives, the next step is to select the most suitable force of action. The basic, detailed, and derivative plans, such as policies, rules, programs, and budgets should be formulated. This is because the derivative plans help in the implementation of the basic plans. Most of the plans may not always be subjected to mathematical analysis.

In these cases, the subject and the management experience, judgment, and at times institute play an important role in setting the most suitable alternative. Many times combination of plans is also selected instead of selecting one best course.

For example, ABC Ltd. will start T.V advertisements, online marketing, and direct contact with MNCs to increase sales, as selecting the most suitable alternative will increase the profit of the company.

- **Implementing the plan:** This step is concerned with transforming the plan into action. The plan must be communicated to the employees in detail. This, in turn, will help to secure co-operation from them. Useful suggestions from employees must be considered, and they should be motivated to execute the plan to the fullest of their abilities.

The plan has to be effectively implemented by the real executor. This step would also involve organizing labour and purchasing machinery.

For example, ABC Ltd. starts hiring more salesmen in the company to contact and connect with more MNCs. The company will start creating more interesting advertisements on the online platform. They will establish more service workshops in various cities.

- **Follow-up- action:** After implementing the plan, the last step is to periodically review the existing plan to ensure that the plan is effective. The plan must be consistently monitored, and in case of any deficiency, it should be modified and adjusted.

For example, a proper feedback mechanism was developed by ABC Ltd. so that they can take all the complaints and reviews from their consumers and provide a better service experience. Actual customer response, revenue collection, employee response, etc., are very important for the company.

2.4 LIMITATIONS OF PLANNING

Following are the limitations of planning:

- **Rigidity:** Planning brings rigidity to work as employees are required to strictly follow pre-determined policies. There is a tendency that by strictly following these predetermined policies, people become more concerned about complying with these plans rather than achieving the goals. Sometimes planning discourages individual initiative and creativity. It restricts their freedom and new opportunities are ignored.
- **Planning may not work in a dynamic environment:** Planning has to operate in an external environment, such as government policies, technology, etc., which is beyond the control of the organization. In any situation, changes in the environment make the plan inoperative

and ineffective. So planning does not provide a positive result when such changes are not accurately forecasted.

- **Planning reduces creativity:** Planning involves the determination of policies and procedures in advance. Employees are required to strictly follow them, and deviations are considered to be highly undesirable. As a result, employees do not show their skills, and it reduces their initiative and creativity.
- **Planning involves huge costs:** Planning is an expensive process because a lot of money is spent on gathering and analyzing information. It also involves the cost of experts, as experts are paid for planning. Efforts should be made to benefit from the analysis and ensure that benefits derived from planning should be more than their cost. If the cost of planning does not justify the benefit, then planning should be avoided.
- **Planning is time-consuming:** It takes a lot of time in collecting, analyzing, and interpreting information relevant to planning. This causes a delay in decision making. Therefore during crises and emergencies, which call for an immediate decision, planning does not work. Sometimes, advance planning may lead to a delay in actions making, which may result in the loss of profitable opportunities.
- **Planning does not guarantee success:** Planning may create a false sense of security in the organization. Managers tend to adopt previously tested plans, but it is not necessary that a plan which has worked before will work again in this competitive environment. So, we cannot say that planning guarantees success.
- **Resistance to change:** The employee becomes familiar with the method of doing work. So they resist change and do not want to adopt a new method of doing work. Such unwillingness may lead to the failure of the plan.

2.5 MANAGEMENT BY OBJECTIVES

What is Management by Objectives (MBO)

Management by Objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization with the intention to achieve each objective.

An important step in the MBO approach is the monitoring and evaluation of the performance and progress of each employee against the established objectives. Ideally, if the employees themselves are involved in setting goals and deciding their course of action, they are more likely to fulfill their obligations.

2.6 STEPS IN MANAGEMENT BY OBJECTIVES PROCESS



1. Define organization goals

Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. It needs to include several different types of managers in setting goals. The objectives set by the supervisors are provisional, based on an interpretation and evaluation of what the company can and should achieve within a specified time.

2. Define employee objectives

Once the employees are briefed about the general objectives, plan, and the strategies to follow, the managers can start working with their subordinates on establishing their personal objectives. This will be a one-on-one discussion where the subordinates will let the managers know about their targets and which goals they can accomplish within a specific time and with what resources. They can then share some tentative thoughts about which goals the organization or department can find feasible.

3. Continuous monitoring performance and progress

Though the management by objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization.

4. Performance evaluation

Within the MBO framework, the performance review is achieved by the participation of the managers concerned.

5. Providing feedback

In the management by objectives approach, the most essential step is the continuous feedback on the results and objectives, as it enables the employees to track and make corrections to their actions. The ongoing feedback is complemented by frequent formal evaluation meetings in which superiors and subordinates may discuss progress towards objectives, leading to more feedback.

6. Performance appraisal

Performance reviews are a routine review of the success of employees within MBO organizations.

2.7 BENEFITS OF MANAGEMENT OF OBJECTIVES

- Management by objectives helps employees appreciate their on-the-job roles and responsibilities.
- The Key Result Areas (KRAs) planned are specific to each employee, depending on their interest, educational qualification, and specialization.
- The MBO approach usually results in better teamwork and communication.
- It provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
- Every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.
- Managers help ensure that subordinates' goals are related to the objectives of the organization.

2.8 LIMITATIONS OF MANAGEMENT BY OBJECTIVES

- Management by objectives often ignores the organization's existing ethos and working conditions.
- More emphasis is given on goals and targets. The managers put constant pressure on the employees to accomplish their goals and forget about the use of MBO for involvement, willingness to contribute, and growth of management.
- The managers sometimes over-emphasize the target setting, as compared to operational issues, as a generator of success.
- The MBO approach does not emphasize the significance of the context wherein the goals are set. The context encompasses everything from resource availability and efficiency to relative buy-in from the leadership and stakeholders.

- Finally, there is a tendency for many managers to see management by objectives as a total system that can handle all management issues once installed. The overdependence may impose problems on the MBO system that it is not prepared to tackle, and that frustrates any potentially positive effects on the issues it is supposed to deal with.

2.9 DECISION MAKING

Meaning:

Decision making is **the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.** Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

Decision-making can be regarded as a problem-solving activity yielding a solution deemed to be optimal, or at least satisfactory. It is therefore a process which can be more or less rational or irrational and can be based on explicit or tacit knowledge and beliefs. Tacit knowledge is often used to fill the gaps in complex decision-making processes.^[3] Usually, both of these types of knowledge, tacit and explicit, are used together in the decision-making process.

Definition of Decision-Making:

- **Decision-making is the selection based on some criteria from two or more possible alternatives. “—George R. Terry**
- **A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result — J.L. Massie**
- **A decision is an act of choice, wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives. —D.E. Mc. Farland**

2.10 FEATURES OF DECISION MAKING

From definitions and elements we can draw the following important features of managerial decisions:

1. Rational Thinking:

It is invariably based on rational thinking. Since the human brain with its ability to learn, remember and relate many complex factors, makes the rationality possible.

2. Process:

It is the process followed by deliberations and reasoning.

3. Selective:

It is selective, i.e. it is the choice of the best course among alternatives. In other words, decision involves selection of the best course from among the available alternative courses that are identified by the decision-maker.

4. Purposive:

It is usually purposive i.e. it relates to the end. The solution to a problem provides an effective means to the desired goal or end.

5. Positive:

Although every decision is usually positive sometimes certain decisions may be negative and may just be a decision not to decide. For instance, the manufacturers of VOX Wagon car once decided not to change the model (body style) and size of the car although the other rival enterprise (i.e. the Ford Corporation) was planning to introduce a new model every year, in the USA.

That a negative decision and is equally important was stressed by Chester I. Bernard-one of the pioneers in Management Thought-who observed, "The fine art of executive decision consists in not deciding questions that are not now pertinent, in not deciding prematurely, in not making decisions that cannot be made effective, and in not making decisions that other should make. "

6. Commitment:

Every decision is based on the concept of commitment. In other words, the Management is committed to every decision it takes for two reasons- viz., (i) it promotes the stability of the concern and (ii) every decision taken becomes a part of the expectations of the people involved in the organisation.

Decisions are usually so much inter-related to the organisational life of an enterprise that any change in one area of activity may change the other areas too. As such, the Manager is committed to decisions not only from the time that they are taken but upto their successfully implementation.

7. Evaluation:

Decision-making involves evaluation in two ways, viz., (i) the executive must evaluate the alternatives, and (ii) he should evaluate the results of the decisions taken by him.

2.11 IMPORTANCE OF DECISION MAKING

- **Selection Of Best Alternative**

Decision making has an important role in the selection of the best course of action timely. There are different solutions available to tackle any problem. Selection of best action involves proper analysis of the situation by decision-maker using various accounting, financial and statistical tools. Proper decision making enables the decision-maker to properly analyse all aspects and choose the most appropriate action.

- **Ensures Continuity Of Business**

Every business is required to take different decisions routinely for the successful operation of its activities. Taking the right decision timely is important for every business and any wrong decision would lead to negative consequences. Business is required to decide various courses of action related to its production, marketing, sales and various expansion programmes. In today's high competition, market business can only exist if it takes appropriate decisions. Decision-making process helps businesses in facing this competition by taking the right decisions.

- **Fuller Utilisation Of Resources**

Efficient utilisation of all resources of an organisation is a must for achievement of its goals and objectives. Every organisation has the following main resources: men, money, material, machine, method, market and information. All these resources should be properly utilised without any wastage. Managers through efficient decision making are able to take corrective actions regarding using these resources. It helps in ensuring that all resources are fully utilised thereby improving productivity.

- **Formulation Of Plans And Policies**

Decision making process has direct relation with the establishment of plans and policies. Every organisation operates to achieve certain goals. For the achievement of these goals, framing proper plans and policies is a must. Plan and policies are the initial part of decision making process. Proper decision making enables the managers in proper implementation of these policies to achieve the desired goals.

- **Achievement Of Objectives**

Proper Decision making helps in achievement of goals and objectives of the organisation. All organisations strive hard to attain their objectives. These objectives are termed as guiding factors for all operations of the business. Taking of proper actions at a proper time helps in the achievement of these objectives. Decision making process helps the managers in properly analysing the situation and selecting the most appropriate action.

- **Facilitates Innovation**

Innovation is something which is required to be adopted by every business as per market changes. Proper decision making facilitates innovation. Innovation brings new products, new process and new ideas in every organisation. Implementing these changes require proper planning and decision making. Rational decisions taken by management help in adopting these innovative ideas easily.

- **Helps In Business Growth**

Quick and rational decision taking helps in improving the productivity and efficiency of business. It helps in fuller and efficient utilisation of resources. Better decision making helps the business in easily facing the challenges and problems of the market. All these eventually lead to the achievement of business goals and also help in business growth.

- **Evaluates Managerial Performance**

Decision making is primary function performed by every management team. Number of right decisions taken by managers determines the quality of management. Effectiveness of decisions clearly tells how far the managers are delivering their roles and duties. Wrong decisions taking clearly depict the failures of management in performing their function. This way decision making helps in evaluating the performance of management team.

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

2.12 STEPS IN DECISION MAKING PROCESS

Following are the important steps of the decision making process. Each step may be supported by different tools and techniques.



Step 1: Identification of the purpose of the decision

In this step, the problem is thoroughly analysed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.

What exactly is the problem?

Why the problem should be solved?

Who are the affected parties of the problem?

Does the problem have a deadline or a specific time-line?

Step 2: Information gathering

A problem of an organization will have many stakeholders. In addition, there can be dozens of factors involved and affected by the problem.

In the process of solving the problem, you will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as 'Check Sheets' can be effectively used.

Step 3: Principles for judging the alternatives

In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organizational goals as well as the corporate culture should be taken into consideration.

As an example, profit is one of the main concerns in every decision making process. Companies usually do not make decisions that reduce profits, unless it is an exceptional case. Likewise, baseline principles should be identified related to the problem in hand.

Step 4: Brainstorm and analyse the different choices

For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritization of causes.

For this, you can make use of Cause-and-Effect diagrams and Pareto Chart tool. Cause-and-Effect diagram helps you to identify all possible causes of the problem and Pareto chart helps you to prioritize and identify the causes with highest effect.

Then, you can move on generating all possible solutions (alternatives) for the problem in hand.

Step 5: Evaluation of alternatives

Use your judgement principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgement principles come into play. You need to compare each alternative for their positives and negatives.

Step 6: Select the best alternative

Once you go through from Step 1 to Step 5, this step is easy. In addition, the selection of the best alternative is an informed decision since you have already followed a methodology to derive and select the best alternative.

Step 7: Execute the decision

Convert your decision into a plan or a sequence of activities. Execute your plan by yourself or with the help of subordinates.

Step 8: Evaluate the results

Evaluate the outcome of your decision. See whether there is anything you should learn and then correct in future decision making. This is one of the best practices that will improve your decision-making skills.

2.13 DECISION MAKING TECHNIQUES

The techniques are: 1. Marginal Analysis 2. Financial Analysis 3. Break-Even Analysis 4. Ratio Analysis 5. Operations Research Techniques 6. Linear Programming 7. Waiting-line Method 8. Game Theory 9. Simulation 10. Decision Tree.

- **Decision-Making: Technique # 1. Marginal Analysis:**

This technique is used in decision-making to figure out how much extra output will result if one more variable (e.g. raw material, machine, and worker) is added. In his book, 'Economics', Paul Samuelson defines marginal analysis as the extra output that will result by adding one extra unit of any input variable, other factors being held constant.

Marginal analysis is particularly useful for evaluating alternatives in the decision-making process.

- **Decision-Making: Technique # 2. Financial Analysis:**

This decision-making tool is used to estimate the profitability of an investment, to calculate the payback period (the period taken for the cash benefits to account for the original cost of an investment), and to analyze cash inflows and cash outflows.

Investment alternatives can be evaluated by discounting the cash inflows and cash outflows (discounting is the process of determining the present value of a future amount, assuming that the decision-maker has an opportunity to earn a certain return on his money).

- **Decision-Making: Technique # 3. Break-Even Analysis:**

This tool enables a decision-maker to evaluate the available alternatives based on price, fixed cost and variable cost per unit.

Break-even analysis is a measure by which the level of sales necessary to cover all fixed costs can be determined.

Using this technique, the decision-maker can determine the break-even point for the company as a whole, or for any of its products. At the break-even point, total revenue equals total cost and the profit is nil.

- **Decision-Making: Technique # 4. Ratio Analysis:**

It is an accounting tool for interpreting accounting information. Ratios define the relationship between two variables. The basic financial ratios compare costs and revenue for a particular period. The purpose of conducting a ratio analysis is to interpret financial statements to determine the strengths and weaknesses of a firm, as well as its historical performance and current financial condition.

- **Decision-Making: Technique # 5. Operations Research Techniques:**

One of the most significant sets of tools available for decision-makers is operations research. An operation research (OR) involves the practical application of quantitative methods in the process of decision-making. When using these techniques, the decision-maker makes use of scientific, logical or mathematical means to achieve realistic solutions to problems. Several OR techniques have been developed over the years.

- **Decision-Making: Technique # 6. Linear Programming:**

Linear programming is a quantitative technique used in decision-making. It involves making an optimum allocation of scarce or limited resources of an organization to achieve a particular objective. The word 'linear' implies that the relationship among different variables is proportionate.

The term 'programming' implies developing a specific mathematical model to optimize outputs when the resources are scarce. In order to apply this technique, the situation must involve two or more activities competing for limited resources and all relationships in the situation must be linear.

Some of the areas of managerial decision-making where linear programming technique can be applied are:

- i. Product mix decisions
- ii. Determining the optimal scale of operations
- iii. Inventory management problems
- iv. Allocation of scarce resources under conditions of uncertain demand
- iv. Scheduling production facilities and maintenance.

- **Decision-Making: Technique # 7. Waiting-line Method:**

This is an operations research method that uses a mathematical technique for balancing services provided and waiting lines. Waiting lines (or queuing) occur whenever the demand for the service exceeds the service facilities.

Since a perfect balance between demand and supply cannot be achieved, either customers will have to wait for the service (excess demand) or there may be no customers for the organization to serve (excess supply).

When the queue is long and the customers have to wait for a long duration, they may get frustrated. This may cost the firm its customers. On the other hand, it may not be feasible for the firm to maintain facilities to provide quick service all the time since the cost of idle service facilities have to be borne by the company.

The firm, therefore, has to strike a balance between the two. The queuing technique helps to optimize customer service on the basis of quantitative criteria. However, it only provides vital information for decision-making and does not by itself solve the problem. Developing queuing models often requires advanced mathematical and statistical knowledge.

- **Decision-Making: Technique # 8. Game Theory:**

This is a systematic and sophisticated technique that enables competitors to select rational strategies for attainment of goals. Game theory provides many useful insights into situations involving competition. This decision-making technique involves selecting the best strategy, taking into consideration one's own actions and those of one's competitors.

The primary aim of game theory is to develop rational criteria for selecting a strategy. It is based on the assumption that every player (a competitor) in the game (decision situation) is perfectly rational and seeks to win the game.

In other words, the theory assumes that the opponent will carefully consider what the decision-maker may do before he selects his own strategy. Minimizing the maximum loss (minimax) and maximizing the minimum gain (maximin) are the two concepts used in game theory.

- **Decision-Making: Technique # 9. Simulation:**

This technique involves building a model that represents a real or an existing system. Simulation is useful for solving complex problems that cannot be readily solved by other techniques. In recent years, computers have been used extensively for simulation. The different variables and their interrelationships are put into the model.

When the model is programmed through the computer, a set of outputs is obtained. Simulation techniques are useful in evaluating various alternatives and selecting the best one. Simulation can be used to develop price strategies, distribution strategies, determining resource allocation, logistics, etc.

- **Decision-Making: Technique # 10. Decision Tree:**

This is an interesting technique used for analysis of a decision. A decision tree is a sophisticated mathematical tool that enables a decision-maker to consider various alternative courses of action and select the best alternative. A decision tree is a graphical representation of alternative courses of action and the possible outcomes and risks associated with each action.

In this technique, the decision-maker traces the optimum path through the tree diagram. In the tree diagram the base, known as the 'decision point,' is represented by a square. Two or more chance events follow from the decision point. A chance event is represented by a circle and constitutes a branch of the decision tree.

Every chance event produces two or more possible outcomes leading to subsequent decision points.

The decision tree can be illustrated with an example. If a firm expects an increase in the demand for its products, it can consider two alternative courses of action to meet the increased demand:

- (a) Installing new machines,
- (b) Introducing a double shift.

There are two possibilities for each alternative, i.e. output may increase (positive state) or fall (negative state).

2.14 QUESTIONS

- 1) Define the term Planning. Explain its Importance?
- 2) Write a note on Planning Process?
- 3) What are the significance & Limitations of Planning?
- 4) Write a note on MBO?
- 5) Define the term decision making. Explain its importance ?
- 6) Explain the steps /processes in decision making
- 7) List out the techniques of decision making?



ORGANIZING

Unit Structure

- 3.0 Objectives
- 3.1 Organizing
- 3.2 Organizing Structure
- 3.3 Departmentation
- 3.4 Span of Control
- 3.5 Delegation
- 3.6 Summary
- 3.7 Exercises

3.0 OBJECTIVES

After studying the unit the students will be able to:

1. Define the concept of Organizing.
 2. Understand the Structure of Organization.
 3. Know the meaning and importance of Departmentation.
 4. Describe Span of Control.
 5. Illustrate the role of Graicunas Theory.
 6. Differentiate between Centralization and Decentralization
 7. Elaborate on Authority and Responsibility relationship.
-

3.1 ORGANIZING

3.1.1 Organizing – MEANING :

Organizing refers to the process of putting together various activities; resources and people into system so that people work together for a common purpose. In simple words, organizing refers to carrying everything in orderly form and making most efficient use of resources. When the manager performs an organizing function; it results in the creation of organizational structure which shapes the system of working.

3.1.2 DEFINITION :

According to G.R. Terry

“Organizing is the establishing of effective authority relationships among selected work, persons and workplaces in order for the group to work together efficiently”.

According to Dalton E. McFarland

“Organization is an identified group of people contributing their efforts towards the attainment of common goals”.

According to LOUIS ALLEN:

“Organization is the process of identifying and grouping the work to be performed; defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives.”

3.1.3 TYPES OF ORGANIZATIONS

1) On the basis of Principal Objective:

The organizations may be classified on the basis of principal objectives as follows:

a) Business organization:

This type of organizations provides goods and services with the basic objective of earning profit. Profit earning is must for the survival and growth. Sole trading concerns, partnership firms, joint stock companies are such examples.

b) Service organizations:

This type of organizations exists to provide service to the members of the society. Educational institutions are examples of such organization.

c) Social organization:

This type of organization exists for developing and building social ties or contacts among the members of the society. A social club is an example of such organization.

d) Government organizations:

They frame rules and regulations in order to protect and serve members of the society. Central and state governments, courts are such examples.

e) Protective organizations:

They exist to protect the public from any danger or harm. Such organizations include police departments, military, fire departments, etc. these type of organization are in fact part of government organizations.

f) Political organization:

They try to serve political interests of the society. Such organization includes political parties.

g) Religious organizations:

They work for the spiritual needs of the members. Churches, temples, mosques, gurudwaras, etc., are such examples.

2) On the basis of emotional involvement of members:

a) Primary organizations:

These types of organizations are characterized by direct and personal relationships among its members. Such organizations include families, family run businesses, etc. in primary organizations; members are willing to dedicate their total personal efforts.

b) Secondary organizations:

In this type of organizations, the relations are more of contractual in nature. Relationships tend to be formal with clearly defined duties and responsibilities. In secondary organizations, members may lack total dedication. They put in their efforts in consideration of pay and other benefits.

3) On the basis of life of the organization:

a) Short life organizations:

These are designed to serve certain purpose only for a brief period. The question of survival is not a major concern. Examples include committee organization.

b) Long life organizations:

Such organizations are designed to serve purpose for a long period of time. The question of survival along with growth and expansion is a major concern.

4) On the basis of degree of structure:

a) Formal organization:

A formal organization has well defined goals. There is the presence of superior-subordinate relations.

b) Informal organization:

Such organizations exist within the formal organizations. Informal organization is a network of personal and social relations existing within the formal organization. There are no definite goals. Again, there is no superior-subordinate relation.

3.1.4 FORMAL AND INFORMAL ORGANIZATION.

Formal Organization refers to the organization structure deliberately created by the management for achieving the objectives of an enterprise. Such

organization structure contains a pattern of activities, processes, human relationships and roles carefully planned and structured in order to achieve organizational objectives. Formal Organization is a network of official authority – responsibility relationships. Formal organization structure has official status / recognition. It is a organization structure has official status / recognition. It is a carefully prepared / rational structure with reasonable stability.

According to Chester Bernard,

“An organization is “formal” when the activities of two or more persons are consciously coordinated towards a common objective”.

1.1.4 Features of Formal Organization:

- 1) A formal organization is a group of people working together towards objectives which mutually benefit the participants and the organization.
- 2) Formal groups exist in all organizations. Such groups are created in order to carry out specific duties.
- 3) Formal groups are in the form of committees, task force, project teams, etc.
- 4) Formal groups are given proper official status and operate as per certain rules and procedures.
- 5) In a formal organization, the structure of jobs and their positions are clearly defined. Each job has definite measure of authority, responsibility and accountability.

3.1.5 Meaning and Definition of Informal Organization

Informal organization structure refers to the pattern of activities, interactions and human relationships, developed spontaneously (not officially as in the case of formal organization) due to social and psychological forces operating at the work place. This organization structure develops in a natural way. It is a type of unintended and non-planned network based on unofficial human relationships. Informal organization suggests the interpersonal and intergroup relations developed within the formal organization structure. Common language or common habits may also create such informal groups. It is an unofficial and social pattern human interaction. Such informal groups support official / formal groups in achieving organizational objectives.

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.”

3.1.6 Features of Informal Organization

- 1) Informal organization is unwritten and develops unconsciously.
- 2) It is not generated by any established rules.
- 3) It exists within a formal organization.
- 4) It uses grapevine as a means of communication.
- 5) It brings people together to realize common interests.
- 6) Informal organization helps to develop close relationship within the group through personal and social ties.

Check your Progress

1. _____ refers to carrying everything in orderly form and making most efficient use of resources.
2. _____ is a type of unintended and non-planned network based on unofficial human relationships.
3. _____ organizations are characterized by direct and personal relationships among its members.

Explain

1. Organization on the basis of degree of structure.
2. Features of Informal Organization

Answer the following

1. What are the different types of Organization?
2. Elaborate the difference between Formal & Informal Organization.

3.2 ORGANIZATION STRUCTURE.

1.2.1 Meaning and Definition

Organization structure refers to a pattern of relationships among individuals and departments in an organization. It is a framework through which the organization operates.

According to F. Kast and S. Rosenzweig:

“Structure is the established pattern of relationship among the components or parts of an organization.”

3.2.2 Features of Organization Structure

- 1) Organization structure shows network of relationship between people who are working in the organization.
- 2) An organization structure shows the position of each individual and department in the organization.

- 3) Organization structure is made for particular purpose i.e. for achieving common objectives of organization.
- 4) Organization structure gives policies, procedures and controls.
- 5) Organization structure has its own rules & regulation which must be followed by each and every individual.

3.2.3 Factors affecting Organizational Structure

1) Objectives:

Every organization exists to achieve certain objectives. The objectives of an organization determine the various activities required to accomplish them. Therefore, the organization should be effectively structured to ensure smooth conduct of activities in order to accomplish objectives.

2) Size of the Organization:

The organization structure is also affected by the size of the organization. The larger the size of the organization, the more complex would be the organization structure. This is because, larger the size of the organization, the more the levels of management, and more the units or departments. Therefore, in large organizations, line and staff structure can be followed. However, in the case of small organization, simple organization structure such as line organization structure is suitable for the smooth conduct of its activities.

3) People:

People make up the internal social system of the organization. This system consists of individuals and groups – large and small – formal and informal. The larger the number of individuals and groups in an organization means larger the activities, some of the activities would be more complex in nature. In such organization, structures like line and staff, or matrix organization structure would work.

4) Technology:

Technology provides the resources with which people work and affects the tasks, which they perform. The technology used has significant influence on the structure of the organization. If an organization uses simple technology to produce routine products and services, then it may follow a simple organization structure, whereas, if the organization uses complex technology, then it may use line and staff organization or some other complex organization.

5) Environment:

All firms operate within an internal and external environment. For instance, some organizations, especially, the small firms which manufacture routine products may be less affected by some of the environmental factors such as technological developments, and therefore, such firms may adopt simple organization structures.

6) Management Philosophy:

The management philosophy may affect the organization structure. Some organization, especially the small organizations believe in traditional management philosophy and as such they would follow only the line organization structure, as the top managers would have complete authority over the affairs of the organization. However, modern professional organizations, would prefer to expand and grow and as such they go for decentralised organizational structures.

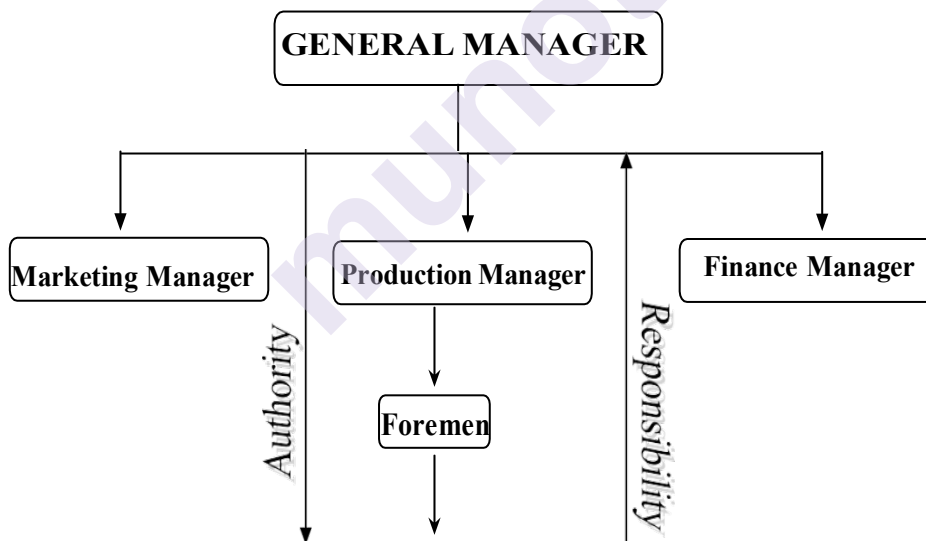
7) Extent of Centralisation:

If an organization is highly centralised, it may adopt line organization structure. However, if the organization is highly decentralised (authority is dispersed throughout the organization), then line and staff organization structure may be followed.

3.2.4 Line Organization

This is the simplest and oldest form of internal organization. It is sometimes referred to as scalar organization or military type of organization.

In this type, direct lines of authority flow from top to bottom of the organization's hierarchy. The line of authority is straight and vertical. All major decisions taken and orders given by top management are passed down to their immediate subordinates, who in turn do the same.



Features of Line Organization:

1) Direct Flow of Authority:

In line organization there is direct flow of authority from top management down to the lower levels. This is possible, because in line organizations, the top management position is normally held by one person. Therefore, the top manager can easily transfer authority to subsequent levels all by himself. The subsequent levels may be also handled by one or a couple of managers.

2) Unity of Command:

In line organizations, the principle of unity of command is strictly followed. The subordinates get orders only from one superior and in turn they report to one superior only.

3) Clear Responsibility:

In line organization, there is clear responsibility on the part of the line managers. There is no scope for shifting of responsibility on account of failures. However, in case of line and staff organizations, the line managers may tend to shift responsibility of failures on the staff experts. The line managers may blame the staff experts for inadequate or inappropriate advice.

4) Suitability:

The line organization is suitable to small organizations. In small organizations, the scale of operations is low, and therefore, it can be easily managed by line managers. However, in large organizations, pure line organization is not suitable. This is because, in large organizations, there is a need to have staff advisors. The staff advisors such as R & D manager, legal advisor, etc. advise the line managers on important matters.

5) Lacks Specialisation:

Line managers may lack specialisation in a particular area. For instance, a marketing manager may have to look after the various aspects of marketing, such as marketing research, sales promotion, distribution, pricing, etc. This is because; small organizations find it expensive to appoint specialised experts.

6) Coordination:

In line organization, coordination of subordinates' activities becomes easier. The superior has complete authority over the subordinates and their activities. Therefore, he can easily coordinate the activities without much difficulty.

7) Relationship:

In line organization, there are good relationships between the superior and the subordinates. Also the relationship between various departments may be cordial. This is possible because of the limited numbers of subordinates and departments in the organization.

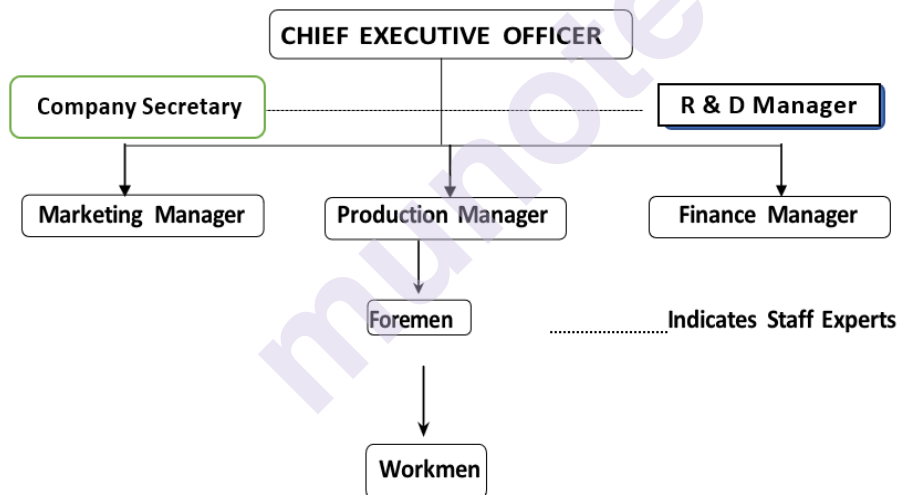
8) Quick Decision Making:

Line organization facilitates quick decision-making. The line manager is given clear authority over certain matters. The line manager can take the decision on his own without consulting others. However, in case of line and staff organizations, the line managers need to consult the staff on certain matters before taking a decision, and therefore, there is delay in decision making.

3.2.5 Line & Staff Organization

Line organization is very suitable for small organizations. But when the organization becomes big, line and staff organization has to be introduced. Line and staff organization is a combination of a line organization and expert staff. In this organization, line and staff managers are appointed to work at different levels. The term Line refers to Doers and the term Staff refers to Thinkers. This form of organization tries to retain the merits and to do away with the demerits of both Line and Functional Organization.

The line managers are given the authority and responsibility of achieving the primary objectives. The staff managers have to give advice and service to the line managers. The line managers have the authority to command and take decisions. The staff managers do not have line authority. They only have an advisory role. However, their advice is generally accepted because they are experts and specialists in their field and because of their status in the organizations. The line managers maintain discipline and stability while the staff managers provide expert knowledge. The line managers complete production while the staff carries out research, planning, scheduling, establishing standards, recording performance, etc. So in short, staff is a supplement to the line. Line and Staff organization is shown in the following diagram.



Indicates Line Executive

Features of Line and Staff Organization:

1) Specialization:

The staff manager looks after the planning of activities, whereas the line managers look after the implementation of the plans.

2) Suitable for Large Organization:

It is suitable for large organizations. This is because; large organizations are subject to complex problems or situations that require expert solution.

3) Sound Decision:

Due to the expert advice given by the staff, the line managers can take sound decisions, which can improve efficiency of the organization.

4) Systematic Planning and Control:

This type of organization permits systematic planning and control of activities. The staff looks after planning, and the line managers systematically control the implementation of activities.

5) Conflicts:

There are conflicts between line and staff. Both the parties complain against each other. Due to conflicts, the performance of the organization may get badly affected.

6) Cost Factor:

This type of organization structure is expensive. This is due to the high salaries and other overheads on account of staff.

7) Staff lacks authority:

The staff is unable to carry out its plan and recommendations because of lack of authority.

8) Overdependence on staff:

This type of structure makes the line managers to over depend on the staff experts. There are cases, where the line executives, expects too much from the staff specialist. They depend on staff even for routine matters.

Check your Progress

1. Organization _____ refers to a pattern of relationships among individuals and departments in an organization.
2. _____ is also referred to as scalar organization or military type of organization.

Explain

1. How size of the organization affects organizational structure.
2. Why Line and Staff organization suitable for large organization?

Answer the following

1. Explain the features of Line and Staff Organization.
2. What are the factors affecting Organizational Structure?

Definition and Meaning

“Departmentation is the grouping of jobs, processes and resources into logical units to perform some organizational task.”

- **Pearce** and Robinson

In departmentation, similar activities are grouped together to form departments. For examples, All the activities relating to accounts are grouped together to form the Accounts Department. Similarly, we have purchase department, Sales department, etc. So departmentation is the process of dividing the organization into different departments. It is the process by which an organization expands horizontally. There are many bases of departmentation such as Departmentation by function, Departmentation by Process, Departmentation by products, etc. A department consists of a head of department and staff. The head of department is responsible to the Managing director, for the function of his department.

Departmentation creates specialisation. It helps to fix responsibility of a particular job on a particular individual. It helps to make optimum utilisation of resources. It also helps to have better administrative control. It also enables the organization to expand its activities.

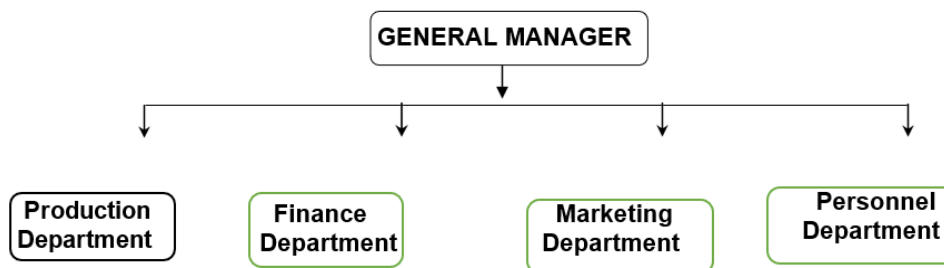
BASIS / TYPES / METHODS OF DEPARTMENTATION

The different basis of departmentation are –

1) Departmentation by functions

In this method, separate departments are made on the basis of functions. For e.g. Production Department, Finance Department, Marketing Department, Personnel Department, etc. All activities, which are directly or indirectly connected with production are grouped together to make a production department.

Departmentation by functions is shown in the following diagram –

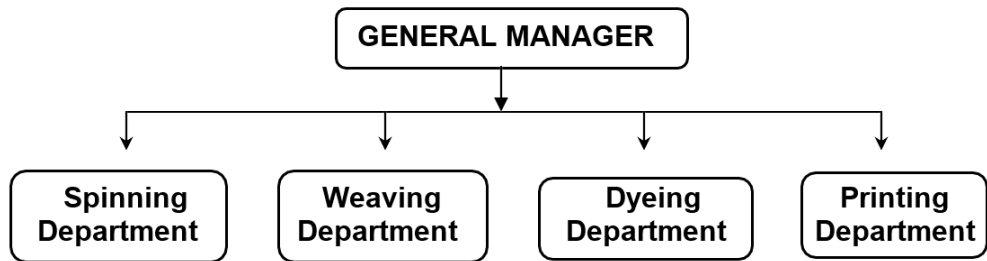


2) Departmentation by process

In this method, separate departments are made on the basis of the production process. For e.g. in a textile mill, we may have spinning

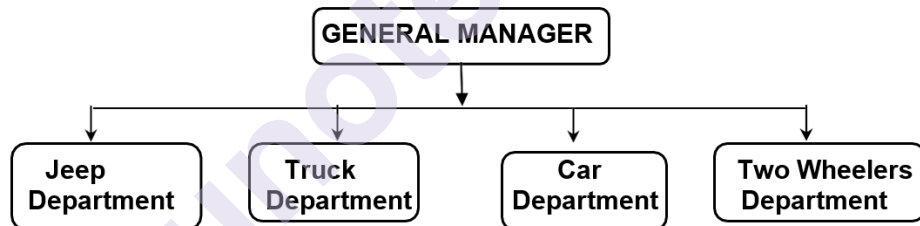
department, weaving department, dyeing department, printing department, etc. All activities, which are directly or indirectly connected with spinning are grouped together to make a spinning department.

Departmentation by process is shown in the following diagram –



3) Departmentation by Product

In this method, separate departments are made on the basis of the products produced by the company. Each department is responsible for producing and selling their product. For e.g. in an automobile company, we may have Jeep Department, Truck Department, Car Department, etc. All the activities, which are directly or indirectly connected with Jeeps are grouped together to make a Jeep Department.

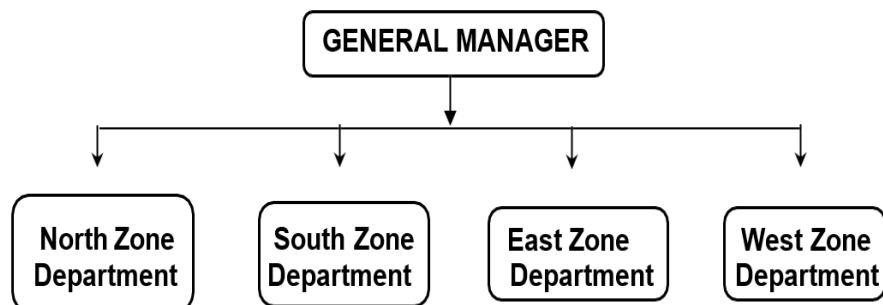


4) Departmentation by area

In this method, separate departments are made on the basis of area or zones. Here, the full area is divided into different zones such as – North Zone, South Zone, etc.

Each zone is treated as a department. This method is used when the organization is very large and when it has many branches all over the country or world.

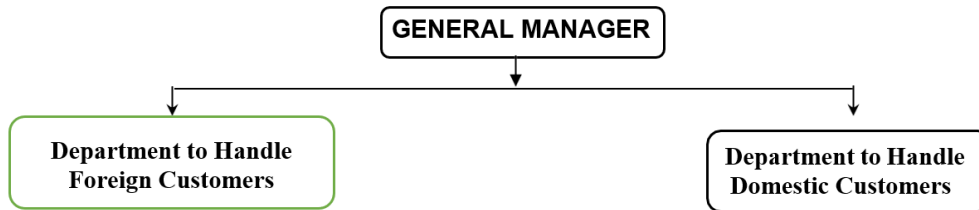
Departmentation by Area is shown in the following diagram –



5) Departmentation by customers

In this method, separate departments are made to handle different types of customers. The customers may be domestic customers or foreign customers.

Departmentation by customers is shown in the following diagram –



6) Departmentation by Task force

This departmentation involves the assigning of a specific task or a project to a particular group of employees. The group of employees are known as a task force.

Members of a task force may be selected from various departments who are specialized in certain activities. Each task force has its own leader. For example, in an advertising agency, one advertising campaign may be given to a task force comprising of artists, copywriters, media planner etc. And the other task force can be made in charge of another campaign,

7) Departmentation by time

In this method, separate departments are made on the basis of time. So, we have morning shift, evening shift, night shift, etc. This method of departmentation is used in Hospitals, Hotels, Production Units, etc.

8) Departmentation by numbers

In this method, separate departments are made on the basis of the number of persons. This method of departmentation is used in colleges for making the division

i.e. students having Roll Numbers 1 to 110 will sit in A division and so on. Military forces also use this method.

3.4 SPAN OF CONTROL

Span of control means the number of subordinates which one superior can supervise effectively. Every superior can supervise only a limited number of subordinates. Therefore, every superior should have a limited number of subordinates.

“Span of control refers to the number of people that a manager can supervise.” Louis Allen

According to the most management experts, at the top level, the span of

control should not be more than 1:6 while at the lower level, the span of control should not be more than 1:20. This means, the superior at the top level should not have more than 6 subordinates under his control. Similarly, the superior at the lower level should not have more than 20 subordinate under his control. However, these are only theoretical figures. In practice, the span of control depends on many factors such as nature of work, ability of superior, ability of subordinates, etc.

Span of control is also called Span of Supervision or Span of Management.

Features of Span of Control

1) Global applications:

The principle of span of control has global applications. This principle is not restricted to a few countries. Organizations in all countries whether developed or developing need to follow the principles of span of control.

2) All Pervasive:

It is applicable to business organizations as well as to non-business organizations. For

e.g. a non-business organization such as educational institution needs to follow span of control. In advanced countries the number of students in a class at undergraduate level is about 25.

3) Applicable to any size of business:

The principle of span of control is applicable not only to large organization but also to smaller organizations. For example, organizations employing employees needs to have various section or department and each department needs to follow the concept of span of control.

4) Applicable at all levels of Management:

The span of control is applicable at all levels of management. It is applicable at lower level, middle level and at top level. However, the number of subordinates at the top level will be few as compared to lower level.

5) Time tested Principle:

The principle of span of control is in practice for centuries. The kings have practiced the principle of span of control since the days of civilization. During war times also kings practiced the span of control by allocating certain number of soldiers under one commander.

6) Benefits of Span of Control:

The span of control has several benefits to the organization. Some of

the benefits are as follows: improvement in superior-subordinate's relationships, optimum use of resources, higher efficiency in organization, reduction in absenteeism, increase in employee turnover etc.

7) **Important principle of organizing:**

The span of control is an important principle of organizing. This principle provides guidelines to the management to decide about the appropriate number of subordinates that are to be managed or supervised by one superior in different departments of the organization. Effective span of control is required for effective performance of the organization.

8) **Factors of Span of control:**

There are certain factors influencing the number of subordinates that can be managed by one superior. The main factors are, nature of work, nature of organization, extent of delegation, relationship in the organization etc.

3.4.1 GRAICUNAS THEORY

French management consultant V.A. Graicunas conducted a research on the connection between superiors and subordinates, although it was not based on empirical data. He created a formula to analyse this relationship in mathematics. According to his theory, as the number of subordinates rises, so do the potential relationships.

In any organization, Graicunas has identified three distinct types of interactions between superiors and subordinates, raising the question of how many subordinates a superior can effectively manage.

As follows:

1. **Direct Single Relationship:** These are relationships that are obvious to and easily understood by his immediate subordinates. The number of subordinates supervised is the same as their number. For instance, there would be three direct single relationships if A had three subordinates. This is shown by the value n for the number of direct relationships.
2. **Direct Group Relationships:** Here, we're talking about the connections between each conceivable set of subordinates and their superior. There are times when a manager needs to speak with every subordinate present, or any number of them, or the entire group. The superior and his group of subordinates develop this kind of relationship in all conceivable configurations.

An example manager would have three direct group relationships if they had three subordinates.

The number n stands for the number of subordinates in the formula = $n(2n-1-1)$.

3. Cross Relationships: Cross relationships are ties between subordinates that are required when they are working for the same superior. This is a result of the requirement for communication among the subordinates of a common boss.

Graicunas created the following formula, where n = the number of subordinates, to calculate the total number of all three types of relationships as a result of the analysis of the three types of relationships done above.

$$n(2n/2 + n + 1)$$

The significance of Graicuna's contribution is that he pioneered the idea of limiting the scope of delegated authority due to the maximum amount of possible burdens created by the inherent capacities of the human mind. He determined a "reasonable span" limited to five or six subordinates based on this approach. As a result, he sparked discussion about this feature of organizational structure, which eventually became a hot topic in management literature.

Graicunas provided a mathematical formula for calculating the number of relationships, but his method has the following drawbacks:

- (a) The formula's mathematical accuracy is questionable. Although there is no exact formula, relationships grow as the number of subordinates rises.
- (b) Graicunas has disregarded relationships' frequency and the stress they cause.
- (c) He omitted certain potential connections.
- (d) He hasn't been able to pinpoint the variables that control or influence the management span.

The term "span of control" describes how many employees one CEO can manage. The classical theory's core idea is the concept. Effective coordination is believed to need a proper span of control. Because an executive must have close, direct contact with his subordinates, the traditional thought supported a small span rather than a wide one. 15 to 25 subordinates for first-level supervision and 5 to 8 for executive spans may be the appropriate ratio.

3.4.2 Factors influencing / determining span of control

1) Level of management

If the superior is working at the top level, they have to shoulder more responsibilities. Therefore, their span of control will be narrow and vice versa.

2) **Degree of centralization**

Under decentralization, the superiors have to take less decisions. Therefore, he can have a wide span of control. But under centralization, the superior has to take many decisions. Therefore, he should have a narrow span of control.

3) **Faith and trust in subordinates**

If the superior has good faith and trust in his subordinates, then the span of control can be wider.

4) **Nature of work**

If the work is difficult then the span of control is narrow and vice versa.

5) **Superior-subordinate relationship**

If there are good relations between the superior and subordinates, then the span of control will be wide and vice versa.

6) **Use of communication technology**

If face to face communication is used, then the span of control will be narrow. But if the electronic devices are used for communication then the span of control will be wide.

7) **Financial position of the organization**

If the organization has sound financial position, then it can have a narrow span. This is because narrow span requires more superiors and more superiors will increase the wage bill. But if the organization has bad financial position then it will be forced to have wide span.

8) **Clearness of plans and responsibilities**

If the plans are clear and if the responsibilities are well-defined then the span of control will be wide. This is because the subordinates will not have to go to the superior again and again for orders and guidance.

9) **Time available for subordinates**

If the superior is busy with other work and if he has less time for his subordinates, then his span of control will be narrow and vice versa.

10) **Qualification and qualities of superior and subordinates**

If the superiors and subordinates are well qualified, trained, experienced and if they are experts in their jobs then the span of control will be wide and vice versa.

3.4.3 Centralization vs. Decentralization

The two sorts of structures are centralization and decentralization, and they can be found in business, management, and even purchasing.

Because of the concentration of power, only senior management has the ability to plan and make decisions. It alludes to the pinnacle level's concentration of all powers.

Centralization is the process of establishing a central location or team of managerial staff for the organization's planning and decision-making processes. The top level management of this type of company holds all significant rights and powers.

In the past, centralization policies were the most often used in every corporation to keep all the authority in one place. They have complete influence over what low-level or middle management is doing. In addition, it is possible to observe individual coordination and leadership, as well as the simple distribution of labour among employees.

However, because of all the right vests being with the head office, the subordinate employee's function in the company is diminished as a result of the concentration of power and responsibility. As a result, the subordinate staff is only expected to carry out the directives of the senior management; they are not permitted to actively participate in decision-making. Due to an overabundance of labour, hotchpotch occasionally results in rash conclusions. Red tape and bureaucracy are additional drawbacks of centralization.

Decentralization, on the other hand, refers to the transfer of authority from the top management to the middle or lower levels of management. At all managerial levels, it is the transfer of power.

How much decision-making power exists at lower levels of an organization and where it is located are key factors in determining whether it is centralized or decentralized. The argument about whether of these two phrases is superior rages on forever.

Decentralization is the process through which top-level management transfers power and responsibility to lower- or middle-level management. It is the exact opposite of centralization, which involves assigning organizational-wide decision-making authority to managers at the departmental, divisional, unit, or center levels. Delegation of authority can be seen of as a supplement to decentralization.

Currently, managers decide whether to give subordinates authority based on the increased level of competition. Because of this, functional level managers have the opportunity to perform better and have more independence at work. Additionally, they share the high-level managers' responsibilities, which facilitates speedy decision-making and saves time. Like mergers and acquisitions, it is a very effective procedure for growing a commercial organization.

Important distinctions between decentralization and centralization

Regarding the distinction between centralization and decentralization, the following points are significant:

1. Centralization is the process of consolidating functions and authority under the control of senior management. Decentralization refers to the distribution of authority and control from the top level to functional level management.
2. The systematic and constant accumulation of power at central locations is known as centralization. Contrarily, decentralization is the systematic transfer of power inside a company.
3. Smaller organizations should consider centralization, whereas larger ones should consider decentralization.
4. The centralized organization has formal communication. In contrast, communication spreads widely in a decentralized system.
5. The decision-making process is slow in centralization because power is concentrated in the hands of one individual. Decentralization, on the other hand, works better in terms of decision-making because decisions are made much more closely to actions.
6. Centralization has complete leadership and coordination. The workload of top-level managers is distributed through decentralization.
7. Centralization is implemented when an organization has insufficient control over its management, whereas decentralization is implemented when an organization has complete control over its administration.

3.5 DELEGATION

To delegate authority means to grant or to transfer authority. It does not mean to surrender authority. In simple words, to delegate means to give. So to delegate authority means to give authority.

When the organization becomes very large, it is not possible for the superior to do all the work himself. Therefore, he keeps the important work for himself and he gives the less important routine and repetitive work to his subordinates. He also gives them the authority to do this work. This is called delegation of authority.

“Delegation means assigning work to the others and giving them authority to do so.”- F.C. Moore

Process of Delegation:

There are four distinct stages in the delegation process, although it does not always follow the same pattern of stages. These are shown as follows –

First Stage

The delegator identifies a block of work to be delegated. The superior must also identify right subordinate to delegate the work. At this stage there must be a functional clarity that means, what is to be done, when it is to be done, how it is to be done and how much resources to be utilised.

Second Stage

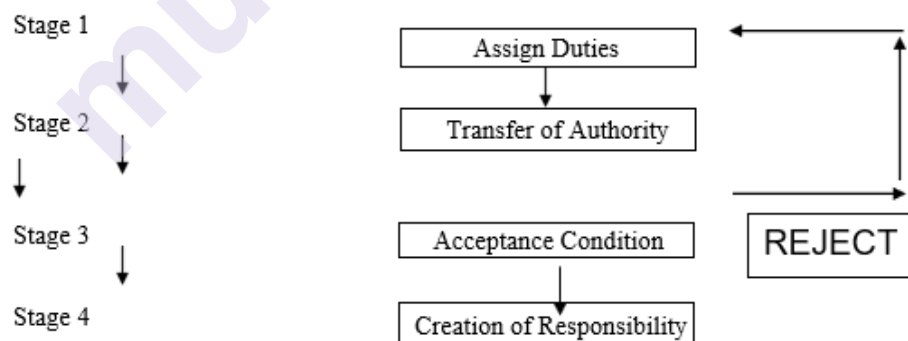
The delegator transfers authority – the organizational right to command – to the delegatee. Adequate authority is given so that delegatee can take the right decision at the right time.

Third Stage

The Delegatee either accepts or rejects the task assignment and the accompanying authority. If the delegatee refuses, the delegation attempts would be blocked and the delegator would have to start again by assigning the activity to someone else. However, if the (first) delegatee accept the assignment and authority, the delegation process continues.

Fourth Stage

The fourth stage in the process is the creation of an obligation on the part of the subordinate to perform the assigned tasks and to use the assigned authority properly. By accepting the assignment and its accompanying authority, the employee becomes accountable to the manager and is responsible for completing the assigned work. At this stage both delegator and delegatee have authority to complete the task and both are responsible for how the task is performed. It is the duty of delegator to assist the delegatee whenever any problem arises.



3.5.1 PROBLEMS / DIFFICULTIES IN DELEGATION

Delegation may fail because of the following reasons –

(I) Obstacles on the part of superiors / managers.

1) “I know everything”

Some managers feel that they know everything and the

company can not function without them. This attitude prevents them from delegating authority.

2) Lack of ability to direct and communicate

Some managers can perform the work very efficiently by themselves. However, they can not direct others to do the work. This is because they do not have the ability to direct and communicate with others. This is one of the main reasons why the managers do not delegate authority.

3) Fear of loss of power and importance

The manager may feel that he will lose his power and importance in the organization by delegating authority. This prevents him from delegating authority to his subordinates.

4) Fear of being exposed

The manager may feel that his faulty work methods and procedures may be found out and exposed by his subordinate. This prevents him from delegating authority.

5) Fear of getting outshined

The managers may feel that his subordinate may perform the job better than him and so the subordinates will get quick promotions. In this case, the manager has a fear of getting outshined by his subordinates. Therefore, he does not delegate authority to them.

6) Conservative and cautious approach

Some managers are very conservative and cautious. They do not want to take the risk of their subordinates taking wrong decisions or making mistakes. This prevents them from delegating authority.

7) Lack of self confidence

The manager feels that he can do the job better than his subordinates. Therefore, if he does not have confidence in his subordinate then he will not delegate authority to them.

(II) Obstacles on the part of the subordinate.

1) Lack of information / resources

Sometimes the information, resources, etc. which are required for performing the job are not available. In such cases, the subordinate may not accept delegation.

2) Lack of positive incentives

Some subordinates avoid delegation because of lack of

positive incentives such as higher wages, rewards, bonus, etc.

3) Lack of self confidence

Some subordinates are not confident about their performances. So they do not want to solve problems, take decision, take responsibility, etc. The managers want to delegate authority to them but they do not want it.

4) Trade union directives

Sometimes the trade unions do not allow their members to accept delegation. In such cases, the subordinate will not accept delegation even if they want to.

5) Fear of criticism

Some subordinates feel that they will be criticised if they commit any mistake. Therefore, they do not want delegation.

6) More work load

Some subordinates avoid delegation because it increases their work load.

7) Love for Spoon-feeding

Some subordinates want their superiors to take all the decisions. They do not want to take any decision themselves. Therefore, they avoid delegation.

Check your Progress

1. _____ is the process of dividing the organization into different departments.
2. To _____ authority means to grant or to transfer authority.
3. _____ means the number of subordinates which one superior can supervise effectively.

Explain

1. Obstacles on the part of Subordinate
2. Process of Delegation.
3. Departmentation by Task Force.

Answer the following

1. Departmentation by Function.
2. Span of Control.
3. Difference between Centralization and Decentralization.

Organizational structure can be defined as the overall structure of an organization, and includes the organizational hierarchy, the degree of decentralization, and the level of formalization. The organizational hierarchy is the structure of authority within an organization, and typically reflects the span of control of the managers at different levels. The degree of decentralization is the extent to which an organization is organized into autonomous units, and typically reflects the degree of decision-making power delegated to lower-level managers. The level of formalization is the degree to which an organization is organized and structured according to formal rules and procedures, and typically reflects the level of expertise required to operate the organization.

Large companies typically have a high degree of formalization, while small companies have a lower degree of formalization. Divisional organizations typically have a moderate degree of decentralization, while centralized organizations have a high degree of centralization. The perfect opposite of a centralized organization is a decentralized organization, which has a low degree of formalization and a high degree of decentralization. Making powers reflect the degree to which lower-level managers have the power to make decisions without the approval of a higher-level manager. Unit refers to the smallest organizational unit that can make decisions. The center level is the level at which all lower-level decisions are made.

In a decentralized organization, tasks are delegated to lower-level managers who are then responsible for carrying them out. This allows for a high degree of flexibility and freedom in decision-making. However, this flexibility can also lead to chaos if not handled correctly. Managers at the center level are often unable to see the results of the tasks that have been delegated to lower-level managers, which leads to a lack of confidence. This also makes it difficult to measure the importance of tasks and to determine which ones are worth investing in.

Objectives should be defined at the top level and be easy to understand. Practices should be put in place to make sure that objectives are achieved. Unity should be maintained by ensuring that everyone in the organization follows the same practices. Empowerment should be given to employees so that they can take ownership of their work and make their own decisions. Structure should be designed to allow employees to work in their own departments and to have direct access to the manager. Directions should be given to employees so that they know what is expected of them and how they should go about achieving it.

There is a formal chain followed by a dual chain in most organizations. Work processes are established and followed by employees. Direct supervisors command employees to do their work, but they also require cooperation in order to be effective. Employees work with different priorities and must adhere to performance standards in order to be

successful. Management skills are important in order to keep the organization running smoothly.

A Centralized structure means that a lot of power is concentrated in the hands of a few people. Decentralized structures allow more power to be dispersed among a larger number of people. Management depends on a variety of factors in order to be effective. These factors include the structure of the organization, the government, the span of control, the delegation work, the management skills, and the various factors. Terms such as centralization and decentralization, leadership, and reporting are important elements of an effective organization. The next element is the oversight structure.

3.7 EXERCISES

State whether following statements are True or False :

1. Departmentation creates specialization.
2. In Department by Process method, separate departments are made on the basis of functions.
3. A Centralized structure means that a lot of power is concentrated in the hands of a few people.
4. To delegate authority means to give responsibility.
5. Centralization is implemented when an organization has insufficient control over its management.

Select the most appropriate option from the given :

1. **In line organization, the business activities are divided into following three types**
 - (a) Accounts, Production, Sales
 - (b) Production, Quality, Sales
 - (c) Production, Quality, Maintenance
 - (d) Production, Maintenance, Sales
2. **The process of dividing the work and then grouping them into units and subunits for the purpose of administration is known as**
 - (a) Departmentation
 - (b) Organisation structure
 - (c) Committee
 - (d) All of the above

3. The department can be created

- (a) By function
- (b) By product
- (c) By process
- (d) All of the above

4. Span of controls means that

- (a) By function
- (b) By product
- (c) By process
- (d) All of the above

5. Within an organization, the relationships between people in specialist or advisory positions, and line managers and their subordinates, where the specialist offers a common service throughout all departments of the organization, but has no direct authority over those who make use of the service are called:

- (a) Lateral relationship
- (b) Functional relationship
- (c) Staff relationship
- (d) Line relationship

Write short notes on :

1. Problems in Delegation.
2. Difference between Centralization and Decentralization.
3. Factors affecting Span of Control.
4. Feature of Line Organization.
5. Formal and Informal Organization.

Give brief answers :

1. Elaborate Meaning and Process of Delegation.
2. What is Span of Control? Explain its Features in brief.
3. Illustrate the basis of Departmentation.
4. Discuss Graicunas Theory of Span of Control.
5. Explain Needs and Importance of Line and Staff Organization.

Match the columns :

Column 'A'	Column 'B'
i) Line Organization	a) Number of subordinates which one superior can supervise
ii) Span of Control	b) South Zone
iii) Centralization	c) Simplest and oldest form of internal organization
iv) Delegation	d) Power in few hands
v) Departmentation by Area	e) Assigning work and giving authority

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DIRECTING, LEADERSHIP, CO-ORDINATION AND CONTROLLING

Unit Structure

- 4.0 Objectives
- 4.1 Directing
- 4.2 Nature and Characteristics of Directing
- 4.3 Process of Directing
- 4.4 Leadership
- 4.5 Co-ordination
- 4.6 Controlling
- 4.7 Recent Trends
- 4.8 Summary
- 4.9 Excercise

4.0 OBJECTIVES

After studying the unit the students will be able to:

1. Define the concept of Directing.
2. Understand the characteristics of Directing.
3. Know the process of Directing
4. Explain the different styles and qualities of Good Leader.
5. Illustrate Co-ordination as an essence of Management.
6. Elaborate Controlling and its Process and Techniques
7. Discuss on recent trends like Green Management and CSR

4.1 DIRECTING

4.1.1 DIRECTING – MEANING :

One of the most crucial managerial tasks is directing. The act of directing entails instructing, directing, and motivating members of an organisation to achieve specific goals. It makes sure that everyone in the organisation works productively to achieve the organization's goals. It entails leaders giving their subordinates commands and directions regarding how to carry out the tasks assigned. In order to get the desired action, excellent communication and motivation of the subordinates are required.

The management process is stated to be at its core while directing. Planning, organising, and staffing are useless if the directing function is absent. It is a never-ending process that rises through the organisational hierarchy from the top to the lowest. The task of directing belongs to managers at all levels. They must act as their subordinates' leaders. According to some thinkers, direction is the "Life Spark of an Enterprise."

4.1.2 DEFINITION :

According to Earnest Dale

"Directing is what has to be done and in what manner through dictating the procedure and policies for accomplishing performance standards."

According to Urwick and Brech

"Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real case of responsibilities of management."

4.2 NATURE & CHARACTERISTICS OF DIRECTING

1) CONTINUOUS PROCESS

The act of directing is ongoing. There will always be a need for direction as long as the organisation is around. To complete the work properly and efficiently, managers must give their staff instructions.

2) PERVASIVE FUNCTION

All managers in all organisations, at all levels, perform the directing function in order to get the work done from their subordinates. Every manager offers advice and knowledge to his staff.

3) EXECUTIVE FUNCTION

It is an executive function. A superior must give instructions to a subordinate on how to carry out the organization's plans and policies.

4) STARTS AT THE TOP LEVEL

The role of guiding is performed from the highest level down to the level of subordinates. Each subordinate follows the orders of his own boss.

5) CREATIVE PROGRESS

A creative endeavour is directing. It requires a lot of creative thoughts. Creative thinking is linked to innovative leadership philosophies, the use of cutting-edge communication tools, new methods of supervision, etc.

6) ENABLES COORDINATION

Coordination refers to the right balance or harmony between all of the organization's activities. The managers can coordinate the actions of the staff by giving clear instructions. As a result, collaboration within the company is possible.

7) THE HUMAN FACTOR

In contrast to the other four variables of production—money, machines, material, and methods—directing functions are connected to people. Direction becomes crucial due to the complexity and unpredictability of the human factor.

8) DELEGATE FUNCTION

Delegating tasks to people and giving them the freedom to perform are both aspects of directing. Because human behaviour is unpredictable, it must be trained to work toward the organization's objectives. As a result, managers at all levels must successfully delegate

4.3 PROCESS OF DIRECTING.

1) INITIATES ACTION

Action is started by directing. All other management tasks, such as staffing, organising, and planning, become ineffectual without directing. The direction of the organisation starts every activity. Managers must take the initiative by giving their subordinates orders. It is the task that motivates staff members to work toward achieving objectives.

2) INCLUDES WORK DONE BY EMPLOYEES

The superiors have the ability to lead, encourage, and instruct the workers. Every employee must put forth effort to achieve the goals. Every department's efforts can be connected to and linked with one another through direction.

3) MEANS OF MOTIVATION

Managing requires inspiring subordinates to put in their all in order to contribute to the accomplishment of corporate objectives. People need to be guided in order for the goals to be met. Subordinates who are motivated are more likely to put up their best effort, which ultimately promotes progress.

4) IMPROVED EFFICIENCY

An effective plan increases staff engagement and productivity, which raises work quality and cuts down on waste. While carrying out their duties, employees can embrace new approaches, procedures, and methods. The effectiveness of the staff is improved as a result.

5) PROVIDES BALANCE AND STABILITY

Organizational stability and balance become crucial for long-term survival. Stability and balance are maintained in many sectors of the company through effective leadership, communication, monitoring, and incentive.

6) IMPLEMENTING CHANGES

Making adjustments to the internal and exterior surroundings is aided by the directing function. A manager's job is to make all potential changes, such as those brought on by new technology, production methods, management rules, etc., very evident to their subordinates.

7) TEAMWORK

A company's team spirit can be fostered with the right leadership. Through clear directions, the supervisors can direct the actions of the employees so that they collaborate to produce greater results.

8) ANALYZING PERSONAL POTENTIAL

Every person in the company has some potential and abilities. By inspiring people at the right times, direction enables people to make the best use of their potential. To help his team members accomplish the objectives of the organisation, a good leader must unlock their potential.

9) CO-OPERATION

Within a company, directing makes it easier for various departments and individuals to work together. Complete cooperation is needed from top to bottom when giving instructions and direction to subordinates. Employees are encouraged to develop original concepts, strategies, and plans. Efficiency is impossible without effective teamwork and cooperation.

10) EFFICIENT USE OF RESOURCES

The best utilisation of resources is made possible through directing. The personnel are helped by proper direction, which provides them with instruction and incentive in the right ways, reducing wastage and increasing efficiency. Additionally, it aids in making the best use of human, mechanical, material, methodical, and financial resources.

Check your Progress

1. _____ is the "Life Spark of an Enterprise".
2. Planning, organising, and staffing are useless if the _____ function is absent.

Explain

1. Best utilisation of resources is made possible through directing.
2. Directing provides Balance and Stability.

Answer the following

1. How Directing helps in efficient use of resources?
2. Why Directing is a continuous process?

4.4 LEADERSHIP.

4.4.1 Meaning

The capacity to influence and direct followers or other members of an organisation is referred to as leadership. Making wise — and occasionally challenging — decisions, defining and communicating a clear vision, setting realistic goals, and empowering subordinates with the information and resources they need to reach those goals are all aspects of leadership. Most facets of society, including business, politics, local communities, and nonprofit groups, demand leaders.

An effective leader has the following qualities: self-assurance, excellent communication and management abilities, creative and inventive thinking, perseverance in the face of setbacks, willingness to take chances, openness to change, and composure and quick thinking in emergency situations.

4.4.2 Styles of Leadership

Every manager develops a style in managing the activities. Such styles vary from leader to leader, from situation to situation and from organisation to organisation.

According to **Edwin Flippo**

“Leadership style is a pattern of behaviour designed to integrate organisational and personal interest in pursuit of some objective.”

1) Autocratic Style

An autocrat is someone who makes all decisions alone and demands obedience from those under him. There is no room for subordinates to challenge the superior. In other words, the choice is made by the superior. He makes decisions without consulting his subordinates. He is in charge of the choice. Subordinates and superiors have a formal relationship.

This approach is appropriate when: a) Hasty judgments need to be taken.

b) Because they lack experience, it is pointless to confer with subordinates.

c) The choice has no impact on subordinates.

2) Consultative Approach

This leader is flexible. He invites his staff members to offer thoughts and suggestions. He will accept these recommendations and criticisms if they are sound. As a result, this leader discusses his team before making a choice. But the leader makes the final choice. He therefore accepts full accountability for his choice.

This approach is appropriate - (a) When hasty decisions are not necessary. (b) When the subordinates have gained maturity and experience. (c) When it is absolutely important to consider the advice and criticism of subordinates.

3) Participatory or democratic style

This boss invites his team members to participate in decision-making. The leader does not make the ultimate decision by himself. The group, which consists of the leader and his followers, takes it. The leader allows his followers complete freedom to use their skills. They are loyal to him because he is loyal to them. They happily carry out his directions. They truly respect him, they say. This approach is appropriate (a) when collective decisions are necessary. (b) When there is a chance that one set of followers may object. (c) When the followers have gained maturity and experience.

4) Laissez-Faire fashion

This leader is uninterested. He just serves as a point of contact. He gives his subordinates resources and information. He thinks that if the subordinates are left alone, they will function most effectively. He thereby grants them total autonomy to make their own decisions. He gives them the freedom to organise and arrange their own job. He gives them the freedom to make their own plans and find their own solutions. When the leader is not ambitious, this leadership style is appropriate. (a) If the subordinates have advanced degrees. (c) When the employees are committed to their work.

5) Intellectual Or Functional Leader

This leader is an expert in his field and possesses technical knowledge and real-world experience. He possesses intelligence, skill, etc. He doesn't bother his staff members needlessly, and he prefers not to be bothered until they are working. He places a higher value on morals and ethics. If he is asked to do something that goes against his ideals, he might even quit his work. He cares deeply about his staff. Under

his direction, the organisation functions flawlessly. The subordinates are ready to heed his instructions.

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6) Bureaucratic Leader

This leader complies with all organisational regulations and formalities. He disbelieves in novel concepts. He expects his employees to obey all of his directives. This approach leads to unnecessary paperwork and red tape.

7) Neurocratic Leader

The leader here is very task-focused. He will stop at nothing to complete the task. If there is any failure, he becomes really upset. He exhibits a lot of emotion and is also peculiar. He makes decisions without consulting his subordinate. He makes decisions on his own.

8) Paternalistic Approach

This leader fosters a familial environment within the company. He treats his employees like children, offering counsel, direction, and assistance with personal issues. In a small company with just one CEO and few staff, this type of leadership will work well.

9) Sociocratic Approach

This leader tries to manage the group in the same manner as a social club. He places more value on good company and friendship and places less value on output. This indicates that he makes an effort to keep his employees happy. Thus, he fosters a friendly and positive social atmosphere.

10) The Situational Style.

This leader employs various approaches depending on the circumstance. i.e., he adapts his style to the circumstance. He will exhibit different leadership styles from time to time, such as autocratic, consultative, participatory, etc. These days, the majority of managers operate in this manner.

4.4.3 Qualities of Good Leader

A successful leader is one who can guide others without having them recognise that he is doing it. He needs both heart and mind qualities for all of this. Such qualities are as under -

1) Information and human abilities

To understand others, a leader needs to have strong interpersonal skills. The leader must be well-versed in human skills because he deals with his followers on a daily basis.

2) Innovative

A leader needs to be creative. Being imaginative is necessary to create fresh concepts or novel approaches to daily tasks.

3) Patience

A leader should have the patience to make thoughtful decisions rather than rash ones. He also needs patience to hear the concerns, criticisms, and perspectives of his supporters.

4) Good personality

Physical, mental, and social characteristics make up one's personality. An advantage to a leader is a positive personality, thus having one is necessary.

5) Effective communication

Good communicators make for good leaders. He should make sure that his followers have a clear understanding of his directives before giving them orders and instructions.

6) Good judgement

A leader needs to be able to make sound judgments in certain circumstances. He can act as the arbitrator and settle conflicts whenever they arise among his followers.

7) Administration abilities

The leader must also possess strong administrative abilities. He ought to be able to organise, plan, lead, and exercise control.

8) Intelligence

A leader needs to be smart. He ought to have solid academic or technical credentials. He ought to be smarter than his adherents.

9) Discipline

A disciplined person makes for an effective leader. A leader who practises discipline is frequently dedicated to the goals of the organisation. In the alternative, he might pursue his own self-interest.

10) Coach and guide

To direct his team members' efforts, the leader should take on the roles of a coach and a mentor.

11) Self confidence

The ability to solve difficulties and deal with difficult circumstances depends on the leader's confidence.

12) Initiative

Initiative is a feature that leaders need to possess. This indicates that he must act appropriately at the appropriate time without direction from his boss.

Check your Progress

1. In _____ style of Leadership there is no room for subordinates to challenge the superior.
2. _____ leader tries to manage the group in the same manner as a social club.

Explain

1. Functional Leader has technical knowledge.
2. Discipline is essential element for a leader.

Answer the following

1. What is Neurocratic Leader?
2. How Democratic Style is different from Autocratic Leadership?

4.5 CO-ORDINATION.

Creating harmony between organisational departments and integrating group efforts are both aspects of coordination. Coordination in the modern business environment refers to the process of bending the actions of multiple departments, sectors, and employees in order to achieve the intended goals. The division of labour theory serves as the cornerstone of contemporary company management. Organizational tasks are broken down into various departments, including manufacturing, purchasing, sales, and finance. Various sections and sub section units are further separated into these departments. All of these require effective activity synchronisation in order to prevent repetition, omission, and delays. Coordination is appropriately regarded as the foundation of management.

4.5.1 DEFINITIONS.

1) Henry Fayol :

“Co-ordination is an act to harmonies all the activities of a concern so as to facilitate its working and its success”.

2) Koontz and O'Donnell :

“Co-ordination is essence of management for the achievement of harmony of individual efforts towards the accomplishment of group goals”.

4.5.2 FEATURES / CHARACTERISTICS OF CO-ORDINATION

1) ONGOING PROCESS

Continual coordination is required. Activities would continue for as long as the organisation was in existence. It is therefore necessary for the management to coordinate the organization's actions.

2) MANAGEMENT'S ESSENCE

The foundation of management is coordination. In order to be effective, management functions must be coordinated. Planning is one area where coordination is required. Plans made by departmental or middle management must be coordinated by the top management.

3) COLLABORATION

When there is group activity, coordination is necessary. If you're engaging in individual activity, coordination is not necessary. There is no need to coordinate the activities if one person completes the task alone. Coordination arises only when there is group activity. This is because; the work of one person in the group needs to be coordinated with other persons in the group.

4) AIMS AT ACHIEVING COMMON OBJECTIVES

Co-ordination is linked with a common purpose. The primary aim of co-ordination is to achieve a definite objective with the help of joint efforts put together within the time limit fixed by the top management.

5) PERVASIVE FUNCTION

Co-ordination is essential at all levels of management and in all areas of a business. The nature of coordination is such that it may be used by everyone, from upper-level managers to lower-level employees.

6) THE DIFFERENCE BETWEEN CO-ORDINATION AND CO-OPERATION

Cooperation and coordination are not synonymous. In order to cooperate, individuals must be willing to support or agree with one another. Cooperation between managers and non-managers is possible. However, managers' role in coordination is to try to connect the actions of their subordinates. The extent of coordination is greater than that of collaboration.

7) RESPONSIBILITY

Every manager has a duty to ensure that his employees are carrying out the tasks assigned to them. This will guarantee that the demands of the other related departments are met. Thus, progress toward the organization's common aim is made without difficulty.

4.5.3 IMPORTANCE OF CO-ORDINATION

1) OPTIMUM UTILISATION OF RESOURCES

All of the organization's resources are brought together with the aid of coordination. It assists in maximising the use of both human and

non-human resources while achieving the organization's goals. Reduced resource waste within the organisation is another benefit of coordination.

2) UNITY OF DIRECTION

The actions and activities of every employee in the organisation are brought into harmony through coordination. The efforts of everyone in the organisation are directed in the same direction by managers. The organization's operations become more harmonious as a result.

3) INCREASE EFFICIENCY

Costs and returns are two ways to measure efficiency. High returns and low costs as a result of optimal resource usage lead to higher efficiency. Therefore, coordination results in high efficiency.

4) GOOD CORPORATE IMAGE

Higher efficiency translates into lower expenses and greater sales, which increase returns. As a result, market share prices increase. This enhances the organization's positive reputation in the business world.

5) IMPROVE HUMAN RELATIONS

Good relationships between an organization's upper-level, middle-level, and lower-level employees are developed through coordination. There is always a dependency between one person and another, for example, the sales department must depend on the production department, and so forth. Therefore, coordination not only aids in the employees' achievement of their goals but also enhances their interpersonal relationships.

6) INTEGRATION OF GROUP EFFORTS

Integrating team efforts is a key component of coordination. Because different members may have a tendency to work independently of one another in the absence of coordination, the organisation would be confused and disordered and unable to achieve its goals. Coordination is therefore a necessary component of management in order to combine team activities in order to achieve the goals.

7) CREATIVE FORCE

All employees work together as a team and not individually to coordinate with one another and form a creative force in an organisation in order to accomplish the desired objectives. A company can overcome its constraints and accomplish its goals by combining the efforts of all of its personnel.

8) SPECIALIZATION

The organization's departments are each led by a department head who is an expert in their respective professions. The organisation may

be able to achieve its goals as intended with the help of coordination among these specialist professionals.

9) COMPLETION OF OBJECTIVES

Coordination greatly reduces wastage, delays, and other organisational issues. Coordination makes sure that an organisation operates efficiently while working toward its goals.

10) SUPPORTS MOTIVATION

Employee initiative, inventiveness, and improved performance are all made possible by coordination. The company rewards the staff with monetary and non-monetary incentives as a result of this motivating them. Additionally, employees receive motivation to perform at their highest level in order to meet organisational goals and feel satisfied in their work.

4.6 CONTROLLING

Every manager's basic job is to exercise control. Control refers to making sure that each activity is carried out as the manager has intended. Planning is the first step in the management process, while controlling is the last. The manager keeps an eye on how well the planning, organising, staffing, and directing functions are performing in terms of achieving the goals that have been set.

Modern notions define control as anticipating action, as opposed to the earlier notion of control, which was utilised when faults were discovered. Setting goals, gauging actual performance, and taking corrective action are all aspects of management control. The control process includes:

- Fixation of standards
- Measurement of Actual performance
- Comparison of actual performance with standards
- Analyzing reason for deviation
- Taking corrective actions.

4.6.1 DEFINITION

1. According to Philip Kotler:

“Control is the process of taking steps to bring actual results and desired results closer together”.

2. According to Harold Koontz:

“Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished”.

4.6.2 PROCESS AND TECHNIQUE OF CONTROLLING STEPS IN CONTROL PROCESS / CONTROLLING PROCESS

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The control process consists of the following steps -

1) Setting targets

While planning, managers fix targets that are to be achieved by individuals/departments. The targets are set after due consideration. Targets should be challenging ones and at the same time attainable.

Specific targets are generally set for a definite period. For e.g. the marketing department may set the target to sell 10,000 units of a product during the month of March, 2002.

2) Implementation of targets

Activities are directed to achieve the planned targets. Necessary policies and programmes are developed to achieve the targets. The manager makes arrangement of required resources. All the activities are directed towards the accomplishment of the planned targets. Undesirable activities are avoided.

3) Measurement of performance

Performance of individuals/departments is measured periodically. Necessary reports or tables are prepared to indicate the performance of individuals. The reports may be prepared section-wise, activity-wise and period-wise.

4) Comparing performance with plans

The actual performance is then compared against the planned targets. By comparing, the manager can find out the shortfalls or deviations. For e.g. the actual performance may be sale of 9,000 units of the product in the month of March, 2002. Thus, the shortfall is 1,000 units (10,000 - 9,000).

5) Finding the causes of deviations

The manager may study the causes of deviations, especially, when there are negative deviations. For e.g., there can be shortfall in sales. This may be due to any or many of the following reasons- a) Poor advertising campaign. b) Poor dealer relationships. c) Problems with the quality of product. d) Problem with the pricing of the product. e) Problem with the distribution of the product. f) Better marketing strategies of the competitors, etc.

6) Listing out corrective measures

The next step would be to list out the various corrective measures to correct the deviations. For e.g. to correct shortfall in sales, the corrective measures can be such as - (a) Corrective Measure-I - to increase advertising (b) Corrective Measure - II - to improve

quality (c) Corrective Measure - III - to increase dealers incentives, etc.

7) Selecting and implementing corrective measures

Once, a list of corrective measures is prepared, the manager makes a cost benefit analysis of the corrective measures. He then selects the best feasible corrective steps. The measures are then implemented.

8) Review or follow up

The manager needs to review the corrective measures to find out whether the corrective measures taken are in a position to correct the deviations. If necessary, additional corrective measures may be taken or the targets may be set again.

TECHNIQUES OF CONTROLLING:

A. Budgetary control

Budgets are statements of anticipated results. They can be expressed either in monetary terms such as in case of revenue and expense budgets, or in non-monetary terms such as in the case of physical sales volume or production volume.

Budgets can be used to control activities. The actual performance can be compared against the budgeted performance. If required control measures can be undertaken to correct deviations. There are various types of budgets such as cash budget, capital expenditure budget, advertising budget, etc.

ADVANTAGES:

1. Budgets help to make arrangement of resources- physical, human and financial, so as to complete the various activities in the organization.
2. Budgets are means of coordination of activities in the organization. The interaction between managers and subordinates that takes place during the budget process helps to define and integrate the activities of an organization members.
3. Budgets can influence the behaviour and motivation of the employees to perform the activities as per budgeted targets.
4. Budgetary control follows the principle of control by exception. The subordinates report only exceptional deviation to their superior, and as such the superiors can concentrate on significant deviation.
5. Budget facilitates delegation of authority to lower levels without loss of control, as the targets to be achieved are clearly specified.
6. Budget facilitates performance appraisal of the employees. The actual performance can be compared against budgeted targets to appraise the employees.

7. Budget helps not in organizing resources, but also in providing necessary direction to the employees so that they work effectively to accomplish organizational goals.
8. Budget help to control costs and expenses. The employees would try to make every possible effort to reduce costs and expenses.

B. Management audit :

Management audit refers to the systematic evaluation of the functioning, performance and effectiveness of management of an organization. The management audit is conducted by a team of experts. The team collects relevant data from management, employees, customers, dealers, suppliers and others. The data is in respect of various decisions and actions and their implication on the concerned parties and on the performance of the organization. The data so collected is analyzed and conclusions are drawn in respect of the performance of the management.

The objective of management audit is to assess objectively the performance of the management. It enables the management to know the areas of their strengths and weakness. It helps the management to correct their weaknesses and consolidate their strengths. In other words, the management audit helps the management to improve the processes and practices of management in the organization.

Areas covered under management audit:

- The plans, policies, procedure, programmes, and techniques adopted by the management in the conduct of their activities.
- The quality of managerial decisions and their impact on the performance and people of the organization.
- The performance of various functional areas such as marketing, finance, production, personnel and other areas.
- The management of physical, human and financial resources of the organization.
- The work culture of the organization, whether or not it is conducive for the efficient conduct of activities.
- The structure of the organization-the various relationships in the organization.
- The environment affecting the performance of the organization.
- The process of management, including planning, organizing, directing and controlling.

C. PERT AND CPM

The techniques of PERT and CPM were developed in USA during the late 1950s in order to plan control activities.

PERT- Programme Evaluation Review Technique was developed by the special projects office of the U.S. Navy. It was first formally applied to the planning and control of the Polaris Weapon system in 1958. This technique helps to expedite highly complex projects.

CPM- Critical Path Method was developed by Du Pont Company for the purpose of scheduling. The PERT and CPM techniques are based on the principles. The only difference is that:

- CPM is based on a single estimate of time required for the completion of activities. The CPM technique is used for projects like construction and maintenance projects.
- PERT is based on expected completion time, computed from three estimates of time - the optimistic time, the pessimistic time and the most likely time. The PERT technique can be used for more complicated projects like engineering and tooling projects.

PERT and CPM breaks down projects into events and activities and then carefully follows them. It is a time-event network analysis system. The various events in a project are identified with a planned time estimate for each event. These events are placed in a network showing the relationship of each event to the other events of the project.

PERT and CPM techniques can be used for planning scheduling and executing large projects, which involves a number of interrelated activities. PERT and CPM helps to plan and control both time and cost of the projects. The following are the steps involved in PERT and CPM:

- Listing of all the activities related to the project.
- Determining the time estimates for each and every activity of the projects.
- Determining the critical path, i.e., the activity that takes the longest time.
- Monitoring the particular sequence of activities on the critical path so as to ensure that the total project gets completed as per the schedule.
- Follow-up after the completion of the project to know its success rate, and also to know whether or not certain activities of the projects could have been speeded up, which could have led to the completion of the project much earlier than otherwise.

4.6.3 NEED AND IMPORTANCE OF CONTROLLING

1) ACHIEVING THE OBJECTIVES

Plans are created within the organisation to specify the numerous tasks that must be completed in order to achieve the organisational goal. The controlling role makes sure that all organisational

operations are carried out in accordance with the plans, and if there is any deviation, prompt action is taken to put the activities back on the planned course. The organisational aim can be successfully accomplished when all of the operations are carried out as planned.

2) FACILITATES CO-ORDINATION

Coordination between the many sections of the organisation is made easier through control. The various departments work together to take coordinated remedial action whenever there are any abnormalities. This is so that control systems can focus on a manager's ultimate accountability and obligation in addition to his operational responsibilities. All departments must coordinate with one another, and all departmental supervisors are dependent on one another.

3) IMPROVING EMPLOYEE MOTIVATION

A sound control system makes sure that staff members are aware of their responsibilities and the required levels of performance well in advance. When the organisational goals are met, rewards in the form of monetary and non-monetary incentives are given. The employees' performance improves as a result of this motivation.

4) CORPORATE IMAGE

Controlling processes helps the organisation operate better overall. The firm measures its progress in terms of planned criteria and actual performance; if there is any divergence, corrective actions are taken in order to attain the expected results. This enhances the company's reputation and generates goodwill for the enterprise.

5) MINIMISES WASTAGES

Small mistakes or errors may not have a significant impact on the organisation, but if they happen regularly, it becomes a big issue. By performing constant monitoring and checking, an efficient control system helps to reduce errors and mistakes.

6) OPTIMUM UTILISATION OF RESOURCES

A manager reduces resource wastage and spoilage by employing control strategies. This makes sure that resources are used as effectively and efficiently as possible to meet corporate goals.

7) ORGANIZATIONAL EFFICIENCY AND EFFECTIVENESS

Organizational effectiveness and efficiency are guaranteed by proper control. The effectiveness of the organisation is ensured by controllable factors including holding managers accountable, inspiring them to perform better, and attaining coordination in their performance. If a company can accomplish its desired goals, it is effective.

8) ACCURACY OF STANDARDS

A strong control system aids management in determining whether or not the standards set are accurate. An effective control system helps to assess standards in light of changes in the organisation by keeping a close eye on changes that are occurring there.

9) ENSURES ORDER AND DISCIPLINE

An organization's controlling function establishes order and discipline. It contributes to a decrease in unruly employee conduct. Under this approach, the relevant authorities conduct routine inspections and take preventive measures to stop any deviations from the predetermined targets.

10) PHYSICAL PRESSURE

Control pressure puts people under psychological pressure to do better. The targets set for them are used to evaluate their performance. Since everyone is aware that their performance will be judged, they are inclined to give it their best effort. Additionally, they could feel pressure to perform to the standard set for them.

Check your Progress

1. Creating harmony between organisational departments and integrating group efforts are both aspects of _____.
2. _____ refers to making sure that each activity is carried out as the manager has intended.

Explain

1. Integration of Group efforts.
2. Action oriented process.

Answer the following

1. *How Controlling minimizes wastage?*
2. *Coordination supports Motivation?*

4.7 RECENT TRENDS.

4.7.1 GREEN MANAGEMENT

The goal of green management is to continuously improve the fundamental elements of environmental management, including biodiversity preservation, the training of staff members responsible for environmental activities, the environment management system, and environmental communication.

Green business management is not a term used to describe a new management approach. It explains how businesses are built. a company operating in a way that has no detrimental effects on the community, the economy, the environment, either locally or globally. a company that aims to achieve the triple bottom line Businesses frequently have progressive human rights and environmental practices. A green company will also implement progressive laws that concern human rights. These companies employ values, rules, and procedures that enhance their customers' quality of life for their customer's employees and environment.

Evolution:

The first green party was founded in Germany in the late 1970s, marking the beginning of the green movement and green policies. The German word "Grun" is translated to "green" in English. Green politics promoted ecological, environmental, feminist, conservationist, and peace-related causes. The pillar of the green politics concept, human responsibility to make the proper moral decisions, is thought to have been championed and urged by Mahatma Gandhi, Spinoza, and Uexkull.

Importance of Green Business Management:

1. **Healthier Workplace:** Businesses that support a healthy work environment should see a reduction in the number of sick days taken by staff. As a result, businesses gain from higher productivity and lower medical benefit costs.
2. **Less Waste:** Green management also aims to lessen the waste of materials, water, and energy. Reduce the amount of materials going to landfills during Phase 1 of the construction. Human faces can be collected at the source and fed into a semi-centralized bio-gas plant along with other biological waste to create liquid fertilizer.
3. **Cost savings:** Businesses that put a strong emphasis on lowering energy use benefit the environment while also spending less money on energy. By implementing easy measures like turning off lights and fans when they are not in use, smaller businesses can also benefit from lower energy expenditures.
4. **More Business Opportunities:** Some governmental organizations, for-profit companies, and nonprofit organizations only allow enterprises that adhere to certain environmental criteria to submit bids for their contracts. Not all requirements are imposed by the government; instead, the office of management and budget advises federal agencies to look for businesses that voluntarily adhere to these standards rather than those imposed by the government.
5. **A better public image:** Businesses can implement a green project at any time. Businesses might exploit the occasion to build favorable public relations. To entice customers that choose green products, they can also feature green initiatives on product packaging, commercials, and marketing materials.

Types of Green Management:

1. **Green supply chain management (GSCM):** This entails material substitution, recycling, and repurchasing. This idea has gained popularity because consumers care about environmental betterment, which motivates suppliers to provide environmentally friendly goods.
2. **Green Product:** By using this method of production, we could lower all environmental pollution that is harmful and lower the price from the beginning of the process to the finished product.
3. **Green Research and Development:** The consumer may only be given an appropriate product with adequate research and development.
4. **Green Human Resource Management:** It is based on the preservation of the environment and the green environment. The phrase "human resource" relates to how human resource practices and policies contribute to the larger business environment agendas of protection and prevention and conservation of natural resources.
5. **Green Marketing:** Green Marketing is the promotion of products that are thought to be safe for the environment. Green marketing encompasses a wide range of initiatives, such as product adjustments, production process improvements, packaging changes, etc.

4.7.2 CORPORATE SOCIAL RESPONSIBILITY (CSR):

In the business world, there is a concept known as corporate social responsibility (CSR). CSR is the practice of a company engaging in actions and initiatives that improve the social and environmental conditions of its community, workplace, or environment. In order to ensure that their CSR efforts have the desired impact, many companies make a strong commitment to engaging in a variety of activities. Some of the most common CSR activities include: donating money to charitable organizations, sponsoring environmental or social causes, providing social welfare services, and investing in renewable energy. While each of these activities has its own unique benefits, collectively they can have a significant impact on public expectations of how businesses should behave. Aspects of CSR that can be particularly challenging for companies to manage include transparency and accountability.

Corporate social responsibility (CSR) is an umbrella term that refers to a company's efforts to be responsible both to its shareholders and to society as a whole. Corporate social responsibility initiatives may focus on a specific goal, such as increasing shareholder value, improving the environment, or contributing to social causes. Many companies have social responsibility goals, but not all have a system in place to measure or track their social impact. A company's social impact can be measured in a variety of ways, including through surveys of customers, employees, and the public; through analysis of financial data; and through observation of how the company operates in the community. The objectives of a company's CSR efforts should be aligned with its business objectives.

A public authority, such as a government or a non-profit organization, has an important role in promoting corporate social responsibility. Businesses can play a role by initiating and supporting CSR initiatives, by advocating for change, and by educating their employees and the public. Friendly practices, such as providing benefits to employees and customers who volunteer their time, are important ways companies can practice CSR. Ways companies can practice CSR vary, but common strategies include reducing environmental impact, promoting transparency and accountability, and engaging in community engagement. Many corporate CSR initiatives are launched by businesses in response to public concerns or regulations. Main examples of corporate CSR strategies include developing sustainability goals, investing in employee volunteer programs, and creating charitable donations programs.

Corporate social responsibility (CSR) is a term used to describe a company's efforts to improve the welfare of people and the environment. CSR is not just an ethical concern; it is an important element of a company's competitive strategy. The triple bottom line—financial, social, and environmental—is a framework for understanding and pursuing CSR. The three pillars of the triple bottom line are interconnected and mutually supportive. Social responsibility has a positive impact on the bottom line, because it creates trust and credibility with customers, employees, and the general public. It also creates a sense of community within a company and enhances the company's image. Environmental impact is one of the key factors that companies must consider when pursuing social responsibility. Green practices can have a positive impact on the environment, not just in the short term but also over the long term. By taking these factors into account, companies can develop sustainable business practices that protect both the environment and their own bottom line.

4.8 SUMMARY

Directing means directing the overall operations of an organization. This includes setting the overall objectives and direction for the organization and ensuring that the organization's goals are met. Leadership: leadership is the ability to lead and motivate others to achieve organizational objectives. It includes the ability to set direction, inspire others, and provide guidance.

Co-ordination on the other hand relates to co-ordinating the activities of individuals and groups to achieve organizational objectives. Controlling: controlling the financial and operational resources of an organization to achieve its objectives.

A functional manager is responsible for the efficient and effective operation of a specific part of the organization. The line manager is responsible for the supervision of employees in a specific line of work. A products manager is responsible for the selection, development, and marketing of products. A project manager is responsible for the management of projects. A responsibility is a specific task or assignment.

A work plan is a plan of action detailing the tasks that will be completed during a specific stage of the management cycle. The next phase is the next step in the management cycle.

The environmental conditions of a company can be directed, led, coordinated, controlled, and monitored through attention to business processes and response to information systems. Attention to business processes includes forecasting future conditions and ensuring that the company responds to changes in the environment. Information systems can be used to monitor and control environmental conditions.

Prudent management includes attention to the least efficient activity in order to support the production manager's goal of maximizing production. Factoring in the least efficient activity allows the production manager to direct company resources to the most efficient activity. This method of control is direct control.

Top managers direct, lead, and coordinate the work of subordinate managers by providing authoritative destinations for their work. Managers use management correspondence to communicate with subordinates and to monitor their work. In order to provide effective and efficient directions, leaders must have a good understanding of their organization's strategy. Leaders also need to be effective team managers and have a good understanding of their particular function.

Corporate social responsibility (CSR) is the practice of taking responsibility for one's own social and environmental impacts within the boundaries of business operations. Responsibility principles are the guidelines for responsible action. Everyday activities are the activities that businesses undertake to meet their responsibility principles. Scientific literature is a repository of information on social and environmental issues. Corporate citizenship is the practice of promoting responsible action by corporations.

4.9 EXERCISES

State whether following statements are True or False :

1. All managers in all organisations, at all levels, perform the controlling function in order to get the work done from their subordinates.
2. Delegating tasks to people and giving them the freedom to perform are both aspects of directing.
3. The capacity to influence and direct followers or other members of an organisation is referred to as Coordination.
4. Control refers to making sure that each activity is carried out as the manager has intended.

5. Higher efficiency translates into higher expenses and greater sales, which increase returns.

Select the most appropriate option from the given :

1. Which of the following is the elements of directing?
 - (a) Supervision
 - (b) Motivation
 - (c) Leadership
 - (d) All of the above
2. _____ is the process of influencing the behaviour of people making them strive voluntarily towards achievement of goals
 - (a) Motivation
 - (b) Communication
 - (c) Leadership
 - (d) Directing
3. "Planning is theoretical whereas controlling is practical"
 - (a) True
 - (b) False
 - (c) Cannot say
4. Coordination is _____.
 - (a) The essence of management.
 - (b) An objective of management.
 - (c) A social objective.
 - (d) A management function.
5. CSR is applicable to :
 - (a) Private Sector
 - (b) Public Sector
 - (c) NGO
 - (d) Private & Public Sector both

Write short notes on :

1. Process of Directing.

2. Types of Green Management.
3. Qualities of a Good Leader.
4. Importance of Coordination.
5. Corporate Social Responsibility.

Give brief answers :

1. Elaborate are the different styles of Leadership?
2. Define Co-ordination and explain its Features.
3. Illustrate Nature and Characteristics of Directing?
4. Discuss Evolution and Importance of Green Management.
5. Explain Needs and Importance of Controlling?

Match the columns :

Column 'A'	Column 'B'
i) Co-ordinating	a) Collaboration
ii) Leadership Style	b) Monitoring actual performance
iii) CSR	c) Giving instructions to people
iv) Directing	d) Responsible for Shareholders & Society
v) Controlling	e) Autocrat
