

SYLLABUS

B.Com II SEM (Hons.)

Subject – FUNDAMENTALS OF MANAGEMENT

UNIT – I	Management: Meaning, concept, nature, importance process, functions, levels, functional areas, managerial skills.
UNIT – II	Development of management thought: Natures, importance of management, principles, Fayol’s principal of management and other important principles of management, management by objective, management by Exception.
UNIT – III	Planning, coordinator, decision making, organization, authority delegation & Centralization. Decentralization.
UNIT – IV	Direction, Motivation, leadership, communication.
UNIT – V	Controlling: Concepts, process, importance, techniques of control, limitations.

Unit – I

NATURE AND SCOPE OF MANAGEMENT

Learning Objectives

- Definition of Management
- Concepts of Management
- Role and Importance of Management
- Distinction between Management and Administration
- Levels of Management
- Nature of Management
- Professionalization of Management
- Skills of Management
- Scope of Management

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfil individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg., family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation.

Management—Principles and Practices

1.1 DEFINITION OF MANAGEMENT

It is very difficult to give a precise definition of the term 'management'. Different scholars from different disciplines view and interpret management from their own angles. The economists consider management as a resource like land, labour, capital and organisation. The bureaucrats look upon it as a system of authority to achieve business goals. The sociologists consider managers as a part of the class elite in the society.

The definitions by some of the leading management thinkers and practitioners are given below:

- (i) Management consists in guiding human and physical resources into dynamic, hard-hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service
—Lawrence A. Appley
- (ii) Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives.
—Henry L. Sisk.
- (iii) Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective.
—James L. Lundy
- (iv) Management is the art and science of organising and directing human efforts applied to control the forces and utilise the materials of nature for the benefit of man.
—American Society of Mechanical Engineers
- (v) Management is the creation and maintenance of an internal environment in an enterprise where

individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals.

—Harold Koontz and Cyrill O'Donnell

(vi) Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

—F.W. Taylor

(vii) To manage is to forecast and to plan, to organise to command, to coordinate and to control.

—Henry Fayol

(viii) Management is the function of executive leadership anywhere.

—Ralph C. Davis

(ix) Management is concerned with seeing that the job gets done; its tasks all centre on planning and guiding the operations that are going on in the enterprise.

—E.F.L. Breach

(x) Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

George R. Terry

(xi) Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service.

—American Management Association

(xii) Management is a multipurpose organ that manage a business and manages Managers and manages Workers and work.

—Peter Drucker

1.2 CONCEPTS OF MANAGEMENT

The term management has been interpreted in several ways; some of which are given below:

Management as an Activity

Management is an activity just like playing, studying, teaching etc. As an activity management has been defined as the art of getting things done through the efforts of other people. Management is a group activity wherein managers do to achieve the objectives of the group. The activities of management are:

Interpersonal activities

Decisional activities

Informative activities

Management as a Process

Management is considered a process because it involves a series of interrelated functions. It consists of getting the objectives of an organisation and taking steps to achieve objectives. The management process includes planning, organising, staffing, directing and controlling functions.

Management as a process has the following implications:

- (i) *Social Process*: Management involves interactions among people. Goals can be achieved only when relations between people are productive. Human factor is the most important part of the management.
- (ii) *Integrated Process*: Management brings human, physical and financial resources together to put into effort. Management also integrates human efforts so as to maintain harmony among them.
- (iii) *Continuous Process*: Management involves continuous identify-ing and solving problems. It is repeated every now and then till the goal is achieved.

(iv) *Interactive process*: Managerial functions are contained within each other. For example, when a manager prepares plans, he is also laying down standards for control.

Management as an Economic Resource

Like land, labour and capital, management is an important factor of production. Management occupies the central place among productive factors as it combines and coordinates all other resources. This is shown in Fig. 1.1.

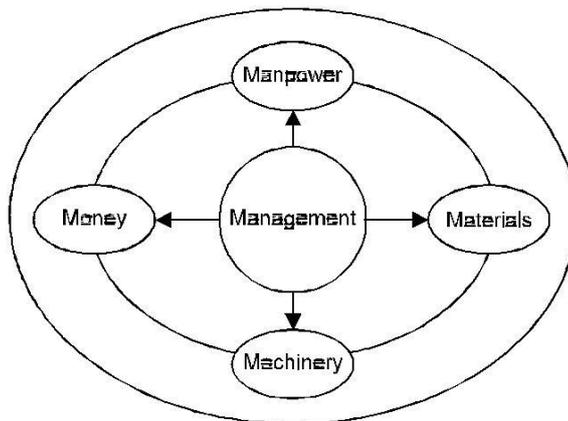


Fig. 1.1 Management as resource

Management as a Team

As a group of persons, management consists of all those who have the responsibility of guiding and coordinating the efforts of other persons. These persons are called as managers who operate at different levels of authority (top, middle, operating). Some of these managers have ownership stake in their firms while others have become managers by virtue of their training and experience. Civil servants and defence personnel who manage public sector undertakings are also part of the management team. As a group managers have become an elite class in society occupying positions with enormous power and prestige.

Management as an Academic Discipline

Management has emerged as a specialised branch of knowledge. It comprises principles and practices for effective management of organisations. Management has become as very popular field of study as is evident from the great rush for admission into institutes of management. Management offers a very rewarding and challenging career.

Management as a Group

Management means the group of persons occupying managerial positions. It refers to all those individuals who perform managerial functions. All the managers, e.g., chief executive (managing director), departmental heads, supervisors and so on are collectively known as management.

For example, when one remarks that the management of Reliance Industries Ltd. is good, he is referring to the persons who are managing the company. There are several types of managers which are listed as under.

- (i) Family managers who have become managers by virtue of their being owners or relatives of the owners of a company.
- (ii) Professional managers who have been appointed on account of their degree or diploma in management.
- (iii) Civil Servants who manage public sector undertakings.

Managers have become a very powerful and respected group in modern society. This is because the senior managers of companies take decisions that affect the lives of a large number of people. For example, if the managers of Reliance Industries Limited decide to expand production it will create job for thousands of people. Managers also help to improve the social life of the public and the economic progress of the country. Senior managers also enjoy a high standard of living in society. They have, therefore, become an elite group in the society.

Nature and Characteristics of Management

The salient features which highlight the nature of management are as follows:

- (i) *Management is goal-oriented:* Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.
- (ii) *Management is universal:* Management is an essential element of every organised activity irrespective of the size or type of activity.

Wherever two or more persons are engaged in working for a common goal, management is necessary. All types of organisations, e.g., family, club, university, government, army, cricket team or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organised effort. Managers at all levels perform the same basic functions.

- (iii) *Management is an Integrative Force:* The essence of management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organisational goals. As a unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.
- (iv) *Management is a Social Process:* Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".
- (v) *Management is multidisciplinary:* Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.
- (vi) *Management is a continuous Process:* Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.
- (vii) *Management is Intangible:* Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.
- (viii) *Management is an Art as well as Science:* It contains a systematic body of theoretical knowledge

and it also involves the practical application of such knowledge. Management is also a discipline involving specialised training and an ethical code arising out of its social obligations.

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

Objectives of Management

The objectives of management are narrated as under.

- (i) *Organisational objectives*: Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include:
 - (a) Reasonable profits so as to give a fair return on the capital invested in business
 - (b) Survival and solvency of the business, i.e., continuity.
 - (c) Growth and expansion of the enterprise
 - (d) Improving the goodwill or reputation of the enterprise.
- (ii) *Personal objectives*: An organisation consists of several persons who have their own objectives. These objectives are as follows:
 - (a) Fair remuneration for work performed
 - (b) Reasonable working conditions
 - (c) Opportunities for training and development
 - (d) Participation in management and prosperity of the enter-prise
 - (e) Reasonable security of service.
- (iii) *Social objectives*: Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below:
 - (a) Quality of goods and services at fair price to consumers.
 - (b) Honest and prompt payment of taxes to the Government.
 - (c) Conservation of environment and natural resources.
 - (d) Fair dealings with suppliers, dealers and competitors.
 - (e) Preservation of ethical values of the society.

1.3 ROLE AND IMPORTANCE OF MANAGEMENT

Management is indispensable for the successful functioning of every organisation. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every business needs repeated stimulus which can only be provided by management. According to Peter Drucker, “management is a dynamic life giving element in an organisation, without it the resources of production remain mere resources and never become production”.

The importance of management has been highlighted clearly in the following points:

- (i) *Achievement of group goals*: A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.
- (ii) *Optimum utilization of resources*: Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest

productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they can make the best use of the available resources.

- (iii) *Minimisation of cost:* In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.
- (iv) *Survival and growth:* Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.
- (v) *Generation of employment:* By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.
- (vi) *Development of the nation:* Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

1.4 DISTINCTION BETWEEN MANAGEMENT AND ADMINISTRATION

There has been a controversy on the use of these two terms—management and administration. Many experts make no distinction between administration and management and use them as synonyms. Several American writers consider them as two distinct functions.

The management experts like Elbourne, Unwick and Mary Follett regarded ‘administration’ and ‘management’ as synonymous and use them interchangeably in their works. But Schuze and Sheldon found distinction between these two concepts. According to them the distinction is important to clearly understand the role of people in administrative positions versus those in managerial positions.

Oliver Sheldon in his “The Philosophy of Management” defines ‘Administration as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organisation, under the ultimate control of the executive.’ On the other hand, ‘Management is concerned with the execution of the policy, within the limits setup by administration and the employment of the organisation for the particular objects before it. Thus Sheldon declares administration as a thinking process and management as doing process. In other words, management is a concomitant of administration. The following figure depicts this line of thinking

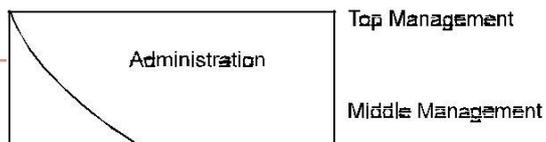


Fig. 1.2 Administration and Management

E.F.L. Breach distinguishes administration and management. Breach considers management as a social process entailing the responsibility for effective planning, regulation, coordination and control of operations including the responsibility for personnel supervision.

According to him, the administration is that part of management which is concerned with the installation and carrying out the procedures by which the progress of activities is regulated and checked against plans.

Few authors treat administration as part of management. These three points of view are explained below.

- (i) *Administration is different from management:* According to this view point, administration is a higher level activity while management is a lower level function. Administration is a determinative function concerned with the determination of objectives and policies while management is an executive function involving the implementation of policies and direction of efforts for the achievement of objectives. This view is held largely by American experts on management.

American experts such as Florence, Lansburg, Haimann, Milward, McFarland, Spriegel, Schulze and Tead also hold this view that administration involves decision-making and policy-formulation while management is concerned with the execution of policies and supervision of work.

According to them, administration is superior to management as the latter has only a peripheral role in determination of objectives and policies.

- (ii) *Administration is a part of management:* According to the European School of thought, management is a wider term including administration and organisation. This viewpoint has been propounded by Breach. According to him, "Management is the generic term for the total process of executive control involving responsibility for effective planning and guidance of operations of an enterprise. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans". Kimball and Kimball, Richman and Copen also hold similar views. According to them, administration is only an implementing agency while management is determinative. Thus, the European viewpoint is exactly opposite to the American opinion.

- (iii) *Administration and management are one:* Many writers like Henri Fayol, William Newman, Chester Barnard, George Terry, Louis. A. Allen, Koontz and O' Donnell make no distinction between management and administration. According to Newman, Management or administration is "the guidance, leadership and control of the efforts of a group of individuals towards some common goals". According to Fayol, all undertakings require the same functions and all must observe the same principles.

There is one common science which can be applied equally well to public and private affairs. Therefore, the distinction between administration and management is superfluous or academic.

In actual practice, the two terms are used interchangeably. The term administration is more popular in Government and other public organisations while the word management is more commonly used in the business world, where economic performance is of primary importance.

The foregoing description reveals that both management and administration are based upon the same set of principles and functions. It may be possible to make theoretical or conceptual distinction between the two. But in practice such a distinction is misleading. In order to resolve the terminological conflict between administration and management, we may classify management into:

- (i) Administrative management; and
- (ii) Operative management.

Administrative management involve determination of objectives and policies whereas operative management is primarily concerned with the execution of plans for the achievement of objectives. At every level of management, an individual manager performs both types of functions. Every manager spends a part of his time on administrative management and the remaining time on operative management.

Distinction between Administration and Management

Points of distinction	Administration	Management
1. Nature	It is a determinative or thinking function	It is an executive or doing function
2. Type of work	It is concerned with the determination of major objectives and policies	It is concerned with the implementation of policies
3. Levels of authority	It is mainly a top level function	It is largely a middle and lower level function
4. Influence	Administrative decisions are influenced mainly by public opinion and other outside forces	Managerial decisions are influenced by objectives and policies of the organisation.
5. Direction of human efforts	It is not directly concerned with the direction of human efforts	It is actively concerned with direction of human efforts in the execution of plans
6. Main functions	Planning and control are the main functions involved in it.	Directing and organising are the main functions involved in it.
7. Skills required	Conceptual and human skills	Technical and human skills
8. Usage	Used largely in Government and Public sector	Used mainly in business organisations
9. Illustrations	Commissioner, Registrar, Vice-Chancellor, Governor etc.	Managing Director, General Manager, Sales Manager, Branch Manager etc.

1.5 LEVELS OF MANAGEMENT

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and

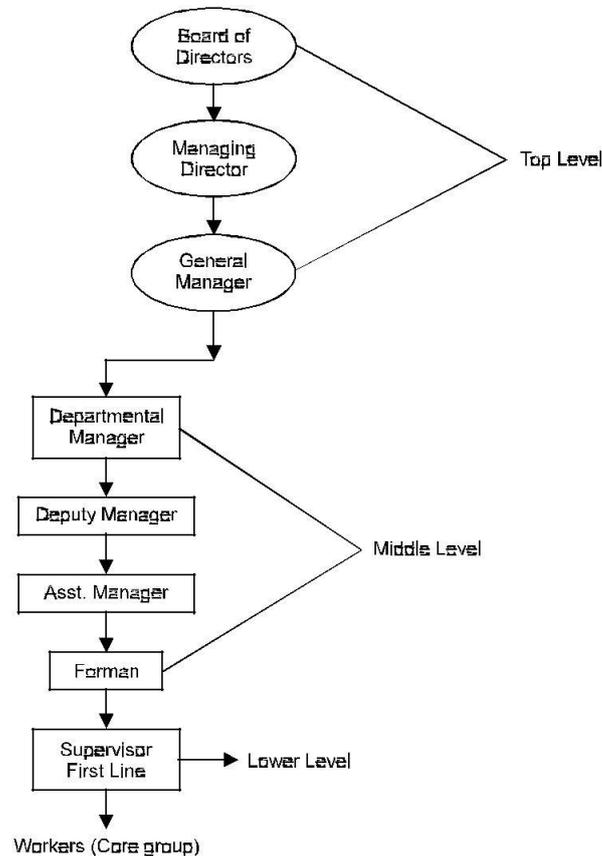


Fig 1.3 Levels of Organisation

relationships. The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management. Broadly speaking, an organisation has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of person-nel. The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

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

Top Level Management

The top level management is generally occupied by the ownership group. In a joint stock company, equity shareholders are the real owners of the company. Thus, they elect their representatives as directors, form a board, known as board of directors, which constitutes the top level of management. Besides the board, other functionaries including managing director, general manager or Chief executive to help directors, are included in this level. It is the highest level in the managerial hierarchy and the ultimate source of authority in the organisation. The top level managers are accountable to the owners and responsible for overall management of the organisation. The major functions of the top level management are as under:

- (i) To make a corporate plan for the entire organisation covering all areas of operations.
- (ii) To decide upon the matters which are vital for the survival, profitability and growth of the organisation such as introduction of new product, shifting to new technology and opening new plant etc.
- (iii) To decide corporate goals.
- (iv) To decide structure of organisation, creating various positions there in.
- (v) To exercise overall managerial control through the process of reviewing over all financial and operating results.
- (vi) To make decisions regarding disposal and distribution of profits.
- (vii) To select key officials and executives for the company.
- (viii) To coordinate various sub-systems of the organisation.
- (ix) To maintain liaison with outside parties having a stake in business such as government, trade union and trade associations etc.
- (x) To formulate basic policies and providing direction and leadership to the organisation as a whole.

Middle Level Management

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

The main functions performed by these managers are as under:

- (i) To prepare departmental plan covering all activities of the department within the basic framework of the corporate plan.
- (ii) To establish departmental goals and to decide upon various ways and means for achieving these goals to contribute to organisational goals.
- (iii) To perform all other managerial functions with regard to departmental activities for securing smooth functioning of the entire department.
- (iv) To issue detailed orders and instructions to lower level managers and coordinate the activities of various work units at lower level.
- (v) Middle level managers explain and interpret policy decisions made at the top level to lower level managers.

Lower Level or Supervisory Level Management

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

Supervisory management performs the following functions:

- (i) Planning of day to day work
- (ii) Assignment of jobs and issuing orders and instructions
- (iii) Supervising and guiding workers
- (iv) Maintaining close personal contacts with workers to ensure discipline and team-work
- (v) Evaluating operating performance
- (vi) Sending reports and statements to higher authorities
- (vii) Communicating the grievances and suggestions of workers to higher authorities.

1.6 NATURE OF MANAGEMENT

To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers.

Management is Combination of Art and Science

Management knowledge exhibits characteristics of both art and science, the two not mutually exclusive but supplementary. Every discipline of art is always backed by science which is basic knowledge of that art. Similarly, every discipline of science is complete only when it is used in practice for solving various kinds of problems faced by human beings in an organisation or in other fields of social life which is more related to an art. Art basically deals with an application of knowledge personal skill and know-how in a specific situation for efficiently achieving a given objective. It is concerned with the best way of doing things and is consequently, personalized in nature.

During the primitive stages of development of management knowledge, it was considered as an art. There was a jungle of managerial knowledge. It was not codified and systemised. People used it to get things done by others, in their own way giving an impression that whosoever uses it, knows the art of using it. This kind of loose and inadequate understanding of management supported the view that it was an art.

Management as a Science

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.

Thus, the essential features of science are as follows:

- (i) Basic facts or general principles capable of universal application
- (ii) Developed through scientific enquiry or experiments
- (iii) Establish cause and effect relationships between various factors.
- (iv) Their Validity can be verified and they serve as reliable guide for predicting future events.

Let us now examine as to what extent management satisfies the above conditions:

- (i) *Systematic body of knowledge:* Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisations.
- (ii) *Universal principles:* Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organisation-business or non business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.
- (iii) *Scientific enquiry and experiments:* Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.
- (iv) *Cause and effect relationship:* Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.
- (v) *Tests of validity and predictability:* Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations.

Management as an Art

Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are:

- (i) Practical knowledge
- (ii) Personal skill
- (iii) Result oriented approach
- (iv) Creativity
- (v) Improvement through continuous practice

Let us judge how far management fulfils these requirements:

- (i) *Practical knowledge:* Every art signifies practical knowledge. An artist not only learn the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.
- (ii) *Personal skill:* Every artist has his own style and approach to his job. The success of different artists differ even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.
- (iii) *Result-oriented approach:* Arts seeks to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation.
- (iv) *Creativity:* Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively com-bines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.
- (v) *Improvement through people:* Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance. Similarly, manager gains experience through regular practice and becomes more effective.

Thus, “management is both a science as well as an art”. It is a science because it has an organised body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. How-ever, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation.

Similarly, a successful manager must know the principles of management and also acquire the skill of

applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.

Management as a Profession

A profession is calling that requires specialised knowledge and often, long intensive academic preparation. The essential features of profession are as follows:

- (i) Well defined body of knowledge
- (ii) Restricted entry
- (iii) Service motive
- (iv) Code of Conduct
- (v) Representative professional association

Let us examine to what extent management fulfils the above requirements:

- (i) *Specialised body of knowledge*: Every profession has a well defined body of knowledge relevant to the area of specialisation. In order to practice a profession, a person requires specialised knowledge of its principles and techniques. Moreover, he must make deliberate efforts to gain proficiency unit. There exists a substantial and rapidly expanding body of knowledge in management. A manager must have intensive devotion and involvement to acquire expertise in the science of management. In addition, there should be competent application or judicious utilisation of this knowledge in solving complex problems. To-day, management is a separate discipline having a specialised and organised body of knowledge.
- (ii) *Restricted entry*: There exist institutions and universities to impart education and training for a profession. No one can enter a profession without going through the prescribed course of learning. For example one must pass the Chartered Accountancy examination to practice accountancy profession. Many institutes of management have been set up in India and abroad which offer courses for specialised training in management. Several management consultancy firms have also come into existence to offer advice for solving managerial problems. Formal education and training has become very helpful in getting jobs as managers. But no minimum qualification or course of study has been prescribed for managers by law.
- (iii) *Service motive*: A profession is a source of livelihood but professionals are primarily motivated by the desire to serve the com-munity. For example, a doctor earns his living from his medical practice. But he does not treat his patients only for the sake of money. He has a concern for the suffering of others and a desire to help the community. Therefore, a profession enjoys high community sanction or respect. Similar is the case with managers. A manager of a factory is responsible not only to its owners, but he is also expected to produce quality goods at a reasonable cost and to contribute to the well-being of the community.
- (iv) *Representative association*: In every profession there is a statutory association or institution which regulates that profession. For example, the Institute of the Chartered Accountants of India establishes and administers standards of competence for the auditors. In management also associations have been established both in India and abroad. Managers have formed associations for the regular exchange of knowledge and experience. In India, there is the All India Management Association. However, this association does not have the statutory power to regulate the activities of managers. No university accepted criteria or standard exists for their evaluation. Membership of this association is not compulsory in order to become a manager.
- (v) *Code of conduct*: Members of one profession have to abide by a code of conduct which contains rules and regulations providing the norms of honesty, integrity and professional ethics. For

example a chartered accountant is not expected to commercially advertise his firm. The code of conduct is by the representative association to ensure self-discipline among its members. Any member violating the code can be punished and his membership can be cancelled. The All India Management Association has framed code of conduct for managers. The code requires the managers to fulfill their social and moral obligations. Members of the association are expected not to disclose the trade secrets of their employers and to make personal gain from the knowledge of internal working of the organisation. But this code does not have legal sanctions. However, observing business ethics is always helpful in becoming a more effective manager.

The above discussion reveals that management fulfils several essentials of profession. But like other professions, management does not restrict the entry into managerial jobs to people with a special academic degree. No minimum qualifications have been prescribed for managerial personnel. No management association has the authority to grant certificates of practice or to regulate entry into management careers. Few managers have uniform background in terms of education and experience. The management associations have no legal right to enforce their code of conduct. There is no single group to which the majority of the managers belong and whose authority is recognised by law as a sanction. Moreover, there is no single client group to which managers owe complete loyalty. Doctors owe their loyalty to patients. But managers are responsible to the owners as well as to other social groups.

Thus, management is, not strictly speaking, a full-fledged profession like medicine, law or chartered accountancy. Some experts believe that there should be no control over entry into management careers. According to Peter F. Drucker, "Management is a practice rather than a science or profession through containing elements of both. No greater damage could be done to economy and society than to attempt to professionalize management by licensing managers or by limiting access to management to people with special academic degree".

1.7 PROFESSIONALIZATION OF MANAGEMENT

That management is an art, science and profession is not merely an academic question but raises certain issues which are concerned with future development of this branch of knowledge. Management still remains a developing field, changes are taking place regularly in its nature, significance and scope. In a modern society, it is occupying an important position which has brought in new dimensions.

In the recent past, society has been challenging ethical and moral basis of management decisions and demanding professionalisation of management. The following reasons may be given in favour of the growing need of professionalisation of management knowledge.

- (i) In a popular firm of business organisation, that is, joint stock company, ownership has been separated from its management and control. This situation has really contributed to the development of management profession. Modern managers have to promote and protect the interest of many social groups such as consumers, employers and the society, as a whole, and balance it with the profit motive. For resolving conflicts, and integrating contradictory interests, professional outlook may be critical.
- (ii) Rapid expansion and growth of universities and other institutions for imparting management knowledge and growing significance of training programmes in business organisations are indicative of the trend of professionalisation in the days to come.
- (iii) In a high-tech industrial society, manifold changes have occurred in the role of managers
- (iv) In the context of globalisation of economic operations many strategic areas have been developed which require professional expertise and specialised knowledge such as strategic planning, control and research and development activities and information systems. Multinational

corporations have been attempting to enhance their global market share strictly by adopting professional outlook and approach towards management of operations.

- (v) Increased utilisation of specialised management services like consultancy, human resource development and training programmes which are linked with scientific attitude require a team of professional managers.

1.8 SKILLS OF MANAGEMENT or MANAGER

In modern business the job management has become very difficult. Several skills are required to manage successfully a large organisation in a dynamic environment. These skills of managers have been classified into four categories, namely technical, human, diagnostic and conceptual skills.

(i) Technical Skills

Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisors. Secondly a manager must understand both the role of each skill employed and interrelations between the skills.

(ii) Human Skills

Human skills consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of ‘things’ human skills are concerned with understanding of ‘People’.

(iii) Conceptual Skills

Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and take a broad and far-sighted view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making.

Thus technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are interrelated. But the proportion or relative significance of these skills varies with the level of management as shown in the figure 1.4.

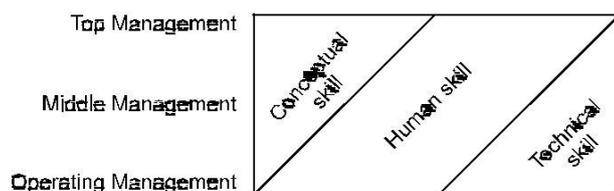


Fig. 1.4 Managerial Skills of Various Skills

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical

skills become less important. Higher level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.

(iv) Diagnostic Skills

Diagnostic skills include the ability to determine by analysis and examination the nature and circumstances of particular conditions. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes. It is the ability to cut through unimportant aspects and quickly get to the heart of the problem. Diagnostic skills are probably the most difficult ones to develop because they require the proper blend of analytic ability with common sense and intelligence to be effective.

1.9 SCOPE OF MANAGEMENT

The field of management is very wide. The operational areas of business management may be classified into the following categories:

- (i) **Production Management:** Production management implies planning, organising, directing and controlling the production function so as to produce the right goods, in right quantity, at the right time and at the right cost. It includes the following activities:
 - (a) designing the product
 - (b) location and layout of plant and building
 - (c) planning and control of factory operations
 - (d) operation of purchase and storage of materials
 - (e) repairs and maintenance
 - (f) inventory cost and quality control
 - (g) research and development etc.

 - (ii) **Marketing Management:** Marketing management refers to the identification of consumers needs and supplying them the goods and services which can satisfy these wants. It involves the following activities:
 - (a) marketing research to determine the needs and expectation of consumers
 - (b) planning and developing suitable products
 - (c) setting appropriate prices
 - (d) selecting the right channel of distribution, and
 - (e) promotional activities like advertising and salesmanship to communicate with the customers

 - (iii) **Financial Management:** Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. It comprises the following activities:
 - (a) estimating the volume of funds required for both long-term and short-term needs of business
 - (b) selecting the appropriate source of funds
 - (c) raising the required funds at the right time
 - (d) ensuring proper utilisation and allocation of raised funds so as to maintain safety and liquidity of funds and the credit-worthiness and profitability of business, and
 - (e) administration of earnings
-

Thus, financial management involves the planning, organising and controlling of the financial resources.

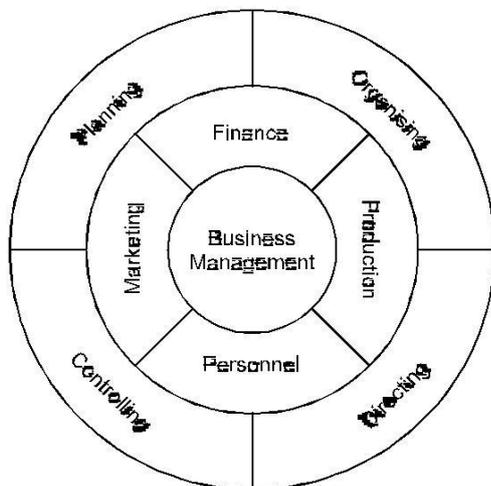
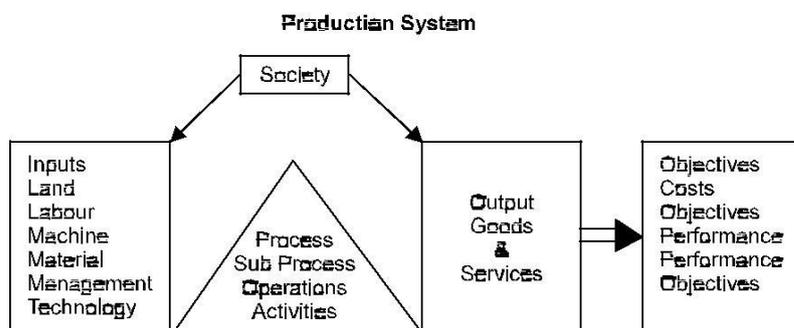
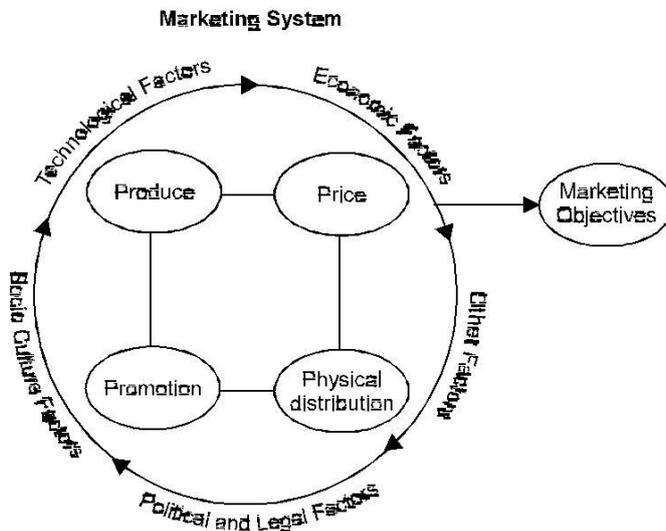


Fig. 1.5 Compounds of Business Management

- (iv) **Personnel Management:** Personnel management involves planning, organising and controlling the procurement, development, compensation, maintenance and integration of human resources of an organisation. It consists of the following activities:
- (a) manpower planning
 - (b) recruitments,
 - (c) selection,
 - (d) training
 - (e) appraisal,
 - (f) promotions and transfers,
 - (g) compensation,
 - (h) employee welfare services, and
 - (i) personnel records and research, etc.





Decision areas of Financial Management

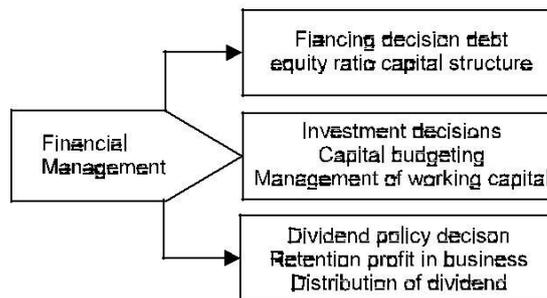


Fig. 1.6

TEST QUESTIONS

1. Differentiate between management and administration.
2. “Management is an art as well as science” Explain.
3. Discuss the concept “Management as Profession”
4. Explain the characteristics of management.
5. Explain the various levels of management.
6. Discuss the nature and scope of management.
7. Explain the objectives and importance of management.
8. Describe the skills of a good manager.
9. Explain the scope of management.
10. Discuss the professionalisation of management.

UNIT II

DEVELOPMENT OF MANAGEMENT THOUGHT

The emergence of management thought is not a matter of mere chance. The development of it was gradual and it has passed through various distinct time periods. Herbert G. Hicks has divided the period into four distinct stages. Since this movement has achieved new horizon only during the through various distinct present century, we shall classify the stages of the time periods i.e. the evolution of management into three periods viz.,

- (1) The classical Period the neo classical period (1900-1930)
- (2) The Neo-classical classical Period (1930-1950) and
- (3) The Modern Period (1950 to present).

I. The Classical Theory of Management:

We can identify three streams of thought in this period:

1. Bureaucratic Model introduced by Max Webber around 1900.
2. Scientific Management Concept introduced by F.W, Taylor around 1910.
3. Functional or Administrative or Process Management Theory advanced by Henry Fayol around 1910.

II. The Neo-Classical Theory:

It includes two streams of thought:

1. Human Relations Movement was propagated by Elton Mayo and Reothlisberger around 1930.
2. Behavioural Sciences Movement was introduced by A. Maslow, McGregor around 1940.

III. The Modern Management Theories:

It consists of three steams of thought:

1. Quantitative Approach or Operations Research Analysis was developed by Taylor around 1950.
2. Systems Approach was propounded by Boulding, Johnson and others after 1950.
3. Contingency Approach was developed by Lorsch, Lawrence and others

Scientific Management

Systematic development of management thought started with the scientific management movement which is said to have its origin as early as 1830s.

The man who popularised the movement is Fredrick Winslow Taylor. He is known as the father of scientific management.

Life and works of Taylor (1856-1915): Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies:

(i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co.

Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced **differential rate system of wages**.

Philosophy and Principles of Taylor:

1. **Develop a science to replace rules of thumb:** Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation **must rest on well organized, clearly defined principles**, instead of depending on more or less hazy idea.
2. **Maximisation of output or production:** Taylor believed **maximum output instead of restricted output**. It is because the prosperity for both employer and employees could be achieved only through maximising productivity.

3. **Equal division of responsibility:** There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. **Job specialisation:** Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.
5. **Scientific selection, training and development of workers:** Taylor realized the importance of right person for the right job to attain highest efficiency. He therefore, stressed the need for proper selection and training of the workers.
6. **Standardisation:** Taylor believed standardisation of methods, tools, time, materials etc. for each activity is very important. Therefore, standards should be fixed for each of them.
7. **Wage incentives:** Taylor believed that wage incentives should be integral part of each job. Taylor suggested the differential wage rate for different job.
8. **Mental revolution:** Taylor firmly believed that the principles of scientific management could succeed only when there is a complete mental revolution on the part of management and worker. In other words, both the parties should change their mental attitudes. For this, he suggested the following three things:
 - (i) They must create a spirit of mutual trust and confidence.
 - (ii) Both must make efforts to increase production and productivity.
 - (iii) Both must develop a scientific attitude towards the work and should not leave their arbitrary approach.

The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.

Contribution of Taylor

1. **Scientific task setting:** Taylor suggested that the task of every worker for every day should be determined through scientific investigation. Taylor called it "a fair day's work". Every manager must know in advance the fair day's work for each worker.
2. **Experimentation or work study:** Work study means organised, systematic and objective analysis and assessment of the operational efficiency of all the elements connected with the work.
 - (i) **Method study:** It is a survey of production process. It aims to evolve the best method of doing a particular job by simplifying the production process, methods, tools etc.
 - (ii) **Motion study:** Motion study relates to the study of movements of a worker or a machine in doing a job. It aims at eliminating unnecessary motions and to find out the best method of doing of doing a job efficiently.
 - (iii) **Time study:-** Time study is the process of recording the exact time taken for doing a job with a view to find out a standard time for doing the job.
 - (iv) **Fatigue study:** Fatigue study is the study of the reduction or diminution of human energy or capacity in doing in his job. Fatigue is caused by over-work without rest pause, poor working conditions, stress, strain etc. The fatigue study is undertaken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job.
3. **Planning:** Taylor advocated that planning function should be separate from the doing function. Planning department should decided about the type, shape, and quality of the goods to be produced and the time schedule for delivery of the products.
4. **Scientific selection and training of workers:** Taylor realised the importance of the right person on the right job. Therefore, he advised for proper selection of the workers and their training.
5. **Specialisation:** Taylor suggested that scientifically selected and trained workers should be allocated the tasks according to their specialisation.
6. **Standardisation:** Taylor advocated for standardisation of materials, tools, equipments, methods etc. Standardised working environment should also be provided to the workers. Standardisation will increased efficiency and eliminate or minimise wastage of resource.

7. **Incentive wage plan:** Taylor considered that incentive wage plan is an integral part of the scientific management. He, therefore suggested a differential wage payment plan. According to this plan, worker is to received a bonus in addition to his wages if the completed his job before the standard time fixed for the job.

ADMINISTRATIVE APPROACH:

Henri Fayol (1841-1925):

Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management.

1. **Administrative management thought era** run almost parallel to the scientific management thought era. **Henri Fayol** is regarded as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc.
2. **Elements of administration or management function:** Fayol described five elements of administration or management functions. They are as follows:
 - (i) **Planning**, consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making.
 - (ii) **Organising**, consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans.
 - (iii) **Commanding**, which consists a activities relating to directing, leading, motivating and communicating for getting things done.
 - (iv) **Coordinating**, which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal.
 - (v) **Controlling**, which is concerned with ensuring performance in accordance with plans.
3. **Principle of management:** Fayol proposed **fourteen principles** of management.
4. **Flexible and adaptable principles:** Fayol made it clear that the principle of management are flexible and adaptable to every need.
5. **Universal principles:** He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other.
6. **Management education and training:** Fayol realised the need for management education and training. He strongly pleased for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.

Principles of management by Henry Fayol:

Division of Work

To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

Authority and Responsibility

Authority means right to give orders and power to exact obedience.

Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts. Fayol said Authority and Responsibility are co existence in nature and must go hand in hand with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager in effective.

Discipline

Implies compliance with organizational directions and rules, orders and instructions of superior & to co-operation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation. Discipline generally depends essentially on ability of its leaders.

Fayol said best means of maintaining discipline are

- Goods superiors at all levels
- Clear & fair agreements between employees & employer
- Judicious application of penalties

Unity of command

According To this principle one subordinate should get orders and institutions regarding his work only from one superior.If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.

Unity of Direction

Means that the there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.

Reading subordinate of individual interest to General interest

This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are

- Firmness and good ex on part of superiors
- Agreement as join as in possible
- Constant supervision

Remuneration of personnel

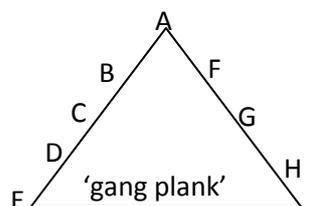
Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

Centralization

Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.

Scalar chain

Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging down action.



Order

To run well an organization should have a place of everything and everything should be in its place. These should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social

Equity

The organizations runs best when there is a feeling of kindness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.

Stability of tenure of personnel

Efficiency is promoted when job security is assured to employees, Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted.

Initiative

Initiative refers to the freedom to thinks out a plan and use discretion in executing. It is a freedom to propose and to execute.

Esprit de corps -

This principle says that “in union there is strength” Harmony, teamwork and union among the employees is a great strength in a concern the morale of an organization people is an asset Fayol exhorts that the misguided motto ‘divide and rule and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees.

Similarities of Taylor and Fayol:

1. Both devoted to put science into management.
2. Both devoted to the development of management thought.
3. Both were concerned with the **improvement of practice** of management.
4. Both men favoured the development of **theory and principles to improve management practice.**
5. Both emphasised the need for **cooperation between** labour and management.
6. Both realised the **universality of management.**

The Dissimilarities between the two are as follows:

1. Taylor’s work is primarily concerned with the **operative level** at the shop level while Fayol’s work is concerned with **management at top and middle levels.**
2. Taylor started from the bottom of the managerial hierarchy and had **worker upwards** whereas Fayol started from the top executive position and **worked downwards.**
3. Taylor was concerned with increasing **efficiency of labour** whereas Fayol was concerned with with increasing **efficiency of total organisation.**
4. Taylor aimed at increasing productivity by **eliminating or reducing inefficiency and waste.** On the other hand, Fayol aimed at organisational **efficiency through application of management principles.**
5. Taylor described his philosophy as ‘**Scientific management**’ whereas Fayol called his views as ‘General theory of administration’.
6. Taylor is known as the **father of scientific management** whereas Fayol is recognised as the **father of modern management theory.**
7. Fayol recognised the need of **education and training** in schools and colleges whereas **Taylor did not so realise.**

Bureaucratic Model introduced by Max Webber around 1900.

Max Weber (1864-1920)

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his lifelong work on the study of organizations led to believe that specific kind of organizations called "bureau" (desk), will help in the growth of markets. He gave following main characteristics of the bureaucracy.

General Characteristics

- Hierarchy of authority
- Impersonality
- Written rules and documents

Middle

- Promotion based on achievement
- Specialized division of labor

Bottom

Efficiency

Hierarchy of Authority

- Hierarchy is the various levels in the Organization.

FEATURES OF BUREAUCRATIC MODEL

Authority:

Authority is the ability to exercise influence over a group of people. Weber distinguished three main types of authority:

1. Traditional Authority: The authority that one inherits, e.g. the son of king will be the future king. In traditional societies the authority is transmitted.
 2. Charismatic: It is the authority that one possesses because of one's personal traits and abilities. E.g. TV artist, sports stars.
 3. Rational-legal Authority: It is the authority that is acquired as a result of a position. E.g. Policeman has authority because of the position.
- One may possess a mix of these above authorities.

Impersonality

The official is provided all equipment to carry out his duties; he does not own the "means of administration." Activities are completed impersonally, which means that the `self' of individual is not involved in the work.

Written Rules and Documents

Bureaucracy demands that the written rules of the organization be strictly followed and that the officials remain loyal. All the work in organization is written. Compliance is to the written instructions.

Promotion Based on Achievement

Bureaucracy requires the tasks assigned to an official performed and completed in an efficient and effective manner, and promotion is based on the level of skill and ability of the official.

Specialization/ Division of Labour

Each person should perform a given and assigned task

Example:

1. A person assigned the task of typing should only perform that task. He should not be asked to do other task. If he/she continues to perform the task he/she will develop competence in that area.
2. Pin making: Another example is of pin making given by Adam Smith. If the pin is made by one person he will take longer. But if the wire is straightened by one person, the other person cuts the wire and the third person rounds the head of the pin, then the output can be increased due to specialization

The Human Relations Approach:

Hawthorne studies (1924-1932) by George Elton Mayo and his team members gave rise to new movement which is known as the human relations movement. This movement gave rise to a new approach to management which is known as the human relations approach.

It may be recalled that Hawthorne studies revealed that better physical environment and more economic benefits were not sufficient to motivate workers for higher productivity. It showed that socio-psychological needs have a powerful influence on the productivity of workers. Moreover, these studies also revealed that informal/social relationship, informal supervision at work also play a crucial role in increasing productivity. These conclusions of the studies gave birth to human relations movement.

Characteristics/Assumptions/ Beliefs: The human relations approach was founded upon the following beliefs or assumptions:

1. It assumes that an organization is a social system.
2. It regards that this system is composed of many interacting groups.
3. It believes that monetary gains alone cannot motivate workers. Satisfaction of socio-psychological needs also has a powerful influence on the motivation of workers.
4. It considers that workers participation in planning and decision making can boost both morale and productivity of workers.
5. It believes that a sound two-way communication system is essential for a healthy working climate in an organization.

Contribution and limitations: Human relations approach has made significant contribution to management thought and practice particularly in the following areas:

1. The thoughts and practice of managers began to be human oriented.
2. Management training was revolutionized with the emphasis on development of people-oriented skills in managers.
3. Managers became sensitive and responsive to the needs and feelings of the workers in the work place.
4. Selection and placement activities began to be given more importance along with improved incentive systems.

Criticism: The human relations approach was criticized on the following counts:

1. It over-emphasizes on keeping workers happy whereas happiness alone cannot make workers more productive.
2. It emphasizes on manipulation of workers emotions for the organizational purposes.

Hawthorne Experiments

1. **Illumination or test room study:** The illumination study was conducted to determine the relationship between light intensity and productivity or efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity. Researchers were surprised to note that productivity of select group of employees tended to improve in spite of the change in their physical surroundings. Productivity increased even when the lights were dimmed to moonlight intensity.

2. **The relay assembly test room study:** The relay assembly test room study was conducted to ascertain the factors other than the light intensity, affecting the productivity. In this study six persons (Five girl assemblers put a layout operator) were placed in a room. In addition, the researchers put an observer with them in the room. The observer was to record everything that happened in the room and to maintain friendly atmosphere therein. The researchers changed working conditions such as rest periods, length of work days, refreshments, temperature, wage rates etc. during the study. In addition, girls were allowed to talk more freely among themselves.
3. **Mass interviewing study:** The researchers therefore switched indirect questioning. Under this approach, the employees were allowed to talk about what they felt important. The interviewers patiently heard their views.
4. **Bank writing observation room study:** In order to observe and analyse informal group behaviour more accurately, bank wiring observation room study was undertaken. This study was conducted in a room of the bank wiring department. In this room, 14 employees performing three interrelated jobs of the department were placed.

Conclusions/Contributions of Hawthorne Studies:

The main conclusions or contributions of Hawthorne studies are as follows:

1. **Work is a group activity:** Mayo concluded that work is a group activity. Workers work better in groups.
2. **Informal groups:** Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.
3. **Influence of social groups:** The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.
4. **Group cooperation is planned:** Group cooperation or collaboration does not occur accidentally. It must be planned and developed.
5. **Worker is not only rational economic being:** A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity.
6. **Role of supervisor's behaviour:** The behaviour of supervisors does affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes.

Criticism of Hawthorne Studies:

Hawthorne Studies are criticized on the following grounds:

1. **Pro-management bias:** These studies are criticized on the ground that these had a pro-management bias.
2. **Not fully scientific:** Some experts allege that the studies were not fully scientific. According to them, there was no scientific basis in the selection of the work, the employees and the environment.
3. **Clinical bias:** Some experts also allege that the studies had a clinical bias. They say that the research was directed to preconceived ideas and conclusions.
4. **Discounted importance of Theory:** It is also argued that studies discounted the importance of theory and overemphasized the importance of observation and collection of facts.

Neo-Classical School/Human Resource Approach

Neo-classical school or human resource or behavioural approach to management through evolved gradually over the years from late 1920s to 1940s and continued to develop thereafter. This school of thought evolved in recognition of the importance of human behaviour in organization.

DISTINCTION BETWEEN HUMAN RELATIONS APPROACH AND BEHAVIOURAL SCIENCE APPROACH

Basis of Distinction	Human Relations and Approach	Behavioural Science Approach
1. Emphasis	This approach laid emphasis on studying individual, his needs and behaviour	This approach emphasizes on studying groups, group behaviour and individual motivation.
2. Similar set of needs	It believes that all workers have similar set of needs.	It believes that individuals are different from each other. Their need structure is dynamic
3. Conflict	This approach believes that conflicts in organizations and should be resolved	This approach believes that conflicts are not always harmful. sometimes, they are inevitable in organizations.
4. Relations	It focuses informal interpersonal relationships	It focuses on group relationship.
5. Origin	It originated from the conclusions of Hawthorne studies	It emerged in the process of refinement of human relations approach
6. Techniques	Its major techniques are informal supervision, and satisfaction of social needs.	Its techniques are informal leadership, communication, motivation, organization change, conflict resolution.

Modern Schools of Management Thought

1. The system approach
2. The contingency approach

System Approach to Management

The system approach to management has been evolved out of General System Theory or GST. Ludwig von Bertalanffy is credited for developing the GST. According to GST, study in any area should be based on the assumption that everything is a part of a larger interdependent and organized whole system. And in order to understand this whole system, the knowledge of its part and the relations between them is an essential. In other words, a whole system cannot be understood without an understanding of the parts that make-up the whole.

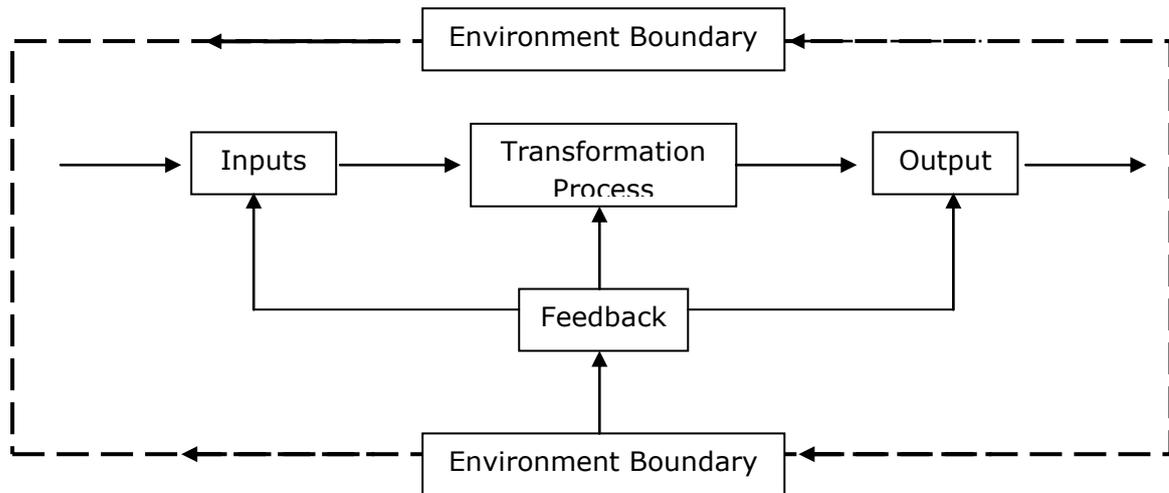
Definition of System:

According to **Bertalanffy**, "A system is a set of units with interrelationship among them."
 In the words of **John A. Beckert**, "A system is a collection of interacting system."

Types of Systems:

According to GST, there are two types of systems: (i) closed system, and (ii) open system.

1. **Closed system:** A closed system is independent of environment. Thus, it is a self-sufficient entity. Therefore, it does not interact with its outside environment. Its activities are not affected by the forces outside its boundary.
2. **Open system:** An open system is one which interacts or interplays with its environment. It interacts with people, things and forces in its environment. it is an input-output system. It takes inputs and gives outputs to its external environment.



Characteristics/Assumptions/Beliefs

This approach to management is based on the following assumptions/beliefs:

1. It believes that managers manage an organization which is a unified or integrated system.
2. It believes that every organization is an open system to its environment. It affects and is affected by its environment.
3. It believes that whole organization system cannot be understood without an understanding of the parts that make-up the whole organization
4. It believes that managers have to manage the organization as the decision in the light of environmental situations.
5. It regards that organizational system is dynamic in which changes take place regularly.

Contributions:

1. It provides a frame-work within which managers can plan actions and anticipate the expected results.
2. It also helps in understanding the unexpected consequences of plans and actions.
3. It helps managers in maintaining a balance between the needs of various parts of the organization and needs and goals of the organization as a whole. [Stoner and Wankel]
4. It helps in integrating various management theories because it has the concept of other management approaches.

Criticism/limitations:

1. Some experts argue that the application of this approach requires study of total organizational system and its sub-systems.
2. It does not lay down principles and techniques of management. It simply suggests the needs for study and understanding of the total organization system and its parts for better management.
3. It is also alleged that it is an abstract approach. It simply stated that an organization system consists of many sub-systems.
4. It is also alleged that it is simply an intellectual appeal but fails to provide verifiable facts and practical advice.
5. It is also criticized for the reason that it prescribed only the way of thinking about organizations but fails to give final answers about the problems of organizations.

Contingency/Situational Approach

Contingency approach suggests that managers must do what the situation warrants or managers actions must be contingent upon the organizational situational situation or environment.

In the words of Stoner and Wankel, “According to contingency approach, the task of managers is to identify which technique will in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of managerial goal.”

Thus, according to consistency approach, actions managers vary with the situation or environment of the organization. There is no ready-made solution to the problems of every situation. Correct principles or techniques to be applied depend on the prevailing situation or environment.

Characteristics/assumptions/beliefs:

1. It assumes that each organization is unique. The goals, operations, people, resources, technology, etc. of every organization are unique.
2. It also assumes that external environment of each organization is different and unique from the others.
3. It further assumes that all sub-systems of the organization are interrelated and affect each other.
4. In view of these facts, it believes that there cannot be one best way of doing a thing which can be universally prescribed for all situations.
5. It regards that best approach to management is situational or situation-oriented approach.

Contributions:

1. It makes it clear there are no universal, ultimate or absolute principles, techniques, theories of management which can be applied to every situation.
2. It keeps managers on high alert that next situation may be new and unique. Therefore, they go on finding and analyzing facts of each situation.
3. It widens freedom of operation of managers. They are not bound by stereotype principles and solutions.
4. It encourages managers to innovate and develop new principles, techniques etc. to handle each new and unique situation.

Criticism/limitations

1. In real-life, managers do not find enough time to analyze and understand every situation and to apply the principles and techniques accordingly.
2. Managers are not at all times make decisions on rational basis. Sometimes, their rationality becomes limited. Hence, this approach serves no purposes.
3. All managers cannot analyze and understand all variables in a situation or environment. In such case, the approach loses its significance.
4. Sometimes, situations change so rapidly that managers are unable to understand them and make decisions accordingly.

Henri Fayol [1841-1925]- Fayol was of the view that management was a skill like any other, and that, it could be taught once its underlying principles were understood. He was thus given the following accolades:

- Father of classical approach
- Practical man of Management
- Father of modern management theory

Key areas of Contribution : Fayol contributed to modern management theory through the development of his 14 Principles [blue-print of management].

1. Division of labour - Fayol’s objective here was to maximize both the amount and quality of production for a given degree of effort, hence he argued for the advantages of specialization. An interesting idea he raises particularly in relation to Taylor’s ideas (which will be discussed in later

chapters) is that there are limits to the division of labour, which experience teaches us should not be exceeded.

2. Authority and responsibility : Fayol suggests that management has the right to give orders and to expect obedience. Managers derive authority either from their official position or personal qualities. "Wherever authority is exercised, responsibility arises." Fayol (1949).

3. Discipline : Fayol argued that discipline marks a mutual respect between the organization and its employees. He embodies the principle that a manager can take sanctions in the case of a breakdown of discipline.

4. Unity of command : "For any action whatsoever, an employee should receive orders from one superior only." Fayol (1949). Thus he argues that authority should be clearly allocated and suggests that if command is divided or unclear it is a continual source of conflict.

5. Unity of direction : He argues that for any group of activities with the same objective, there should be one clear leader and one clear plan so as to provide for unity of action.

6. Subordination of individual interest to general interest : In any organization there will at least be times when individual interests differ from the interests of the organization. Fayol argues, "The interests of one employee or group of employees should not prevail over the interests of the concern or organisation."

7. Remuneration of personnel : Salaries - the price of services rendered by employees - should be fair and provide satisfaction both to the employee and employer. It shall not go beyond reasonable limits.

8. Centralization: The degree of centralization, Fayol argues, is a question of proportion and will vary according to different cases. It will depend, he argues on the character of the manager, the condition of the business and the reliability of the subordinates to whom the manager can delegate.

9. Scalar chain: Fayol argues for a clear chain of authority through which communication should flow. He did however appreciate that some activities require speedy action and recognizes that it was appropriate for people at the same level of the organisation to communicate directly. Notably he required superiors to approve any such communication. He also expected "some measure of initiative at all levels of authority." Fayol (1949)

10. Order : Fayol approved of both social and physical order. This could be summarized as – the right thing in the right place at the right time. Appropriate selection should ensure competent people are in place, their tasks, responsibilities and places of work should be clear. Echoes of this approach are clearly apparent in what are seen as relatively new practices such as Just in Time.

11. Equity: Managers are encouraged to be both fair and friendly to employees. Fayol argues, "Equity requires much good sense, experience and good nature." Fayol (1949)

12. Stability of tenure of personnel : Fayol felt that high employee turnover was not the best and that managers in particular, if they were to develop themselves fully, required as much security as was possible. He noted however that the stability it was possible to generate in any industry depended on the commercial environment in which the organization was operating.

13. Initiative : Fayol argues that initiative is a source of strength for an organization, particularly in times of difficulty. Initiative he felt should be encouraged at all levels and "The manager must be able to sacrifice some personal vanity to grant this satisfaction to subordinates" Fayol (1949). In a sentiment as appropriate today as it was at the turn of the century he states "A manager able to do so is infinitely superior to one who cannot.

14. Esprit de corps : In a sentiment possibly borrowed from the military, Fayol outlines the importance of harmony within, and commitment to, the organization. He describes in particular two methods to help build such a spirit, the use of verbal rather than written communication wherever possible and secondly the avoidance of encouraging dissension among subordinates.

While Fayol's principles are widely quoted, he did not intend them to be set in stone but rather as guidance for management action, which must always take into consideration the prevailing circumstances.

FUNCTIONS/PROCESS OF MANAGEMENT

- 1. Planning-** Selecting the activities and methods for achieving them, either for the organisation as a whole or for a part of it.
 - 2. Organizing-** Establishing the structure of the tasks to be performed to achieve the goals of the organisation; grouping these tasks into jobs for an individual; creating groups of jobs within departments, delegating authority to carry out these jobs, providing systems of information and communication and co-ordinating activities within the organisation.
 - 3. Commanding-** Giving instructions to subordinates to carry out tasks over which the manager has authority for decision and responsibility for performance.
 - 4. Co-ordinating-** Harmonising the activities of individuals and groups within the organisation. Management must reconcile differences in approach, effort, interest and timing.
 - 5. Controlling** - Measuring and correcting activities to ensure that performance is in accordance with plans. Plans will not be achieved unless activities are monitored; and deviations identified and corrected as soon as they become apparent.
- These functions have been re-organized into planning, organizing, directing/leading and controlling.

OTHER PRINCIPLES OF MANAGEMENT

Lyndall F. Urwick-He was a prolific writer on administration and management. He had rich working experience in industry business consultancy and the armed forces. He was strongly influenced by the ideas of Henri Fayol in particular. He advocated the use of principles as the only way social organization could be controlled. He translated this into his best known-book “The Elements of Administration” published in 1947. His principles of management represented a code of good practice which he claimed if strictly adhered to should lead to success in administration or management. His work resulted in the development of the following ten (10) principles:

- | | |
|---------------------|--|
| 1. Objective | 7. Correspondence [authority and responsibility] |
| 2. Specialization | 8. Span of control |
| 3. Co-ordination | 9. Balance [of all depths] |
| 4. Authority | 10. Continuity [going concern] |
| 5. Responsibility | |
| 6. Definition [job] | |

- **Urwick principles concentrated** more on getting the organizational mechanisms right rather than focussing on issues such as remuneration and morale.

- **A major weakness of Urwick** principles is its concentration on the internal environment to the detriment of the external environment. No organization can succeed without the external environment. This is because; organizations are open-systems not self-contained. They have to respond to pressures from the external environment-social, economic, cultural, political, etc.

- **Urwick also identified** the key functions/process of management to be planning, organizing and controlling. He expanded the controlling function to include staffing, selecting and placing. - - **His controlling function** served as the foundation or the forerunner to personnel /human resources management and the human relations approach to management.

MANAGEMENT BY OBJECTIVES - MBO

The concept of MBO is closely connected with the concept of planning. The process of planning implies the existence of objectives and is used as a tool/technique for achieving the objectives. Modern managements are rightly described as 'Management by Objectives' (MBO). This MBO concept was popularized by Peter Drucker.

It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. This gives popular support to them and the achievement of such objectives becomes easy and quick.

MBO is an approach (to planning) that helps to overcome these barriers. MBO involves the establishment of goals by managers and their subordinates acting together, specifying responsibilities and assigning authority for achieving the goals and finally constant monitoring of performance. The genesis of MBO is attributed to Peter Drucker who has explained it in his book 'The Practice of Management'.

DEFINITIONS OF MBO:-

According to George Odiume, MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

According to John Humble, MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

Henry Levinson defines, "Management by objectives as a performance appraisal and review which intended to:

- Measure and judge performance;
- Relate individual performance to organizational goals;
- Foster the increasing competence and growth of the subordinates;
- Enhance communication between superior and subordinates;
- Serve as a basis for judgment about promotion and incentives;
- Stimulate the subordinates' motivation;
- Serve as a device for organizational control and integration.

FEATURES OF MANAGEMENT BY OBJECTIVES [MBO] :-

- **Superior-subordinate participation:** MBO requires the superior and the subordinate to recognize that the development of objectives is a joint project/activity. They must be jointly agree and write out their duties and areas of responsibility in their respective jobs.
- **Joint goal-setting:** MBO emphasizes joint goal-setting that are tangible, verifiable and measurable. The subordinate in consultation with his superior sets his own short-term goals. However, it is examined both by the superior and the subordinate that goals are realistic and attainable. In brief, the goals are to be decided jointly through the participation of all.
- **Joint decision on methodology:** MBO focuses special attention on what must be accomplished (goals) rather than how it is to be accomplished (methods). The superior and the subordinate mutually devise methodology to be followed in the attainment of objectives. They also mutually set standards and establish norms for evaluating performance.
- **Makes way to attain maximum result:** MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focussing on attainable goals. It permits lot of freedom to subordinate to make creative decisions on his own. This motivates subordinates and ensures good performance from them.
- **Support from superior:** When the subordinate makes efforts to achieve his goals, superior's helping hand is always available. The superior acts as a coach and provides his valuable advice and guidance to the subordinate. This is how MBO facilitates effective communication between superior and subordinates for achieving the objectives/targets set.

Steps In Management By Objectives Planning:-

- 1. Goal setting:** The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas' (KRA).
- 2. Manager-Subordinate involvement:** After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. In this way, everyone gets involved in the goal setting.
- 3. Matching goals and resources:** Management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals. Allocation of resources should also be done in consultation with the subordinates.



4.Implementation of plan: After objectives are established and resources are allocated, the subordinates can implement the plan. If any guidance or clarification is required, they can contact their superiors.

5. Review and appraisal of performance: This step involves periodic review of progress between manager and the subordinates. Such reviews would determine if the progress is satisfactory or the subordinate is facing some problems. Performance appraisal at these reviews should be conducted, based on fair and measurable standards.

Advantages of Management By Objectives MBO :-

- 1. Develops result-oriented philosophy:** MBO is a result-oriented philosophy. It does not favor management by crisis. Managers are expected to develop specific individual and group goals, develop appropriate action plans, properly allocate resources and establish control standards. It provides opportunities and motivation to staff to develop and make positive contribution in achieving the goals of an Organization.
- 2. Formulation of dearer goals:** Goal-setting is typically an annual feature. MBO produces goals that identify desired/expected results. Goals are made verifiable and measurable which encourage high level of performance. They highlight problem areas and are limited in number. The meeting is of minds between the superior and the subordinates. Participation encourages

commitment. This facilitates rapid progress of an Organization. In brief, formulation of realistic objectives is the benefit of MBO.

3. **Facilitates objective appraisal:** MBO provides a basis for evaluating a person's performance since goals are jointly set by superior and subordinates. The individual is given adequate freedom to appraise his own activities. Individuals are trained to exercise discipline and self control. Management by self-control replaces management by domination in the MBO process. Appraisal becomes more objective and impartial.
4. **Raises employee morale:** Participative decision-making and two-way communication encourages the subordinate to communicate freely and honestly. Participation, clearer goals and improved communication will go a long way in improving morale of employees.
5. **Facilitates effective planning:** MBO programmes sharpen the planning process in an Organization. It compels managers to think of planning by results. Developing action plans, providing resources for goal attainment and discussing and removing obstacles demand careful planning. In brief, MBO provides better management and better results.
6. **Acts as motivational force:** MBO gives an individual or group, opportunity to use imagination and creativity to accomplish the mission. Managers devote time for planning results. Both appraiser and appraisee are committed to the same objective. Since MBO aims at providing clear targets and their order of priority, employees are motivated.
7. **Facilitates effective control:** Continuous monitoring is an essential feature of MBO. This is useful for achieving better results. Actual performance can be measured against the standards laid down for measurement of performance and deviations are corrected in time. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.
8. **Facilitates personal leadership:** MBO helps individual manager to develop personal leadership and skills useful for efficient management of activities of a business unit. Such a manager enjoys better chances to climb promotional ladder than a non-MBO type.

Limitations of Management By Objectives MBO :-

1. **Time-consuming:** MBO is time-consuming process. Objectives, at all levels of the Organisation, are set carefully after considering pros and cons which consumes lot of time. The superiors are required to hold frequent meetings in order to acquaint subordinates with the new system. The formal, periodic progress and final review sessions also consume time.
2. **Reward-punishment approach:** MBO is pressure-oriented programme. It is based on reward-punishment psychology. It tries to indiscriminately force improvement on all employees. At times, it may penalize the people whose performance remains below the goal. This puts mental pressure on staff. Reward is provided only for superior performance.
3. **Increases paper-work:** MBO programmes introduce ocean of paper-work such as training manuals, newsletters, instruction booklets, questionnaires, performance data and report into the Organization. Managers need information feedback, in order to know what is exactly going on in the Organization. The employees are expected to fill in a number of forms thus increasing paper-work. In the words of Howell, "MBO effectiveness is inversely related to the number of MBO forms.
4. **Creates organizational problems:** MBO is far from a panacea for all organizational problems. Often MBO creates more problems than it can solve. An incident of tug-of-war is not uncommon. The subordinates try to set the lowest possible targets and superior the highest. When objectives cannot be restricted in number, it leads to obscure priorities and creates a sense of fear among subordinates. Added to this, the programme is used as a 'whip' to control employee performance.
5. **Develops conflicting objectives:** Sometimes, an individual's goal may come in conflict with those of another e.g., marketing manager's goal for high sales turnover may find no support from the production manager's goal for production with least cost. Under such circumstances,

individuals follow paths that are best in their own interest but which are detrimental to the company.

6. **Problem of co-ordination:** Considerable difficulties may be encountered while coordinating objectives of the Organization with those of the individual and the department. Managers may face problems of measuring objectives when the objectives are not clear and realistic.
7. **Lacks durability:** The first few go-around of MBO are motivating. Later it tends to become old hat. The marginal benefits often decrease with each cycle. Moreover, the programme is deceptively simple. New opportunities are lost because individuals adhere too rigidly to established goals.
8. **Problems related to goal-setting:** MBO can function successfully provided measurable objectives are jointly set and it is agreed upon by all. Problems arise when: (a) verifiable goals are difficult to set (b) goals are inflexible and rigid (c) goals tend to take precedence over the people who use it (d) greater emphasis on quantifiable and easily measurable results instead of important results and (e) over-emphasis on short-term goals at the cost of long-term goals.
9. **Lack of appreciation:** Lack of appreciation of MBO is observed at different levels of the Organisation. This may be due to the failure of the top management to communicate the philosophy of MBO to entire staff and all departments.

ESSENTIAL CONDITIONS FOR SUCCESSFUL EXECUTION / IMPLEMENTATION OF MBO OR...HOW TO MAKE MBO EFFECTIVE?

1. **Support from all:** In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. No MBO programme can succeed unless it is fully accepted by the managers. The subordinates should also clearly understand that MBO is the policy of the Organisation and they have to offer cooperation to make it successful. It should be a programme of all and not a programme imposed on them.
2. **Acceptance of MBO programme by managers:** In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme. Such acceptances will bring about deep involvement of managers. If managers are forced to accept MBO programme, their involvement will remain superfluous at every stage. The employees will be at the receiving-end. They would mostly accept the lines of action initiated by the managers.
3. **Training of managers:** Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. They must be in a position to integrate the technique with the basic philosophy of the company. It is but important to arrange practice sessions where performance objectives are evaluated and deviations are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.
4. **Organizational commitment:** MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals. Koontz rightly observes, "An effective programme of managing by objective must be woven into an entire pattern and style of managing. It cannot work as a separate technique standing alone."
5. **Allocation of adequate time and resources:** A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.
6. **Provision of uninterrupted information feedback:** Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Over and above, regular performance appraisal sessions, counseling and

encouragement to subordinates should be given. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance

MANAGEMENT BY EXCEPTIONS

Management by Exception (MBE) is a practice where only significant deviations from a budget or plan are brought to the attention of management. The idea behind it is that management's attention will be focused only on those areas in need of action. When they are notified of a variance, they can hone in on that specific issue and let staff handle everything else. If nothing is brought up, then management can assume everything is going according to plan.

This model is similar to the vital signs monitoring systems in hospital critical care units. When one of the patient's vital signs goes outside the range programmed into the machine, an alarm sounds and staff runs to the rescue. If the machine is quiet, it's assumed that the patient is stable, and they will receive only regular staff attention.

IMPLEMENTATION OF MBE

A company is going to implement MBE, they need to first set up a basic framework which will identify items that vary from plan to plan. These are the critical things that must be in place to make MBE work:

1. An appropriate budget to measure performance against. This budget must be well designed, so that the business will meet its strategic objectives if the plan is conformed with.
2. A matrix of exception amounts and who will be notified. The degree of variance allowed in different categories needs to be defined in advance, along with the appropriate level(s) of management who will respond to the variance in question. In some cases, different levels of variance will be brought to the attention of different levels of management.
3. A timely and accurate reporting system. Information needs to be accurately captured and compared to the overall budget on a regular basis. Exceptions need to be noted so that information can be sent to the correct team members.

Advantages of MBE

- The process focuses management time and attention on the most critical variances, which should be a more efficient use of time.
- The process allows staff to handle daily operations per the business plan independent of management; managers only step in when variances reach the threshold. This should give management more time for other functions, such as strategic planning.

Disadvantages of MBE

- The process assumes the budget is well designed, and that there are no issues that need to be addressed if results match the budget.
- The process assumes staff cannot handle variances; instead management must be brought in.
- The process assumes that management's attention should be focused on 'mistakes'. When staff manages to the defined plan, nothing happens. When things vary, management swoops down to fix them. This can be very un-motivating to staff

**UNIT-II
PLANNING**

"It you have planned well, half of you work is done"

Management Functions are – planning, organizing, staffing, directing and controlling and all are required to achieve objectives but without setting objectives there's nothing to organize, direct or control. Therefore every organization requires to specify what it wants to achieve; Planning is related with this very aspect.

CONCEPT OF PLANNING

Plan & Planning -

- Planning is process - have sub activities and steps.
- Plan is commitment to particular course of action – For objective.
- Planning is deciding in advance the future course of action.
What is to be done in future.
- When, what, why, where, who how are different aspects of planning
Why - action's objections or rent result
What - activates to be undertaken.
How - generate policies, program, strategies
They all speak about future of action.

Definitions:

Gorge R. Jerry – "Planning is the selection and relating of fact and making & using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieve deserved result".

Mc. Farland – "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change"

- Anticipating, controlling everything for direction of change, believe that environment of planning is very dynamic & ever changing.

Characteristics or Nature of Planning :

- | | |
|--|---|
| 1. Primary task of management | 10. Inter dependent activity |
| 2. Intellectual process | 11. Continuous and dynamic activity |
| 3. Future oriented | 12. Planning is the basis of control |
| 4. Decision oriented | 13. Planning follows a systematic and reutilized procedure. |
| 5. Goal oriented | 14. It is participative in nature |
| 6. Forecasting is the essence of planning | 15. Planning always has a dimension of time. |
| 7. Pervasive function | 16. Planning also implies “managerial innovation” (Koontz and Weihrich) |
| 8. Planning and action are twins of management | |
| 9. Planning is wider than decision making | |

Need Importance and advantages of Planning

- | | |
|---|--|
| 1. Basis of success | 9. Coping with change |
| 2. Keystone management function | 10. Improves competitive strength |
| 3. To manage by objectives | 11. Creates forward looking attitude |
| 4. To offset growing complexity of business | 12. Promotes order |
| 5. Better utilization of resources | 13. Prevents hasty judgment and haphazard action |
| 6. To gain economy in operation | 14. Stay on track |
| 7. Establishes coordinated effort | 15. Managing crises |
| 8. Facilitates control | |

- 16. Providing motivation
- 17. Promotes growth and improvement
- 18. Encourages creativity
- 19. Facilitates decentralization

- 20. It provides alternative courses of action
- 21. Efficient methods and procedures of action can be developed.

Components/ Elements of Planning

There are a number of different components of planning. They are also called **types of plans**. The major type of management plans along with their components can be classified as follows:

1 Strategic Plans

These are designed to meet the broad objectives of the organization. These are concerned with broad matters that vitally affect development of an organization. They are prepared at the institutional level. They include mission or purpose, objectives and strategies.

2 Standing Plans

These plans are used over and over again. Once established, standing plans provide on-going guidance for performing recurring activities. Similar situations can be handled in a predetermined way. Thus, they save the time used for making decisions. Examples of such plans are policies, procedures, methods, rules and regulations.

3 Single-Use Plans

These plans are designed to achieve specific goals. They are developed to meet unique situations or problems. They are used but once and discarded. Programmes, projects, budgets, quotas, schedules, and standards are examples of single-use plans.

Components of Planning



(For nonrecurring or short-run activities)

- Programmes
- Projects
- Budgets
- Quotas
- Schedules
- Standards

(For recurring or long-range activities)

- Policies
- Procedures
- Rules and regulations

1. Mission or Purpose

Mission or purpose is a primary and overall objective of an organization. It is the basic function or task of an enterprise which is assigned to it, by society. It is organization's reason for existence determined by its founder, owners, or board of directors. Purpose or mission is the definition of the organization, its identity.

Mescon and Albert observe, " Without a mission as a guide, managers would have nothing but their individual values". In brief, the purpose or mission of an organization must convey the following:

- (a) The existence of the firm - it means what business is the firm in ?
- (b) The external environment that determines the operating philosophies of the firm.
- (c) The organizational culture.

2. Objectives or Goals

Objectives or goals are the ends towards which all organizational activities are aimed. **Koontz and O'Donnell** state, " They represent not only the end point of planning but the end towards which organizing, staffing, leading and controlling are aimed." objectives decide where we want to go. They are the results to be achieved.

'Goals' and 'Objectives' are often used interchangeable but a few written make a distinction between them. Objectives are broad outcomes that managers hope to achieve ultimately. Goals are more specific and concrete in nature and often include active schedule for the completion of a task. **For example**, profitability may be the objective, but the specific goal is to earn 20 per cent return on capital net employed.

3. Strategies

The term 'strategy' was first used in the military to describe the ground plan for winning a war. In recent times, it is widely applied to business. According to **Hicks and Gullett** strategy is "the basic pattern of purpose and policies that define the firm and its business". **Andrew szilagyi** defines strategy" as a comprehensive and integrated framework that guides those choices that determine the nature and direction of the organization's activities towards goal achievement".

4. Policies

General statements or understandings that guide decision-making are called **policies**. Policies define the boundaries within which decisions can be made. They direct decision towards the achievement of objectives. According to **Terry**, " Policies spell out the sanctioned, general direction and areas to be followed".

Features:

- (1) Policies direct the thinking, behaviour and actions of employees.
- (2) Policies may be implied even from the actions of managers or from the practice of enterprise.
- (3) They may be interpreted as "standing orders" or standing guidelines for decision-making
- (4) Policies allow for some discretion and initiative, but within limits.
- (5) Policies define the area in which decisions are to be made, but they do not give the decision.
- (6) They flow from strategies. They are narrower in scope than strategies.

5. Procedures: Policies are carried out by means of procedures. A procedure is a detailed set of instructions for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished. Terry defines a procedure as "a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".

Characteristics of Procedures

- 1.A procedure has a chronological sequence of tasks or actions.
- 2.A procedure is specific and tailor-made to achieve certain tasks.
- 3.Procedures exist in every part of an organization.
- 4.They spell out actions in detail.
- 5.They are truly guides to action, rather than to thinking.

6. Method: Method is the best way the job is to be performed. It deals with a task comprising one step of a procedure. It specifies how this one step is to be performed.

7. Rules: Rules are standing plans that guide actions. They specify what actions will be taken or not taken and what behaviour is allowed or prohibited. Rules are a particular way of behaving in a particular situation. Generally, rules are all restrictive and leave little room for discretion. They are

not guides for thinking or decision-making, rather they are substitutes for them. “No smoking” is an example of a rule.

- 8. Programmes:** A programme is a comprehensive plan that covers a relatively large set of activities. It consists of a complex set of goals, policies, procedures, rules, job assignments and resources required to implement them. Programmes usually include the following steps:
- (a) Stating what is to be done into different parts or units of the organization;
 - (b) Determining the relationships among the parts and developing a sequence of steps required to reach an objective;
 - (c) Deciding the responsibility for each step and for each unit;
 - (d) Determining the financial, physical and human resources to be employed
 - (e) Determining capital and operating budgets;
 - (f) Developing the order and time schedules for each step.
- 9. Projects:** A project may be either a component of a general programme or it may be planned separately on a smaller scale. Each project has its own assignments, time and budget. Sometimes, individual segments of a general programme can be planned and implemented as distinct projects. William Glueck defines, “A project is a programme with less significant objectives, generally a shorter period of time, and usually less detail”. There is a significant difference between programmes and projects. Programmes can be repeated while projects have one time applications. A project to build rest rooms or to fence dangerous machines may be part of a larger programme to improve working conditions.
- 10. Budgets:** A budget is a plan which expresses the anticipated results in numerical terms. It is merely a collection of figures or estimates that indicate the future in financial terms. According to Terry, “A budget is an estimate of future needs, arranged according to an orderly basis, covering some or all of the activities of an enterprise for a definite period of time”. It is a statement of planned revenue and expenditures. A budget may be stated in time, materials, money, or other units.
- 11. Quota:** Quota is a set goal for sales or other activities. It is the share one is bound to contribute to or entitled to receive from a total. A quota is a limit placed on the amount or units of sales, productions, profit or other activities. Quotas are set in the field of sales, markets or sales territories. For example, every sales territory carry an assigned quota indicating its contribution to profit and volume and its sales activity requirements.
- 12. Schedules:** Schedules are important part of operational plans. Schedules are used to plan the timing and sequencing of the use of resources and for the work to be executed. Schedules are the basis of an action plan. Scheduling sets the exact time when each activity would start and when it would end.
- 13. Standard:** A standard is an important element of plan. It is a norm against which performance is compared and evaluated. Terry defines it as “a unit of measurement established to serve as a criterion or level of reference”. A standard forms the basis of controlling and serves as guide for performance. It brings uniformity in work. Standards assist in settling disputes because they may serve as base levels. They are essential in planning schedules and determining the proper use of resources. Qualitative and quantitative standards are set in various areas of business such as cost standards, quality standards, product standards, material standards, performance standards, etc.

TYPES OF PLANS

On the basis of Managerial Hierachy

1. Strategic Plans
2. Administrative plans
3. Operating Plans

On the basis Frequency of Use

1. Standing plans

2. Single use plans

On the basis of Time Frame

1. Short range plans
2. Medium or Intermediate plans
3. Long range plans

On the basis of Organizational Scope

1. Business or divisional level plans
2. Unit or functional level plans

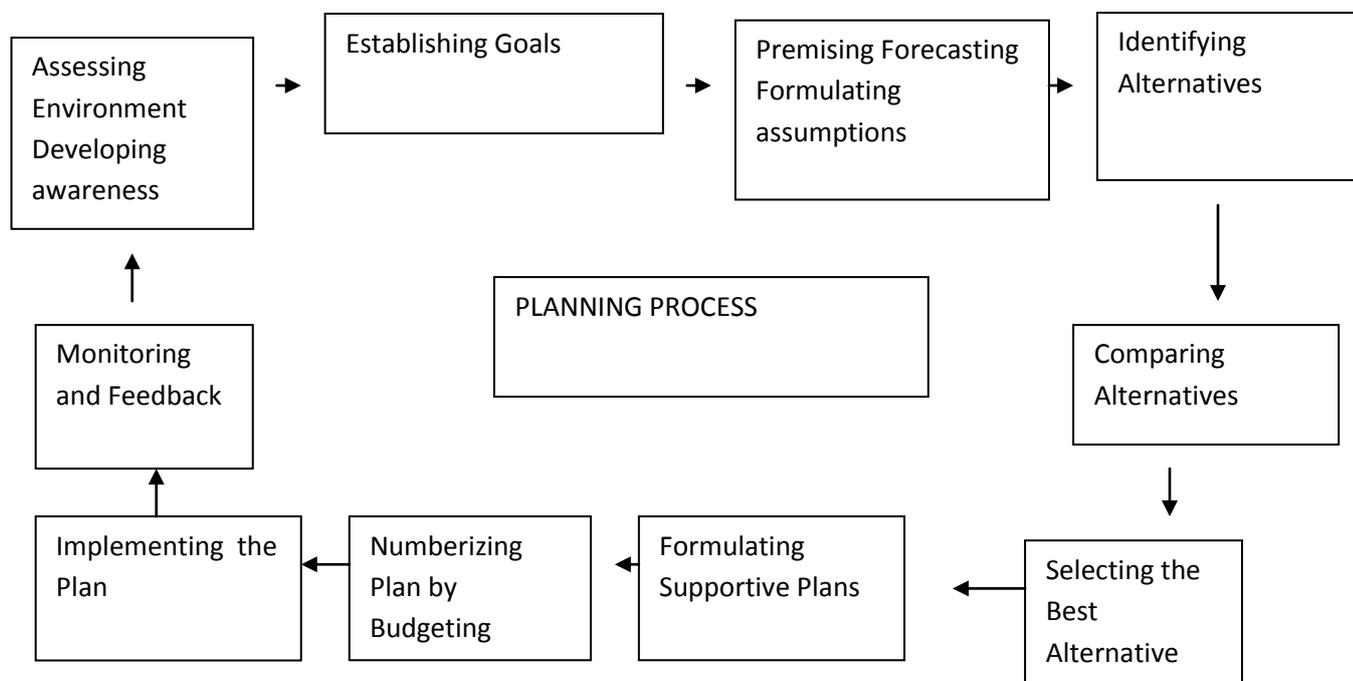
On the basis of Specificity

1. Specific plans
2. Directional plans

Other classifications

Contingency plans :The are helpful in emergency situations.

PROCESS OF PLANNING OR STEPS IN PLANNING



Limitations of Planning

1. Ambiguous objectives and plans
2. Lack of reliable facts and information
3. Inaccurate premises
4. Rigid philosophy or lack of pragmatism
5. Resistance to change
6. Inflexibility of existing objectives and plans
7. Lack of planning skills
8. Failure to integrate with other functions
9. Attitudes and conflicts among managers
 - i. Conflict on the goals and priorities of planning.
 - ii. Conflict on the selection of the courses of action and resources.
 - iii. Conflicts on their roles in the implementation of plans.
 - iv. Conflict between line and staff managers due to their role in planning.

- v. Conflict on the issue of usefulness of the planning itself.
10. Psychological barriers.
- i. Some managers feel that present is more important than the future. They regard present is more desirable and has certainty. Hence, they neglect the significance of planning.
 - ii. Some managers feel that certain things are bound to happen in future. Such things cannot be changed by planning.
 - iii. Some feel that planning is not successful always. Therefore, it is a waste of time, energy and money.
 - iv. Plans serve as standards for evaluating performance. Therefore, many managers fear that others will know their weaknesses at the time of performance evaluation.
11. Expensive
 12. Inadequate resources
 13. Delay in actions
 14. Difficulties in implementation
 15. Rapid and random changes

Essentials of effective planning

1. Well defined objectives
2. Simple and easy to understand
3. Comprehensive
4. Flexible
5. Balanced
6. Economical
7. Stable
8. Continuity
9. Unity
10. Consistency
11. Participation
12. Practicable
13. Written
14. It should be logical and rational
15. It must be time bound.

Principles of Planning

1. **Principle of contributions to objectives**
2. **Principle of objective**
3. **Principle of primacy of planning**
4. **Principle of efficiency of plans** : It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
5. **Principle of planning premises** : Planning premises means the assumptions regarding environment which are likely to affect the implementation of plans. This Principle emphasizes the need for consistent planning premises.
6. **Principle of strategy and policy framework**
7. **Principle of limiting factor** : A limiting factor is one which creates problems in the way of achieving predetermined objectives. This Principle states that planner must recognize and solve the limiting factors in order to formulate effective plans.
8. **Principle of commitment**
9. **Principle of flexibility**
10. **Principle of navigational change**: This principle states that a manager must constantly monitor and review the conditions affecting the plans and redraw the plans if required by the changed conditions.
11. **Principle of pervasiveness**

12. **Planning coordination**
13. **Principle of timing**
14. **Principle of participation/acceptance**
15. **Principle of competitive strategies**

Tools & Technique of Planning

Different tools and techniques are used in formulating and implementing plans. Some of the most important are as follow:

- | | |
|------------------------------------|----------------------------|
| 1. Forecasting | 9. Scheduling |
| 2. Budgeting | 10. Games Theory |
| 3. Break even analysis | 11. Simulative Model |
| 4. Marginal analysis | 12. Sequencing |
| 5. Linear programming | 13. Bench marking |
| 6. Waiting line or Queueing theory | 14. Environmental Seanaing |
| 7. PERT/CPM | 15. MBO |
| 8. Theory of probability | |

OBJECTIVES AND MANAGEMENT BY OBJECTIVES

Concept & Nature of Objectives:

Objectives are the end results which an organisation wants to achieve.

Mc. Farland – Defines objectives in quite broad term "Objectives are goals, aims or purposes that organisations wish over varying period of time".

Terry & Franklin -

"A managerial objective is the intended goal that prescribes definite scope & suggests direction to the planning efforts of a manager".

- So we can define objective as the intended and result that an organisation desires to achieve over varying period of time.

- On the basis of Time variations Objectives may be classified in different way's in which long term objectives are supported by short term objectives.

Features of objectives are as follows:-

1. Each organisation or group has some objectives in fact they are created basically for certain objectives.
2. Objectives may be broad or may be specifically mentioned. Wide or narrow Long term or short term. General objective are translated into operative objectives to provide definite action.

3. Objectives have hierarchy

- Top level - broad object
- Dept level - specific object
- Unit level - their own object

4. Organisational objectives have **social sanction** they are related with social norms.

Organisation is a social unit its objectives must confirm to the needs of society.

Various restrictions on organisation objective are put through social norms, rules & customs

eg: objective- Increase stock but not by hoarding

5. One organisation can have **multiple objectives**

eg: HLL- Under chairmanship of T. Thomas (1973-80) has following objectives

- (i) To expand & diversify in area of chemicals.
- (ii) To control cost & improve productivity very rigorously
- (iii) To built up mgt skills for future growth.

Role of objectives:-

1. Defining an Organisation:

Every organisation works in environment consisting of several forces.

Forces provide threats & opportunities both, in order to take best from environment –

It must define itself for all.

eg: Modern food industries ltd's objective -"Manufacturing & Marketing of nutritional foods to the public".

2. Directions for decision making:

Objectives sets limits, prescribe areas in which man can make decision.

No ambiguity about end results, so manager is clear about all expectations.

it promotes unified planning and acts as motivating force.

3. Performance Standards:

It Sets Benchmarks, the Performance of all – organisation –units

Sub-units is measured against objectives.

4. Basis for Decentralization

Decentralization is necessary for large organizations.

Independent decision making may lead to disintegration of organisation

Until and unless clear objectives are set for all contributions.

5. Integrating organisation, group & Individual -

Clearly Specified objectives provide integration to various individuals, groups in organisation.

Organisation cannot exist apart of its related people.

eg: creditors, customers, etc.

TYPES OF OBJECTIVES

1. General Objective

- Survival
- Growth
- Economic Contribution
- Social Obligation
- Profit

2. Specific Objectives

3. Objectives Based on organizational levels

- Mission Goals
- Strategic objectives
- Tactical Objectives
- Operational Objectives

4. Time based objectives

- Short term
- Intermediate
- Long-term

5. Other Types

- Personal
- Organisational objectives
- Performana goals
- Group Goals

Organizing

After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans.

1. The organizing involves elements like determination of specific activities required for the implementation of plans and policies leading to accomplishment of predetermined goals.
2. Logical regrouping of these activities into jobs and regrouping of these jobs into departments and function so as to create effective inter relationship and coordination among them.
3. Assignment of jobs to different people at different position.
4. Linking them through a network of authority and responsibility relationship.

The organizing possesses results into hierarchy of task and relationship among various position and position holders at least to the creation at an organizational structure or a framework of decision-making and task performance.

DEFINITION

According to Robins, “Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made”.

Definition of Organization

Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals.

Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Creating Hierarchy of Authority in Different functions
4. Common goals
5. Division if Labor
6. Resources
7. Co-ordination of activities
8. Co-operation (Informal organization)
9. Informal versus formal organization.

Informal	Formal
It refers to structure of well defined jobs having definite formal authority & responsibility. It lays down the formal patterns of relationships.	Whenever people work together they evolve informal groups bound together by common interest or goals. Such groups constitute informal organization.
Its purpose is to fulfill the social needs or it is for social welfare	Its purpose is to fulfill the organizational needs.

Advantages of Formal organization

1. Systematic communication
2. Minimum conflict between managers.
3. “Buck” Passing
4. Opportunities for favoritism is reduced
5. Channel of Communication are spelled specifically.
6. Formal organization is suitable necessary for Performance of competence and diverse activities.
7. Exact standard of Performance can be set

Purpose of Organizing

1. The organizing defines every employee's task, duties, responsibilities and goals
 2. It establishes the authority, responsibility relationship for cooperative and coordinated efforts.
 3. It provides a framework of decision making
- It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.

Principles of organizing

Peter Drucker advances the following principle for designing the organization. The principles are as follows –

1. **Clarity** - Every manager and every part of organization must know its place in the system. He/She should know how he/she is related to other, what contribution he/she has to make to enable others to perform and what contribution he/she should expect from others to perform his/her own task. Clarity is needed in all kinds of organization. It only means that everyone must know its takes authority, position etc. in the organization.
2. **Economy** - People should be encouraged to take initiative and responsibility, execute judgment in taking decision and taking required actions. It requires minimum control and supervision of sub-ordinates.
3. **Direction of Vision** – The pattern of interaction and communication should be design so as to direct to employees vision towards goals rather than towards the task and activities. The vision should be directed not only towards his/her own goal but also towards the goal of the enterprise.
4. **Understanding One's Own Task and Common Task** - It should enable the employee to understand the common task and the contribution. His task is expected to make the performance against organization task. There should be communication, running through out the organization.
5. **Decision - Making** - The organizational structure should be design so as to permit decision to be made at appropriate level. The decision should be made at that particular level itself. The organization structure should strength the right decision at the right time.
6. **Stability & Adaptability** – Every organization needs a certain degree of stability. The reasonable stability enables an organization to plan, introduce and accept the change. The stability should not be related to rigidity, a balance between stability and change should be maintained, also the organization structures inbuilt an ability to adopt a new situation in internal & external environment.
7. **Perpetuation and Self-Renewal** – In order to perpetuate the organization should be capable of renewing itself continuously. The internal forces should be capable to introduce new things and discard the old or useless things. It should provide motivation to its employees to learn and develop use their existing capabilities for achieving the objectives. A self-renewing organization should have quality of open mindedness and receptiveness of new ideas.

Organization Structures

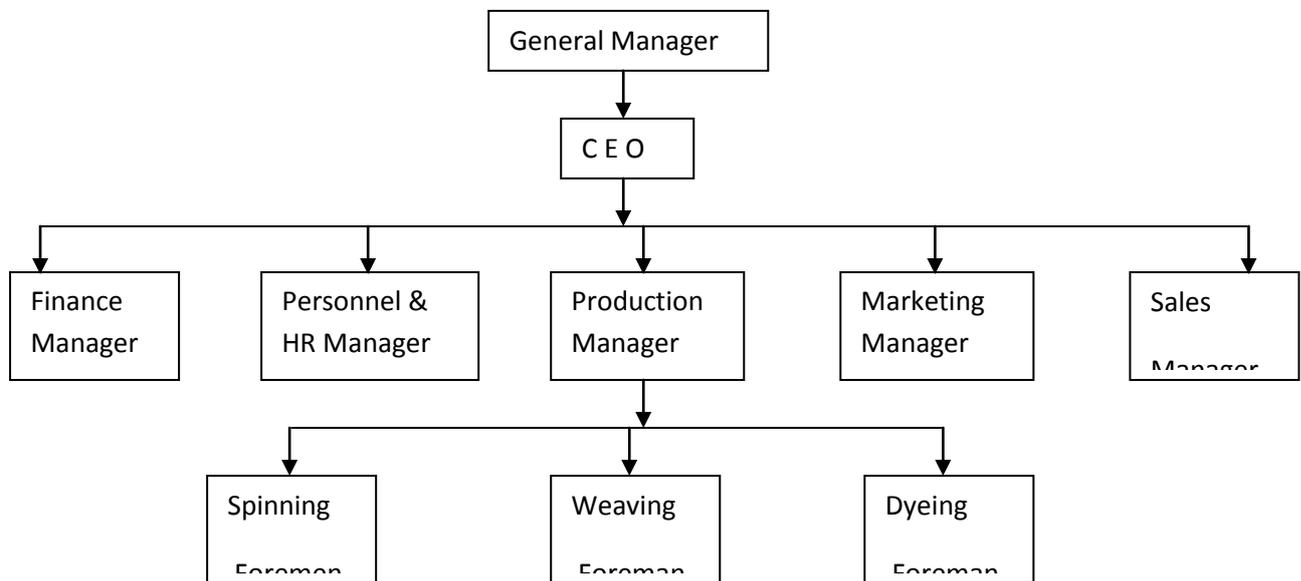
There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

1.Line Organization: Line organization is the oldest type of organization which is also known as military organization. It is characterized by direct lines of authority flowing from top to bottom levels of organizational hierarchy and the lines of responsibility and accountability flowing in a

opposite but equally direct manner. More specifically, in line organization lines of authority & commands runs from top managers (Ex-Board of directors) to the lowest level of managers (Ex-Supervisor) through the Process of Delegation & redelegation of authority & line of responsibility flows vertically upward from bottom to top organization.

There are two types of line organization:

- i. **Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.
- ii. **Departmental line Organization:** The business is broadly divided into departments which are put under charge of various departmental heads. Each departmental head derives authority from chief executive & has complete control over his own departments. All departmental heads enjoys equal status, authority & their function independently. No departmental head can issue orders & instruction to subordinate of any other department.



Advantages of line organization

- i. Simple to establish, understand & operate
- ii. Speedy action
- iii. Proper Discipline
- iv. Fixation of Responsibility
- v. It is less costly

Disadvantages of line organization

- i. Overloading
- ii. Lack of specialization
- iii. Autocratic leadership
- iv. Lack of stability
- v. Inefficiency of Decision Making
- vi. Not suitable for large enterprises
- vii. Communication Gap.

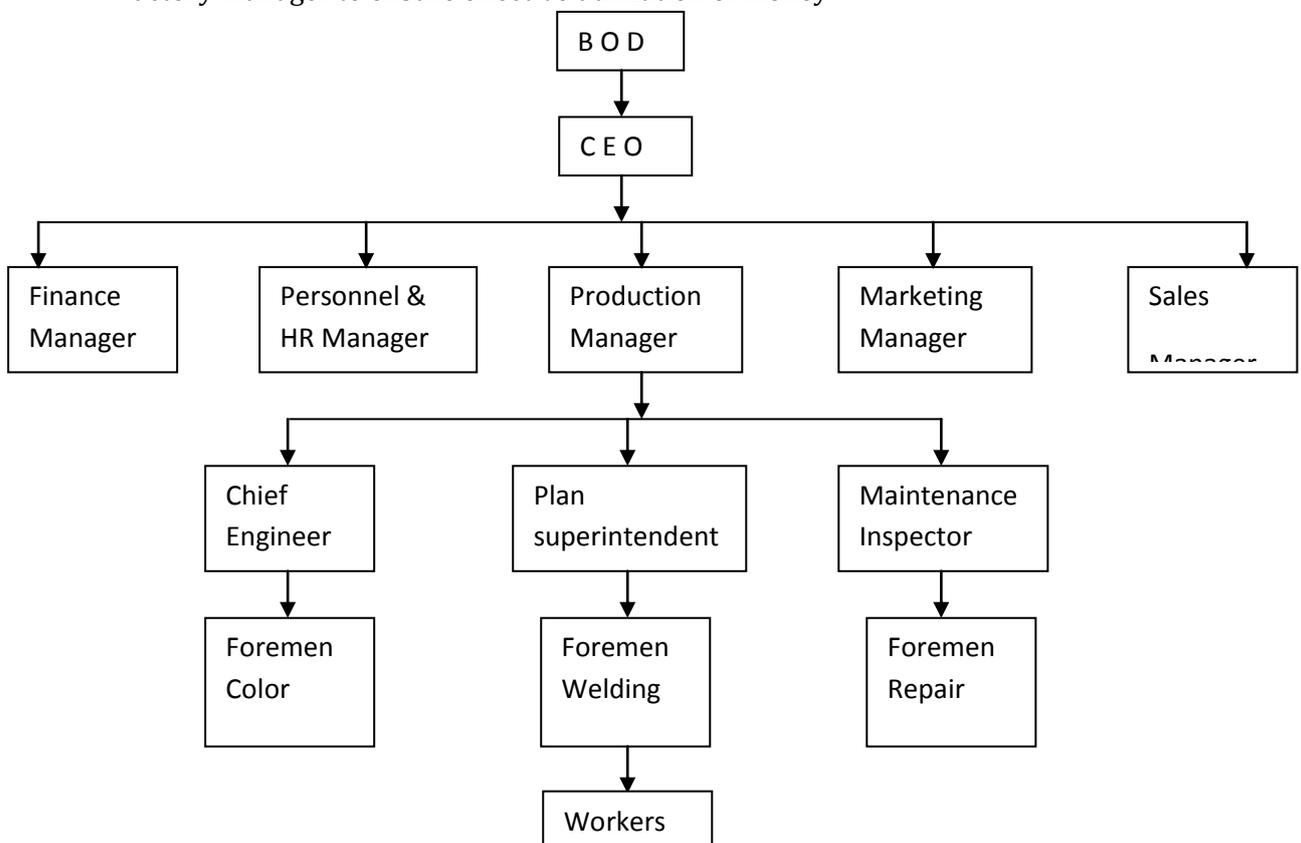
Advantages of Departmental Line organization

- i. Suitability
- ii. Small scale or sole proprietary organization

- iii. Organization with simple routine operations
- iv. Organization with automatic & continuous production process
- v. Short chain of command
- vi. Few subordinate at each level.

2. Functional Organization: It refers to the organizational in which activities are classified into a number of functions such as Production, Marketing, Finance, HR etc. A functional specialists directs the subordinates throughout the organization in the field of his Particular function i.e. subordinates are accountable to different functional specialist for performance of different functions. Functional authority is limited form of line authority given to functional experts over employees in other departments.

For Ex-Finance Manager is given the authority to directly issued orders and instructions to branch manager & factory manager to ensure effective utilization of money.



Advantages of functional organization

- i. Specialization
- ii. Efficiency
- iii. Simplified staffing
- iv. Growth & Development
- v. One man control is replaced by joint control
- vi. Relief to executives: It reliefs the top executives from the burden of operating and they can focus on strategic planning

Disadvantages of Functional Organization

- i. Complexity: It creates confusion and overlapping of authorities and it is difficult to fix up the responsibility for the final results. "Passing the buck" is very common.

- ii. Lack of Co-ordination: Conflicts between different staff specialist makes co-ordination & co-operation difficult.
- iii. Costly: hiring of experts calls for large salaries and so to the increased clerical work.
- iv. Delay in decision making: Divided control tends to delay the action particularly when more than one specialist is involved. Consulting the staff experts & coming on consensus calls for time & delays in decision making.
- v. Overburdening of Operating Subordinates
- vi. Indiscipline: due to no unity of command their exist dual subordinate leading to conflicting orders & divided loyalty & other problems as to discipline.

3. Line & Staff Organization: Line organization involves complete centralization while functional organization involves too much division of control. Line & staff organization is designed to maintain a proper balance between centralization & division of control.

Line & Staff organization is one that has line managers with direct vertical relationships between different levels in the organization in addition to the specialist responsible for advising and assisting the line managers. Line managers are one who are responsible for making decisions & accomplishing the objectives set for them. While staff means “support” & is intended to provide technical advice or service to the manger their relation is purely advisory and they cannot issue instructions to subordinates outside their own departments.

Suitability :

- 1.Suitable for medium to large enterprises.
- 2.Organization which can afford high investment.
- 3.Production of goods & services which required specialized knowledge.

Advantages of Line & Staff Organization

1. Better utilization of resource; Line executives can concentrate fully on execution of work as the function of investigation & advise is taken over staff also departmental staff are not overburden by technical details.
2. Sound & Efficient decision making
3. Planned specialization: As per the skill requisite activities are divided between line & staff while line is focusing & advisory activities.
4. Better co-ordination: Co-ordination of information & activities gets easy.
5. Scope of growth & expansion
6. Easier to maintain discipline & control because it does not hamper unity command like in functional organization.

Disadvantages of Line & Staff Organization

1. Costly: Two separate time of execution line & staff
2. Time Consuming
3. Line & Staff Conflicts: Line manger may advice thinking it impractical while staff may tender half baked ideas because it is not held responsibility.
4. Lack of understanding between line & staff is common.
5. Confusion: Relation between line & staff is not clear which makes authority & responsibility relation very complex & people at lower level get confused who is to do what & how.
6. Overdependence: Line manger may depend too much on staff experts for ideas & information as a result they may loose their own initiative, thinking & judgment.

4. Project Organization:

Project organization is a temporary structure designed to accomplish a specific task or project with the help of specialist drawn from different functional departments within the organization. It consists of number of horizontal & diagonal relationships to accomplish a specific project goal of a

long duration. When project is completed all members moves on to a new project or return back to their home departments in the organization or may lead to parent organization. A project manager is given line authority over the team members during the life of project.

Project manager is a person who is responsible for coordinating the activities of several departments & completion of target within specified time, cost & quality framework.

Advantages of Project Organization

1. Specialist Services
2. Timely work
3. It increases the co-ordination between different departments.
4. Flexible Structure
5. There is set unity of command & direction.

Disadvantages of Project Organization:

1. Costly
2. There are lot of Physical, financial & human constraints.
3. There is divided loyalty or there is overburden of company job & Project work.
4. There are chances of conflicts.
5. There is chance of over specialization & it will lead to delay in decision making & work will go beyond time & cost.
6. Project manager have very limited line authority

Suitability of Project Organization

1. Organization which deals with projects for definite goal & time period and when work activity is interdependent.
2. When work is of temporary nature
3. When expected profit or loss can be measured.

5. **Matrix & Grid Organization:** It is a mixture of functional & project organization. Matrix or grid organization is a hybrid organization which combines project structure with functional structure. It is a permanent organization structure design to accomplish specific project (or to achieve specific result) by using teams of specialists drawn from different functional departments within the organization & externals are also there. Functional managers are in charge of specialized resources such as production, quality control, Marketing, Inventories & finance. Project manager is in charge if one or more projects. In a matrix organization the team members are accountable to both project manager as well as head of functional department to which they are permanently assigned.

Suitability

1. When there is a complex rapidly changing environment in which needs to be flexible & adaptable?
2. When there is a pressure for shared resources
3. Presence of intense external competition.

It is particularly suitable for aerospace, construction, industrial plans, Advertising, Hospital, College project within the specified time & cost framework.

Advantages

1. Efficient use of human resources
2. Interdisciplinary cooperation
3. Enhanced communication both laterally and vertically

4. Customisation of organizational and customer needs
5. Training and team work

Disadvantages

1. Violatin of traditional organizational principles
2. Dual reporting relations and role ambiguity
3. Cannibalization- competition between scarce resources within the system
4. More meetings and discussions than action
5. Costly

6. Committee Organization: A committee is a group of two or more appointment, nominated or elected persons to consider discussing, to decide recommend or report on some issue or matters assigned to it. Committees differ in number of dimensions such as purpose, membership, decision making authority or nature of work.

It can be:

- i. Advisory or Executive committee
- ii. Line or Staff committee
- iii. Formal of Informal Committee
- iv. Coordinating Committee
- v. Standing Committee

Suitability

1. This kind of organization structure is commonly used in government organization where they create specific committee to resolve social issues.
2. Where issues in question requires experts opinion & coming to a consensus.

Advantages

1. Experts Opinion
2. Broad Picture to the issue
3. Democratic way of decision groups
4. Representation of interested groups
5. Sharing of information & promotion of new ideas.

Disadvantages

1. Reports submitted by committee members are only recommendations or probable solutions to the issue. Their implementation is subject to authority approval to whom report is submitted.
2. Waste of Money, Time & Energy.
3. No one supreme authority to decision making: All representatives are there & they all do not have decision making authority.
4. Lack of Secrecy.
5. A Committee mostly consist of 3 men, 2 of whom are absent.

DIFFERENCE BETWEEN LINE ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Line Organization	Line and Staff Organization
1	This form of organization has lack of specialists. So decisions are not more correct.	The decisions about organization are more strong because at the time of decision, the advice of expert is taken.
2	The authority is centralized. All decisions are taken at top level.	The centralization of authority is comparatively less, departmental management has also the opportunity to take decisions.
3	This organization is fit for small enterprise.	This organization is fit for bigger enterprises.

4	This organization has simplicity because there is clear authority line from top to below and promotions happens easily.	It has complexity, there is no clear authority from top to below, many problems arises due to specialists.
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DIFFERENCE BETWEEN FUNCTIONAL ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Functional Organization	Line and Staff Organization
1	In functional organization, decisions are taken by specialists.	In line staff organization the decisions are taken by line officers, specialists give only advice.
2	In this organization full advantage of specialization is taken.	It this, the advantage of specilisation is not taken much due to not taking decision by specialists.
3	In the organization the work in divided according to qualification.	In this, the qualification of workers is not considered at the time labour-division.
4	In this organization, there are separate specialists for every work. So there is problem of coordination.	The line of authority is predetermined. So co-ordination is easy.
5	In this organization, workers get instructions from different specialists.	In this organization, workers get instructions from a single officer.

DIFFERENCE BETWEEN LINE ORGANISATION AND FUNCTIONAL ORGANISATION

S.No.	Basis of Difference	Line Organization	Functional Organization
1	Simplicity	This is the simplest form of organization.	This is the complex form of organization
2	Expenses	This is less expensive.	Much money is to be spent in this organization.
3	Utility	This is useful for small units.	This is useful for big units.
4	Specialization	This is not based on specialization.	This is used on specialization.
5	Authority and responsibility lines	In it, authority and responsibility lines are up and down.	In, it authority and responsibility lines are up and down and horizontal also.
6	Specialists	The services of specialists are not taken in it.	The services of specialists are taken in this organization.
7	Delegation	In this, delegation is vertical.	In, this delegation may be horizontal.
8	Planning and execution	In this, planning and execution happens simultaneously.	In this, planning and execution are done separately.
9	Authority	The authority lies only in hands of line officers.	In, this authority is given to specialists.
10	Headism	In it, principle of single heads is implied.	In this organization, the principals of many heads is implied.

Delegation of Authority

Delegation is the mechanism through which organization work is distributed among its employees; authority is distribute in them for the performance of assigned task and accountability is imposed on them to perform adequately. A manager is responsible for doing a large variety of task and activities, which he can't do himself. Therefore he assigns some of his work to his subordinates. He helps with himself those tasks, which are for goal attainment and transfer the less important work to his subordinates. After assigning them the work he transfers to the subordinate adequate authority so as to enable them to make decision and take actions required for the achievement of goals. The assignment

objective of work and delegation of authority creates an obligation on part of subordinate to perform adequately and efficiently.

Process Of Delegation

According to Management expert Newman, the delegation process is compared to four inter-related steps.

1. **Assignment Of Duties** – The process begins with the assignment of task. The manager should analyze the task involved in his job. He breaks the job into different activities and decides which part of it he bounds to do himself and which part he bounds to assign others. Then he assigns the task depending upon the knowledge, competence of the subordinates. After assigning the task he makes it clear at what results are expected from the subordinates.
2. **Delegation Of Authority** - The subordinate should have adequate authority according to their job responsibility so that they can perform their job effectively. As the job responsibility changes there should be change in the extent of the delegated authority.
3. **Creation Of Obligation** – Along with the assignment of task and delegation of authority it is necessary to have certain obligation or accountability from the subordinates for judicious use of authority and effective performance. Reading to the attainment of the pre-determined goals.
4. **Establishment Of Effective Control System** – Fourth step is establishing an adequate control system for evaluating the results of delegation. The managers have to evaluate the progress of subordinate time to time to ensure that authority is utilized effectively and desired results are achieved. The manager establishes control through feedback system that will provide him information on subordinate activities and progress. He may gather information or may ask for written or oral reports from his subordinates. This helps in keeping a record of progress and problems and enables him to take corrective actions.

Principles of Effective Delegation.

1. **Authority Should Be In Coordination With Responsibility** – the authority should be closely related to the responsibilities. There should be adequate coordination between authority and responsibility, which will help to make the required decision and take appropriate action that are required of reflective job performance.
2. **Interference Should Be Minimized** – One's authority has been delegated to a subordinate to make decisions he should be allowed to do so even if the superior feels that he can take a better decision himself. He should resist the temptation of interfering with the guiding of the subordinate, one's authority is delegated. However when there are complex problems the superior should help and guide the subordinate. He should make a decision if required.
3. **Tolerance Of Mistake** – Subordinates may make wrong decisions sometime but if his decision is strongly disapproved he will avoid taking a decision and then start relying on his superior for a decision. If this happens the subordinate will never learn to make a decision and also the superior will be overburdened. The minor mistakes should be ignored whereas the superior should correct the serious mistake.
4. **Adequate Control Should Be Established** – It is necessary to establish proper control to ensure that his subordinate exercises authority properly and achieves pre-determined goals. But this control should not be exercised too frequently that it obstructs the subordinate's performance & initiative.
5. **Upward Delegation Should Not Be Allowed** – Some times the subordinates are uncertain and reluctant to use authority. In such situations they follow the policy of awkward delegation. It

means that they will refer their problems to their superior rather than talking at their own level, this increase the burden on superior times therefore superior should not allow subordinate to delegate awkward and should insist that they themselves take job related decisions.

Merits

- | | |
|--|---|
| 1. Relieves manager’s workload. | 4. Train subordinates and |
| 2. Leads to better decisions. | 5. Helps to create formal organization structure. |
| 3. Speed up decision – builds up morale. | |

BARRIERS TO DELEGATION.

On the manager’s side:

- | | |
|--|----------------------------|
| 1. Fear of loss of power | 3. Fear of being exposed. |
| 2. Lack of confidence in subordinates. | 4. Difficulty in briefing. |

On the subordinates side:

- | | |
|---------------------------------|--|
| 1. Fear of criticism | 3. Lack of self confidence and initiative and resources. |
| 2. Lack of adequate information | 4. No positive personal gain. |

AUTHORITY AND RESPONSIBILITY

Authority is the basis of organization in as much as organization is described as a system of authority relationships. Authority is the power to command others to act in a manner deemed by the possessor of the authority to further enterprise or departmental purpose. It is the power to make decisions which guide the actions of others. The person who makes the decisions is the superior and the person who accepts them and is guided by them is called one subordinate.

Authority is the right to give orders and the power to exact obedience.

- HENRI FAYOL

Authority may be of formal authority, acceptance authority, authority of situation, position authority, and technical authority.

Responsibility refers to duty, activity or sometimes even authority. It really means that the obligation of a subordinate to perform the duty assigned to him. The essence of responsibility is, then obligation. In the normal functioning of an enterprise much of the responsibility in the nature of continuing obligation which means that the subordinate has an obligation to discharge his functions as required by the superior continually. Responsibility involves Compliance, obedience and Dependability. A failure to observe these elements may call forth a penalty, punishment or disciplinary action against the erring subordinate. The term accountability can also be used as a substitute for responsibility. Accountability refers to the liability of a subordinate for a proper discharge of his functions. It includes responsibility and arises from it. But accountability cannot be delegated. Thus to be accountable is to be answerable for the fulfillment or non-fulfillment of the authority or responsibility assigned.

GUIDELINES FOR EFFECTIVE DELEGATION

- | | |
|---|---|
| 1. Clarity in assigning the task | 5. Proper training of subordinates. |
| 2. Proportionate authority. | 6. Create climate for mutual trust and goodwill |
| 3. Limits of subordinates authority. | 7. No over laps or slips in delegation. |
| 4. Positive incentive for accepting responsibility. | |

SPAN OF MANAGEMENT

It is one of the organization principle. It refers to the number of subordinates for whose activities an executive should be held responsible. The limit to the number of subordinates who can be effectively managed by a manager.

The factors determining span of control of a superior are:

1. Nature of activities involved.
2. Ability of the superior (knowledge)
3. Nature and ability of subordinates.
4. Time available.
5. Place available etc.

Limited span of control ensures the following

1. Tighter control and closer supervision
2. Ease of managing fewer.
3. Availability of time to think and plan

On the other hand limited span of control has some shortcomings also as given below

1. Additional costs having more manager
2. Complexities in communication will arise
3. Prevention of democratic participation

DECENTRALIZATION

It is the situation which exists as a result of systematic delegation of authority through out the organization.

The term decentralization carries different meanings to different people.

Decentralization is an extension of delegation.

Decentralization implies a systematic delegation of authority through out the whole organization.

WHY DECENTRALIZATION?

Large companies having independent product or service lines may adopt a form of decentralization. Under decentralization the whole organization is divided in to self-sufficient divisions. Having experienced many difficulties in the smooth running of such centralizes organizations, decentralizations of authority has been suggested and largely resorted to particularly to achieve the following purposes.

- Easing burden of chief executive.
- Facilitating diversification,
- Providing product of market emphasis.
- Developing managers and
- Improving motivation.

ADVANTAGES OF DECENTRALIZATION

- Decentralization leads to specialization.
- Encourages decision making and assumption of authority and responsibility.
- Decentralization makes the sub – ordinates to work with involvement
- Facilitates diversification in large scale.
- Promote the development of general managers.
- Aids in adoption of fast changing Environment.

DISADVANTAGES OF DECENTRALIZATION

- Makes it more difficult to have a uniform policy.
- Decentralization leads to problem in co – ordination.
- May be limited to External forces.

- Leads to increase in cost.
- May some time leads to mis-use of power in high levels.
- Leads to expenses in training a manager.
- May be limited by the availability of qualified managers.

DELEGATION Vs DECENTRALIZATION

1. Delegation is the process while decentralization is the end result.
2. Superior is responsible for delegation where as in decentralization subordinates are responsible.
3. Delegation is vital and decentralization is optional.

DEPARTMENTATION

First task in designing an organization structure is the identification of activities and to group them properly. The process of grouping activities is commonly known as departmentation.

NEED AND IMPORTANCE OF DEPARTMENTATION

The basic need for departmentation arises because of specialization of work and the limitation on the number of subordinates controlled by a superior.

1. Advantages of specialization :

Thus if the managerial function is conceived as a set of activities facilitating the work of organization, these activities can be carried out more efficiently and effectively through the division of work leading to a specialization of managerial function.

2. Fixation of responsibility: Departmentation helps in fixing the responsibility and consequently accountability for the results.

3. Developed of managers: Departmentation helps in the development of managers.

4. Facility in Appraisal Managerial performance can be measured when the area of activities can be specified and standards in respect of these can fixed. Departmentation provides helps in both these areas.

5. Feeling of Autonomy : Departmentation provides motivation by developing feeling of autonomy to the extent possible. There are several bases of departmentation. The more commonly used bases are function, product, territory, process, customer, time etc. Some of these bases are internal-operation – oriented like function, process, time while others like product, territory and customer are output-oriented.

FUNCTIONAL DEPARTMENTATION

The grouping of common or homogeneous activities to form an organization unit is known as functional departmentation. Functional departmentation is the most widely used basis for organizing activities and is present almost in every large organization at some level. Functional departmentation is most commonly used because it offers certain advantages which include advantages of specialization, ensuring performance of activities necessary for the achievement of organizational objectives, elimination of un-necessary activities, easier control over functions, easier way for pinpointing training need of the managers and maintaining the relative importance of functions in the organization.

PRODUCT WISE DEPARTMENTATION

Product departmentation involves the grouping together of all activities necessary to manufacture a product or product line. Product departmentation is preferred for product expansion and diversification when manufacturing and marketing characteristics of each product are of primary concern. Product departmentation offers several advantages places attention to product lines, reduces problems of coordination for different products, provides opportunities for further diversification and expansion of organization and provides product specialization necessary for managers specially when each product is different from other.

TERRITORY – WISE DEPARTMENTATION

Territorial or geographical departmentation is specially useful to large-sized organizations having activities which are physically or geographically spread such as banking, insurance, transportation etc., Territorial departmentation provides certain efficiency in operation. Local factors such as customers, culture, styles, preferences etc., always affect organizational functioning.

PRODUCTION PROCESSES – WISE DEPARTMENTATION

In process departmentation, processes involved in production or various types of equipments used are taken as basis for departmentation. When the production activities involve the use of several distinctive processes, these can be used as the base for grouping of activities. Such activities may be textiles, oil production etc., The process are set in such a way that a series of operations is feasible making operations economic. It provides advantages of specialization required at each level of total Processes, maintenance of plant can be done in better way, and manpower can be utilized effectively.

CUSTOMER – WISE DEPARTMENTATION

Customer based departmentation is basically market – oriented in which departments are created around the markets served or around marketing channels. The basic idea of this departmentation is to provide services to clearly identified groups of customers. Each group of customers has different purchase behavior, payment schedule, demand pattern etc., Therefore they can be attracted to the organization's business by satisfying them by providing services, payment schedule demand pattern etc.

CHOICE OF BASES FOR DEPARTMENTATION

The selection of bases for departmentation involves a consideration of the relative advantages of each base for the organization. Ideally speaking, a suitable basis of departmentation is one which facilitates the performance of organizational functions efficiently and effectively so that its objective are achieved.

1. Specialization:

The basis of departmentation should reflect the specialization in performing the work.

2. Coordination:

Coordination involves that all the related activities are performed in a way that their performance is synchronized so that each activity contributes to others.

3. Economy A balance should be maintained between the cost of creating a department and its contribution. The existence of a department is desirable only when it contributes more than its cost.

4. Focus on Result

Those activities which contribute to the achievement to these results should be given proper attention.

5. Local Conditions:

Local requirements of the organization should also be taken into account while creating departments.

6. Human Considerations:

Departments should be created on the basis of availability of personnel, their aspirations and value systems, informal work groups and attitudes of people towards various forms of organization structure.

UNIT IV

DIRECTION, MOTIVATION, LEADERSHIP, COMMUNICATION.

DIRECTION

Direction is instructing the subordinates to follow a certain process to attain a give objectives. It is getting the work done through instructions and orders. It is the function of diversion in the management process to get the work from the subordinates by means of guiding, motivation, communication, supervising, leading and if need be commanding.

It is sum of total of managerial efforts that is applied for guiding and inspiring the working teams to make better accomplishments in the organization.

It is the heart and soul of management.

PROCESS OF DIRECTION

1. Defining the objectives.
2. Organizing the efforts.
3. Measuring the work.
4. Developing the people.

Ever manager in the organization gives direction to his subordinates as superior and receives direction s subordinate from his superior.

Direction may be defined as the function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organization objective. The direction is not merely issuing orders and instructions by a superior to his subordinates, but is includes the process of guiding and inspiring them. The analysis of definition reveals that direction function consist of three elements.

- Motivation
- Leadership
- Communication

Direction has the following characteristics

- Direction is an important managerial function. Through direction management can initiates actions in the organization.
- Direction function is performed at every level of management.
- Direction is a continuous process and it continuous throughout the life of the organization.
- Direction initiates at the top level in the organization follows and bottom through there hierarchy. It emphasizes that a subordinates is to be directed by his own superior only.

IMPORTANCE OF DIRECTION

The importance of direction function in the organization can be presented as follows.

- Direction initiates action.
- Direction integrates employees efforts.
- Direction attempts to get maximum out of individuals.
- Direction facilitates charges in the organization.
- Direction provides stability and balance in the organization.

PRINCIPLES OF DIRECTION

Direction is one of the most complex function of the management as it ideals with people whose nature itself is quite complex and unpredictable.

1. Principles of relating to the purpose of directing
 - a. Principles of maximum individual contribution.
 - b. Principle of harmony of objectives.
 - c. Principle of efficiency of direction.

2. Principle relating to direction process:
- a. Principle of unity of command.
 - b. Principle of appropriateness of direction technique.
 - c. Principle of managerial communication.
 - d. Principle of comprehension.
 - e. Principle of use of informal organization.
 - f. Principle of leadership.
 - g. Principle of follow through.

Thus one of the basics functions of management is direction. Direction means the use of leadership and motivation to guide the performance of subordinates towards the achievement of the organization's goals. Important requirements for effective direction are : Harmony of objectives, Unity of command, direct supervision, efficient communication and follow-up.

MOTIVATION

Motivation is an art of stimulating someone or oneself or oneself to get designed course of action, to push the right button to get desire action. Motivation is an act of inducement.

Motivation → Results → Satisfaction

M = is a drive to satisfy a want
 S = is experienced when the outcome has been achieved.

The basic principle of motivation is based upon the following policy i.e., carrot or stick policy. "Put a carrot in front of donkey to make it move or Jab his with a stick being."

NATURE OF MOTIVATION

- It is a psychological concept
- It is total not piecemeal.
- Determined by human needs.
- May be financial or non financial.
- Constant process

NEED FOR MOTIVATION

- * Maximum utilization of factors of production.
- * Reduce labour turnover.
- * Easy availability of right personnel.
- * Increased the efficiency and output.
- * Create sense of belonging.

KINDS OF MOTIVATION

1. Positive motivation
2. Negative motivation
3. Financial motivation
4. Non-financial motivation

THEORIES OF MOTIVATION

Management experts have formulated different theories on motivation at different dimensions. They are :

1. Maslow's theory of motivation.
2. Herzberg's theory
3. Mcgegor's theory
4. Vrooms theory.

Need hierarchy theory: Abraham Maslow's book on motivation and personality emphasizes multiplicity of human needs are arranged in an order.

- * Physiological needs
- * Safety needs
- * Social needs
- * Esteem needs
- * Self actualization.

The first two sets of needs are called Lower order needs (1,2)

The other sets of needs are called Higher order needs (3,4)

According to him when one needs fulfils another need will emerge automatically. While going for achieving the particular need, people like to give priority to the pressing needs first and the rest in next.

Short – coming of Maslow's theory are:

- Order cannot be regarded as rigid.
- No indication regarding satisfaction of needs.
- It may not have universal applicability.
- Motivation is piecemeal exercise by means of splitting of human needs.

HERZBERGS' THEORY

According to Herzberg, factors that give real satisfaction to an individual are motiators. He classified the factors in to two viz,

- Factors that prevent dissatisfaction - Hygiene factors.
- Factors that give satisfaction - Motivators (feeling of achievement, significance of growth)

Maintenance factors	Motivators
1. Fair co policy and administration	Opportunity to accomplish something significant.
2. Supervisor knows the work	Recognition.
3. Supervisors relationship	Chance for development
4. Peers relationship	Opportunity to grow
5. Fair salary	Chance for increased responsibility
6. Job security	The job itself
7. Subordinates relationship	
8. Personal life	
9. Status	
10. Good working condition	

Needs priority, to a great extent, characterizes the types of behavior. It will be either directed towards achieving certain desirable positive goals, or conversely, towards avoiding other undesirable negative consequences. Thus, a question may arise as to what variables are perceived to be desirable goals to achieve and conversely undesirable conditions to avoid. In this connection a research study was conducted by Frederick Herzbergl of Case-Western reserve University and associates. This study consisted of an intensive analysis of the experiences and feeling of 200 Engineers and accountants in 9 different companies in Pittsbrug area, U.S.A. During the structured interview. They were agreed to desirable a few previous job experience in which they felt exceptionally good or exceptionally bad about jobs. They were also agreed to rate the degree to which their feelings were influenced for better or worse by each experience which they described.

In concluding the information from the interview, Herzberg concluded that there were two categories of needs essentially independent of each other affecting behavior indifferent ways. His findings are that there are some job conditions which operate primarily to dis-satisfy employees when the conditions are absent, their presence does not motivate them in a strong way. Another set of job conditions operates primarily to build strong motivation and high job satisfaction, but their absence carely proves strongly dissatisfying. The first 80 job conditions has refused to as maintain or hygiene factors and second set job conditions as motivational factors.

HYGIENE FACTORS

According to Herzberg there are 10 maintenance or hygiene factors. They are company policy and Administration technical supervision, inter-personal relationship with supervisors with peers, with subordinates, salary, job security, personal life, working conditions and status. These are not intrinsic part of job but they are related to conditions under which a job is performed. They produce no growth in a worker's output; they only prevent prevent losses in workers performance due to work restrictions. These maintenance factors are necessary to maintain a reasonable level to satisfaction employees; however any cut below this level will dis-satisfactory them. As such these are also called dis-satisfiers since any increase to these factors will not affect employee's level of satisfaction. Hence, these are in no way motivation them.

MOTIVATIONAL FACTORS

These factors are capable of having a positive effort on job satisfaction often resulting in an increasing one's total output. Herzberg includes 6 factors that motivate employees. These are achievement, recognition, advancement work itself, possibility of growth and responsibility. Most of these factors are related with job contents. An increase in these factors will satisfy the employees; however, any decrease will not affect their level of satisfaction. Since, thee increase level of satisfaction in the employees can be used in motivating them for higher output. Herzgerg maintains that potency to various factors is not entirely a function to factors themselves. It is also influenced by the personality characteristics to the individuals. From this point of view, individuals may be classified into two parts. Motivation seekers, maintenance seekers. The motivation seekers generally are individuals who are primarily motivated by the satisfier's such as advancement, achievement and other factors associated with work itself. On the other-hand, the maintenance seekers tend to be more concerned with factors surrounding the job such as supervision; working conditions, pay etc.

The shortcomings of Herzberg's theory are:

1. Infect job satisfaction and dis-satisfaction are two opposite points on a single continuum Individuals on the job are affected by any change either in the job environment or in the job content.
2. Herzberg model is method bound and a number of other methods used for similar study have shown different results not supporting his contentions other the theory has limitation is general acceptability.
3. This theory does not attach much importance to pay, status, or inter-personal relationships which are help generally as important contents of satisfaction.

Comparison of maslows and herzberg theory

MASLOW'S NEED THEORY		HERZBERG THEORY
1. Self actualization	M O T I V A T I O N	Challenging work, achievement, growth in the job.
2. Esteem or status		Responsibility, Advancement and recognition
3. Social needs	M A I N F A C T O R S	Status, Interpersonal, working conditions.
5. Physiological needs		Job security, salary

MC GREGORE'S THEORY

Prof. Douglas Mc. Gregore has introduced a fresh dimension in the discussion on theories relating to motivation. He has classified the prevalent theories into two groups viz.,

1. Traditional or X theory and
2. Modern or y theory.

Traditional or X theory.

It completely excludes workers from the process of managerial decision making the theory stress that would here only when forced to do so through ruthless exercise of managerial authority over them through constant rebuking scolding reprimanding. Decisions whether right or wrong have to be made by managers only, the only rule assigned to workers being to mainly incline the decision.

Assumptions of X theory

1. Lack of inclination to work.
2. Fear can alone force action.
3. Inbuilt dislike for responsibility
4. Living – off others.
5. Obsession with security.
6. Money alone can make the people to work.
7. Labour is only a factor of production.
8. Authority is synonymous with control.

Modern theory or Y theory

It is the exact opposite of x theory, it gives workers a pride of place in the process of management. It emphasis fuel and active cooperation, between workers and management to accomplish the enterprise objectives as per theory if workers are properly matured, they would willingly accept responsibility

and show the sense of creativity and imagination in their work performance. It can be said to be positive and optimistic outlook.

Assumptions of Y theory

1. Work is reward in itself
2. Inherent sense of responsibility
3. Recognition.
4. Sense of security.
5. Financial reward is not the only inspiration.
6. Decision – making ability is not the monopoly
7. Democratically inclined

GROUP DYNAMICS

Essentially dynamics is a branch of physics which means any matter in motion. It also means a moral force that produce activity or change. Group dynamics means the action of a group engaged in a common endeavor. The word dynamics comes from the Greek work meaning force. The phrase Group Dynamics thus means a study of cohesive and disruptive force operating within a group.

The importance of group dynamic to a manager lies in the fact that many people tend to behave differently as individual and member of a group. The manager must thus study them both as individual and as group, as these are two interrelated elements of a motivational situation. The group dynamic will be structured around the three key element such as basic element of group behaviour, group cohesiveness and the group structure.

The three basic elements which generally of use in understanding the behavior of a group are activities, interactions and sentiments. Group cohesiveness refers to the degree to which its members are attracted to the group, are motivated to remain in the group, and mutually influence on another. Highly cohesive groups are more likely to conform to group pressures than are members of low-cohesive groups. Group structure if meant that the nature and characteristics of the interrelationships among the members of a group and the roles they play in it.

THE EXPECTANCY THEORY OF MOTIVATION – VICTOR H. VROOM

People will be motivated to do things to reach a goal if they believe in the worth of that goal and if they can see that what they do will help them in achieve it.

Vroom makes the point that motivate is a product of the anticipated worth that an individual places on a goal and the chances the or she sees of achieving that goal. He states that:

FORCE =	VALENCE * EXPECTANCY
Force	= Strength of the person motivation.
Valence	= Strength of an individual preference for an outcome.
Expectancy	= Probability that a particular action will lead to a desired outcomes.

Basic concepts of the theory are :

1. First and second level outcomes.
2. Instrumentality
3. Expectancy
4. Motivation.

Motivation is the multiplicative function of the valence for each first level outcome (Vi) and the believed expectancy (E) that a given effort will be followed by a particular first level outcome.

Merits of Vrooms Theory are:

1. It recognizes the importance of various individual needs and motivations.
2. It fits the concept of harmony of objectives
3. It is completely consistent with the system of management by objectives.

Demerits of Vrooms Theory are

1. Perception of value vary among individuals at different times and in various places.
2. Difficulty to apply the practice.

THE PORTER AND LAWLER MODEL

Lyman W Porter and Edward Lawler III derived a substantially more complete model of motivation. The strength of motivation and energy expected = value of reward + amount of energy required + probability of receiving reward.

Motivation is an extremely significant subject for managers get work done through others. Important characteristics of motivation are individual differ in their motivation, individuals are unaware of motivation sometimes, motivation may change and vary, motivation is a complex one. Maslow, Herzberg, Mc Gregore, V Room and Porter and Lawler are some the important writers on motivation.

LEADERSHIP

Leadership is an abstract quality in a human being to induce his followers to do whatever he is directed to do with the zeal and confidence.

Leadership is generally defined simply as the art of influencing people so that they will strive willingly towards the achievement of group goals.

KOONTZ & O' DONNEL

IMPORTANCE OF LEADERSHIP

1. Driving force group efforts.
2. Aid to authority
3. Better utilization of man power.
4. Basis for co-operation.

INGREDIENTS OF LEADERSHIP

- Ability to use power effectively and in a responsible manner.
- Ability to comprehend the temperaments of human beings.
- Ability to inspire.
- Ability to act in a manner that will develop a climate conducive to and arousing motivations.

LEADERSHIP QUALITIES

I. Physical qualities

1. Sound health to fulfill his obligation.
2. Vitality and endurance to face al hardships.
- 3.

II. Psychological qualities.

1. Personal magnetism
2. Enthusiasm.
3. Co-operation.
4. Exerting
5. Resourcefulness.
6. Ability to inspire and integrate.
7. Tact and skillful handling.

III. Intellectual traits

1. High degree of intelligence.
2. Sound judgment.
3. Capacity to deal with every situation.
4. Scientific approach.
5. Open mind.
6. Best teacher.

IV. Qualities of character

1. Integrity
2. Self discipline
3. Good natured
4. Willingness to work hard.
5. Willingness to accept and share responsibilities.

APPROACHES TO STUDY OF LEADERSHIP :

A. Personal Trait Approach

This approach says that all of us are possessing certain abilities and share responsibilities. Such qualities are considered as god given and hence leaders are born.

B. Situational / Contingency approach : (Fielder's model) :

This is viewing that leadership qualities are determined by the situation in which he/she operates. It is not individuals characteristics.

C. Group approach :

A leader is one who comes attuned to he feelings and actins of people whom he is supposed to lead. Thus, the leader is one who comes closest to living up to the norms and standards of his group.

D. Path goal theory:

It suggests that the main functions of the leader is to clarify and set goals with subordinates the them find the best path for achieving the goals and remove obstacles.

Leader behavior may be grouped into four :

1. Supportive leadership.
2. Participative leadership.
3. Instrumental leadership.
4. Achievement oriented leadership.

TYPES OF LEADERSHIP

From the point of view of authority, leadership can be autocratic and democratic or free rein.

AUTOCRATIC LEADERSHIP

The leader alone determines policies and makes plans. He demands strict obedience and relies on power.

Merits:

- 1.It can increases the efficiency, save time and get good result.
- 2.It works well employees who have a low tolerance for ambiguity feel insecure with freedom.
- 3.Chain of command, and division of work are clear and full understood by all.

Demerits :

1. One – way communication may create costly errors.
2. Individual decision making may be dangerous in the changing environment.
3. Resentment in form of massive resistance, low morale and low productivity.

DEMOCRATIC LEADERSHIP

The entire group is involved in and accepts responsibility for goal setting and achievement. Subordinates have considerable freedom of action.

Merits :

1. The leader has the built-in personal motivation working for him.
2. The leader consistently receives the benefit of the best information, ideas, suggestions and talents of his people.

This style permits and encourages people to develop grow and rise in the organization.

Demerits :

1. Time consuming.
2. Leaders may avoid responsibility.

Free rein leadership :

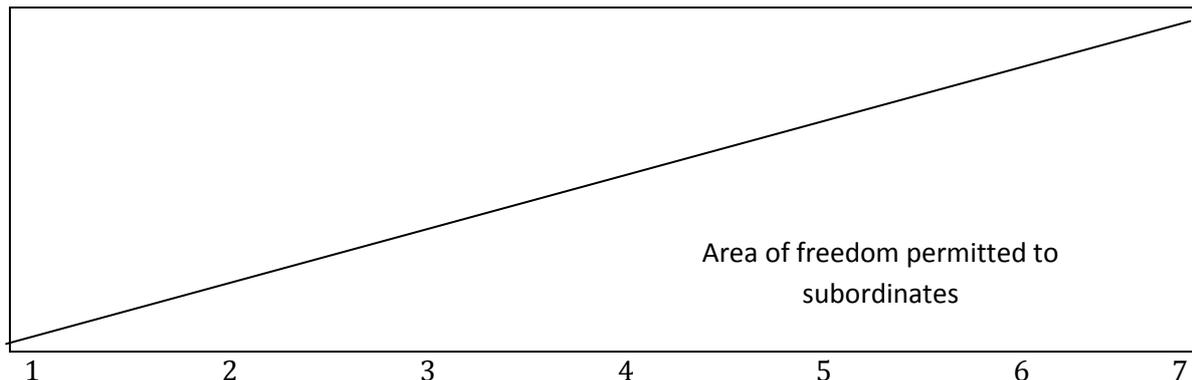
Leader exercises absolutely no control. He provides only information, materials and facilities to his men to enable them to accomplish group objectives. This type does not hold good when the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom

Spectrum of Leadership Styles :

Leader centered
[Autocratic]

Participative
[Democratic]

Employee centered
[Laissez faire]



This spectrum depicts that a leader can adopt number of ways to relate himself with a group. The left side of the spectrum emphasizes that his style is leader centered. Such leaders are more care about production than for the welfare of his subordinates.

The right side of the spectrum denotes that the leadership style employee centered. They care about more for the welfare of their subordinates than for production.

The centre of the spectrum finds a more equitable balance between the authority exercised by the leader and the amount of participation the group exercise.

The different scales in the spectrum describe the following :

Point 1 : Leader makes decision and announces it.

Point 2: Making the subordinate to accept the decision.

Point 3: Leader presents his idea and initiate discussion.

Point 4: Presents tentative decision subject to change.

Point 5: Present the problem, gets opinion and makes decision.

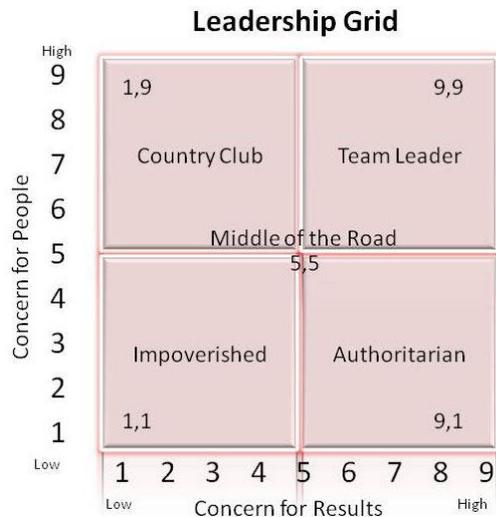
Point 6: Leader allows the group to make decision within limits.

Point 7: Leader allows the group to make decision within limits defined the situation.

MANAGERIAL GRID

It is forms of continuum which emphasize that leadership style consist of factors of both the task-oriented and people relations oriented behavior in varying degrees. It explains that whatever may be the type of leadership styles it ultimately relates with tasks to e performed and people with whom it is to be performed. Some styles emphasize on concern for production which means that the attitudes of superiors towards a variety of things, such as, quality of policy decisions, procedures and processes, creativeness of research, quality of staff service, work efficiency and volume of output. On the other hand there are certain leadership styles which emphasize on concern for people which means that degree of personal commitment towards goal achievement, maintaining the self-esteem of workers, responsibility based on trust, and satisfying inter-personal relations.

This managerial grid concept has been developed by Blake and Mour The 5 styles depicted by the diagram are:



5. Identifying the common intentions and interest by interaction of views through channels of communications.

IMPORTANCE OF COMMUNICATIONS : Communication is described as one of the crucial fouls of management. It helps in handling the major managerial tasks of planning direction coordination motivating and controlling. It enables the top management.

- To formulate the comprehensive plans and policies on scientific basis.
- To put the policies and decisions into action results in accurate and efficient performance.
- Helps the management to remain informed to the problems difficulties, grievances of personnel.
- They arise mainly due to communication gap.

It is essential for coordination which is the essence of management. It brings about mutual understanding between the officers and personnels at all levels and fosters the sprit of cooperation.

It helps in securing largest possible participation or consumption indecision making, planning and general administration. This will give democratic character to managerial process and strengthen the moral of the staff.

ELEMENTS OF COMMUNICATION

1. Communicator or sender or issuer.
2. Communicate or rece4iver or addressee
3. Message – orders reports
4. Communication channel.
5. Response – reply reaction.

ESSENTIALS OR PRINCIPLES OF GOOD COMMUNICATION

1. Principle of clarity
2. Principle of attention
3. Principle of adequacy
4. Principle of adequacy
5. Principle of time
6. Principle of integration
7. Principle of informality
8. Principle of feed back

TYPES OF COMMUNICATION

On the basis of nature of passing information

- Formal communication
- Informal communication

On the basis of direction i.e. flow of message :

On the basis of mode of operation

- Oral communication
- Written communication
- Gesture communication

Each business house is concerned with two types of communication, external and internal.

Externally, it has to communicate with the other business houses, banks, government officers. The press the customers and the general public Internal communication consists in transmitting information with in the organization. Here we discuss about internal communication.

Internal communication may again the be f two types.

1. Formal or official
2. Informal

Formal communication flows along prescribed channel which all members desiring to communicate with one another are obliged to follow. Formally a clerk in any of the sections cannot directly communicate with the managing director.

He must talk to his supervisor who will pass on the message to departmental managers, from where it will go to the managing director. Formal communication may flow more vertically or horizontally.

Vertical communication can flow downward or upward. Horizontal communication flows between employees of equal or comparable status. When a number of people irrespective of status sit down and confer with one another to arrive at a decision acceptable to all. It is called consensus. The format for this communication is predetermined and cannot be altered.

DOWNWARD COMMUNICATION

As explained earlier communication flows from a superior to a subordinate. The managing director communicating with the departmental heads. A manager giving a directive to an assistant manager or supervisor, a foreman instructing a worker. Orders, individual instructions, policies, a statement of job sheets, circulars etc. fall under downward communication. It is eminently suited to an organization in which the line of authority runs distinctly downwards with each rank clearly below another to which it is directly related.

Main objectives of downward communication

1. To give specific direction about the job being entrusted to a subordinate.
2. To explain the policies and organizational procedures.
3. To appraise the subordinates of their performance:
4. To give information about the rationale of the job.

i.e. To explain to a subordinate the significance of the job assigned to him and why he has been entrusted with it. The importance of the objective of downward communication has only been recently recognized.

MEDIA FOR DOWNWARD COMMUNICATION

Downward communication may be both oral and written. Important directives to initiate action may be communicated through letters, policies and procedures may be announced through house organs, manuals, bulletins etc. But the downward flow of communication is dominated by oral means.

It is more natural to the foreman to issue oral instructions to his workers.

MANAGING DIRECTOR



GENERAL MANAGER



SECTIONAL MANAGERS



SUPERVISORS



STAFF AND WORKERS

LIMITATION OF DOWNWARD COMMUNICATION

1. **Under – Communication and over communication:** Downward communication is often made by either under – communication or over communication i.e. a superior may either talk to little or too much about a job under communication may also involved incomplete instructions, which will inevitably lead to unsatisfactory performance over communication or talking too much, on the other hand may lead to the leakage of confidential information.
2. **Delay:** The lines of communication in downward communication being very long transmitting information to the lowest worker in time – consuming process. By the time information reaches him it may have lost much of its significance, or it may have caused damaging delay.
3. **Loss of information:** Unless the communication is fully written, it is not likely to be transmitted downwards in its entirety. A part of it is almost always contained to be lost.
4. **Distortion:** In long lines of communication, information is not only distorted. Exaggerating making under statements giving unconscious taints to facts are a part of human nature.
5. **Built – in resistance:** Downward communication causes of too much authority flow. The subordinates do not get any opportunity of participating in the decision making process they are expected to receive policy decisions and directives without questioning their appropriateness, utility or validity which they resent.

ESSENTIALS OF EFFECTIVENESS DOWNWARDS COMMUNICATION.

1. Managers should keep themselves well informed of the objectives and achievements of their organization. If they are themselves in possession of adequate information, they will be able to transmit information to their re-subordinated in an effective manner.
2. Managers must work according to communication plan. They must decide before how much information is to be communicated and at what time.
3. There should not be over communication of authority at the highest level. If an organization is so structured that orders and instructions can originate at various levels, the lines of communication will be shortened.
4. The information must be passed on to correct persons inherently.

UPWARD COMMUNICATION

If the managers have transmit information down the lines of authority they have also to receive information continuously emanation from levels below them the communication channel which pushes the flow of information upwards is known as the upward channels of communications. Managers have only recently come to recognize the importance of upward communication.

IMPORTANCE OF UPWARD COMMUNICATION

1. **Providing feed back** - This communication provides the management with necessary feed back. The management is able to ascertain whether the directive issued the lower statuses have been properly understood and followed it also gets the valuable information on what the employees think of the organization and its policies.
2. **Out let for the sent-up emotions:** Upward communication is the employee and opportunity to sent their problems and grievances. Although the management often these things and it knows and realizes the grievances of the employees, The later hardly feel convinced and satisfied.
3. **Constructive suggestions** : Often employees often constructive suggestion to promote the welfare of the organization. Some of these suggestion when implemented definitely prove beneficial. They develop source of participation in the decision making process.
4. **Easier introduction of new schemes** : Since the employees feels themselves to be party to the decision making process, it helps the organization to introduce new schemes without unduly antagonizing the employees.



5. **Greater harmony and cohesion** : It acts as a kind of lubricant. It makes the atmosphere more congenial and creates great harmony and cohesion between the management and the employees.

METHODS OF UPWARD COMMUNICATION

1. **Open door policy**: The employees are given a feeling that the manager's doors are always open to them, whenever they like they can walk in to his room, without any hesitation what so where and talk to him about their problems.
2. **Complaints and suggestions boxes**: In some convenient places in the office or the factory complaints and suggestions boxes are installed. The employees are encouraged to drop their complaints or suggestion if any, in to these boxes. These boxes are opened at regular intervals and the inform gathered scrutinized.
3. **Social gatherings**: Social gathering are frequently arranged in different departments. These gatherings offer a very informal atmosphere in which all employees shed the inhibitions and feel free to talk about their problems.
4. **Direct correspondence**: Some times the manager may directly write to an employees and ask him to communicate with him.
5. **Reports**: Employees may be required to submit reports about the progress of their work at regular intervals.
6. **Counseling** : In some organization workers are encouraged to seek the counsel of their superiors on their personal problems. As they feel encouraged to talk about themselves freely, they provide the managers with valuable information.

LIMITATIONS OF UPWARD COMMUNICATION

1. Employees are usually reluctant to initiate upward communication. The managers might keep their doors open, but they cannot force the employees to walk in to their problem.
2. Employees often feel that if they communicate their problems to their superiors, it may adversely reflect on their own efficiency.
3. Upward communication is more prone to distortion than downward communication. In downward communication distortion is often unconscious. But upward communication is deliberately distorted.
4. Sometimes in the process of upward communication, workers become too bold, ignore their immediate superiors and directly approaches the top most authorities with their suggestions or complaints.

ESSENTIALS OF EFFECTIVE UPWARD COMMUNICATION

1. In order to enable the workers to overcome the awe of authority, the managers should keep on encouraging them to come out of their shell and communicate freely.
2. Distortion by editing can be avoided if the lines of communication are kept as shortest possible.
3. All communication should be properly analyzed genuine grievances deserve to be immediately resolved.

HORIZONTAL COMMUNICATION

Communication between departments or people on the same level in the managerial hierarchy of an organization may be termed as horizontal or lateral communication. It is the most frequently used channels of communication. Workers communicating with one another, exchanging information with one another, supervisors holding a coffee break session to discuss some organization are all engaged in horizontal communication.



HORIZONTAL COMMUNICATION

IMPORTANCE OF HORIZONTAL COMMUNICATION

Horizontal communication is extremely important for promoting understanding and coordinating among various departments. Not much imagination is needed to visualize the embarrassing situations that the lack of co-ordination might create for the organization. The purchasing department might keep on purchasing material which is neither immediately needed nor can be adequately stored. The stores may report shortage of material when production is fully given up. Scarcity of raw material may cause the production to slow down but the sales department may continue booking orders free flow of horizontal communication among various departments can easily avert the incidents of such situations.

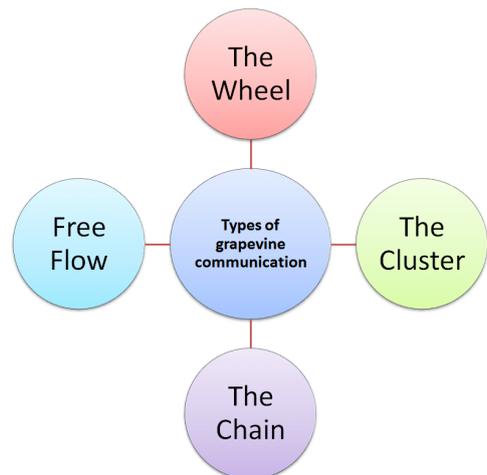
METHODS OF HORIZONTAL COMMUNICATION

Horizontal communication is most effectively carried on through oral means. Face to face exchanges of views or a brief conversation over the telephone is very convenient for horizontal communication. Formal channels tend to move managers status conscious so that they express their view in extremely measured terms. This includes the free flow of communication takes place allow freedom of expression there is immediate feed back and all doubts and misunderstanding are sorted out.

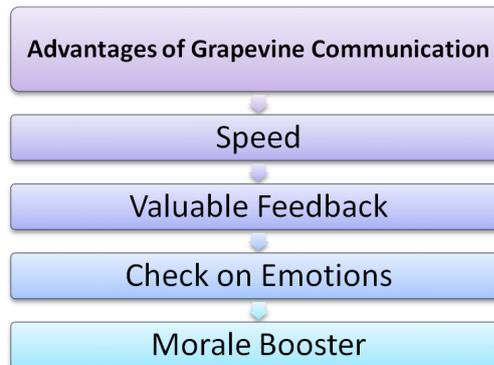
GRAPEVINE

So far we have been discussing the formal channels of communication which follow certain definite predetermined directions apart from them, they operate in every organization an informal channel of communication called the grapevine. It follows no set lines, nor any definite rules, but spreads like the grapevine, in any direction anywhere and spreads fast.

It is quite natural for a group of people working together to be entrusted in one another and talk about appointments promotions retrenchments or even domestic affairs like the estranged relation of an employee with his wife or the romantic involvements of another. Information on most of these matters is supposed to be secret. But some people derive great pleasure from gathering such “secret” information and transmitting it to others. They are the leaders who control the grapevine. When one of them comes across any piece of information interesting enough to be transmitted to the grapevine in a very mysterious manner he whispers it to another exhorting him to keep the information secret.



ADVANTAGES OF GRAPEVINE COMMUNICATION :



DEMERITS OF GRAPEVINE:

1. **Distortion** : One of the major drawbacks of the grapevine is that it may speed baseless or distorted news which may sometimes prove harmful even to the employees.
2. **Incomplete information:** The grapevine information is usually incomplete. So here is lively likelihood of its being misunderstood or misinterpreted.
3. **Damaging swiftness:** The swiftness with which the grapevine transmits information may even be damaging.

BARRIERS IN COMMUNICATION

Their might be a number of such barriers impeding the flow of communication in the organization. This may be classified as

- (i) External
- (ii) Organizational,
- (iii) Personal factors.

EXTERNAL BARRIERS

Barriers to communication may be either external to the parties involved or they might be internal to them.

1. **Semantic barriers** : Semantic barriers are obstruction caused in the process of receiving or understanding of the message during the process of encoding and decoding ideas and words.
 - Badly expressed message.
 - Faulty translations
 - Un-clarified Assumption.
 - Specialist's language.
2. **Emotional or psychological barriers** : Emotional or psychological factors are the prime barriers in inter-personal communication. The meaning ascribed to a message depends upon the emotional or psychological status of both the parties involved.
 - Premature evaluation.
 - Inattention
 - Loss by transmission and poor retention.
 - Undue reliance on the return word.
 - Distrust of communicator.
 - Failure to communicate.

3. **Organizational barriers:** An organization being a deliberate creations for the attainment of certain specified objectives, day-to-day happening within it require being regulated in such a manner that they contribute to attain these objectives in the most efficient manner.
 - Organizational policy
 - Organizational rules and regulations.
 - Status relationships.
 - Complexity in organization structure
 - Organizational facilities.

4. **Personal barriers :** While the organizational factors discussed above are, no doubt important influences operating on communication, a host of factors internal to the two parties-sender and receiver-to this process also exert important influences on its operation, s communication is basically an inter – personal processes.

METHODS OF OVERCOMING THE BARRIERS

Considering the importance of effective communication in the successful functioning of business organizations, it is essential on the part of the management to overcome these barriers.

1. It is imperative that organizational policy must be clear explicit and encouraging the communication flow so that people at all levels realize the full significance of communication.
2. This policy should also specify the subject matter to be communicated.
3. Though the communication through proper channel is essential for orderly flow of information.
4. Even person in the organization shares the responsibility of good communication.
5. Organization should have adequate facilities for promoting communication.
6. Communication being an inter-personal process, the development of inter-personal relationship based on mutual respects, trust and confidence is essential for its promotion.
7. There should be continuous programme of evaluating the flow of communication in different directions.

UNIT – V

CONTROLLING

Control is any process that guide activity towards some predetermined goals. Thus control can be applied in any field such as price control, distribution control pollution control etc. Thus control process tries to find out deviations between planned performance and actual performance and to suggest corrective action wherever these are needed. For example Terry has defined control as follows :

“controlling is determining what is being accomplish, that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plan.

1. Control is forward looking
2. Control is both executive process and from the point of view of the organization of the system, a result
3. Control is a continuous process.
4. A control system is a coordinated – integrated system.

IMPORTANCE OF CONTROL

1. **Adjustment in operations**
2. **Policy verification.**
3. **Managerial responsibility**
4. **Psychological pressure**
5. **Coordination in action.**
6. **Organizational efficiency and effectiveness**

STEPS IN CONTROLLING

The various steps in control process which are necessary for its relationship to planning. This steps may broadly be classified into four parts.

- (1) **Establishment of control standards** - Every function in the organizations begins with plans which are goals, objectives or targets to be achieved. In the light of these standards are established which are criteria against which actual results are measured.
- (2) **Measurement of performance** - The second major step in control process is the measurement of performance. The step involves measuring the performance in respect of a work in terms of control standards.
- (3) **Comparing Actual and Standard Performance** - The third major step in control process is the comparison of actual and standard performance. It involves two steps
 - finding out the extent of deviations and
 - identifying the causes of such deviations.
- (4) **Correction of deviations** - This is the last step in the control process which requires that actions should be taken to maintain the desired degree of control in the system or operation.

ESSENTIALS OF EFFECTIVE CONTROL SYSTEM

Control is necessary in every organization to ensure that everything is going properly. Every manager, therefore, should have an effective and adequate control system to assist him in making sure that events conform to plans.

In this tailoring of control system, there are certain requirements which should be kept in mind.

1. Reflecting Organizational Needs
2. Forward Looking
3. Promptness in Reporting Deviations
4. Pointing out Exceptions at Critical points
5. Objectives
6. Flexible
7. Economical
8. Simple
9. Motivating :
10. Reflecting Organizational Pattern:

TECHNIQUES OF CONTROL

To control the activities in the organization, managers can use variety of tools and techniques. They are broadly grouped under two heads.

1. Traditional techniques.
2. Modern techniques.

Traditional techniques are those which have long been used by the managers. Some of the important techniques under this heads are budgetary control, financial statement and ratio analysis, auditing, break-even analysis and report writing etc.

“Budgetary control is a process of comparing the actual results with the corresponding budgeting data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference.” - **GEORGE R TERRY**

The different budgets such as production budget, sales budget, overhead budget, labour budget etc. clearly indicate the limits for expenses and also the results to be achieved in a given period. It ensures effective co-ordination of the work of the entire organization. It promotes co-operation and team spirit among the employees

Standard Costing is one of the techniques of cost control and it is being increasingly used by modern business concerns for the purpose of cost reduction and cost control. It involves a comparison of actual with the standards and the discrepancy is called variance.

Break-even analysis is useful in planning and control because it emphasize the marginal cost and benefit concept. It helps to make profit estimation at the different levels of activity, ascertaining turnover for desire profit and estimating the impact of the variations of fixed and variable costs. It magnifies a set of relationships of fixed costs, variable cost, price, level of output and sales mix to the profitability of the organization.

Financial statement analysis such as Found Flow analysis, Cash Flow analysis and Ratio analysis help to know the financial performance and financial position of the business unit. The liquidity, profitability and solvency position of the business unit can be ascertained and efforts can be taken to maintain these factors in an optimum proportion,

Auditing is the process of investigating financial and other operation of a business establishment. It may be carried out by internal and external members. It helps to scrutinizes the applicability and relevance of policy, procedure and method which have a tendency to become obsolete. This it helps in choosing a suitable working procedures and methods.

Adoption of reporting system helps to analyse a particular problem and to take necessary corrective action over it. Reports may be prepared regarding taxation, legislation and its effect on profit, make or buy decisions, replacement of capital equipment, social pricing analysis etc.

MODERN TECHNIQUES

These are of recent origin, which provide information not readily available with traditional methods. These techniques help to give sharper focus and promise increasingly to improve the quality of control. Program Evaluation Review Technique (PERT) and Critical Path Method (CPM) are two major techniques coming under this head.

PERT has been developed by an U.S. Office in 1958 in connection with the Polaris Weapon System and is credited with reduction the completion time of the program by two years. **CPM** has been jointly developed by DUPoint and Remington Rand USA in order to facilitate the control of large, complex industrial projects. These techniques are used to minimize total time, minimize to cost, minimize idle resources etc. It is helpful in solving problems of scheduling the activities of on-time projects. These tools are widely being used in construction industry, planning and launching a new projects, scheduling ship construction etc. It ensures improved management of resources by facilitating better decision making. It aims to have future oriented control mechanism for the organization.

Management Information System provides needed information to each manager at the right time, in right form which aids his understanding and stimulate his action.

Management Audit is an evaluation of management as a whole. It examine the total managerial process of planning, staffing, directing and controlling.

DIRECT CONTROL VERSUS PREVENTIVE CONTROL

DIRECT CONTROL:

1. Cause of negative Deviations from standards. Uncertain, Lack of knowledge, experience or judgment
2. Questionable assumptions underlying direct control
 - Assumption that that performance can be measured
 - Assumption that personal responsibility exists
 - Assumption that time expenditure if warranted
 - Assumption that mistake can be discovered in time
 - Assumption that the person responsible will take corrective steps.

PREVENTIVE CONTROL

Assumption :

- Qualified managers make a minimum of errors.
- Management fundamental can be used to measure performance
- Application of management fundamentals can be evaluated.

Advantages :

1. Greater accuracy
2. Encourage self control

3. Lighten the managerial burden
4. Impressive

Thus control is a very important process through which managers ensure that actual activities confirm to planned activities. It is mainly used to measure progress, to uncover deviations and to indicate corrective action.