D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE

eRESOURCES

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E CONTENT TITLE : Basics of Managerial Concepts

DEPARTMENT : MANAGEMENT STUDIES

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SYLLABUS

Basics of Managerial Concepts

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UNIT I

1.1Management:

Definitions:

Mary Parker Follett:

"Management is the art of getting things done through others." **Follett** describes management as an art of directing the activities of other persons for reaching enterprise goals. It also suggests that a manager carries only a directing function.

Harold Koontz:

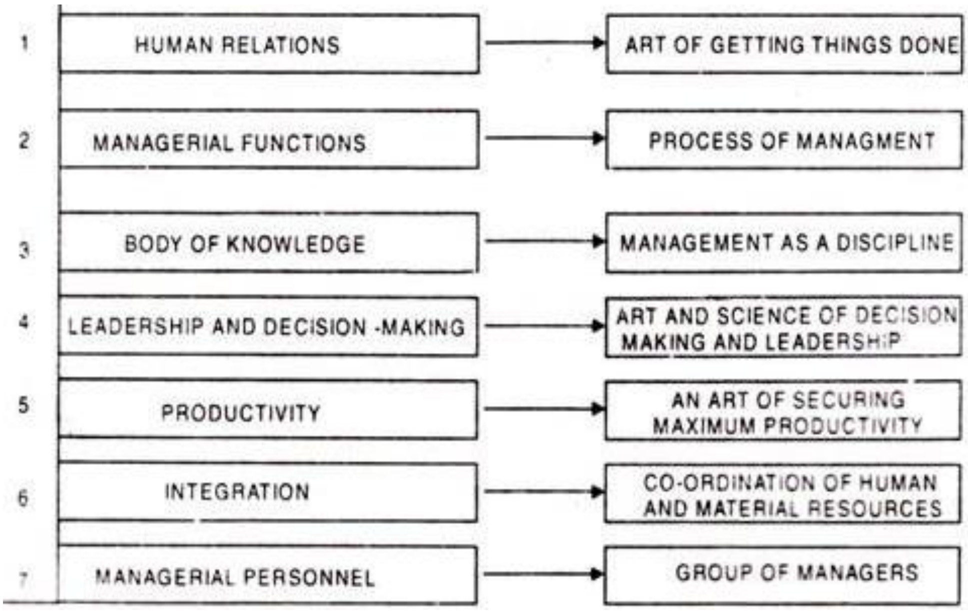
"Management is the art of getting things done through and with people in formally organized groups." Koontz has emphasized that management is getting the work done with the co-operation of people working in the organization.

Henry Fayol:

"To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control." Fayol described management as a process of five functions such as planning, organizing, commanding, coordinating and controlling.

Modern authors, however, do not view co-ordination as a separate function of management.

1.2.Concept of Management:



1.3.Objectives of Management:

1. Proper Utilization of Resources:

The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of men, materials, machines and money will help a business to earn sufficient profits to satisfy various interests. The proprietors will want more returns on their investments while employees, customers and public will expect a fair deal from the management. All these interests will be satisfied only when physical resources of the business are properly utilized.

2. Improving Performance:

Management should aim at improving the performance of each and every factor of production. The environment should be so congenial that workers are able to give their maximum to the enterprise. The fixing of objectives of various factors of production will help them in improving their performance.

3. Mobilizing Best Talent:

The management should try to employ persons in various fields so that better results are possible. The employment of specialists in various fields will be increasing the efficiency of various factors of production. There should be a proper environment which should encourage good persons to join the enterprise. The better pay scales, proper amenities, future growth potentialities will attract more people in joining a concern.

4. Planning for Future:

Another important objective of management is to prepare plans. No management should feel satisfied with today's work if it has not thought of tomorrow. Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So, planning for future is essential to help the concern.

1.4. Scope of Management:

The following activities are covered under the scope of management:

(i) Planning,

(ii) Organization

(iii) Staffing.

(iv) Directing,

(v) Coordinating, and

(vi) Controlling.

1.5. The Nature of Management:

1. Universal Process
2. Factor of Production
3. Goal-Oriented

4. Supreme in Thought and Action
5. Group Activity
6. Dynamic Function
7. Social Science
8. Important Organ of Society
9. System of Authority
10. Profession
11. Process

Universal Process

Wherever there is human activity, there is management. Without efficient management, the objectives of the company cannot be achieved.

Factor of Production

Qualified and efficient managers are essential to the utilization of labour and capital.

Goal-Oriented

The most important goal of all management activities is to accomplish the objectives of an enterprise. The goals should be realistic and attainable. The success of management is measured by the extent to which the established goals one achieved. Thus, management is purposeful.

Supreme in Thought and Action

Managers set realizable objectives and then mastermind action on all fronts to accomplish them. For this, they require full support form middle and lower levels of management.

Group Activity

All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would accomplish and there would be chaos and retention.

Dynamic Function

Management should be equipped to face the changes in the business environment brought about by economic, social, political, technological or human factors. They must be adequate training so that they can enable them to perform well even in critical situations.

Social Science

All individuals that a manager deals with, have different levels of sensitivity, understanding, and dynamism.

Important Organ of Society

Society influences managerial action and managerial actions influence society. Its manager's responsibility that they should also contribute towards the society by organizing charity functions, sports competitions, a donation to NGO's, etc.

System of Authority

Well-defined lines of command, the delegation of suitable authority and responsibility at all levels of decision-making. This is necessary so that each individual should what is expected from him and to whom he needs to report.

Profession

Managers need to possess managerial knowledge and training and have to conform to a recognized code of conduct and remain conscious of their social and human obligations.

Process

The management process comprises a series of actions or operations conducted towards an end.

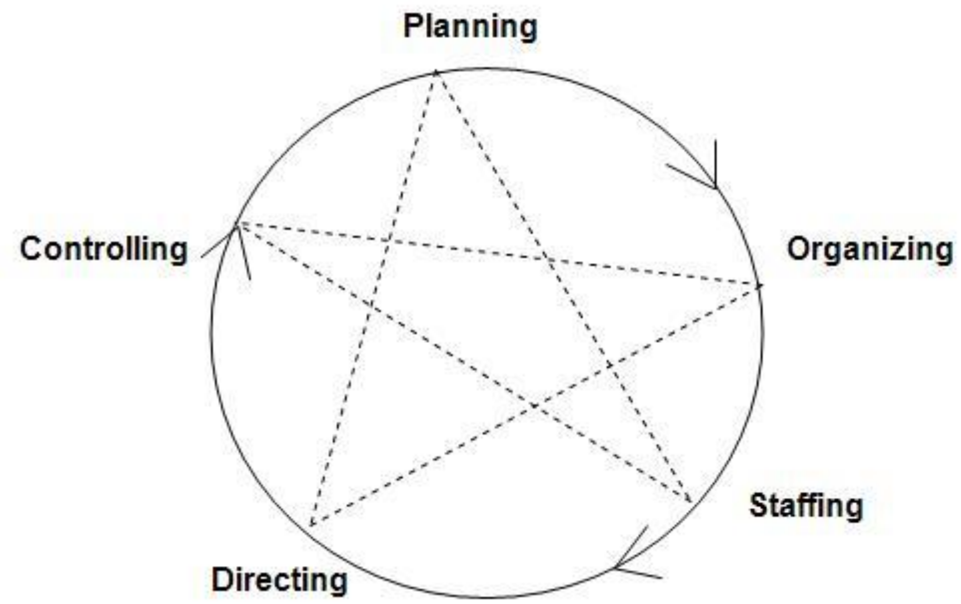
1.6. Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

Different experts have classified functions of management. According to George & Jerry, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ’**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management givenbyKOONTZandO’DONNELi.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



1. **Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behaviour etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.

- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

1.7. Functional Areas of Management:

I. **Financial Management** includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.

II. **Personnel Management** includes recruitment, training, transfer promotion, demotion, retirement, termination, labor-welfare and social security industrial relations.

III. **Purchasing management** includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.

IV. **Production Management** includes production planning, production control techniques, quality control and inspection and time and motion studies.

V. **Maintenance Management** involves proper care and maintenance of the buildings, plants, and machinery.

VI. **Transport Management** includes packing, warehousing and transportation by rail, road, and air.

VII. **Distribution Management** includes marketing, market research, price-determination, taking market risk and advertising, publicity and sales promotion.

VIII. **Office Management** includes activities to properly manage the layout, staffing, and equipment of the office.

IX. **Development Management** involves experimentation and research of production techniques, markets, etc.

1.8. Importance of Management:

1. **It helps in Achieving Group Goals -** It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources -** Management utilizes all the physical & human resources productively. This leads to efficacy in

management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

3. **Reduces Costs -** It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization -** No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium -** It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society -** Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment

opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

1.9 The Evolution of Management Thought and the Evolution of Management Theories

Knowing the story behind the evolution of management thought and the evolution of theories is essential. If you are familiar with them, including the development that brought about the current practices in business, then you will have a better understanding of management principles that can help you to manage people more effectively.

The point is that a lot has changed about management. Emphasis on structure and authority is no longer as strong as it used to be in the past. Now the focus is on employees. However, there are theories on the factors that motivate employees, but understand that knowing how these theories came about can give you the needed knowledge to manage your employees appropriately. Read to understand the evolution of management thought and management theories.

Evolution of Management Concept

The evolution of management thought is a process that started in the early days of man. It began since the period man saw the need to live in groups. Mighty men were able to organize the masses, share them into various groups. The sharing was done accord to the masses' strength, mental capacities, and intelligence.

The point is that management has been practiced in one way or the other since civilization began. If you want a good example where advance management principles where applied, consider the organization of the olden days Roman Catholic Church, military forces as well as ancient Greece. These are all excellent examples. But the industrial revolution brought drastic change. And suddenly, the need to develop a more holistic and formal management theory became a necessity.

Explain the Evolution of Management Thought

Stages of the evolution of management thought

This topic is broad, and it also requires careful explanation and thought process. One cannot understand what it entails or appreciates how it happened without looking at the various areas where the said evolution occurred. For better understanding, the evolution of management thought will be shared into four different stages. These include:

- Pre-scientific management period
- Classical theory
- Neo-classical theory or behaviour approach
- Bureaucratic Model of Max Weber

The Pre-Scientific Management Period

The industrial revolution that took place in the 18th century had a significant impact on management as a whole. It changed how businesses, as well as individuals, raised capitals; organize labour and the production of goods. Entrepreneurs had access to all the factors of production such as land, labour, and capital. Theirs was to make an effort to combine these factors to achieve a targeted goal successfully.

However, the new dimension that management took following the industrial revolution cannot be discussed without mentioning notable personalities who contributed their quarter. They were able to introduce useful ideas and approaches to give management a precise and universally acceptable direction. Here are some of them.

Professor Charles Babbage – United Kingdom (1729 – 1871)

Prof Babbage, a renowned professor in mathematics at Cambridge University discovered that manufacturers were relying on guesswork and suggestions and urged them to utilize mathematics and science to be more accurate and productive.

Robert Owens – United Kingdom (1771 – 1858)

Robert was regarded as the father of personnel management because of his approach and focus on employee welfare. He introduced co-operation and trade unions. Robert believed that employee welfare could determine their performance to a large extent. He encouraged the training of workers, education for their children, canteens in the workplace, shorter working hours, among others.

Other Contributors to the Pre-Scientific Management Period Include:

The Classical Theory

Prof Babbage, Robert Owens, and other names earlier mentioned can be regarded as the pioneers of management. But their contribution to the evolution of management is little. The beginning of what is known as the science of management started in the last decade of the 19th century. Names like Emerson, F.W. Taylor, H.L. Grant, and others, paved the way for the establishment of what is called scientific management. During the classical period, management thought was focused on job content, standardization, the division of labour, and a scientific approach towards the organization. It also was closely related to the industrial revolution as well as the rise of large-scale enterprises.

The Neo-Classical Theory

This period of evolution of management thought is an improvement of the classical theory. In other words, it modified and improved upon the classical theory. For instance, Classical theory focused more on the area of job content, including the management of physical resources, while the neo-classical theory gave more profound emphasis on employee relationships in the work environment.

The Bureaucratic Model

A German Sociologist called Max Weber proposed this model. And it includes a system of rules, division of labour hinged on functional specialization, legal authority, and power, the hierarchy of authority and placement of employees based on their technical competence.

The Evolution of Management Theories

Organizations have been shaped and through the writings of several writers. Their write-up consisted of governance of kingdoms and management of humans. And these formed the literature that helped in the development of management theories. And these management models were also offered by the military, political and religious organizations.

For instance, Sun Tzu's book "The Art of War" was written in the 16th century BC. Sun was also a Chinese army general. However, the writings in Sun's book were also used for managerial purposes.

The book highlights that it's possible to achieve success by using the strength of the organization to exploit the weakness of rivals. Another great book was Chanakya's Arthashastra. It was written in the third century BC and focused on the governance of the kingdom concerning the formulation of policies of governance and management of people.

Conclusion

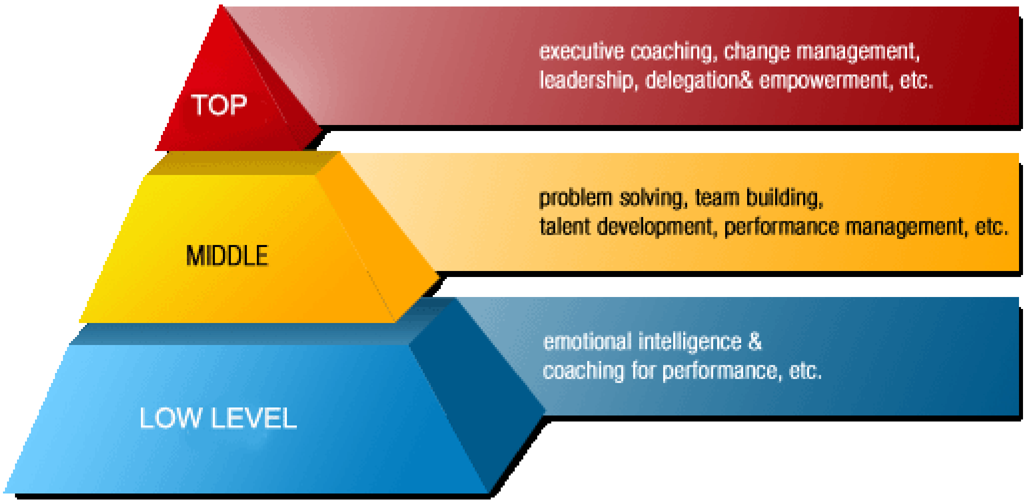
The evolution of management started from civilization. So, what we have now is refined and improved management thoughts and theories. But knowing how this evolution came about is vital. It will help to improve one's knowledge of the process and effectively utilize management principles for the betterment of the organization.

1.10. Levels of Management:

The term "**Levels of Management**' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executory**
3. **Low level / Supervisory / Operative / First-line managers**

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



LEVELS OF MANAGEMENT

1. **Top Level of Management**

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

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

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

2. Middle Level of Management

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

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

3. Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, "Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees". In other words, they are concerned with direction and controlling function of management. Their activities include -

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

1.11. Management skills:

Management skills can be defined as certain attributes or abilities that an executive should possess in order to fulfil specific tasks in an organization. They include the capacity to perform executive duties in an organization while avoiding crisis situations and promptly solving problems when they occur. Management skills can be developed through learning and practical experience as a manager. The skills help the manager to relate with their fellow co-workers and know how to deal well with their subordinates, which allows for the easy flow of activities in the organization.

Good management skills are vital for any organization to succeed and achieve its goals and objectives. A manager who fosters good management skills is able to propel the company's mission and vision or business goals forward with fewer hurdles and objections from internal and external sources.

Management and leadership skills are often used interchangeably as they both involve planning, decision-making, problem-solving, communication, delegation, and time management. Good managers are almost always good leaders as well. In addition to leading, a critical role of a manager is to also ensure that all parts of the organization are functioning cohesively. Without such integration, several issues can arise and failure is bound to happen. Management skills are crucial for various positions and at different levels of a company, from top leadership to intermediate supervisors to first-level managers.

1.12 Types of Management Skills:

1. Technical Skills

Technical skills involve skills that give the managers the ability and the knowledge to use a variety of techniques to achieve their objectives. These skills not only involve operating machines and software, production tools, and pieces of equipment but also the skills needed to boost sales, design different types of products and services, and market the services and the products.

2. Conceptual Skills

These involve the skills managers present in terms of the knowledge and ability for abstract thinking and formulating ideas. The manager is able to see an entire concept, analyze and diagnose a problem, and find creative solutions. This helps the manager to effectively predict hurdles their department or the business as a whole may face.

3. Human or Interpersonal Skills

The human or the interpersonal skills are the skills that present the managers' ability to interact, work or relate effectively with people. These skills enable the managers to make use of human potential in the company and motivate the employees for better results.

4. Planning

Planning is a vital aspect within an organization. Planning is one's ability to organize activities in line with set guidelines while still remaining within the limits of the available resources such as time, money, and labour. It is also the process of formulating a set of actions or one or more strategies to pursue and achieve certain goals or objectives with the available resources. The planning process includes identifying and setting achievable goals, developing necessary strategies, and outlining the tasks and schedules on how to achieve the set goals. Without a good plan, little can be achieved.

5. Communication

Possessing great communication skills is crucial for a manager. It can determine how well information is shared throughout a team, ensuring that the group acts as a unified workforce. How well a manager communicates with the rest of his/her team also determines how well outlined procedures can be followed, how well the tasks and activities can be completed, and thus, how successful an organization will be.

Communication involves the flow of information within the organization, whether formal or informal, verbal or written, vertical or horizontal, and it facilitates smooth functioning of the organization. Clearly established communication channels in an organization allow the manager to collaborate with the team, prevent conflicts, and resolve issues as they arise. A manager with good communication skills can relate well with the employees and thus, be able to achieve the company's set goals and objectives easily.

6. Decision-making

Another vital management skill is decision-making. Managers make numerous decisions, whether knowingly or not, and making decisions is a key component in a manager's success. Making proper and right decisions results in the success of the organization, while poor or bad decisions may lead to failure or poor performance. For the organization to run effectively and smoothly, clear and right decisions should be made. A manager must be accountable for every decision that they make and also be willing to take responsibility for the results of their decisions. A good manager needs to possess great decision-making skills, as it often dictates his/her success in achieving organizational objectives.

7. Delegation

Delegation is another key management skill. Delegation is the act of passing on work-related tasks and/or authorities to other employees or subordinates. It involves the process of allowing your tasks or those of your employees to be re-assigned or re-allocated to other employees depending on current workloads. A manager with good delegation skills is able to effectively and efficiently re-assign tasks and give authority to the right employees. When delegation is carried out effectively, it helps facilitate quick and easy results.

Delegation helps the manager to avoid wastage of time, optimizes productivity, and ensures responsibility and accountability on the part of employees. Every manager must have good delegation abilities to achieve optimal results and accomplish the required productivity results.

8. Problem-solving

Problem-solving is another essential skill. A good manager must have the ability to tackle and solve the frequent problems that can arise in a typical workday. Problem-solving in management involves identifying a certain problem or situation and then finding the best way to handle the problem and get the best solution. It is the ability to sort things out even when the prevailing conditions are not right. When it is clear that a manager has great problem-solving skills, it differentiates him/her from the rest of the team and gives subordinates confidence in his/her managerial skills.

9. Motivating

The ability to motivate is another important skill in an organization. Motivation helps bring forth a desired behaviour or response from the employees or certain stakeholders. There are numerous motivation tactics that managers can use, and choosing the right ones can depend on characteristics such as company and team culture, team personalities, and more. There are two primary types of motivation that a manager can use. These are intrinsic and extrinsic motivation.

1.13. Management – An art or Science

MANAGEMENT AS AN ART

Art is defined as the use of skills to bring a desired result. Skills refer to one's proficiency to do a specific work. Thus, art has the following features:

1. Practical Knowledge

Knowledge refers to possession of facts and techniques of a particular field. Knowledge can be acquired through study and/or practical experience. Generally, in art, more emphasis is given on acquiring knowledge through practical experience. In management, knowledge is acquired both through study and experience. Thus, management is an art.

2. Personalized Application of Knowledge

In art, there is personalized application of knowledge to achieve the desired results. This is possible because the same set of results can be achieved through a number of alternative ways. This is done in management too; each manager has his own way of achieving results. Thus, management is an art.

3. Improvement through Continuous Practice

In art, improvement is made through continuous practice. This practice eliminates those activities which are not relevant for achieving the desired results and improving those activities that are relevant. Through this way, the person engaged in any art tends to move towards perfection. This is exactly done in management.

4. Situational Application

Art has situational application. This implies that an art which is appreciated in one situation may not be appreciated in another situation. This is true for management too. Thus, a particular management practice which is quite effective in an organization may not be effective in another organization because of change in situational context.

Further, in the same organization, management practices may change over the period of time because of change in contextual variables.

5. Emphasis on Creativity

Art puts emphasis on creativity through which new things or ways of working are created. This is done in management too; managers create new products, new ways of working, new means of financing, new ways of marketing and so on.

The above discussion shows that management is an art.

MANAGEMENT AS A SCIENCE

Science is a body of systematized knowledge generated through logical consistency, critical evaluation and experimental study. Thus, science has the following features:

1. Systematized Body of Knowledge

Science is a systematized body of knowledge. Its principles are based on cause-effect relationship, that is, a particular factor has been caused by what factor can be explained in a definite way.

For example, if you throw a ball up, after going upward the ball will ultimately come back on the ground because of earth's gravitational force. In management, there is lack of such a cause-effect relationship; cause-effect relationship is defined in flexible way, not in definite way. Thus, management is not a true science.

2. Principles Based on Experimentation

In science, principles are evolved on the basis of experiments conducted in laboratories. Such principles are tested again and again for final approval. In management, this is not done in all cases; in many cases, management principles are based on personal observations and experiences.

Though experiments are conducted under controlled conditions, their findings are not tested like science. From this point of view, management is not a true science.

3. Verifiable Principles

Scientific principles can be verified by any one. Such verification will give the same results again and again. Management principles are not verifiable in many cases. In fact, in many cases, it is difficult to appreciate the bases on which management principles have been evolved. Thus, management is not a true science.

4. Universal Application

Principles of science have universal application, that is, they remain true irrespective of the conditions in which these are applied. As against this, management principles are situation bound. It implies that a management principle which works well in one country may not work equally well in another country. This is because of situational differences between the two countries.

Further, a management principle which works effectively in one organization may not work effectively in another organization of the same country. Thus, management cannot be called ‘true science’.

The above discussion shows that management is not a true science. Therefore, management is called an ‘inexact science‘or ‘pseudo-science‘.

MANAGEMENT: BOTH ART AND SCIENCE

Thus, to be a successful manager, a person requires the knowledge of management principles and also the skills of how the knowledge can be utilized. Absence of either will result in inefficiency.

A comparison between art and science is presented in the below table which suggests that a manager requires both aspects of management to be successful.

Comparison between art and science as used in management

Art	**Science**
Advances by practice	Advances by knowledge
Feels	Proves
Guesses	Predicts
Describes	Defines

Opines	Measures
Expresses	Impresses

It can be seen that management uses both scientific knowledge and art in managing an organization. As the science of management increases so should the art of management. A balance between the two is needed. Neither should be over-weighed or slighted.

Some feel that further gains in science of management will restrict art more and more. This is true to a limited extent only. The fact remains that to be useful, knowledge of science must be applied, that is, art must be present. Therefore, the old saying that ‘knowledge is power‘is partially true. The correct saying should be ‘applied knowledge is power‘. People having abundant knowledge may have little use if they do not know how to use knowledge. This is particularly true for management which is a situational phenomenon.

1.14. Management and Administration:

According to *Theo Haimann*, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”.

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under 2 categories: -

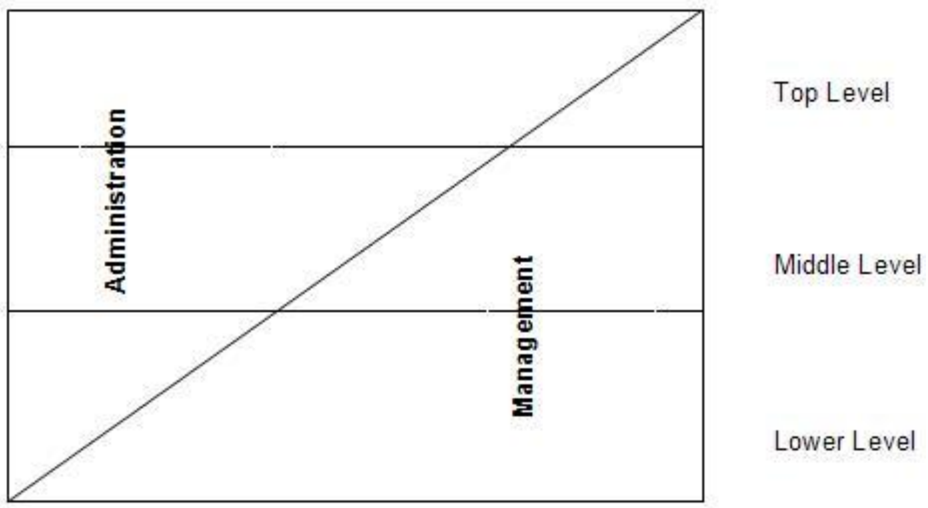
On the Basis of Functions: -

Basis	**Management**	**Administration**
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should as it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

On the Basis of Usage: -

Basis	**Management**	**Administration**
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Practically, there is no difference between management & administration. Every manager is concerned with both - administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.



The Figure above clearly shows the degree of administration and management performed by the different levels of management

1.15 Roles of manager:

As a manager, you probably fulfil many different roles every day.

For instance, as well as leading your team, you might find yourself resolving a conflict, negotiating new contracts, representing your department at a board meeting, or approving a request for a new computer system.

Put simply, you're constantly switching roles as tasks, situations, and expectations change. Management expert and Professor Henry Mintzberg recognized this, and he argued that there are ten primary roles or behaviours that can be used to categorize a manager's different functions.

The Roles

Mintzberg published his Ten Management Roles in his book, "Mintzberg on Management: Inside our Strange World of Organizations," in 1990.

The ten roles are:

1. Figurehead.
2. Leader.
3. Liaison.
4. Monitor.
5. Disseminator.
6. Spokesperson.
7. Entrepreneur.
8. Disturbance Handler.
9. Resource Allocator.
10. Negotiator.

The 10 roles are then divided up into three categories, as follows:

Category	**Roles**
Interpersonal	Figurehead Leader Liaison
Informational	Monitor Disseminator Spokesperson
Decisional	Entrepreneur Disturbance Handler Resource Allocator Negotiator

Let's look at each of the ten managerial roles in greater detail.

Interpersonal Category

The managerial roles in this category involve **providing** information and ideas.

1. **Figurehead** – As a manager, you have social, ceremonial and legal responsibilities. You're expected to be a source of inspiration. People look up to you as a person with authority, and as a figurehead.
2. **Leader** – This is where you provide leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.
3. **Liaison** – Managers must communicate with internal and external contacts. You need to be able to network effectively on behalf of your organization.

Informational Category

The managerial roles in this category involve **processing** information.

4. **Monitor** – In this role, you regularly seek out information related to your organization and industry, looking for relevant changes in the environment. You also monitor your team, in terms of both their productivity, and their well-being.
5. **Disseminator** – This is where you communicate potentially useful information to your colleagues and your team.
6. **Spokesperson** – Managers represent and speak for their organization. In this role, you're responsible for transmitting information about your organization and its goals to the people outside it.

Decisional Category

The managerial roles in this category involve **using** information.

7. **Entrepreneur** – As a manager, you create and control change within the organization. This means solving problems, generating new ideas, and implementing them.
8. **Disturbance Handler** – When an organization or team hits an unexpected roadblock, it's the manager who must take charge. You also need to help mediate disputes within it.
9. **Resource Allocator** – You'll also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.
10. **Negotiator** – You may be needed to take part in, and direct, important negotiations within your team, department, or organization.

UNIT II

2.1 Planning:

2.1.1 Concept of Planning:

Planning is the first of essential managerial functions. Planning is important as by nature it enquirers about organizational goals and involves decision making about desired ways and means to achieve goals.

Planning is the process by which managers establish goals and define the methods by which these goals are to be attained. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternative future courses of action.

2.1.2 Nature of Planning:

1. Planning is primary function of management:

The functions of management are broadly classified as planning, organisation, direction and control. It is thus the first function of management at all levels. Since planning is involved at all managerial functions, it is rightly called as an essence of management.

2. Planning focuses on objectives:

Planning is a process to determine the objectives or goals of an enterprise. It lays down the means to achieve these objectives. The purpose of every plan is to contribute in the achievement of objectives of an enterprise.

3. Planning is a function of all managers:

Every manager must plan. A manager at a higher level has to devote more time to planning as compared to persons at the lower level. So the President or Managing director in a company devotes more time to planning than the supervisor.

4. Planning as an intellectual process:

Planning is a mental work basically concerned with thinking before doing. It is an intellectual process and involves creative thinking and imagination. Wherever planning is done, all activities are orderly undertaken as per plans rather than on the basis of guess work. Planning lays down a course of action to be followed on the basis of facts and considered estimates, keeping in view the objectives, goals and purpose of an enterprise.

5. Planning as a continuous process:

Planning is a continuous and permanent process and has no end. A manager makes new plans and also modifies the old plans in the light of information received from the persons who are concerned with the execution of plans. It is a never ending process.

6. Planning is dynamic (flexible):

Planning is a dynamic function in the sense that the changes and modifications are continuously done in the planned course of action on account of changes in business environment.

As factors affecting the business are not within the control of management, necessary changes are made as and when they take place. If modifications cannot be included in plans it is said to be bad planning.

7. Planning secures efficiency, economy and accuracy:

A pre- requisite of planning is that it should lead to the attainment of objectives at the least cost. It should also help in the optimum utilisation of available human and physical resources by securing efficiency, economy and accuracy in the business enterprises. Planning is also economical because it brings down the cost to the minimum.

8. Planning involves forecasting:

Planning largely depends upon accurate business forecasting. The scientific techniques of forecasting help in projecting the present trends into future. 'It is a kind of future picture wherein proximate events are outlined with some distinctness while remote events appear progressively less distinct."

9. Planning and linking factors:

A plan should be formulated in the light of limiting factors which may be any one of five M's viz., men, money, machines, materials and management.

10. Planning is realistic:

A plan always outlines the results to be attained and as such it is realistic in nature.

2.1.3 Important of Planning:

1. Focus attention on objectives:

Every organization seeks to achieve certain objectives. The planning process helps the organization devise means to achieve these objectives. Plans focus on the achievement of objective they prevent the manager form being distracted by less significant activities.

2. Reduces uncertainty and risks:

Uncertainty and change are inevitable and planning cannot eliminate them. But planning enables an organization to cope with uncertainty and change. With the help of planning, an enterprise can predict future events and make due provision for them.

3. Provides sense of direction:

The first step of planning is setting goal and objectives for the organization. Setting goals and objectives facilities the smooth progress of organizational activities. The absence of planning makes or direction regarding the future of the organization.

4. Provides guidelines for decision-making:

Plans elaborate the actions necessary for achieving organizational objectives and thus, help in deciding the activities to be taken up in the future. Planning involves identifying alternatives and choosing among those courses of action that are necessary for carrying out a given tasks. Thus, it helps people take future oriented decisions.

5. Increases organizational effectiveness:

Planning ensures the effective functioning of an organization to be truly effective; an organization must be able to achieve its objectives with the available resources. Planning facilitates the optimum utilization of available resources. Thus, planning and control ensure that the resources are used in accordance with organizational specification.

6. Provides efficiency in operations:

Planning results in the use of the most efficient methods for achieving organizational objectives. It improves performance by focusing management's attention on adjectives and by helping management established priorities and cope with the ever-changing external environment.

7. Helps in co-ordination:

Planning is the best stage for the integration of diverse forces at work sound planning inter relates all the activities and resources of an organization. It also helps to relate internal conditions and processes to external events and forces. Seeks to achieve a co-ordinate structure of operations. It provides a unifying framework.

8. Facilitates control:

Planning provides the basic for control. Plans serve as standards for the evaluation of performance. Sound planning enables management to control the events rather than be controlled be them. It permits control by expectation. Control cannot be exercised without plans because the function of control is to ensure that the activities conform to the plans. Any attempt to control without plans is meaningless as they are no gauges for performance.

9. Encourages innovation and creativity:

By involving employees, the process of planning encourages a healthy work atmosphere. Planning also encourages mangers to devise new ways of doing things. It facilitates innovative and creative thinking among managers. This is prerequisite for the long-term survival and growth of a business.

10. Facilitates delegation:

The planning process facilitates the delegation of authority. Well-established plans act as a guide to sub-ordinates thus eliminating the need for constant guidance by managers.

2.1.4 Steps of planning:

Step # 1. Perception of Opportunities:

Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely.

All managers should know where they stand in the light of their strengths and weaknesses, understand the problems they wish to solve and know what they gain. Setting objectives depends on the awareness. Planning requires realistic diagnosis of the opportunity situation.

Step # 2. Establishing Objectives:

This is the second step in the planning process. The major organisational and unit objectives are set in this stage. This is to be done for the long term as well as for the short range. Objective specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

Organisational objectives give direction to the major plans, which by reflecting these objectives define the objective of every major department. Major objectives, in turn, control the objectives of subordinate departments and so on down the line. In other words, objectives from a hierarchy.

The objectives of lesser departments will be more accurate if subdivision managers understand the overall enterprise objectives and the derivative goals. Managers should also have the opportunity to contribute their ideal to setting their own goals and those of the organisation.

Step # 3. Planning Premises:

After determination of organisational objectives, the next step is establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions.

Thus planning premises are external and internal. External premises include total factors in task environment like political, social, technological, competitors, plans and actions, government policies. Internal factors include organisation's policies, resources of various types, and the ability of the organisation to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organisational hierarchy the composition of planning premises changes from external to internal. The major plans both old and new will materially affect the future against which the managers at lower units must plan.

Step # 4. Identification of Alternatives:

The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organisational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.

Step # 5. Evaluation of Alternatives:

The various alternative course of action should be analysed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

Step # 6. Choice of Alternative Plans:

This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more .ire advisable and beneficial. The fit one is selected.

Step # 7. Formulation of Supporting Plan:

After formulating the basic plan, various plan are derived so as to support the main plan. In an organisation there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

Step # 8. Establishing Sequence of Activities:

After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

The overall budgets of an enterprise represent the sum total of income and expenses, with resultant profit or surplus, and budgets of major balance sheet items such as cash and capital expenditures. Each department or programme of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

2.1.5 Types of Planning:

The 4 Types of Plans

Operational Planning

"Operational plans are about how things need to happen," motivational leadership speaker Mack Story said at LinkedIn. "Guidelines of how to accomplish the mission are set."

This type of planning typically describes the day-to-day running of the company. Operational plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.

Strategic Planning

"Strategic plans are all about why things need to happen," Story said. "It's big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision."

Strategic planning includes a high-level overview of the entire business. It's the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.

Tactical Planning

"Tactical plans are about what is going to happen," Story said. "Basically at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans."

Tactical planning supports strategic planning. It includes tactics that the organization plans to use to achieve what's outlined in the strategic plan. Often, the scope is less than one year and breaks down the strategic plan into actionable chunks. Tactical planning is different from operational planning in that tactical plans ask specific questions about what needs to happen to accomplish a strategic goal; operational plans ask how the organization will generally do something to accomplish the company's mission.

Contingency Planning

Contingency plans are made when something unexpected happens or when something needs to be changed. Business experts sometimes refer to these plans as a special type of planning.

Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can't be foreseen. As the business world becomes more complicated, contingency planning becomes more important to engage in and understand.

2.1.6 Barriers to Effective planning:

The barriers are: 1. Dynamic and Complex Environments 2. Reluctance to Establish Goals 3. Resistance to Change 4. Constraints 5. Time and Expense 6. Psychological Difficulties 7. Technical Problems 8. Misunderstanding 9. Lack of an Appropriate 'Planning Climate'.

Barrier # 1. Dynamic and Complex Environments:

Perhaps the most important barrier to effective planning is the nature of an organisation's environment. When, for instance, an electronics firm develops a long-range plan, it tries to take into account how much technological innovation is likely to occur during the time period of planning.

But forecasting such unaccountable events is no doubt very difficult. Anticipating rapid and significant changes certainly complicates the entire planning process. In fact, changes in any of the elements of an organisation's task or general environments can radically alter the plans and obstruct the entire planning process.

Barrier # 2. Reluctance to Establish Goals:

The second barrier to effective planning is the reluctance on the part of some managers to establish goals for themselves and their units of responsibilities. The main reason for this reluctance is lack of confidence or fear or failure. If a manager sets a very specific 'concise and time-related goals', then whether he (she) attains it will become clear.

A manager is reluctant to disclose his failure. This means that managers who do consciously or unconsciously try to avoid this degree of accountability are likely to hinder the planning efforts of their organisation. Various other factors also contribute to a manager's reluctance to establish goals, viz., a lack of ability, a lack of information, or a poor reward system.

Barrier # 3. Resistance to Change:

This is the third major barrier to the planning process. Any type of organisational planning involves changing one or two aspects of its current situation. Managers resist change for three main reasons, viz., fear of the unknown, a preference for familiar goals and plans, and, economic insecurity.

Barrier # 4. Constraints:

Another major obstacle to planning arises due to constraints that limit what an organisation can do. For example, an organisation may have such a heavy investment in plant and equipment that it cannot acquire new equipment. Labour contracts can also be major constraints. Other possible constraints include governmental regulations, a shortage of managerial talent, and a scarcity of raw materials.

Barrier # 5. Time and Expense:

Another barrier to effective planning is that good planning is time-consuming and expensive. Good planning often fails for lack of funds. A planning system often requires for instance, technical expertise or a database that are to be acquired at a cost.

Barrier # 6. Psychological Difficulties:

These difficulties mainly arise from lack of confidence among planners. If there is a fear of the future and unknown there may be a preference for day-to-day activities as opposed to looking into a dim future. Moreover, the fear to adding to one's work load may also inhibit the desire to plan.

A manager's attitude may be such that he prefers playing safe or he avoids risk-taking which is inherent in most planning activity. He may be over-confident as to the present, or over- pessimistic as to the future. He may feel that there is hardly any point in planning for a recession which might deepen. His approach may be completely non-rational in relation to the essence of planning.

Barrier # 7. Technical Problems:

Such problems which occur frequently are a major source of difficulty for the managerial planner. If the manager is deficient in organizing ability he will be unable to understand or solve some of the technical organisational problems which accompany planning.

Alternatively, if he lacks training in the effective utilization of this time, he cannot solve the technical demands of arranging time in order to cope with the burdens of planning. In addition, a manager may lack the technical skills necessary to understand the nature of the objectives for which planning is needed.

The control process which he supervises may be inadequate, so that the technical problems of extrapolating from data reflecting past experience (which may be necessary in working out plans) become insoluble.

More often than not it is the very complexity of the planning process and the appearance of the complicated tools for their resolution which create difficulties for management. The nature of the industry may be such that shifting patterns of market demand make production highly uncertain. So planning without complex techniques is very difficult.

Barrier # 8. Misunderstanding:

A misunderstanding of the planning process can lead to other kinds of difficulty for the manager. Some managers feel that planning is not really necessary. They often believe that planning relies on inexact techniques of prediction, which seem, in effect, to be little better than guesswork. Still others believe that it stifles initiative and requires total adherence to others' estimates of the future.

All these points indicate that the manager may be unaware of the process and the ends of planning. Furthermore, a biased view that planning is a job for staff, not for line managers, and the misconception that it requires masses of data if it is to be effective, indicates a misinterpretation of the nature of planning which makes consideration of the future really difficult.

Barrier # 9. Lack of an Appropriate 'Planning Climate':

Other difficulties associated with managerial planning arise due to lack of an appropriate 'planning climate' within the organisation as a whole. There may be lack of top management support. The manager's superiors may, for instance, be perceived as being uncommitted or even hostile to planning and to the use of objectives.

2.1.7 Making planning effective:

1. Create climate for planning:

Conducive climate must be provided so that activities proceed smoothly and systematically and as planned.

Planning must not be left to chance. A stepwise sequence needs to be created so that top managers are able to remove obstacles to planning.

This can be achieved by establishing clear-cut goals, realistic planning premises and offering required information and appropriate staff assistance at various levels as and when required.

2. Support from the top management:

Since planning is pervasive in nature hence the concept of planning must be started at the top levels of the organisation. In other words, the planning cannot be initiated until and unless the top management supports this concept and provides continuous attention. They must be willing to extend a helping hand, whenever required.

3. Equal Participation:

Plans can only be implemented if the employees acknowledge this concept and are ready to participate in the whole processes. So, it is necessary to secure acceptance and commitment from each and everyone in the organisation.

One way to increase commitment is to encourage subordinates participation in the planning process. Planning comes alive when employees are involved in setting goals and determining the means to reach them.

4. Proper communication:

Nothing can be possible in the organisation until and unless there is a proper and a well developed communication network hence goals, premises and policies must be properly communicated to people. People must know what they are supposed to do, when, how and where. The time limits must also be communicated in advance.

5. Integration:

All the plans that have been formulated must be properly balanced and integrated with the organisational Mission Statement. They must support each other and should not work at cross purposes. Every attempt should be made to ensure that there is minimum wastage of the efforts and the resources so that the pay-offs of planning are more than the costs involved.

6. Strict monitoring:

Plans must be subjected to regular and appraisal in view of the dynamic nature of the environment that includes both the internal as well as external changes. The best way to enable proper monitoring is by keeping the plan flexible to the extent possible.

2.1.8 Concept of Forecasting:

Meaning of Forecasting:

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future.

It shows that the managers know something of future happenings even before things actually happen.

Forecasting provides them this knowledge. Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behaviour.

The future cannot be probed unless one knows how the events have occurred in the past and how they are occurring presently. The past and present analysis of events provides the base helpful for collecting information about their future occurrence.

Thus, forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

Whenever the managers plan business operations and organisational set-up for the years ahead, they have to take into account the past, the present and the prevailing economic, political and social conditions. Forecasting provides a logical basis for determining in advance the nature of future business operations and the basis for managerial decisions about the material, personnel and other requirements.

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It is, thus, the basis of planning, when a business enterprise makes an attempt to look into the future in a systematic and concentrated way, it may discover certain aspects of its operations requiring special attention. However, it must be recognised that the process of forecasting involves an element of guesswork and the managers cannot stay satisfied and relaxed after having prepared a forecast.

The forecast will have to be constantly monitored and revised—particularly when it relates to a long- term period. The managers should try to reduce the element of guesswork in preparing forecasts by collecting the relevant data using the scientific techniques of analysis and inference.

Steps in Forecasting:

The process of forecasting generally involves the following steps:

1. Developing the Basis:

The future estimates of various business operations will have to be based on the results obtainable through systematic investigation of the economy, products and industry.

2. Estimation of Future Operations:

On the basis of the data collected through systematic investigation into the economy and industry situation, the manager has to prepare quantitative estimates of the future scale of business operations. Here the managers will have to take into account the planning premises.

3. Regulation of Forecasts:

It has already been indicated that the managers cannot take it easy after they have formulated a business forecast. They have to constantly compare the actual operations with the forecasts prepared in order to find out the reasons for any deviations from forecasts. This helps in making more realistic forecasts for future.

4. Review of the Forecasting Process:

Having determined the deviations of the actual performances from the positions forecast by the managers, it will be necessary to examine the procedures adopted for the purpose so that improvements can be made in the method of forecasting.

2.1.8 Techniques of Forecasting:

There are various methods of forecasting. However, no method can be suggested as universally applicable. In fact, most of the forecasts are done by combining various methods.

A brief discussion of the major forecasting methods is given below:

1. Historical Analogy Method:

Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing.

Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of a certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behaviour in terms of life.

Likewise, changes in the norms of business behaviour in terms of attitude of the workers against inequality, find similarities in various countries at various stages of the history of industrial growth. Thus, this method gives a broad indication about the future events of general nature.

2. Survey Method:

Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method.

On the basis of such surveys, demand for various products can be projected. Survey method is suitable for forecasting demand—both of existing and new products. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers.

3. Opinion Poll:

Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India. Similarly, an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections.

If opinion polls give widely divergent views, the experts may be called for discussion and explanation of why they are holding a particular view. They may be asked to comment on the views of the others, to revise their views in the context of the opposite views, and consensus may emerge. Then, it becomes the estimate of future events.

4. Business Barometers:

A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations.

These index numbers, when used in combination with one another, provide indications as to the direction in which the economy is proceeding. Thus, with the business activity index numbers, it becomes easy to forecast the future course of action.

However, it should be kept in mind that business barometers have their own limitations and they are not sure road to success. All types of business do not follow the general trend but different index numbers have to be prepared for different activities, etc.

5. Time Series Analysis:

Time series analysis involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future.

A trend can be known over the period of time which may be true for the future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

6. Regression Analysis:

Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously.

Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

7. Input-Output Analysis:

According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final output with a given input-output relationship. The basis of this technique is that the various sectors of economy are interrelated and such inter-relationships are well-established.

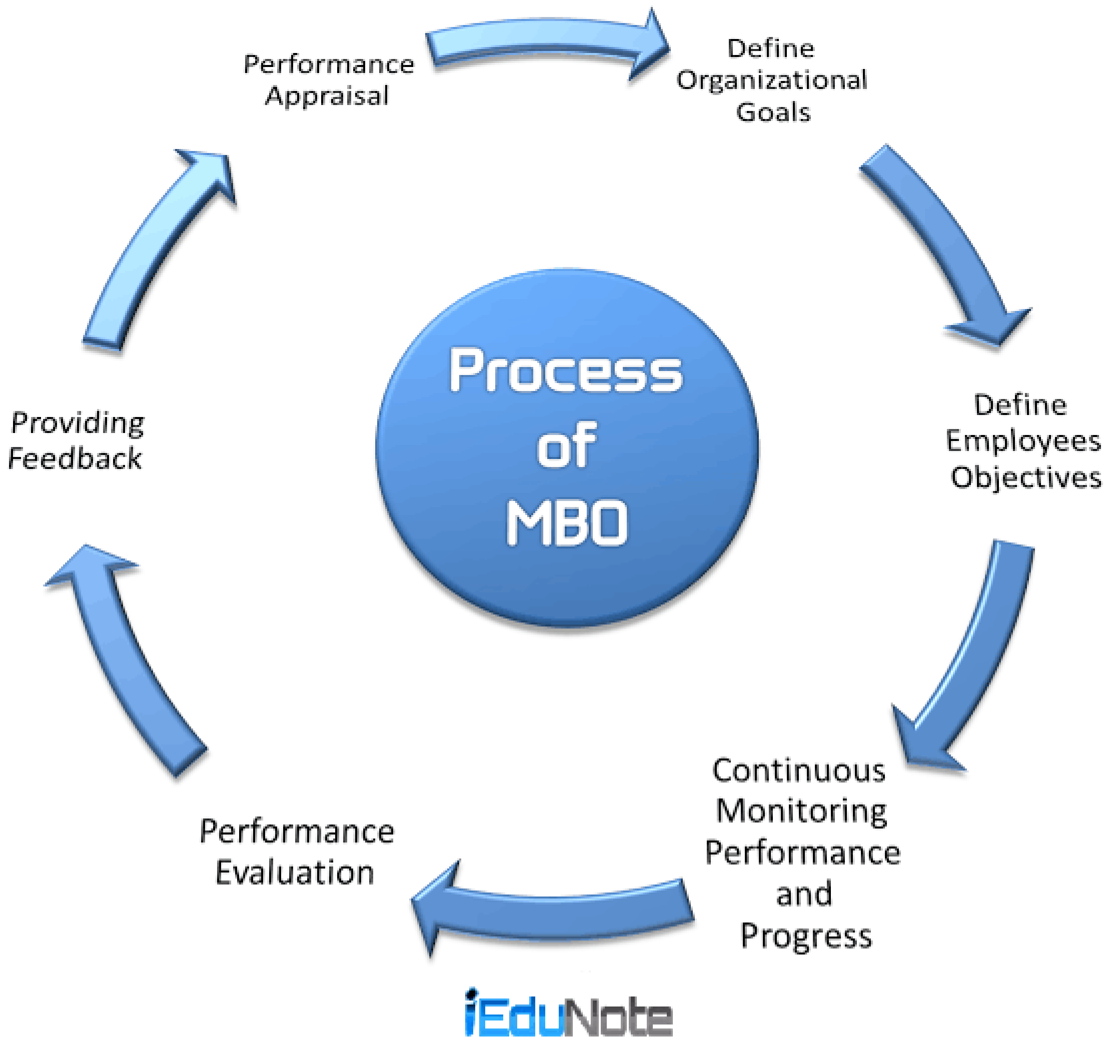
For example, coal requirement of the country can be predicted on the basis of its usage rate in various sectors like industry, transport, household, etc. and how the various sectors behave in future. This technique yields sector-wise forecasts and is extensively used in forecasting business events as the data required for its application are easily obtained.

2.1.9 Management By Objectives:

6 Stages of MBO (Management by Objectives) Process

MBO or management by objectives is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic process and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.

The practical importance of objectives in management can best be seen by summarizing how successful managing by objectives works in practice.



The 6 steps of the MBO process are;

1. Define organizational goals
2. Define employees objectives
3. Continuous monitoring performance and progress
4. Performance evaluation
5. Providing feedback
6. Performance appraisal

Let's briefly look at each of these;

1. Define Organizational Goals

oals are critical issues to organizational effectiveness, and they serve a number of purposes. **Organizations can also have several different kinds of goals**, all of which must be appropriately managed.And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. Continuous Monitoring Performance and Progress

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

1. Identifying ineffective programs by comparing performance with pre-established objectives,
2. Using **zero-based budgeting**,
3. Applying MBO concepts for measuring individual and plans,

4. Preparing long and short-range objectives and plans,
5. Installing **effective controls**, and
6. Designing a sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. Performance Evaluation

Under this MBO process performance review is made by the participation of the concerned managers.

5. Providing Feedback

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of the MBO process.

2.2.1 Concept of Decision Making:

Every organization needs to make decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations' overall growth and prospects.

Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions. Top notch companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company's prospects.

Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable ? Is it innovative enough ? Can there be growth stimulant in the strategies proposed ? Handle-ful of such questions evolved from the decision taken by strategic group has reflective influence on the next level of managerial consultations and meetings. Let us accept, at this point of discussion, that proposals submitted by business development team would largely depend on another set of deliberations in the board room.

Thus, the final decision to roll out a product or service is through cumulative interim decisions taken by various internal and external parties. And also the final decision is reflective and founded on researches and consultations. Whole process is a chain affair where one decision taken at one point and at one level shall have far reaching implications in the way an organization moves forward.

As a matter of fact, capable of taking critical decisions is one of the many attributes that every manager should have, be it top level or middle or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival, as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others, ie the organization's existence and growth thus is annotative with human endeavor to live and succeed. Success succeeds on the decisions taken, be it by an individual or an organization.

2.2.2 Types of Decision Making:

There are many ways of classifying decision in an organization but the following types of decisions are important ones :

1. Tactical and Strategic Decisions

Tactical decisions are those which a manager makes over and over again adhering to certain established rules, policies and procedures. They are of repetitive nature and related to general functioning. Authority for taking tactical decisions is usually delegated to lower levels in the organization.

Strategic decisions on the other hand are relatively more difficult. They influence the future of the business and involve the entire organization. Decisions pertaining to objective of the business, capital expenditure, plant layout, production etc., examples of strategic decisions.

2. Programmed and Non-programmed Decisions

Prof. Herbert Simon (June 15, 1916 - February 9, 2001), an American economist and psychologist, has used computer terminology in classifying business decisions. These decisions are of a routine and repetitive nature.

The programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it crops up.

The non-programmed decisions are complex and deserve a specific treatment. In the above example, if all the professors in a department stop their teaching work the problem cannot be solved by set procedural rules. It becomes a problem which requires a thorough study of the causes of such a situation and after analysing all factors a solution can be found through problem solving process.

3. Basic and Routine Decisions

Prof. Katona has classified decisions as basic and routine. Basic decision are those which require a good deal of deliberation and are of crucial importance. These decisions require the formulation of new norms through deliberate thought provoking process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc.

Routine decisions are of repetitive nature and hence, require relatively little consideration. It may be seen that basic decisions generally relate to strategic aspects, while routine decisions are related to tactical aspects of a organization.

4. Organizational and Personal Decisions

Organizational decisions are those which an executive takes in his official capacity and which can be delegated to others. On the other hand, personal decisions are those which an executive takes in his individual capacity but not as a member of organization.

5. Off-the-Cuff and Planned Decisions

Off-the-cuff decisions involve "shooting from the hip". These decisions can be taken easily and may be directed towards the purposes of the enterprise. On the other hand, planned decisions are linked to the objectives of organization. They are based on facts and involve the scientific process in problem solving.

6. Policy and Operating Decisions

Policy decisions are those which are taken by top management and which are of a fundamental character affecting the entire business. Operating decisions are those which are taken by lower management for the purpose of executing policy decisions. Operating decisions relate mostly to the decision marker's own work and behaviour while policy decisions influence work or behaviour pattern of subordinates.

7. Policy, Administrative and Executive Decisions

Ernest Dale (born in Hamburg, Germany and died at the age of 79) has classified decisions in business organization as under.

(a) Policy decisions,

(b) Administrative decisions and

(c) Executive decisions.

Policy decisions are taken by top management or administration of an organization. They relate to major issues and policies such as the nature of the financial structure, marketing policies, outline of organization structure.

Administrative decisions are made by middle management and are less important than policy decisions. According to Ernest Dale the size of the advertising budget is a policy decision but selection of media would be an example of administrative decision.

Executive decisions are those which are made at the point where the work is carried out. Distinguishing between these three types of decisions Dale writes, "Policy decisions set forth goals and general courses of action, administrative decisions determine the means to be used and executive decisions are those made on a day-to-day basis as particular cases come up".

2.2.3 Decision Making process:

Process and Steps in Decision-Making:

In decision-making process steps normally refers to processes, procedures and phases which are usually followed for better decision.

According to Stanley Vance decision-making consists of the following six steps:

1. Perception.
2. Conception.
3. Investigation.
4. Deliberation.
5. Selection.
6. Promulgation

1. Perception:

Perception is a state of awareness. In a man consciousness arises out of perception. Consciousness gives tilt to the decision-making process. The executive first perceives and then moves on to choose one of the alternatives and thus takes a decision. Perception is, therefore, an important and first step without which decisions relating to any of the problems of the organisation cannot be taken. Other steps follow "perception" is the first step in decision-making.

2. Conception:

Conception means designs for action or programme for action. Conception relates to that power of mind which develops ideas out of what has been perceived.

3. Investigation:

The investigation provides an equipment with the help of which the manager tries to go ahead with a debate either in his mind independently or with his co-workers. Perception is a sort of location of the problem whereas conception is the preparation of design or programme for solving the problem. But only perception and conception cannot offer the solution.

For solution investigation is to be carried out. Information relevant to a particular concept is to be sought, acquired and then analysed. Relative merits and demerits of a different analysed concepts should be measured. Alternative course of action is to be thought, analysed and compared to. This needs investigation with which the manager should be armed.

4. Deliberation:

Weighing the consequences of possible course of action is called deliberation. The manager may either weigh the relative merits and demerits and the following consequences in his own mind or share his mental exercise with others to equip himself better. The deliberations remove bias and equip the manager with different ideas and alternatives and help him in arriving at a decision which may safely be ascribed as good decision.

5. Selection:

Selection is an act of the choice which in management terminology is known as decision. After deliberations one of the alternatives, the best possible in the circumstances, is selected.

6. Promulgation:

Perception, conception, investigation, deliberation and lastly selection will carry weight only when selected – the chosen alternative, that is, the decision – is properly and timely communicated to all those who are concerned and for whom the decision is meant. Only proper promulgation will help its execution.

According to the views of Mrityunjoy Banerjee – A discrimination among the available alternatives is designated as the decision. For him also decision is an act of choice – selection from different available alternatives.

He is of the opinion that a decision like planning passes through the following five phases:

(a) Defining and analysing the problem i.e., the act of perception.

(b) Finding relevant fact, i.e., the act of conception and investigation.

(c) Developing alternative solutions i.e., the act of deliberation.

(d) Selecting the best solution, i.e., the act of selection – the choice – the actual decision-making.

(e) Converting the decision into effective action, i.e., the promulgation, with the help of which the decision so taken is effectively, properly and timely communicated to all concerned."

2.2.4 Techniques and Methods of Decision-Making:

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

1. Marginal Analysis:

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

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

2. Financial Analysis:

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

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

3. Break-Even Analysis:

This tool enables a decision-maker to evaluate the available alternatives based on price, fixed cost and variable cost per unit. Break-even analysis is a measure by which the level of sales necessary to cover all fixed costs can be determined.

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

4. Ratio Analysis:

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

5. Operations Research Techniques:

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

6. Linear Programming:

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

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

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

i. Product mix decisions

ii. Determining the optimal scale of operations

iii. Inventory management problems

iv. Allocation of scarce resources under conditions of uncertain demand

v. Scheduling production facilities and maintenance.

7. Waiting-line Method:

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

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

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

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

8. Game Theory:

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

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

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

9. Simulation:

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

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

10. Decision Tree:

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

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

UNIT –III

3.1 Concept of Organization and Organizing:

The term ‘Organising’ and ‘Organisation’ are given a variety of interpretations.

In the first sense, ‘organising’ refers to a dynamic process and a managerial activity by which different elements or parts of an enterprise are brought together to obtain a desired result.

This process places the enterprise into working order by defining and allocating the duties and responsibilities of different employees and provides it with everything useful to its functioning—raw material, tools, capital and personnel.

It thus combines and co-ordinates their activities for commonness of purpose. So the term ‘organising’ implies co-ordination and arrangement of men and materials of an undertaking in order to achieve a certain purpose.

When used in the other sense, the term ‘Organising’ is understood as the creation of a structure of relationships among various positions and jobs for the realisation of the objectives and goals of the enterprise. In this sense, ‘Organisation’ is the vehicle through which goals are sought to be attained.

The organisation structure is also viewed differently by various writers.Some of them regard it as a network of relationships, a blueprint of how the managers will assign the various activities and connect them together. Some others look upon it as a social system, consisting of human relationships existing among the people performing different activities.

To some other authors, an organisation is a system with inputs (men, materials, machines, etc. in the case of business), and processes through which these are converted into outputs (goods and services, profits, etc.)

Organising is a part of management activity devoted to establish a structural relationship of the resources of an undertaking and is a mechanism that enables the employees to work together. The work of organising in this way looks to the structural as well as functional aspects of business and correlates the different factors with their functions.

All business enterprises, irrespective of their forms, require organisation for their economic operation and smooth running of business. The larger the size of a business, the more complicated and formal becomes the task of organising.

Definitions:G. E. Milward:

"Organisation is the harmonious inter-relation of functions and staff."

Mooney and Reiley:

"Organisation is the form of every human association for the attainment of common purpose."

Kimball and Kimball:

"Organising embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between the departments and individuals."

3.1.1 Nature:

1. Process:

Organisation is a process of defining, arranging and grouping the activities of an enterprise and establishing the authority relationships among the persons performing these activities. It is the framework within which people associate for the attainment of an objective.

The framework provides the means for assigning activities to various parts and identifying the relative authorities and responsibilities of those parts. In simple term, organisation is the process by which the chief executive, as a leader, groups his men in order to get the work done.

2. Structure:

The function of organising is the creation of a structural framework of duties and responsibilities to be performed by a group of people for the attainment of the objectives of the concern. The organisation structure consists of a series of relationships at all levels of authority.

An organisation as a structure contains an **"identifiable group of people contributing their efforts towards the attainment of goals."** It is an important function of management to organise the enterprise by grouping the activities necessary to carry out the plans into administrative units, and defining the relationships among the executives and workers in such units.

3. Dividing and Grouping the Activities:

Organising means the way in which the parts of an enterprise are put into working order. In doing such, it calls for the determination of parts and integration of one complete whole on the other. In fact, organisation is a process of dividing and combining the activities of an enterprise.

Activities of an enterprise are required to be distributed between the departments, units or sections as well as between the persons for securing the benefits of division of labour and specialisation, and are to be integrated or combined for giving them a commonness of purpose.

L. Urwick defines organisation as: 'determining what activities are necessary to any purpose and arranging them as groups which may be assigned to individual.

4. Accomplishment of Goals or Objectives:

An organisation structure has no meaning or purpose unless it is built around certain clear-cut goals or objectives. In fact, an organisation structure is built-up precisely because it is the ideal way of making a rational pursuit of objectives. Haney defines organisation as: **"a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes".**

5. Authority-Responsibility Relationship:

An organisation structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility associated with each of these. An enterprise cannot serve the specific purposes or goals unless some positions are placed above others and given authority to bind them by their decisions.

In fact, organisation is quite often defined as a structure of authority-responsibility relationships.

6. Human and Material Aspects:

Organisation deals with the human and material factors in business. Human element is the most important element in an organisation. To accomplish the task of building up a sound organisation, it is essential to prepare an outline of the organisation which is logical and simple. The manager should then try to fit in suitable men. Henry Fayol says in this connection: **"see that human and material organisations are suitable"** and **"ensure material and human order".**

From these features of organisation, it emerges that, an organisation is essentially an administrative 'process' of determining what activities are necessary to be performed for the achievement of objectives of an enterprise, dividing and grouping the work into individual jobs and, a 'structure' of positions arranged in a hierarchy with defined relationships of authority and responsibility among the executives and workers performing these tasks for the most effective pursuit of common goals of the enterprise.

3.1.2 Steps in Organisation Process:

The management function of organising consists in making a rational division of work and integration of the activities into specific groups to achieve a well-co-ordinated and orderly structure for the accomplishment of work.

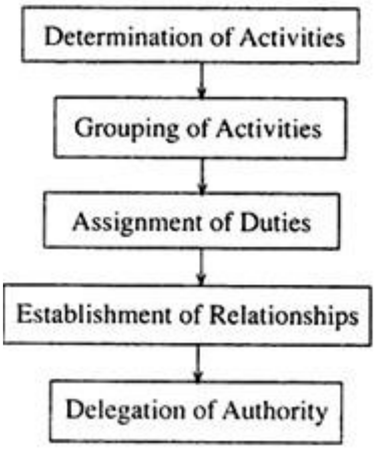


Fig. 4.1: The Organisation Process.

The various steps involved in this process are the following:

1. Determination of Activities:

The first step in organising is to divide the total job of an enterprise into several essential activities such as—production, financing, purchasing, sales, personnel, and so on. Identification of work enables the managers to concentrate attention on important activities, to avoid duplication of work, and eliminate overlapping or wastage of effort.

2. Grouping or Classification of Activities:

The various activities identified under the first step are then classified into appropriate departments, divisions, sections, sub-divisions etc. on the basis of functions, products, territories or customers. For example, the various activities connected with production may be grouped and classified as 'production department activities.' This will facilitate specialisation. Such grouping of activities is called ' Departmental ion.'

3. Allocation or Assignment of Duties to Individuals:

After the creation of departments or divisions, the next step will be to fix suitable and qualified persons into the activities of each department. Each person in the department will be given a specific part of the job to do and will be made responsible for it.

So, the task of management in this step is to appoint workers, foremen, supervisors, etc. and to define the responsibility of each one of them. While assigning duties, the requirements of the job and the competence of the individual should be properly matched together. Assignment of duties creates responsibility and ensures certainty of work performance.

4. Establishment of Relationships:

Through the assignment of tasks to individuals superior-subordinate relationships between various positions are established in the enterprise. The superior manager commands his subordinates and the subordinate manager gives him the reports of his performances. Such relationships and channels of communication should be clearly defined.

Each and every individual should know clearly from whom he is to take orders and to whom he is accountable for his performance.

5. Delegation of Authority:

Appropriate amount of authority is delegated to people to enable them to perform the assigned duties with confidence. No one can discharge his responsibilities regarding a particular work in the absence of requisite authority to do the same. So the manager will have to pass on authority for completing the assigned work to the sectional managers and the sectional managers to others below them.

Delegation of authority means conferring of operational decision-making power by the top manager to the subordinate manager.

Keeping this process of building up organisation structure in view, one will find enough reason to agree with this definition of organisation: "Organisation embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between departments and individuals."

3.1.3 Principles of Organization:

1. **Principle of unity of objectives**: Organizational goals, departmental goals, and individual goals must be clearly defined. All goals and objectives must have uniformity. When there is contradiction among different level of goals desired goals can't be achieved. Therefore, unity of objectives is necessary

2. **Principle of specialization**: Sound and effective organization believes on organization. The term specialization is related to work and employees. When an employee takes special type of knowledge and skill in any area, it is known as specialization. Modern business organization needs the specialization, skill and knowledge by this desired sector of economy and thus, efficiency would be established.

3. **Principle of coordination**: In an organization many equipment, tools are used. Coordination can be obtained by group effort that emphasize on unity of action. Therefore, coordination facilitates in several management concepts

4. **Principle of authority**: Authority is the kind of right and power through which it guides and directs the actions of others so that the organizational goals can be achieved. It is also related with decision-making. It is vested in particular position, not to the person because authority is given by an institution and therefore it is legal. It generally flows from higher level to the lowest level of management. There should be unbroken line of authority.

5. **Principle of responsibility**: Authentic body of an organization is top-level management, top-level management direct the subordinates. Departmental managers and other personnel take the direction from top-level management to perform the task. Authority is necessary to perform the work. Only

authority is not provided to the people but obligation is also provided. So the obligation to perform the duties and task is known as responsibility. Responsibility can't be delegated. It can't be avoided.

6. **Principle of delegation**: Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. Authority is only delegated, not responsibilities in all levels of management. The authority delegated should be equal to responsibility

7. **Principle of efficiency**: In enterprise different resources are used. These resources must be used in effective manner. When the organization fulfills the objectives with minimum cost, it is effective. Organization must always concentrate on efficiency.

8. **Principle of unity of command**: subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior. More superior leads to confusion, delay and so on.

9. **Principle of span of control**: unlimited subordinates can't be supervised by manager, this principle thus helps to determine numerical limit if subordinates to be supervised by a manager. This improves efficiency.

10. **Principle of balance**: the functional activities their establishment and other performances should be balanced properly. Authority, centralization, decentralization must be balance equally. This is very challenging job but efficient management must keep it.

11. **Principle of communication**: Communication is the process of transformation of information from one person to another of different levels. It involves the systematic and continuous process of telling, listening and understanding opinions ideas, feelings, information, views etc, in flow of information. Effective communication is important

12. **Principle of personal ability**: for sound organization, human resources is important. Employees must be capable. Able employees can perform higher. Mainly training and development programs must be encouraged to develop the skill in the employees

13. **Principle of flexibility**: organizational structure must be flexible considering the environmental dynamism. Sometimes, dramatically change may occur in the organization and in that condition, organization should be ready to accept the change

14. **Principle of simplicity**: This principle emphasizes the simplicity of organizational structure, the structure of organization should be simple with minimum number of levels so that its member can understand duties and authorities.

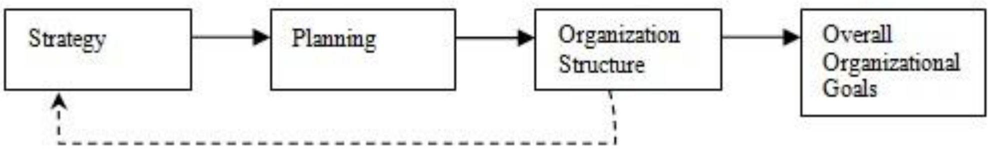
3.1.4 Factors Affecting Organization structure:

Factors Affecting Organization Structure:

Organization structure is designed keeping in view the following factors:

1. Strategy:

Strategy determines a course of action to direct various organizational activities. It makes plans to co-ordinate human and physical resources to work towards a common objective. Strategy is pre-requisite to organization structure and also follows it. The relationship between strategy and organization structure is depicted as follows:



Strategies to diversify product lines or markets require decentralized transition as decision-making is done at wider level and strategies for organizations working in stable environment. Where managers do not diversify their operations, require a centralized organization.

2. Technology : The technology for manufacturing goods and services also affects the organization structure. In case of mass production technology, mechanistic organization structure is more appropriate, while in case of continuous production or small scale production technology, the appropriate from is organic structure. This is because mass production technologies involve standardization and specialization of work activities and continuous or unit production technologies require low levels of standardization and specialization.

3. People: Organization structure defines work, groups it into departments and appoints people to run those departments. People at different jobs must possess the skill, knowledge and efficiency to accomplish the related tasks.

4. Tasks : Activities performed by people who transform organizational plans into reality are known as tasks. Various task characteristics are:

(a) Skill variety: It is the extent to which creativity and variety of skills and talents are required to do a task. People with high degree of task varieties (for example, a dress designer) perform tasks that increase their intellectual ability and give them high job satisfaction.

(b) Task identity: Whether to produce a product in whole or in parts determines its task identity. When a product is produced as a whole, it has greater task identity. People performing tasks with high task identity y (for example, a computer programmer) perform various job functions related to that task from beginning to the end, derive job satisfaction out of their work and feel motivated to repeat those tasks.

(c) Task significance: The importance of task affecting the well-being or lives of people working inside and outside the organization determines significance of the task. People performing tasks with high task significance, i.e., tasks which positively affect the well-being and safety of others (for example, a traffic police inspector), feel satisfied with their job performance and perform work of high quality and esteem.

(d) Autonomy: Whether or not an individual plans the task on his own determines autonomy of the task. It determines the extent to which a person enjoys t freedom of performing various Job activities and determines the steps or procedures to carry them out. People who are responsible for all the functions and schedules related to a job (for example, a project manager) hold accountability for that job and enjoy greater autonomy with respect to that task and derive greater job satisfaction.

(e) Feedback: It is the information that people receive about successful Completion of their task.

5.Decisions:

Questions like who makes decisions-top managers or lower level managers, how information flows in the organization so that decision-making is facilitated, affect the organization structure. Centralized decision-making powers give rise to mechanistic structures and decentralized decision-making processed give rise to organic or behavioural structures.

6. Informal organization: Informal organizations are and outgrowth of formal organizations. Social and cultural values, religious beliefs and personal likes and dislikes of members which form informal groups cannot be overlooked by management.

7. Size: A group known as Aston Group conducted research on firms of different sizes and concluded that as firms increase in size, the need for job specialization, standardization and decentralization also increases and organizations are structured accordingly.

8. Environment: Organization structure cannot ignore the effects of environment. Organizations must adapt to the environment, respond to incremental opportunities and satisfy various external parties such as customers, suppliers, layout unions etc. In case of stable environment where people perform routine and specialized jobs, which do not change frequently, a closed or mechanistic organization structure is appropriate.

9. Managerial perceptions: Organizations where top managers perceive their subordinated as active, dynamic and talented entrepreneurs, prefer organic form of structure, If they hold negative opinion about their subordinates, they prefer mechanistic organization structure.

3.1.5 Organization Structure:

What is an Organisation Structure?

First and foremost we must remember that an organisation structure is a result of the organising process. The organisation structure consists of the various jobs, departments and responsibilities in the enterprise coupled with the definition of the extent of control, management and authority.

It also consists of the relationships between various members of the enterprise. All in all, an organisation structure is a framework within which managerial and operating tasks are performed. This is because it defines the extent of management or the span of management.

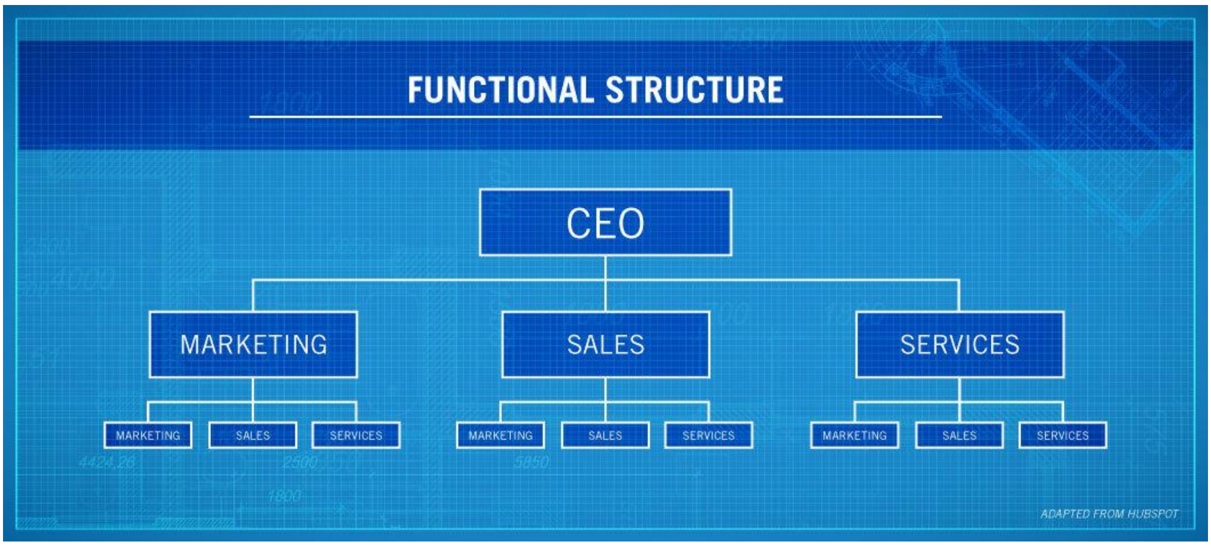
Types of Organisation Structure

On the basis of nature of activities performed, the organisation structure is classified into two:

- Functional Structure
- Divisional Structure
- Matrix Structure Combines Functional and Divisional Models
- Flat Organizational Structure

Functional Structure

As the name suggests, in a functional structure grouping is based on functions. This means that similar jobs are integrated into functions and major functions are further categorised as departments which are handled by respective coordinating heads. These departments can further consist of sections. Note that functional structure is a basic and simple organisational structure.



Advantages:

- Since functional structure revolves around functions, the division is such that an employee performs a specific set of tasks as a part of his routine. Effectively, this creates room for job specialisation and efficient use of manpower.
- Again, as similar tasks are grouped together into a function and emphasis is laid on specific functions, this structure facilitates coordination and control.
- In a functional structure, we keep similar tasks together and different tasks away. This implies that there is no scope for duplication. Effectively, this lowers cost.
- As the focus is mostly on a specific and limited range of skills, training of employees becomes easier.
- This also leads to an increase in managerial efficient which in turn increases profit margins.
- Lastly, it ensures that all the diverse tasks get a fair amount of attention.

Disadvantages:

- A major drawback of the functional structure lies in its definition itself. As stated already, it puts emphasis on division based on functions of an enterprise. Now as it stresses on the diverse functions, it generally leads to an increased concern on interests of departmental interests rather than the interests of the organisation as a whole. Technically, this can lead to the emergence of functional empires and even dwindling levels of concern for organisational objectives.
- Again, as the departments are completely different in operations from each other, there is a big barrier to communication between them.

- There may arise a conflict of interests among these departments which are profusely looking to fulfil the individual departmental interests. Such conflicts can hinder the growth of an enterprise. Further, such conflicts can further arise in the absence of clear separation of responsibility.
- When individuals always deal with specific tasks their perception narrows down and they don't appreciate the varying point of views. Consequently, they remain fixated on specific ideas and fail to develop as individuals. All in all, this leads to inflexibility.

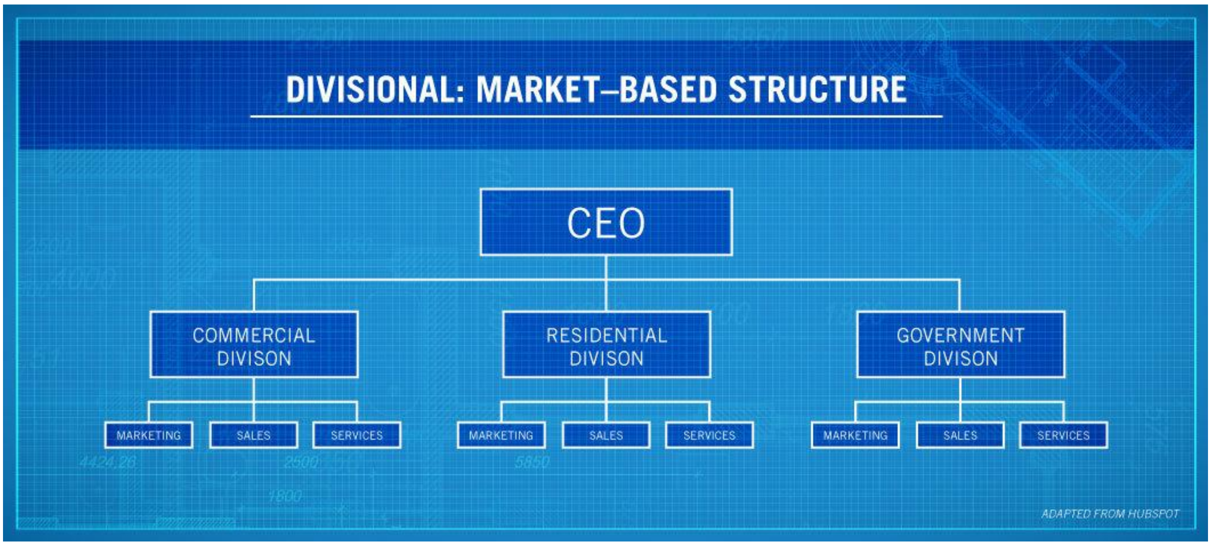
In the light of above-mentioned facts, we can observe that functional structure is suitable for an enterprise which is large, has a large number of activities to perform and looks for a high degree of specialisation.

Divisional Structure

Divisional structure, as the name suggests perceives an enterprise as the integration of independent divisions. We must note that such a structure is adopted in large and complex enterprises which handle diverse products. This is because although an organisation produces a homogeneous set of products, it can deal in a wide variety of differentiated products. Again, the organisation does this to deal with complexity.

We must remember that in such a structure, the organisation is divided into separate business units or divisions which are a bit independent and multifunctional in their operations. Each unit has a divisional manager at the apex who looks after all the operations within a division.

Further, each division performs most of the functions like production, finance etc. to achieve a common goal. In a nutshell, each enterprise is divided into various divisions which further adapt the functional structure. For example, the Reliance group has various product lines like clothing, communications, electronics etc.



Advantages:

- Here each divisional head looks after all the aspects of the division which is his responsibility. As a result of this, instead of fixation on specialisation the divisional head develop various skill sets which ultimately make him a suitable candidate for higher job positions.

- Again each division is the complete responsibility of the division head. Consequently, the division head looks after all the operations within the division. Hence, this helps in performance measurement. Additionally, the division head is responsible for the poor performance of a division. This also facilitates quick remedial actions.

- Each division functions as a self-sustaining and autonomous unit. Accordingly, it promotes flexibility, initiative and faster decision making.

- A notable advantage of the divisional structure is that it promotes expansion. Evidently, if an enterprise tries to step into a new product's market, it can simply do so by adding a new division for that product line without interfering with the existing structure.

Disadvantages:

- Divisional structure promotes the emergence of autonomous divisions within an enterprise. Consequently, a division might try to compete with other divisions to maximise it's profits and hence cause hindrance to the growth of the bigger entity that is the organisation.
- Similar sets of functions are performed across all units. In that case, there is a duplication of functions which lead to an overall increase in expenditure.
- Lastly, this structure gives a lot of power to a divisional manager. This may result in the rise of an independent manager who might hold the division's interests in higher regard than the organisational interests.

Matrix Structure Combines Functional and Divisional Models:

A matrix structure combines elements of the functional and divisional models, so it's more complex. It groups people into functional departments of specialization, then further separates them into divisional projects and products.

In a matrix structure the team members are given more autonomy and expected to take on more responsibility for their work. This increases the productivity of the team, fosters greater innovation and creativity, and allows managers to cooperatively solve decision-making problems through group interaction. This type of organizational structure takes lots of planning and effort, making it appropriate for large companies that have the resources to devote to managing a complex business framework.

Flat Organizational Structure:

A flat organizational structure attempts to disrupt the traditional top-down management system of most companies. Management is decentralized so there is no everyday “boss.” Each employee is the boss of themselves, eliminating bureaucracy and red tape and improving direct communication.

For example, an employee who has an idea doesn’t have to wade through three levels of upper managers to get the idea to the key person making the decision. The employee simply communicates directly with the target on a peer-based level.

A company adopting this type of structure for everyday purposes typically establishes a special top-down management system for temporary projects or events.

3.2 Concept of Departmentation:

Departmentation refers to grouping of jobs, identified earlier, into work units on some logical basis. Every level in the hierarchy below the apex (the Board of Directors and the (EO) is departmentalised and each succeeding lower level involves departmental differentiate Different systems use different words to denote departmentation.

In the military organisation, group, company, and battalion are used; in the government, department, branch, and section are used; and in the private sector department, divisions, sections, cells or projects are used.

3.2.1 Bases for Departmentation:

An organisation can be departmented on different bases depending upon its needs. Some of the important bases are given under.

1. Functional Departmentation:

Similar tasks requiring similar skills grouped into work unit are referred to as functional structure or functional departmentation also known as U-form organisation. With the U representing “unitary”, in Figure 10.1 functional departmentation has been shown for a business firm engaged in manufacturing of goods and also of Engineers India Ltd. (a consultancy firm).

In the first case production is the responsibility of chief production officer; marketing problems come in the arena of chief marketing officer. Main point to be noted is that each member of a function works within his area of expertise.

Functional departmentation can be used for any type of organisation. The functions may change according to the objectives of that particular organisation. The main merit behind this kind of structure is to achieve size advantage by putting people with common stills and organisations into similar units.

This structure is suitable when the environment is stable, i.e., problems can be predicted and the need for change and innovation are limited. The merits and limitations of this kind of departmentation are given in Table

Merits	**Demerits**
Maintain power and prestige of major- Economy of scale with efficient use of resources- Task assignment in consistency with expertise and training Better quality technical problem – solving Facilitates tighter control by chief executive	Focus on department rather than goals and issues.- Difficulties in pinpointing responsibilities for things like cost containment, service quality and innovation- Expertise only in narrow field. Functional chimneys problem due to people's mindset and breakdown of cooperation. Slow decision making due to reference to top management

2. Divisional Structure:

When people who work on same product process, customer group or geographic reason are grouped, it is known as divisional structure (also known as M-form organisation, with the M representing "multidivisional"). Divisional structures are self – contained divisions. Thus, divisional structure includes different set of structures. The merits and limitations of each one of the above have their own merits and limitations On the whole the merits and limitations of divisional structure have been shower in Table

Merits	**Limitations**
*Better flexibility to respond to environmental challenges. *Better coordination across functional departments. *Greater responsibility for product or service delivery	*Reduction in size of economy. *Increase in cost due to duplication of resources and efforts in every division *Competition or lack of cooperation among deferent divisions for resources and top management attention.

Matrix Structure:

The focuses in functional structure remain on specialisation, and in divisional structure it is on the results. But divisional structures suffer from duplication of resources and efforts. Matrix structure provides the benefits of both functional and divisional and it is known as Matrix structure and minimises the limitations of the two.

The foundation of matrix is a set of functional departments. A matrix organisation is a complex structure because it depends upon both vertical and horizontal flows of authority and communication. Whereas functional and divisional structures depend primarily on vertical flows of authority and communication.

The special feature of the matrix is that employees have two bosses – the functional boss (parent department) and the project pass (host department). Project boss has authority in relation to project goals. But promotions, salary hikes and annual reviews come under the functional boss.

In this structure the different functional departments depute their specialists to work on the project under the project boss, thus cross – functional teams share their expertise and information in a timely manner to solve problems.

The benefits and Limitations of Matrix Structure are given in table 10.3.

Benefits and Limitations of Matrix Structure:

(a) More cooperation across functions.

(b) Improved Decision making.

(c) Greater flexibility in adding / deleting or changing activities or changing demands.

(d) Better customer service due to presence of project manager.

(e) Better performance accountability.

(f) Improved strategic management, better motivation and commitment to organisation or people (as teams can be created, redefined and dissolved as needed).

(g) Opportunities of learning new skills.

(h) A useful vehicle for decentralisation.

(i) Two boss means power struggles, buck passing, and dual reporting channels.

(j) Team meeting time consuming.

(k) Two bosses mean creating confusion.

(l) More time required for coordinating task related activities.

(m) Propensity to foster power struggles because of confusion and ambiguity.

(n) Higher over heads because more management positions are created.

(o) Dual source of reward and punishment.

The matrix structure is most suitable when, first there is strong pressure from the environment ; second, when large amounts of information is required to be processed ; and third, when there is pressure for shared resources.

Matrix structure is used by pharmaceuticals, electronics, aerospace, service industries, professional areas (accounting and the non-profit sectors (like hospitals and research). The use of matrix structure should be justified in terms of cost, efficiency, and organisational development.

Project Structure:

A project structure is an advanced type of matrix structure. A project structure has no formal departments where employees can go back at the completion of a project. Rather, employee takes their skills, abilities and experiences to other projects, one after the other. In project structures all work is performed by teams.

The advantages of a project structure are that since there is no departmentation or employee job titles, decision making is not slowed. Secondly, herein managers work as facilitators, coaches and mentors. However project structure remains to be 'fluid and flexible" organisational designs.

Although there are theoretical differences between matrix and projects structure, most of the people discuss the two together.

Network Structure:

In the traditional organisation structure, every activity was to be done in-house or to own everything. The new model or network structure also called as cluster structure says concentrate only on "Core" activities and go for strategic alliance cooperative strategy and or "outsourcing" the peripheral activities.

Outsourcing means contracting business functions to outside contractors or suppliers. An airline may outsource food, engineering services and airport handling.

An all-India examination body outsources receipt of examination forms, preparation of list of cheques, filling deposit slips of the bank, despatch of admission tickets, checking of marks etc.

The firm itself is very small, comprises a few full-time core employees working from head quarters. The insurance company has outsourced preparation of insurance policies, call centre, claim settlement and the

accounting function; and has entered into an alliance with a bank, who would be selling the insurance policies through its all-India network.
The availability of information technology has made the job of outsourcing very easy. Network structure enables firms to remain Cost-Competitive, very learn and streamlined. The job of the core people is merely to coordinate with the outside related firms.

Advantages and limitations of network structures:

Advantages	Limitations
Allows firms to what they do best and contract out the balance to those who do them the best- To remain cost-competitive. Small number of employees.	The more complex the business or mission more complicated the network of contracts and alliances. If one part of the network fails to deliver, the whole system has to suffer. Loss of control over activities performed outside. Hidden costs of outsourcing-vendor search & contracting, transitioning to vendor, managing the effort, and transitioning after outsourcing.

3.2.2 Important Principles of Departmentalization in an organisation:

1. Departmentalization should contribute to the survival and prosperity of the business.

2. Specialisation should be encouraged by grouping similar and allied functions under one department.

3. Departmentalization should allow clear and comprehensive lines, of communication throughout the organization. Where possible circular communication should be shortened.

4. Departmentalization should avoid duplication of sections by consolidation of existing segments doing allied jobs.

5. Departmentalization should attempt at balancing different activities, consolidation of existing segments doing allied jobs.

6. Departmentalization should not ignore the fact that application must ultimately contribute to the uniform and consistent application of company policies and decisions. Each department is part of the whole organisation.

7. Departmentalization should not weaken control. Even if activities are broken up for creating departments, they must ultimately by coordinated and unified towards the overall business goals.

8. Departmentalization should not lead to so great a degree of specialisation that employees lose all job interest in doing routine and fragmentary pieces of work.

9. Departmentalization should also keep in view the objective of using the individual abilities, talents and experience of executives of the organisation.

10. The size of the company would dictate the degree of emphasis to be placed upon various industrial activities in departmentalizing. According to Fayol, with growling size of a business unit, the relative emphasis upon management function would increase in comparison with the technical functions.

3.2.3 Need for and Importance of Departmentation:

1. Advantages of Specialisation:

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

2. Feeling of Autonomy:

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

3. Expansion:

One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departmentation makes it possible for the enterprise to expand and grow.

4. Fixation of Responsibility:

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

5. Upliftment of Managerial Skill:

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

6. Facility in Appraisal:

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; and the factors affecting the performance can be pointed out more easily. Similarly, the standards for performance can be fixed easily because the factors influencing the work performance can be known clearly. Thus, performance appraisal becomes more effective.

7. Administrative Control:

Departmentation is a means of dividing the large and complex organisation into small administrative units. Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

Types of Departmentation:

There are several bases of Departmentation. The more commonly used bases are—function, product, territory, process, customer, time etc.

These are explained below:

(A) Departmentation by Functions:

The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc. This is the most popular basis of departmentation. If necessary, a major function may be divided into sub-functions. For example, the activities in the production department may be classified into quality control, processing of materials, and repairs and maintenance.

The organisation chart based on functional departmentation is shown in Fig. 4.10:

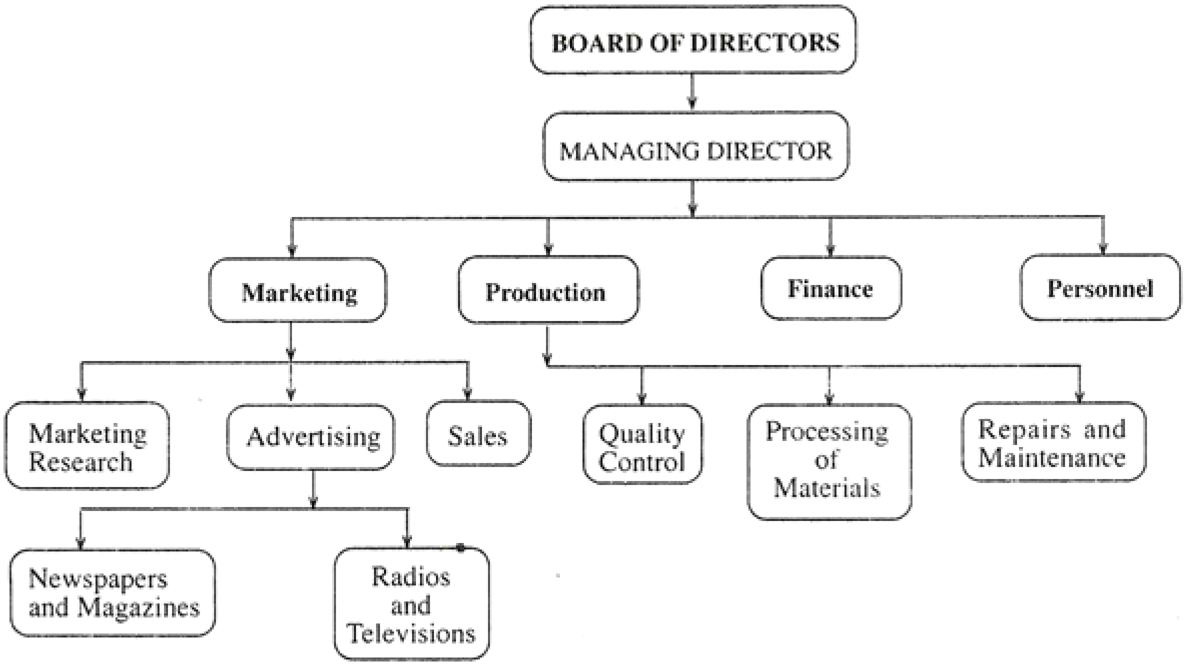


Fig. 4.10: Functional Departmentations.

Advantages:

The advantages of functional departmentation include the following:

(a) It is the most logical and natural form of departmentation.

(b) It ensures the performance of all activities necessary for achieving the organisational objectives.

(c) It provides occupational specialisation which makes optimum utilization of man-power.

(d) It facilitates delegation of authority.

(e) It enables the top managers to exercise effective control over a limited number of functions.

(f) It eliminates duplication of activities.

(g) It simplifies training because the managers are to be experts only in a narrow range of skills.

Disadvantages:

There are some problems associated with functional departmentation. These are mentioned below:

(a) There may be conflicts between departments.

(b) The scope for management development is limited. Functional managers do not get training for top management positions. The responsibility for results cannot be fixed on any one functional head.

(c) There is too much emphasis on specialisation.

(d) There may be difficulties in coordinating the activities of different departments.

(e) There may be inflexibility and complexity of operations.

(B) Departmentation by Products:

In product departmentation, every major product is organised as a separate department. Each department looks after the production, sales and financing of one product. Product departmentation is useful when the expansion, diversification, manufacturing and marketing characteristics of each product are primarily significant.

It is generally used when the production line is complex and diverse requiring specialised knowledge and huge capital is required for plant, equipment and other facilities such as in automobile and electronic industries.

In fact, many large companies are diversifying in different fields and they prefer product departmentation. For example, a big company with a diversified product line may have three product divisions, one each for plastics, chemicals, and metals. Each division may be sub-divided into production, sales, financing, and personnel activities.

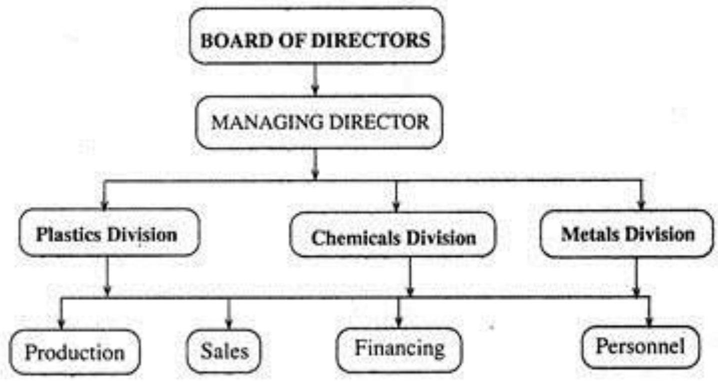


Fig. 4.11: Departmentation by Product.

Advantages:

Product departmentation provides several advantages which may be stated as follows:

(a) Product departmentation focuses individual attention to each product line which facilitates the expansion and diversification of the products.

(b) It ensures full use of specialised production facilities. Personal skill and specialised knowledge of the production managers can be fully utilised.

(c) The production managers can be held accountable for the profitability of each product. Each product division is semi-autonomous and contains different functions. So, product departmentation provides an excellent training facility for the top managers.

(d) The performance of each product division and its contribution to total results can be easily evaluated.

(e) It is more flexible and adaptable to change.

Disadvantages:

Product departmentation presents some problems as follows:

(a) It creates the problem of effective control over the product divisions by the top managers.

(b) Each production manager asserts his autonomy disregarding the interests of the organisation.

(c) The advantages of centralisation of certain activities like financing, and accounting are not available.

(d) There is duplication of physical facilities and functions. Each product division maintains its own specialised personnel due to which operating costs may be high.

(e) There may be under-utilisation of plant capacity when the demand for a particular product is not adequate.

(C) Departmentation by Territory:

Territorial or geographical departmentation is specially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises, where all the activities of a given area of operations are grouped into zones, branches, divisions etc.

It is obviously not possible for one functional manager to manage efficiently such widely spread activities. This makes it necessary to appoint regional managers for different regions.

The organisation chart of territorial departmentation may take the following form:

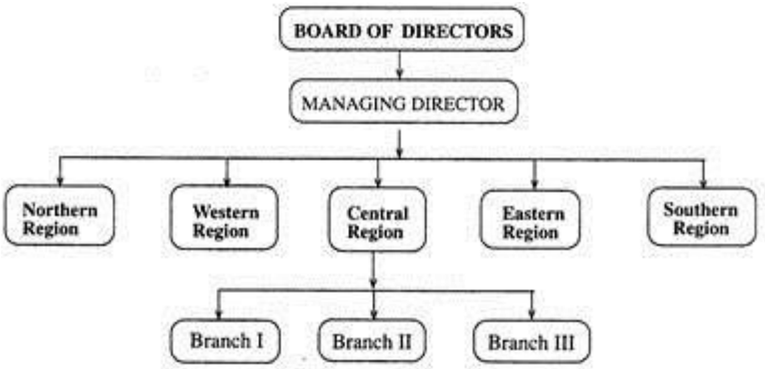


Fig. 4.12: Departmentation by Territory.

Advantages:

Territorial departmentation offers certain facilities in operation. These are pointed out below:

(a) Every regional manager can specialise himself in the peculiar problems of his region.

(b) It facilitates the expansion of business to various regions.

(c) It helps in achieving the benefits of local operations. The local managers are more familiar with the local customs, preferences, styles, fashion, etc. The enterprise can gain intimate knowledge of the conditions in the local markets.

(d) It results in savings in freight, rents, and labour costs. It also saves time.

(e) There is better co-ordination of activities in a locality through setting up regional divisions.

(f) It provides adequate autonomy to each regional manager and opportunity to train him as he looks after the entire operation of a unit.

Disadvantages:

Territorial departmentation have the following problems:

(a) There is the problem of communication.

(b) It requires more managers with general managerial abilities. Such managers may not be always available.

(c) There may be conflict between the regional managers.

(d) Co-ordination and control of different branches from the head office become less effective.

(e) Owing to duplication of physical facilities, costs of operation are usually high.

(f) There is multiplication of personnel, accounting and other services at the regional level.

(D) Departmentation by Customers:

In such method of departmentation, the activities are grouped according to the type of customers. For example, a large cloth store may be divided into wholesale, retail, and export divisions. This type of departmentation is useful for the enterprises which sell a product or service to a number of clearly defined customer groups. For instance, a large readymade garment store may have a separate department each for men, women, and children. A bank may have separate loan departments for large-scale and small- scale businessmen.

The organisation chart of customer-oriented departmentation may appear as follows:

Fig. 4.13: Customer Departmentation.

Advantages:

The important advantages of customer departmentation are the following:

(a) Special attention can be given to the particular tastes and preferences of each type of customer.

(b) Different types of customers can be satisfied, easily through specialised staff. Customers' satisfaction enhances the goodwill and sale of the enterprise.

(c) The benefits of specialisation can be gained.

(d) The enterprise may acquire intimate knowledge of the needs of each category of customers.

Disadvantages:

This method of departmentation may have certain disadvantages, specially when it is followed very rigidly. These are as follows:

(a) Co-ordination between sales and other functions becomes difficult because this method can be followed only in marketing division.

(b) There may be under-utilisation of facilities and manpower in some departments, particularly during the period of low demand.

(c) It may lead to duplication of activities and heavy overheads,

(d) The managers of customer departments may put pressures for special benefits and facilities.

(E) Departmentation by Process or Equipment:

In such type or departmentation the activities are grouped on the basis of production processes involved or equipment used. This is generally used in manufacturing and distribution enterprises and at lower levels of organisation. For instance, a textile mill may be organised into ginning, spinning, weaving, dyeing and finishing departments. Similarly, a printing press may have composing, proof reading, printing and binding departments. Such departmentation may also be employed in engineering and oil industries.

The organisation chart of departmentation by process or equipment in the manufacturing department of a textile industry has been shown in Fig. 4.14:

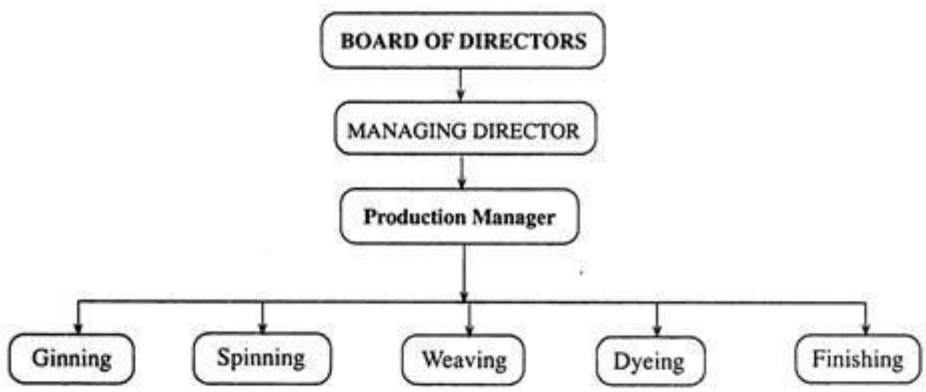


Fig. 4.14: Process Departmentation.

Advantages:

The basic object of such departmentation is to achieve efficiency and economy of operations. The processes are set in such a way that a series of operations is feasible making operations economic. Efficiency can be achieved if departments are created for each process as each one has its peculiarities.

It provides the advantages of specialisation required at each level of the total processes. The maintenance of plant can be done in better way and manpower can be utilised effectively.

Disadvantages:

In such departmentation, there may be difficulty in coordinating the different process-departments, because the work of each process depends fully on the preceding process. So, there are chances of conflicts among the managers looking after the different processes. It cannot be used where manufacturing activity does not involve distinct processes.

(F) Departmentation by Time and Numbers:

Under this method of departmentation the activities are grouped on the basis of the time of their performance. For instance, a factory operating

24 hours may have three departments for three shifts—one for the morning, the second for the day, and the third for the night.

In the case of departmentation by numbers, the activities are grouped on the basis of their performance by a certain number of persons. For instance, in the army, the soldiers are grouped into squads, companies, battalions, regiments and brigades on the basis of the number prescribed for each unit.

Such type of departmentation is useful where the work is repetitive, manpower is an important factor, group efforts are more significant than individual efforts, and group performance can be measured. It is used at the lowest level of organisation.

3.2.4 Concept of Span of Management:

Span of management, also known as span of control refers to number of subordinates directly reporting to a manager, whom the manager can efficiently and effectively supervise and control.

What is the ideal span of Management?

There is no agreement about the number of subordinates to be managed by one manager, whether it should be narrow (tall structure) or wide (flat structure) and what constitutes narrow and wide span.

The classical theorists were in favour of narrow span. VA Graicunas in 1933 came out with a formula to define relationships in terms of direct single relationships, direct group relationships and cross-relationships.

Total relationships = n (2n/2+n-1)

In case of 8 subordinates less than one manager means 1080 relationships. On the basis of this work and his person experience Urwick suggested 5 to 6 subordinates as the ideal span or number of people to be managed by one manager.

It has also been found that as we go down the hierarchy the span gets wider. As a manager goes up in the hierarchy, he has to deal with a larger number of non-structured problems. That is why top manages needing a smaller span compared with first-line managers.

Determinants of span of Management:

How much of span shall be ideal depends upon the following.

1. Nature of work (similarity or dissimilarity of jobs, degree of needed interaction, and the extent of standardised procedures in use).

2. Qualities of the supervisor (Managers believing in theory Y work with wider span).

3. Qualities of subordinates (educated technically competent, trained and experienced do not need much guidance).

4. Levels of Management (inverse relationship between the span of control and number of levels in hierarchy in an organisation).

5. Use of technology for interaction (internet, emails, mobile phones, etc. enable wide span).

6. Clarity of plans and Definiteness of Responsibilities (supervision becomes easy and span may become wider).

7. Use of staff specialists (work being shared, wider span is possible).

8. Geographic proximity of subordinates (Nearer the subordinates to supervisor, greater the span).

3.3 Delegation of Authority:

Definition: The Delegation of Authority is an organizational process wherein, the manager divides his work among the subordinates and give them the responsibility to accomplish the respective tasks. Along with the responsibility, he also shares the authority, i.e. the power to take decisions with the subordinates, such that responsibilities can be completed efficiently.

3.3.1 Blocks to effective Delegation

I. Barriers related to superiors or delegator,

II. Barriers related to subordinates or delegate, and

III. Barriers related to organisation.

I. Barriers related to Superiors:

1. Wanting to do things personally:

2. Insecurity:

3. Retention of power:

4. Lack of confidence in subordinates:

5. Unwillingness to set standards of control:

6. Personal factors:

II. Barriers Related to Subordinates:

1. Lack of confidence:

2. Fear of making mistakes:

3. Absence of access to resources:

4. Lack of incentives

5. Convenience:

III. Barriers Related to Organisation:

1. Size of the organisation:

2. No precedent of delegation:

3. Degree of centralisation or decentralisation:

3.3.2 Measures for Effective Delegation:

1. Delegate early: Make an effort to delegate the task early to avoid unnecessary pressure. This allows the person to better plan the task.

2. Select the right person: Ensure that the person has the time to take on the responsibility. Assess the skills and capabilities of your staff and assign the task to the most appropriate person. Make sure the person has the training and resources to succeed.

3. Communicate the rationale and benefit: Identify the reason for the task and how it will contribute to the goals of the company or department or team. Also, point out how the delegated task could benefit the person. For example, develop a specific skill. that is needed to get promoted. Remember a routine task to you may be a new challenging task to your subordinate.

4. Delegate the entire task to one person: This gives the person the responsibility, increases their motivation and avoids ambiguity in accountability. Otherwise, different people will have different ideas about who does what when.

5. Set clear goals and expectations: Be clear and specific on what is expected. Give information on what, why, when, who and where. You might leave the "how" to them. Be prepared to accept input from subordinates. Confirm and verify task goals and expectations.

6. Delegate responsibility and authority: Ensure that the subordinate is given the relevant responsibility and authority to complete the task. Let the subordinate complete the task in the manner they choose, as long as the results are what you specified. Be willing to accept ideas from the subordinate on task fulfilment.

7. Provide support, guidance and instructions: Point subordinates to the resources they may need to complete the task or project. That could be people they need to coordinate with, crucial information or Be willing to be a resource yourself.

8. Take personal interest in the progress of delegated task: Request to be updated on the progress of the task, provide assistance when necessary. Be careful not to be intrusive; giving the perception that you do not trust the subordinate. Keep communication lines open, regular meetings on large tasks can provide this ongoing feedback.

9. If you're not satisfied with the progress, don't take the project back immediately.

Rather, continue to work with the employee and ensure they understand the project to be their responsibility. Give advice on ways to improve. This ensures accountability and dependability.

10. Evaluate and recognize performance: Evaluate results more than methods. Analyze cause of insufficient performance for improvements and recognize successes as soon as possible.

3.3.3 Centralization and Decentralization:

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

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

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider is scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that "Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization". Decentralization is wider in scope and the subordinate's responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.

7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

3.3.4 Power-Bases of power :

Understanding Power

In 1959, French and Raven described five bases of power:

1. Legitimate – This comes from the belief that a person has the formal right to make demands, and to expect others to be compliant and obedient.

2. Reward – This results from one person's ability to compensate another for compliance.

3. Expert – This is based on a person's high levels of skill and knowledge.

4. Referent – This is the result of a person's perceived attractiveness, worthiness and right to others' respect.

5. Coercive – This comes from the belief that a person can punish others for noncompliance. Six years later, Raven added an extra power base:

6. Informational – This results from a person's ability to control the information that others need to accomplish something.

By understanding these different forms of power, you can learn to use the positive ones to full effect, while avoiding the negative power bases that managers can instinctively rely on.

The Bases of Power

1. **Legitimate Power**

It normally arises from position and derives from our cultural system of rights obligations, and duties whereby a "position" is accepted by people as being "legitimate". In a private business authority of position arises primarily from the social institution of private property. In government, this authority arises basically from the institution of representative government.

2. **Coercive Power**:

This is derived from a person's ability to create fear in another individual and is based on the subordinate's expectation that punishment will be received for not agreeing or complying with the superior's commands or beliefs.

3. **Reward Power:**

Reward power is the opposite of coercive power. It arises from the ability of some people to grant rewards. Purchasing agents, with little position power, might be able to exercise considerable influence by their ability to expedite or delay a much-needed spare part. Likewise, university professors have considerable reward power, they can grant or withhold high grades. Pick of vacation time.

4. **Expert Power:**

This is the power of knowledge, skill and expertise in certain areas. Since the superiors possess these knowledge the subordinates desires to fulfil the wishes and their directions. Physicians, lawyers and university professors may have considerable influence on others because they are respected for their special knowledge.

5. **Referent Power:**

Referent power is based on the identification of an individual faith a leader who is held in high esteem, admired and often imitated by the subordinate.

3.4.1 Concept of Authority:

Authority is the formal right to do the work. Henry Fayol defined the authority as "the right to give orders and the power to exact obedience. Authority gives the management the power to enforce obedience. It is the power to give orders and make sure that these orders are obeyed."

According to Simon, authority may be defined as **"the power to make decisions which guide the actions of another. It is a relationship between two individuals—one supervisor, the subordinate. The superior frames and transmits decisions with the expectation that they will be accepted by the subordinate. The subordinate expects such decisions, and his conduct is determined by them**."

Writers on management argue that the concepts of power and authority are synonymous, while others contend that they are distinctly different. Both are viewed by people in many different ways.

Authority is one type of power. It is based on the recognition of the legitimacy or lawfulness of the attempt to exert influence. But the power is defined as "the ability to exert influence that is the ability to change the attitudes or behaviour of individuals or groups."

Koontz and Weihrich distinguish authority and power. Power is a much broader concept than authority. It is the ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups. Authority is the right to exercise discretion in making decisions affecting others. It is, of course, one type of power.

3.4.1.1 Characteristics of Authority:

1. Basis of Getting Things Done:

Authority provides the basis of getting things done in the organisation. It refers to the right to affect the behaviour of others in the organisation with a view to performing certain activities to accomplish the defined objectives.

2. Legitimacy:

Authority is accepted as it has certain legitimacy about it, that is to say it implies a right to secure performance from others. Such right may be legal or formal, or it may be supported by tradition. Custom or accepted standards of authenticity. The right of a manager to affect the behaviour of his subordinates is given to him by virtue of his position or office in the organisation.

3. Decision-Making:

It is a prerequisite of authority. The manager can command his subordinates to act or abstain from acting in a particular manner only when he has made decisions as regards the course of activities to be performed by them.

4. Subjectivity in Implementation:

Though authority has an element of objectivity about it, its exercise is significantly influenced by subjective factors, such as the personality of the manager who is empowered to use it, as also of the subordinate or group of subordinates with reference to whom it is to be exercised.

3.4.2 Sources of Authority

There are broadly three theories regarding the source from which authority originates. They are:

1. The formal authority theory.

2. The acceptance of authority theory.

3. The competence theory.

1. The Formal Authority Theory: This theory states that authority flows from the top to down through the structure of an organisation. It means that authority flows from the top manager to his subordinate and, in turn, from his subordinate to another working under him and so on. For example, authority flows from the board of directors to the general manager, from the general manager to the production manager, from the production manager to the foreman and from the foreman to the assistant foreman.

2. Acceptance of Authority Theory: According to this theory, the authority of a manager is determined by the acceptance of it by the subordinates. It means that the manager gets real authority only when the subordinates confer it on him. The formal authority (according to the formal authority theory) is in effect nominal authority ad it becomes real only when it is accepted by the subordinates. A subordinate accepts the authority of his superior because he knows the consequences (e.g., dismissal, penalty, fines etc.) if he does not accept it. The acceptance of authority by subordinates may be influenced by the personal traits of leadership and ability to persuade others to work well to accomplish organisation objectives. However, this theory has not found favour with many management experts. They are of the view that it is difficult to imagine that a subordinate will not accept authority when he knows the consequences of not accepting it. They point out that there is always an implied understanding that the subordinate must accept the authority of his superior and must agree to obey his orders.

3. Competence Theory of Authority: According to this theory, the source of authority is the competence of the managerial personnel. A manager's authority is accepted not because of any position he holds in the organisation but because of his technical competence, intelligence, and other personal qualities. In organisations, there are certain persons without any formal authority, but they command respect and authority because of their technical competence, intelligence, etc. For example, a person who is an expert in one particular field is referred to as an authority is accepted even though he does not possess any formal authority.

3.4.3 Limits of Authority

There are several restrictions and limitations to the concept of authority. There are:

1. **Legal Limitations:** A manager's authority is restricted by the enterprise goals and objectives which are governed by the Articles and Memorandum of Association. Besides, laws relating to collective bargaining and trade lions also limit the authority of an officer.

2. **Biological Limitations:** A subordinate cannot be asked to do a job which is impossible to be performed due to biological constraints.

3. **Physical Limitations:** Physical limitations such as climate, geography, etc., put limits an authority.

4. **Technical Limitations:** If any performance is not possible due to technological reason, then there is technological limitation to authority.

5. **Economic Limitations:** Sometimes, economic factors such as competition, prices of product also affect authority.

6. **Authority Delegation Limitations:** Generally, the lower down in the managerial hierarchy, the more restrictions on the authority, the

higher up in the managerial hierarchy, the less limitations and the broader the scope of authority.

3.4.4 Responsibility

Responsibility is nothing but the duty that comes along with the job. In other words, it is the obligation of the person to complete the task given to him/her.

It becomes his responsibility. Moreover, it shows that the authority is properly used and work is done accordingly. Under this, a person is eligible to delegate the work to the subordinate but not the ultimate accountability.

That means, even if he transfers his work, he will remain responsible for the obligation of the accomplishment of the work.

Definition of Responsibility

As per **Davis**, "Responsibility is an obligation of an individual to perform assigned duties to the best of his ability under the direction of his leader." In the words of Theo Haimann, "Responsibility is the obligation of a subordinate to perform the duty as required by his superior".

As per **McFarland,** responsibility means, "the duties and activities assigned to a position or an executive".

Characteristics

1. Its importance lies in the creation of the obligation to perform the work.
2. It arises from the superior-subordinate relationship.
3. Unlike Authority, it flows from bottom to top.
4. It is always in the form of a continuing obligation.

5. No one can delegate responsibility.

3.4.5 Concept of line and staff Authority:

LINE AUTHORITY

Line authority gives a superior a line of authority over subordinates. It exists in all organizations. Line authority can also be defined as the superior – subordinate authority relationship where by a superior makes decision and tells them to a subordinate who is turn makes decision and tells to his subordinates and on from a line from top to low level of organization structure. This line of authority is known as line of authority. It is directly from superior to his subordinate. LINE AUTHORITY chain of command

President

Voice President

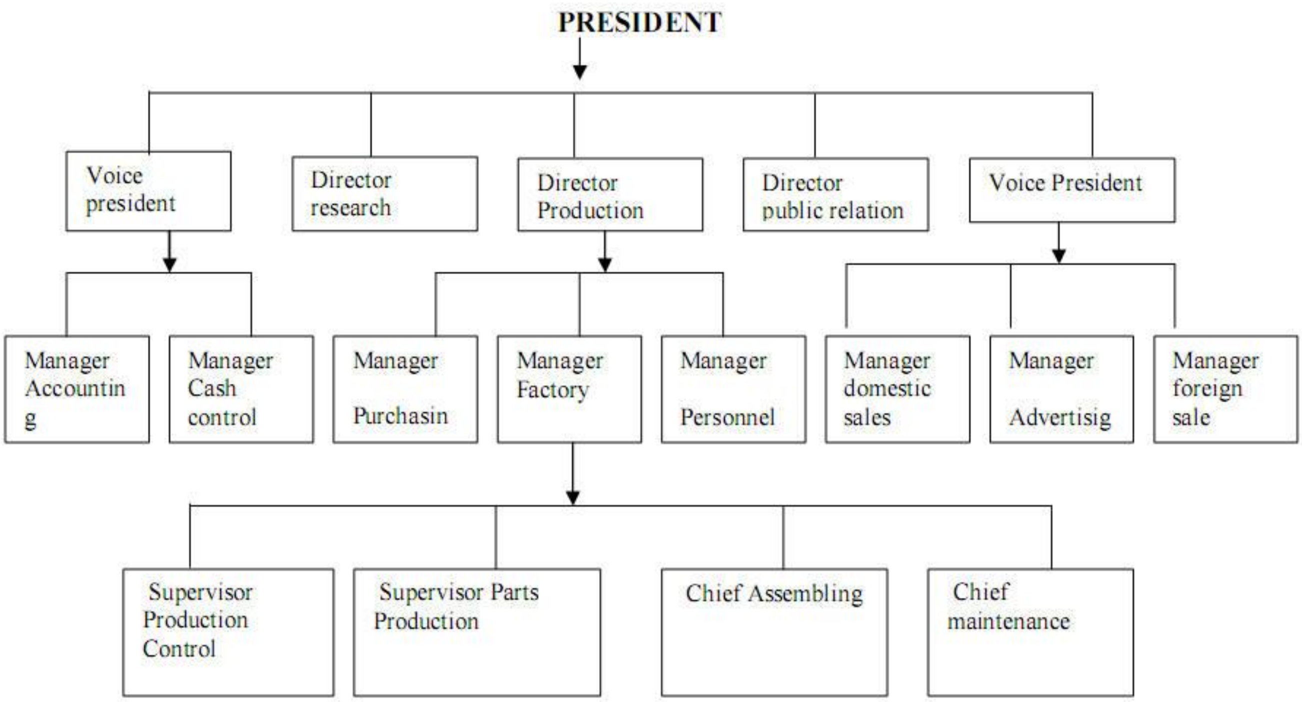
Supervisor

Employee

STAFF CONCEPT

The nature of the staff relationship is advisory. The function of people in pure staff capacity is to investigate research and give advice to line managers. In other words, staff functions are those that help the line persons work more effectively in accomplishing the objectives.

Line & staff organization of a typical Manufacturing company



NATURE OF LINE & STAFF CONCEPT

Line authority gives a superior a line of a authority over a subordinate. Line authority is that relationship in which superior exercises direct supervision over a subordinate. On the other hand the nature of the staff relationship is advisory. The function of a person in staff capacity is to investigate research and give advice to line manager.

BENEFITS OF STAFF

1. Provide highly specialized knowledge indifferent areas, i-e- economics, technical, legal etc.

2. Specialist staff avails lines to analysis collected data and make advice for managers.

3. Staff analysis and advices help in resolving problems arrised during process.

WEAKNESSES OF STAFF

1. Danger of understanding line authority.

2. Lake of staff responsibility.

3. Thinking in a vacuum

4. Managerial problems.

DELEGATION OF AUTHORITY:

Delegation is necessary for an organization to exist. Authority is delegated when a superior gives a subordinate discretion to make decision. Clearly, supervisors cannot delegate authority they do not have, whether they are board members, Presidents, Voice Presidents or superiors. The process of delegation involves.

1. Determining the results expected from a position.

2. Assigning tasks to the positions.

3. Delegating authority to accomplishment of the tasks.

4. Holding the persons in that position responsible for the accomplishing meat of the tasks.

5. Authority is delegate from higher level to lower level.

STEPS IN DELEGATING

SPLINTERERD AUTHORITY

Splintered authority exits whenever a problem cannot solve. In day to day operations of any company. There are many cases of splintered authority. Many Managerial Conferences are held because of the necessity of splintered authority to make decisions.

RECOVERY OF DELEATED AUTHORITY

A manager who delegates authority does not permanently dispose of it , delegated authority can always be regained. Re organization involves reorganization, rights are recovered by the responsible head of the firm or a departments, to head of a new department may receive authority formally held by other Managers.

THE ART OF DELEGATIONOF AUTHORITY

The most failure in effective delegation occurs not because Manager does not understand the nature and principles of delegation because they are unable to apply them. There are many reasons for poor delegation.

PERSONAL ATTITUDE TOWARD DELEGATION

There are many kinds of personal attitudes which cause poor delegation of authority so Managers should fallow these steps.

1- RESPECTIVENESS

Decision making always involves some discretion and a subordinates decision is not likely to be exactly the one superior would have made the manager who known how to delegate must be able to help other and to compliment on their ingenuity.

2- WILLINGNESS TO LET GO

A manager who will effectively delegate authority must be willing to release the right to make decisions to subordinates. A major fault of some managers is that they want to continue to make decisions for the positions they have left. Corporate president and vice presidents who insist on confirming every purchase do not realize that doing so takes their time and attention away from more important decisions.

3- WILLINGNESS TO LET OTHER MAKE MISTAKES

Since everyone makes mistakes, a subordinate must be allowed to make some, and their cost must be considered an investment in personal development serious or repeated mistakes can be largely avoided without multifying delegation.

4- WILLINGNESS TO TRUST SUBORDINATES

Superiors have no alternative to trusting their subordinates; for delegation implies a trustful attitude among them. A superior may put off delegation will the thought that subordinates have not yet experienced enough, they cannot handle people, they have not developed Judgment etc. Sometimes these considerations are true but then a superior or should either train subordinates or else select others who are prepared to assume the responsibility.

5- WILLINGNESS TO ESTABLISH AND USE BROAD CONTROLS

Superiors should not delegate authority unless they are willing to find means of getting feedback. Obviously, controls cannot goals, policies and plans are used as basic standard for judging the activities of subordinates.

GUIDES FOR OVERCOMING WEAK DELEGATION

The following guide can overcome weak delegation.

1- Define assignments and delegate authority in the light of results expected.

2- Select the person in light of the job to be done.

3- Maintain open lines of communication.

4- Establish proper control.

5- Reward effective delegation and successful assumption of authority.

3.4.6 Organization Manual:

Meaning:

An organizational manual provides and supplements additional details to the information supplied by organization chart. It provides information on pertinent matters about each position. The members of organization will find it to be a readily available reference defining the scope of authorities and responsibilities of management positions and the channels to be used in obtaining decisions or approvals of proposals. Every manager will see clearly the responsibilities of his job and his relationship with other persons in the organization.

Types of Manuals:

Manual may be classified under various heads

1. Policy Manual:

This manual contains policy decisions, resolutions and guidelines given by the management. It gives the scope and limitations within which various policies should operate. The persons concerned with the implementation of policies get proper guidelines and try to ensure the implementation of every bit of it. Manuals also provide the course of action to be adopted for implementing policies.

2. Organization Manual:

This manual gives a detailed account of the organization. The authority and responsibility of every person is given in detail. It avoids confusion and conflicts among various persons. The extent of authority and the relationship of executives is explained in this manual. The extent of span of management and delegation of authority are facilitated by a properly drawn manual.

3. Rules and Regulations Manual:

It contains various rules and regulations followed in the company. The day-today working of the enterprise is greatly facilitated. The employees get information about working conditions, admissible holidays, procedure for getting leaves sanctioned, the facility and procedure for availing medical facilities, the use of canteen, library, etc.

4. Departmental Manual:

Separate manuals are prepared for different departments. A departmental manual gives full details about the working of a department. It will show organization of the department, relationship among various persons in the department including their authority and responsibility, rules and procedures followed for undertaking various tasks, inter-departmental relationship, etc. Departmental manual helps in the smooth working of a department.

Advantages of Manuals:

Organizational manuals have the following advantages:

1. Written Information:

An organizational manual provides written record of every important policy, decision and procedure. There will be no confusion about authority and responsibility. There will not be any scope for misunderstanding about anything.

2. Helpful in Day-to-Day Working:

A manual contains details of rules, procedures and regulations which help employees to understand the working of the enterprise. The employees will easily follow the routine after reading the manual and it will smoothen the day-to-day working.

3. Avoiding Conflicts:

Organization clears authority relationship among various persons and it helps in avoiding jurisdictional conflicts. In the absence of this manual there is every likelihood of confusion over some work. There may also be a duplication of work.

4. Helpful to New Employees:

The new employees are able to understand the working of the enterprise. They will quickly start following various rules and procedures. They also learn the responsibilities of their jobs and their relationship with other jobs.

5. Quick Decisions:

When all directions and instructions are available in writing then decision taking becomes quick. The persons required to take decisions are clear about their powers and decision taking becomes easy under such situations.

Drawbacks of Manuals:

The manuals suffer from the following drawbacks:

1. Expensive:

The compilation of manuals requires much cost. The manual being expensive, small-scale concerns cannot even afford them.

2. Time Consuming:

Preparation of various manuals is a time-consuming process. Moreover, these require a constant review which again takes too much time.

3. Rigidity:

When written guides, instructions and procedures are available then there is hardly any scope for variation. One has to follow standard prescribed procedures in completing a task. There is no scope for discretion and initiative.

4. Embarrassing:

Some relationships are such which people will not like to put in black and white. It becomes embarrassing in revealing such relationships.

UNIT-IV

STAFFING AND DIRECTING

RECRUITMENT

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organisation. When more persons apply for jobs then there will be a scope for recruiting better persons.

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation." He further elaborates it, terming it both negative and positive.

4.1 RECRUITMENT PROCESS:

- Recruitment is a process of finding and attracting the potential resources for filling up the vacant positions in an organization. It sources the candidates with the abilities and attitude, which are required for achieving the objectives of an organization.
- Recruitment process is a process of identifying the jobs vacancy, analyzing the job requirements, reviewing applications, screening, shortlisting and selecting the right candidate.
- To increase the efficiency of hiring, it is recommended that the HR team of an organization follows the five best practices (as shown in the following image). These five practices ensure successful

recruitment without any interruptions. In addition, these practices also ensure consistency and compliance in the recruitment process.

Recruitment process is the first step in creating a powerful resource base. The process undergoes a systematic procedure starting from sourcing the resources to arranging and conducting interviews and finally selecting the right candidates.

RECRUITMENT POLICY:

- Recruitment may be defined as the process of attracting right talent with right skills, right attitude and right experience. It is one of the very important and most discussed topic of human resource. Recruitment nowhere is used alone.
- It includes various terms with it, those terms are selection and induction. As per recruitment and selection policy the process of talent acquisition starts from recruitment and is processed further with selection and continues till induction.
- We can explain the term selection as well as induction. Selection is the process of choosing the best person for a given position. Recruitment is attraction and selection is to choose. Induction means introducing the person to position.

- In other words we can say success of the company is based on right recruitment to a very large extent as the process of recruitment is based on proper strategies.
- Clarity on strategy to be employed for implementation of recruitment and Hiring policy.
- The recruitment policy must be non biased policy.
- Clear cut guidelines to be followed for recruitment, selection and induction i.e. Hiring Policy.
- All stakeholders must have defined responsibilities following recruitment policy and procedure.
- Stress should be on recruiting the right talent as mentioned under recruitment and selection policy.
- Entire recruitment selection and induction must be based purely on merit.
- Focus should also be on selection of candidates whose value aligns with that of organisation.
- Clear guideline on approval flow at the time of selection process.
- Proper alignment of manpower at the time of selection process.
- Clarity on recruitment of temporary employees, consultant etc.
- Clear job description.
- Clarity on terms and conditions of employment as per recruitment policy and procedure.
- To follow recruitment policy in a way that is being given as employment policy examples and recruitment policy examples.

Benefits of having a Recruitment and Selection Policy in HRM

1. Clarity on need of organisation.

2. Clarity on hiring policy process.

3. Right fit with the organisation culture.

4. Sound Hiring decisions.

5. Make best use of Employment policy.

6. Better productivity by following principles of recruitment policy.

7. Better culture.

8. Right budgetary calculations.

9. Clarity on approach to be taken by all stakeholders.

4.2 RECRUITMENT ORGANIZATION:

- Centralized recruitment
- Decentralized recruitment

Advantage:

- It facilitates inter-changeability of staff between different units/zones.
- It ensures uniformity in recruitment and selection of all types of employees.
- It helps in better utilization of specialists.
- It reduces the administrative cost by consolidating all recruitment activities at one place.
- It relieves the line executives of the recruitment problem thereby enabling them to concentrate on their operational activities.
- It tends to reduce favouritism in recruitment and makes the recruitment process more scientific.

Disadvantages:

- The central office may not be fully familiar with job requirements of different units and the most suitable sources for the required staff
- Recruitment is not flexible because operating units lose control over the recruitment process

- There is delay in recruitment as operating units cannot recruit staff as and when required

4.3 PLANNING:

Recruitment plan refers to a prearranged strategy for hiring employees. It acts as a timeline for companies to find qualified applicants without causing downtime for the company.

Recruitment plan identifies the goals for a particular position.

Steps and components of recruitment plans

Recruitment plan consists of five general steps:

1. Identifying the job opening

2. Deciding how to fill the job opening

3. Identifying the target group

4. Notifying the target group

5. Meeting with the candidates

The recruitment plan components include:

- Announcement

- Recruiting timeline

- Advertising plan

- Interview schedule

- Assessment tools

- Background checks

- Interview plan

- References

Benefits of recruitment plans

- Recruitment plans make the hiring process smoother and act as a qualifying guideline for applicants. This helps employers to ensure that they are hiring individuals with the qualifications and skills needed to do the job.
- The biggest benefit is keeping the company on its course and running. With a good recruitment plan companies are able to find qualified employees in a timely manner preventing lapses in employment, such as having positions that need to be filled and no one able to do the work in the meantime.

4.4 RECRUITMENT PLANNING:

- Recruitment planning is the first step of the recruitment process, where the vacant positions are analyzed and described. It includes job specifications and its nature, experience, qualifications and skills required for the job, etc.
- A structured recruitment plan is mandatory to attract potential candidates from a pool of candidates. The potential candidates should be qualified, experienced with a capability to take the responsibilities required to achieve the objectives of the organization.

Identifying Vacancy

The first and foremost process of recruitment plan is identifying the vacancy. This process begins with receiving the requisition for recruitments from different department of the organization to the HRD Department, which contains –

- Number of posts to be filled
- Number of positions
- Duties and responsibilities to be performed
- Qualification and experience required

Job Analysis

- Job analysis is a process of identifying, analyzing, and determining the duties, responsibilities, skills, abilities, and work environment of a specific job. These factors help in identifying what a job demands and what an employee must possess in performing a job productively.
- Job analysis helps in understanding what tasks are important and how to perform them. Its purpose is to establish and document the **job relatedness** of employment procedures such as selection, training, compensation, and performance appraisal.

The following steps are important in analyzing a job –

- Recording and collecting job information
- Accuracy in checking the job information
- Generating job description based on the information
- Determining the skills, knowledge and skills, which are required for the job

The immediate products of job analysis are **job descriptions** and **job specifications**.

Job Description

- Job description is an important document, which is descriptive in nature and contains the final statement of the job analysis. This description is very important for a successful recruitment process.
- Job description provides information about the scope of job roles, responsibilities and the positioning of the job in the organization. And this data gives the employer and the organization a clear idea of what an employee must do to meet the requirement of his job responsibilities.

Job description is generated for fulfilling the following processes

- Classification and ranking of jobs
- Placing and orientation of new resources
- Promotions and transfers
- Describing the career path
- Future development of work standards

A job description provides information on the following elements −

- Job Title / Job Identification / Organization Position
- Job Location
- Summary of Job
- Job Duties
- Machines, Materials and Equipment
- Process of Supervision
- Working Conditions
- Health Hazards

Job Specification

- Job specification focuses on the specifications of the candidate, whom the HR team is going to hire.
- The first step in job specification is preparing the list of all jobs in the organization and its locations. The second step is to generate the information of each job.

This information about each job in an organization is as follows −

- Physical specifications
- Mental specifications
- Physical features
- Emotional specifications
- Behavioral specifications

A job specification document provides information on the following elements −

- Qualification
- Experiences
- Training and development
- Skills requirements
- Work responsibilities
- Emotional characteristics
- Planning of career

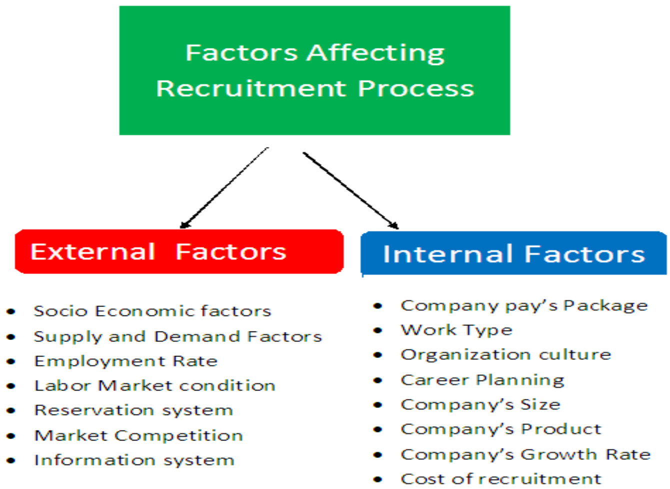
Job Evaluation

- Job evaluation is a comparative process of analyzing, assessing, and determining the relative value/worth of a job in relation to the other jobs in an organization.
- The main objective of job evaluation is to analyze and determine which job commands how much pay. There are several methods such

as **job grading**, **job classifications**, **job ranking**, etc., which are involved in job evaluation. Job evaluation forms the basis for salary and wage negotiations.

4.5 FACTORS AFFECTING RECRUITMENT POLICY AND PROGRAMME

- The recruitment function of the organizations is direct or indirect ways affected by a mix of various internal and external forces.
- The internal forces or the factors that can be controlled by the organization and the external factors are those factors which cannot be controlled by the organization.
- The internal and external forces affecting recruitment function of an firm are:



INTERNAL FACTORS

The internal factors likewise term as endogenous elements are the components inside the association that impact selecting in the organisation

The internal forces i.e. the factors which can be controlled by the organization are:

1. Recruitment Policy

The recruitment policy of the organization i.e. recruiting from internal sources and external also affect the recruitment process. The recruitment policy of an organization determines the destinations or enlistment and gives a structure to usage of recruitment program.

2. Human Resource Planning

Effective human resource process and procedure helps in fixing the loops present in the existing manpower of the organization. This also helps in filter the number of employees to be recruited and what kind qualification and skills they must possess.

3. Size of the Organization

The size of the organization affects the recruitment process. If the organization is planning to increase its operations and expand its business, it will think of hiring more personnel, which will handle its operations.

4. Cost involved in recruitment

Recruitment process also count the cost to the employer, that why organizations try to employ/outsource the source of recruitment which will be cost effective to the organization for each candidate.

5. Growth and Expansion

Organization will utilize or consider utilizing more work force in the event that it is growing its operations.

EXTERNAL FACTORS

The external forces are the forces which cannot be controlled by the organization. The major external forces are:

1. Supply and Demand

The availability of manpower both within and outside the organization is an essential factor in the recruitment process.

2. Labour Market

Employment conditions where the organization is located will effected by the recruiting efforts of the organization.

3. Goodwill / Image of the organization

Image of the firm is another factor having its effect on the Different government controls forbidding separation in contracting and work have coordinate effect on enlistment practices. As taken Example, Govt. of India has the convention of reservation in work for booked standings/planned clans, physically disabled and so on. Additionally, exchange associations have the significant part in enrolment. This limits management freedom to select those individuals who can be the best performers. This can work as a potential constraint for recruitment.

4. Political-Social- Legal Environment

Different government controls forbidding separation in contracting and work have coordinate effect on enlistment practices.

5. Unemployment Rate

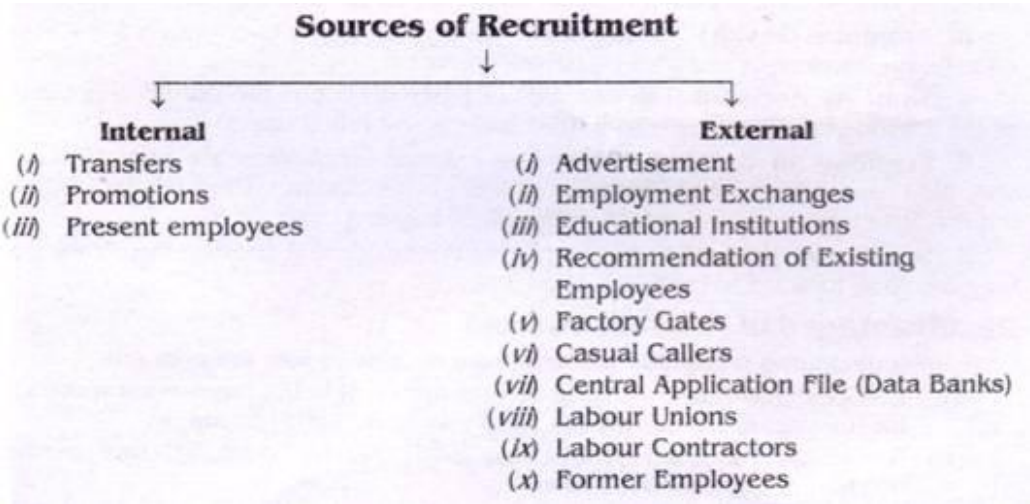
The Element that influence the availability of applicants is the economy growth rate . At the point when the organization isn't making new jobs, there is frequently oversupply of qualified work which thusly prompts unemployment.

6. Competitors

The recruitment policies and procedure an of the competitors also affect the recruitment function of the organizations. Time to time the organizations have to change their recruitment policies and manuals according to the policies being followed by the competitors.

4.6 SOURCES:

- The searching of suitable candidates and informing them about the openings in the enterprise is the most important aspect of recruitment process.
- The candidates may be available inside or outside the organisation. Basically, there are two sources of recruitment i.e., internal and external sources.



(A) Internal Sources:

Best employees can be found within the organisation… When a vacancy arises in the organisation, it may be given to an employee who is already on the pay-roll. Internal sources include promotion, transfer and in certain cases demotion. When a higher post is given to a deserving employee, it motivates all other employees of the organisation to work hard. The employees can be informed of such a vacancy by internal advertisement.

Methods of Internal Sources:

The Internal Sources Are Given Below:

1. Transfers:

Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

2. Promotions:

Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation.

3. Present Employees:

The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates.

The persons recommended by the employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behaviour and performance.

Advantages of Internal Sources:

The Following are The Advantages of Internal Sources:

1. Improves morale:

When an employee from inside the organisation is given the higher post, it helps in increasing the morale of all employees. Generally every employee expects promotion to a higher post carrying more status and pay (if he fulfills the other requirements).

2. No Error in Selection:

When an employee is selected from inside, there is a least possibility of errors in selection since every company maintains complete record of its employees and can judge them in a better manner.

3. Promotes Loyalty:

It promotes loyalty among the employees as they feel secured on account of chances of advancement.

4. No Hasty Decision:

The chances of hasty decisions are completely eliminated as the existing employees are well tried and can be relied upon.

5. Economy in Training Costs:

The existing employees are fully aware of the operating procedures and policies of the organisation. The existing employees require little training and it brings economy in training costs.

6. Self-Development:

It encourages self-development among the employees as they can look forward to occupy higher posts.

Disadvantages of Internal Sources:

(i) It discourages capable persons from outside to join the concern.

(ii) It is possible that the requisite number of persons possessing qualifications for the vacant posts may not be available in the organisation.

(iii) For posts requiring innovations and creative thinking, this method of recruitment cannot be followed.

(iv) If only seniority is the criterion for promotion, then the person filling the vacant post may not be really capable.

In spite of the disadvantages, it is frequently used as a source of recruitment for lower positions. It may lead to nepotism and favouritism. The employees may be employed on the basis of their recommendation and not suitability.

(B) External Sources:

All organisations have to use external sources for recruitment to higher positions when existing employees are not suitable. More persons are needed when expansions are undertaken.

The external sources are discussed below:

Methods of External Sources:

1. Advertisement:

It is a method of recruitment frequently used for skilled workers, clerical and higher staff. Advertisement can be given in newspapers and professional journals. These advertisements attract applicants in large number of highly variable quality.

Preparing good advertisement is a specialised task. If a company wants to conceal its name, a 'blind advertisement' may be given asking the applicants to apply to Post Bag or Box Number or to some advertising agency.

2. Employment Exchanges:

Employment exchanges in India are run by the Government. For unskilled, semi-skilled, skilled, clerical posts etc., it is often used as a source of recruitment. In certain cases it has been made obligatory for the business concerns to notify their vacancies to the employment exchange. In the past, employers used to turn to these agencies only as a last resort. The job-seekers and job-givers are brought into contact by the employment exchanges.

3. Schools, Colleges and Universities:

Direct recruitment from educational institutions for certain jobs (i.e. placement) which require technical or professional qualification has become a common practice. A close liaison between the company and educational institutions helps in getting suitable candidates. The students are spotted during the course of their studies. Junior level executives or managerial trainees may be recruited in this way.

4. Recommendation of Existing Employees:

The present employees know both the company and the candidate being recommended. Hence some companies encourage their existing employees to assist them in getting applications from persons who are known to them.

In certain cases rewards may also be given if candidates recommended by them are actually selected by the company. If recommendation leads to favouritism, it will impair the morale of employees.

5. Factory Gates:

Certain workers present themselves at the factory gate every day for employment. This method of recruitment is very popular in India for unskilled or semi-skilled labour. The desirable candidates are selected by the first line supervisors. The major disadvantage of this system is that the person selected may not be suitable for the vacancy.

6. Casual Callers:

Those personnel who casually come to the company for employment may also be considered for the vacant post. It is most economical method of recruitment. In the advanced countries, this method of recruitment is very popular.

7. Central Application File:

A file of past applicants who were not selected earlier may be maintained. In order to keep the file alive, applications in the files must be checked at periodical intervals.

8. Labour Unions:

In certain occupations like construction, hotels, maritime industry etc., (i.e., industries where there is instability of employment) all recruits usually come from unions. It is advantageous from the management point of view because it saves expenses of recruitment. However, in other industries, unions may be asked to recommend candidates either as a goodwill gesture or as a courtesy towards the union.

9. Labour Contractors:

This method of recruitment is still prevalent in India for hiring unskilled and semi-skilled workers in industry. The contractors keep themselves in touch with the labour and bring the workers at the places where they are required. They get commission for the number of persons supplied by them.

10. Former Employees:

In case employees have been laid off or have left the factory at their own, they may be taken back if they are interested in joining the concern (provided their record is good).

11. Other Sources:

Apart from these major sources of external recruitment, there are certain other sources which are exploited by companies from time to time. These include special lectures delivered by recruiter in different institutions, though apparently these lectures do not pertain to recruitment directly.

Merits of External Sources:

1. Availability of Suitable Persons:

Internal sources, sometimes, may not be able to supply suitable persons from within. External sources do give a wide choice to the management. A large number of applicants may be willing to join the organisation. They will also be suitable as per the requirements of skill, training and education.

2. Brings New Ideas:

The selection of persons from outside sources will have the benefit of new ideas. The persons having experience in other concerns will be able to suggest new things and methods. This will keep the organisation in a competitive position.

3. Economical:

This method of recruitment can prove to be economical because new employees are already trained and experienced and do not require much training for the jobs.

4.7 TECHNIQUES:

The modern sources of Recruitment are:

1. **Employee Referrals:** Present employees are well aware of the qualifications, attitudes, experience and emotions of their friends and relatives. They are also aware of the job requirements and organizational culture of their company. As such they can make preliminary judgment regarding the match between the job and their friends and relatives.

2. Campus Recruitment: These candidates are directly recruited by the Co; from their college/educational institution. They are inexperienced as far as work experience is concerned.

3. Private Employment Agencies/**Consultants**: Public employment agencies or consultants like ABC Consultants in India perform recruitment functions on behalf of a client company by charging fees. Line managers are relieved from recruitment functions and can concentrate on operational activities.

4. Public Employment Exchanges**:** The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organization in finding out suitable candidates. As per the Employment Exchange act 1959, makes it obligatory for public sector and private sector enterprises in India to fill certain types of vacancies through public employment exchanges.

5. Professional Organizations: Professional organizations or associations maintain complete bio-data of their members and provide the same to various organizations on requisition. They act as an exchange between their members and recruiting firm.

6. Data Banks: The management can collect the bio-data of the candidates from different sources like Employment Exchange, Educational Training Institutes, candidates etc and feed them in the computer. It will become another source and the co can get the particulars as and when required.

7. Casual Applicants: Depending on the image of the organization its prompt response participation of the organization in the local activities, level of unemployment, candidates apply casually for jobs through mail or handover the application in the Personnel dept. This would be a suitable source for temporary and lower level jobs.

8. Similar Organizations: Generally experienced candidates are available in organizations producing similar products or are engaged in similar business. The Management can get potential candidates from this source.

9. Trade Unions: Generally unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to latter rapport with the management.

10.**Walk In**: The busy organization and rapid changing companies do not find time to perform various functions of recruitment. Therefore they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place.

4.8 **SELECTION**

- The **Selection** is the process of choosing the most suitable candidate for the vacant position in the organization. In other words, selection means weeding out unsuitable applicants and selecting those individuals with prerequisite qualifications and capabilities to fill the jobs in the organization.

- Most often, the selection and recruitment are used interchangeably but however both have different scope.
- The former is a negative process that rejects as many unqualified applicants as possible so as to hire the right candidate while the latter is a positive process that attracts more and more candidates and stimulates them to apply for the jobs.

Based on the complexity of selecting the right candidate the selection process is comprised of several steps:

- Preliminary Interview
- Receiving Applications
- Screening of Applications
- Employment Tests
- Interview
- Reference Checking
- Medical Examination
- Final Selection

4.9 CONCEPT

Selection might be defined as follows:

Selection might be defined as careful screening of recruited candidates (i.e. prospective candidates) through testing and interviewing them; with a view to discovering 'best-fits' from among them for assignment to various jobs in the organisation.

Some of the note-worthy points, in the context of the concept of selection, might be stated as follows:

(i) The process of selection is primarily and basically based on 'job analysis' analyzed into two components job description and job-specification. In fact, it is the job specification which guides the selectors, in making suitable selections from among a group of recruited candidates.

(ii)The process of selection is a process of elimination of unsuitable candidates at various stages, comprised in the selection procedure. The selection procedure might be compared to a hurdle-race; and those who clear through all the hurdles and emerge victorious are the ones, who get finally selected.

(iii)The fundamental intention of management behind conducting the selection procedure is to discover the 'best-fits' from among the group of recruited candidates, for assignment to various jobs, in the organisation. It has been the observation of psychologists, as also of management experts that a 'misfit' is never efficient.

4.10 PROCESS:

A scientific and logical selection procedure leads to scientific selection of candidates. The criterion finalized for selecting a candidate for a particular job varies from company to company.

Therefore, the selection procedure followed by different organizations, many times, becomes lengthy as it is a question of getting the most suitable candidates for which various tests are to be done and interviews to be taken. The procedure for selection should be systematic so that it does not leave any scope for confusions and doubts about the choice of the selected candidate

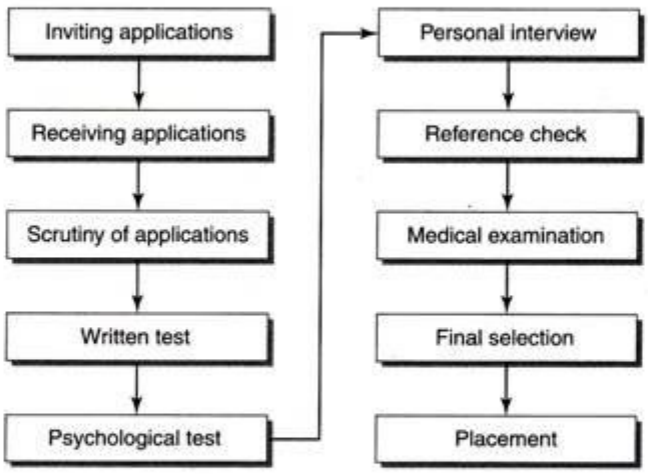


Fig. 5.6 Steps Involved in Selection Procedure

1. Inviting applications:

The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement for the job. It attracts a large number of candidates from various areas.

2. Receiving applications:

Detailed applications are collected from the candidates which provide the necessary information about personal and professional details of a person. These applications facilitate analysis and comparison of the candidates.

3. Scrutiny of applications:

As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

4. Written tests:

As the final list of candidates becomes ready after the scrutiny of applications, the written test is conducted. This test is conducted for understanding the technical knowledge, attitude and interest of the candidates. This process is useful when the number of applicants is large.

Many times, a second chance is given to candidates to prove themselves by conducting another written test.

5. Psychological tests:

These tests are conducted individually and they help for finding out the individual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

6. Personal interview:

Candidates proving themselves successful through tests are interviewed personally. The interviewers may be individual or a panel. It generally involves officers from the top management.

The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

7. Reference check:

Generally, at least two references are asked for by the company from the candidate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

8. Medical examination:

Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

9. Final selection:

At this step, the candidate is given the appointment letter to join the organization on a particular date. The appointment letter specifies the post, title, salary and terms of employment. Generally, initial appointment is on probation and after specific time period it becomes permanent.

10. Placement:

This is a final step. A suitable job is allocated to the appointed candidate so that they can get the whole idea about the nature of the job. They can get adjusted to the job and perform well in future with all capacities and strengths.

- **SELECTION TESTING:**

- Test is defined differently by different writers and psychologists. Some define test as “an objective and standardised measure of sample behaviour”.

- It is considered standardised because the procedure of administering the test, the environment in which the test is conducted, and method of calculating individual score are uniformly applied.

- It is called objective because test measures the individual differences in terms of their abilities and skills following an unbiased and scientific method avoiding interference of human factors.

- According to Lee J. Groonbach “A test is a systematic procedure for comparing the behaviour of two or more persons”.
- Milton M. Blum has defined test as “a sample of an aspect of an individual’s behaviour, performance and attitude”.
- All tests are first psychological and then tests of specific abilities and skills. A close scrutiny of above definitions of tests against the following three constructs will help comprehend the meaning of test in better manners.

1. Objective:

Here, ‘objective’ means the validity and reliability of measuring job related abilities and skills. It is crazy of the whole testing movement. The psychological tests should show that the test is predictive of the important aspects of role behaviour relevant to the job for which the candidate is under evaluation. Besides, objectivity also refers to equality of opportunity for those being tested avoiding discrimination in terms of caste, creed, sex, religion etc.

2. Standardized:

In our earlier mentioned definition, 'standardized' refers to the uniformity of procedure administered and the environment in which the test is taken. Here, uniformity refers to testing conditions which include the time limit, instructions, testee's state of mind and health room temperature, test instruments, etc.

3. Sample of Behaviour:

This refers to the fact that a total replication of reality of human behaviour in any given testing situation is just not possible. Therefore, the behaviour predicted through test is likely to be representative one, or say, a sample of behaviour.

Purpose of Tests:

Tests, i.e. psychological tests are conducted for various purposes.

They include:

1. Guiding and counselling students seeking admissions in the educational institutes.

2. Career guidance to those thinking to make careers in specific vocations.

3. Research into human behaviour and its personality.

4. Employment selection of the candidates for an organisation.

As regards selection tests, these are conducted mainly to fulfil the following purposes:

(i) For the selection and placement of new employees.

(ii) For appraising employees for promotional potentials.

(iii) For counselling employees to enable them to perform better in their jobs.

William C. Byham puts the use of selection tests in these words: “The tests are the most misused, the least understood, yet the most valuable sources of information about applicants”.

All the tests so far developed for the selection of employees can broadly be divided into two categories:

(i) Ability Tests and

(ii) Personality Tests.

Tests covered under each category are shown in the Following chart 7.1

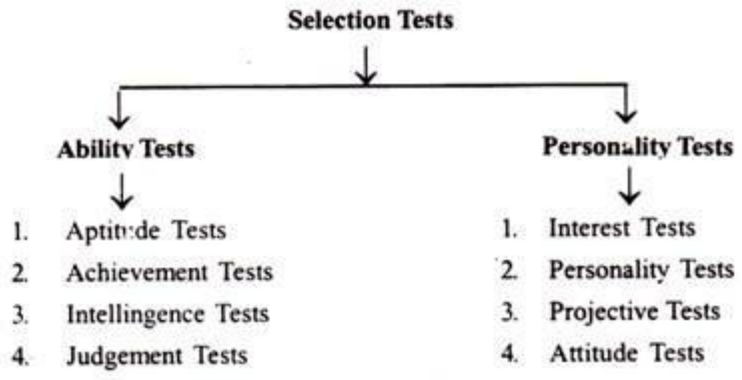


Chart 7.1: Types of Psychological Tests

1. Aptitude Tests:

- Aptitude tests measure ability and skills of the test. These tests measure and indicate how well a person would be able to perform after training and not what he/she has done^. Thus, aptitude tests are used to predict the future ability/performance of a person.
- There are two objectives of the aptitude tests. One to advise youth or jobseekers regarding field of activities in which they are likely to succeed. This is called ‘vocational guidance’. Second, to select best persons for jobs where, they may succeed. This test is called ‘vocational selection’.

2. Achievement Tests:

- Achievement tests measure a person's potential in a given area/job. In other words, these tests measure what a person can do based on skill or knowledge already acquired by him/her. Achievement tests are usually used for admission to specific courses in the academic institutions.
- In these tests, grades in previous examinations are often used as indicators of achievement and potential for learning. Indian industries have now started conducting these tests to judge for themselves the level of proficiency attained rather than believing their scores in academic examinations. Achievement tests are also known by the names, proficiency tests, performance, occupational or trade tests.

3. Intelligence Tests:

- Intelligence tests measure general ability for intellectual performance. The core concept underlying in intelligence test is mental age.
- It is presumed that with physical age, intelligence also grows. Exceptions to this may be there. So to say, if a five year old child does the test, for six years or above his/her mental age would be determined accordingly.

4. Judgment Tests:

These tests are designed to know the ability to apply knowledge in solving a problem.

4.11 SELECTION INTERVIEWING:

- One of the assessment and evaluation techniques for a candidate is interview. It is a type of oral examination. Selection interview is the next process to conduct of tests.

- Even though written tests and psychological tests are conducted, still one-to-one communication between individuals always remains the crucial part in selection of a candidate. Behavioural traits, presence of mind and psychological bearing capacity can be tested through interview. Role of Interview in the Selection Procedure:

Critical Analysis of the Personality of Candidates:

As the candidate is going to be in front of the interviewer or a panel, face-to-face communication is facilitated. The interviewer can observe the behaviour, style, approach, promptness and sharpness of the candidate.

Accurate Final Selection:

Interview facilitates to obtain additional information about the candidate through personal contact. After the detailed scrutiny of all the information about the candidate, the final selection can be made easily.

Providing Details about the Company to the Candidate:

As the company would like to know the detailed information about the candidate, the same way, the candidate is also eager to know about the work culture, the nature of the job, working schedules, etc., in the company. Interview provides the opportunity to the candidate to know more about the company.

Use of Experience and Knowledge of Expert Interviewers:

Whenever the interviews are conducted, there is generally a panel of interviewers consisting of more than three members. All of them are working for the company for a long time, and when the selection interview takes place, it is their knowledge and experience which is going to give the best results in terms of a suitable and appropriate candidate.

Types of Interview:

Various types of interviews are

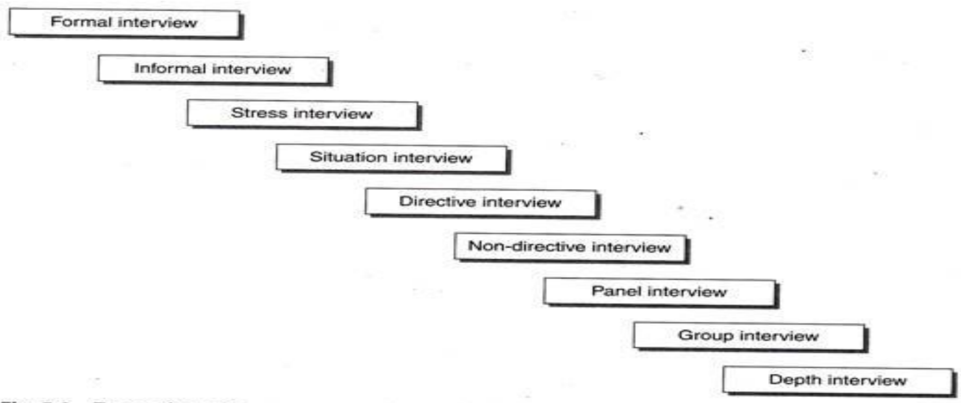


Fig. 5.8 Types of Interviews

Formal Interview:

It is held in formal atmosphere with pre-decided and planned procedures and questions.

Informal interview:

There is no specific procedure followed in this case. They are conducted at any place, and any types of questions can be asked to the candidate.

Stress Interview:

It is conducted to evaluate the behaviour of the candidate under stressful conditions. How does a candidate react to stress? Whether they remains quiet and calm or becomes stressed, can be judged by creating different stressful conditions around, and the case with which they gets out of it indicates their stress-handling capacity in future.

Situation Interview:

An imaginary situation is told to the candidates and they are asked to respond to it.

Directive Interview:

It is structured interview. A same set of questions is repeated for every candidate to make the comparison among the answers received from them.

Non-directive Interview:

It is non-structured interview. There is no specific format, and any questions can be asked to candidates. Candidates are free to express themselves under this type.

Panel Interview:

A selection committee appointed for interviewing candidates is called a panel. It generally consists of three or more members who collectively perform the task of selection. The final decision is taken with the consent of all panel members.

Group Interview:

Candidates are supposed to form groups, and one group together will be interviewed at one time. It is a sort of group discussion. The person's ability to lead, their presence of mind and communication can be evaluated under this technique.

Depth Interview:

All the minute details of important nature are asked to a candidate to have the extensive information about them.

4.12 BARRIERSD OF EFFECTIVE SELECTION:

The main objective of selection is to hire people having competence and commitment. This objective is often defeated because of certain barriers. The impediments which check effectiveness of selection are perception, fairness, validity, reliability and pressure.

1. **PERCEPTION**: our inability to understand others accurately is probably the most fundamental barrier to selection the right candidate. Selection demands an individual or a group of people to assess and compare the respective competencies of others, with the aim of choosing the right persons for the jobs. But our views are

highly personalized. We all perceive the world differently. Our limited perceptual ability is obviously a stumbling block to the objective and rational selection of people.

2. **Fairness:** Fairness in selection requires that no individual should be discriminated against on the basis of religion, region, race or gender. But the low numbers of women and other less-privileged selections of the society in middle and middle and senior management positions and open discrimination on the basis of age in job advertisements and in the selection process would suggest that all the efforts to minimize inequity have not been very effective.
3. **Validity:** Validity, as explained earlier, is a test that helps predict job performance of an incumbent. A test that has been validated can differentiate between the employees who can perform well and those will not. However, a validated test does not predict job success accurately. It can only increase possibility of success accurately. It can only increase possibility of success.
4. **Reliability:** A reliable method is one which will produce consistent results when repeated in similar situations. Like a validated test, a reliable test may fail to predict job performance with precision.
5. **Pressure**: Pressure is brought on the selectors by politicians, bureaucrats, relatives, friends and peers to select particular candidates. Candidates selected because of compulsions are obviously not the right ones. Appointments to public sector undertakings take place under such pressures.

4.13 TRAINING AND DEVELOPMENT

"Training is the act of increasing the knowledge and skills of an employee for doing a particular job." — Edwin B. Flippo

- Training is an organized activity for increasing the technical skills of the employees to enable them to do particular jobs efficiently.

- In other words, training provides the workers with facility to gain technical knowledge and to learn new skills to do specific jobs. Training is equally important for the existing as well as the new employees.
- It enables the new employees to get acquainted with their jobs and also increase the job-related knowledge and skills.

Objectives of Training:

The objectives of training are as follows:

(i) To provide job related knowledge to the workers.

(ii) To impart skills among the workers systematically so that they may learn quickly.

(iii) To bring about change in the attitudes of the workers towards fellow workers, supervisor and the organization.

(iv) To improve the productivity of the workers and the organization.

(v) To reduce the number of accidents by providing safety training to the workers,

(vi) To make the workers handle materials, machines and equipment efficiently and thus to check wastage of time and resources.

(vii) To prepare workers for promotion to higher jobs by imparting them advanced skills.

4.14 NEED

(i) Higher Productivity:

It is essential to increase productivity and reduce cost of production for meeting competition in the market. Effective training can help increase productivity of workers by imparting the required skills.

(ii) Quality Improvement:

The customers have become quality conscious and their requirement keep on changing. To satisfy the customers, quality of products must be continuously improved through training of workers.

(iii) Reduction of Learning Time:

Systematic training through trained instructors is essential to reduce the training period. If the workers learn through trial and error, they will take a longer time and even may not be able to learn right methods of doing work.

(iv) Industrial Safety:

Trained workers can handle the machines safely. They also know the use of various safety devices in the factory. Thus, they are less prone to industrial accidents.

(iv) Reduction of Turnover and Absenteeism:

Training creates a feeling of confidence in the minds of the workers. It gives them a security at the workplace. As a result, labour turnover and absenteeism rates are reduced..

(vi) Technology Update:

Technology is changing at a fast pace. The workers must learn new techniques to make use of advance technology. Thus, training should be treated as a continuous process to update the employees in the new methods and procedures.

(vii) Effective Management:

Training can be used as an effective tool of planning and control. It develops skills among workers and prepares them for handling present and future jobs. It helps in reducing the costs of supervision, wastages and industrial accidents. It also helps increase productivity and quality which are the cherished goals of any modern organization.

4.15 IMPORTANCE OF TRANING AND DEVELOPMENT:

Addressing Weakness: traning

Every employee is weak at certain skills every employee will not be perfect, which you need for the position. If the employee certain skills match and if you know you can strengthen its skill by training, hire them or assign tasks to them, definitely your employee will work hard to stand on your expectations.

Improving Performance:

Once the employee gets the desired skills required for the task to execute. Their weakness will turn into their strengths and they get the better understanding what and how to execute with better ideas.

Fostering Growth:

The main aim of any organization is to get development and growth for the effects they put on. Growth can be achieved if all the workforce of an organization pays equal attention to development. That requires the skilled and ambitious employees to handle the situation. By providing training to your employees, you're providing them the space to learn and grow.

Enhancing Satisfaction:

Employees feel confident in gaining skills. Training helps the employees to perform tasks easily and also they can innovate new strategies to execute the task. This builds some level of satisfaction in employees.

Reducing Turnover:

Initially, when you train your staff, it will cost you time and money. Once the employee gets skilled in their role they can provide you better revenue than before. It reduces the frustration level of both the employee and the employer. Expertise brings the quality of the work and development of the organization.

Additional Benefits

- Increase in Productivity
- Employee satisfaction, confidence, and retention are built, development of the team of skilled professionals, team organization & morale.
- Employees quality performance leads to improved customer satisfaction and service.
- Employees get updated on the trending technology and advanced methods. Employees get different ideas to implement their tasks to reach organizational goals.
- Companies get different ideas to implement and they experience different perspectives of business to execute the same task.
- The Employee gets the job satisfaction, motivation, and morale. Which reduces employee turnover.
- Process gains efficiency, standardization, and flexibility.

4.16 DISTINGUISH BETWEEN TRAINING AND DEVELOPMENT:

BASIS FOR COMPARISON	TRAINING	DEVELOPMENT
Meaning	Training is a learning process in which employees get an opportunity to develop skill, competency and knowledge as per the job requirement.	Development is an educational process which is concerned with the overall growth of the employees.
Term	Short Term	Long Term
Focus on	Present	Future
Orientation	Job oriented	Career oriented
Motivation	Trainer	Self
Objective	To improve the work performances of the employees.	To prepare employees for future challenges.
Number of Individuals	Many	Only one
Aim	Specific job related	Conceptual and general knowledge

Training and Development Process

- Training development is a five step process in which company train their employees in specific skills and further monitor their performance constantly to help them develop overall personality.
- The training and development activity starts with a question about why the training is required. While end with the evaluation of output of training and development program.

Steps involved in Training and Development Process

1. Need of training and development

2. Goals and Objectives

3. Method of Training

4. Implementation of program

5. Evaluation and constant monitoring

Step I- Need of Training and Development program

- Companies often take a decision to roll out a training and development program after identifying a specific need in the organization.
- The need could be introduction of new skill or to update the existing skills of the employee. In the case of employees working on higher level the training and development program is introduced to improve the behaviour skills and ensure team work in the organization.

Step II- Goals and Objectives of Training and Development

- Here are different goals and objectives the companies can set before implementation of training and development program-
- To impart skills- Under this objective the employees are trained to operate the equipment and machinery correctly. The goals are set to improve work efficiency and to reduce wastage of time.
- To Educate: The objective is linked with providing information about theoretical concepts and provides hands-on experience of the task. The goal is to improve reasoning power and judgment skills of employees.
- To Enhance Knowledge: The objective here is to improve behavioural knowledge of the employee. The goal is to enhance understanding of human relations, management and business environment among employees.

- Ethics: The objective is to provide knowledge about ethical conduct in the organization. The goal is to regulate the conduct of the employee in the organization.

Step III- Training Methods

- There exist different types of training methods used by the organization based on the goals and objectives of the training and development program. Here are few commonly used training methods in corporate world-
- Orientations: It is generally used to introduce the newly joined employee to the organizational work culture. It includes few lecture sessions, meetings with supervisor and information regarding the history of the organization. This training is used to make sure the newcomer feels welcomed in the organization and become aware about their work profile, goals and objectives of organization, policies as well as rules and regulations to be followed.
- Lectures: This is a one-way communication method, mostly used when important information has to be conveyed to large number of employees. The information can be related to new updates in policies or any change management action in the organization.
- Case Study: Here the participants are given a situation in terms of case study and they have to provide solutions on the stated problem in the provided case. It is a best way to impart decision making skill and sharpen the judgment skills of the employee.
- Role Playing: A scenario is created and each participant is assigned a particular role to play out. The participant can practice their actual job work using role play method. The facilitator provides immediate feedback to the participant which helps them to improve their performance. These kinds of scenario are very effective while providing marketing and management training.

Step IV- Implementation of program

- The management and HRM department takes a meeting with different supervisors to decide the time period of implementation of the training and development program.
- The implementation of orientation programs and other newcomer training programs is carried out right after joining of the employee.
- The specific skills training programs are launched based on the workload and free time span available to the employee.
- The on-the-job training program is an ongoing process and employees should be informed about it in advance.

Step V- Evaluation and constant monitoring

- The evaluation of training and development program is generally carried out at the time of performance appraisal.
- The changes in performance and attitude are noted based on the performance review.
- The increase in productivity and accuracy of work indicates the success of training and development program. Improved work harmony and organizational citizenship behaviour indicates the well being created by development programs
- One of the main objectives of training is to provide learning in order to improve the performance on the present job i.e. how skilfully the individual handles the job and the level of outcomes/ result achieved.
- There are various steps in training and development in order to be effective and bring about the desired results in terms of enhanced knowledge, skills and attitude.

4.17 TYPES:

Identification of the training needs of the target group which is to be exposed to training can be done in 2 ways:

- Training needs assessment at organization level
- Training needs assessment at individual or employee level.
- Training need assessment at department / functional level

Once the target group is identified, analysis the gap which needs to be bridged through training. Develop specific training objectives and targets for bringing about measurable improvement in their performance levels and enhancement in job related knowledge

Program design

Develop the program contents, training methods to be used, the speakers / faculty/ subject experts to be involved, the mode of instruments to be used, training aids to make the training program more result oriented.

Identify all training aids which are required for the desired training technique

Prepare the background material like write up on case, role play, incident method. Also ensure that qualitatively and quantitatively the background reading material meets the norms of delivery of the training objective

Validation

Introduce and validate training before a representative audience. Pilot test all training aids, equipment etc to ensure perfect delivery on the D day

Assess program success according to:

Reaction : Notify the document the learner's immediate reaction to the training

Learning : use feedback devices or pre and post tests to measure what learners have actually learnt

Behaviour: in consultation with the supervisor, observe the behavioural changes in the training. This is one way to measure the degree to which learners may apply new skills and knowledge to their jobs.

4.18 Concept of Motivation:

The term motivation is derived from the word 'motive". The word 'motive' as a noun means an objective, as a verb this word means moving into action. Therefore, motives are forces which induce people to act in a way, so as to ensure the fulfilment of a particular human need at a time. Behind every human action there is a motive. Therefore, management must provide motives to people to make them work for the organization.

Motivation may be defined as a planned managerial process, which stimulates people to work to the best of their capabilities, by providing them with motives, which are based on their unfulfilled needs.

"Motivation means a process of stimulating people to action to accomplish desired goods." —William G. Scott

Motivation is no doubt an essential ingredient of any Organisation. It is the psychological technique which really executes the plans and policies through the efforts of others.

Following are the outstanding Features of the concept of motivation:

1. Motivation is a personal and internal feeling:

Motivation is a psychological phenomenon which generates within an individual.

2. Motivation is need based:

If there are no needs of an individual, the process of motivation fails. It is a behavioural concept that directs human behaviour towards certain goals.

3. Motivation is a continuous process:

Because human wants are unlimited, therefore motivation is an ongoing process.

4. Motivation may be positive or negative:

A positive motivation promotes incentives to people while a negative motivation threatens the enforcement of disincentives.

5. Motivation is a planned process:

People differ in their approach, to respond to the process of motivation; as no two individuals could be motivated in an exactly similar manner. Accordingly, motivation is a psychological concept and a complex process.

6. Motivation is different from job satisfaction:

The process of motivation is illustrated in the figure given below:

It shows an employee has a need or urge for promotion to a higher position. If this need is strong, the employee will fix his goal and find alternatives to reach the goal. The might have two alternatives, namely, (i) hard work and (ii) enhancement of qualification (e.g., getting MBA) and hard work.

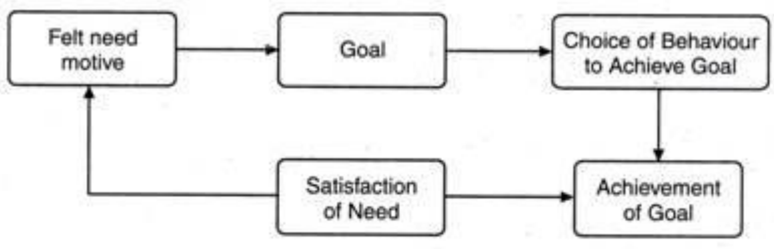


Fig. 15.1 The Process of Motivation

He might choose the second alternative and succeed in getting promotion (goal achievement) thus, his need for promotion would be satisfied and he would start again for the satisfaction of a new need.

4.19 IMPORTANCE OF MOTIVATION:

The process of motivation plays a very important role in any organisation, profit or non-profit. The managerial process of direction is driven primarily by the process of motivation as it creates within the mind of an employee the desire to work in the direction determined by the manager. The following aspects may be considered under this head:

- **Increases Productivity:** Motivation as a process leads to an increase in productivity of the employee. Motivation meets the needs of the employee and thereby creates the drive to work at the best of his abilities. A well-employee will be willing to put in more effort towards the betterment of the organisation than another disheartened employee.

- **Ensures Organisational Efficiency:** Motivation plays an important role in changing the attitudes of the employees in the organisation. Indifferent attitude is extinguished most efficiently by motivation. The presence of such favorable attitude allows the organisation to thrive and be successful.

- **Ensures Loyal Workforce:** A well-motivated workforce is a loyal workforce. Motivated employees have high levels of morale and commitment towards the organisation and its goals and objectives. Motivation thus reduces employee turnover and reduces the need for constant induction of new employees.

- **Ensures a Reactive Workforce:** Adapting to changing business environments is an important feature of any successful business. In order to react to changes easily and to continue smooth functioning, an organisation requires extensive loyalty and commitment of its employees. This reduces resistance to the changes that the organisation intends to make. This in effect makes the organisation efficient in adapting to changing needs.

- **Facilitates Direction:** Direction is an important managerial function and forms one of its core functions. Motivation as already mentioned is a vital part of direction. Direction being a process that involves directing or initiating action according to a plan drawn up requires the employees to work wholeheartedly with commitment and loyalty. The process of direction is thus possible only when the employees proceed in the direction that the manager determines and this requires a motivated workforce.

4.20 Maslow's Need Hierarchy Theory of Motivation!

Abraham Maslow's motivation theory is based on the human needs. These needs are classified into a sequential hierarchy from the lower to higher order as five need clusters as shown in the following Figure

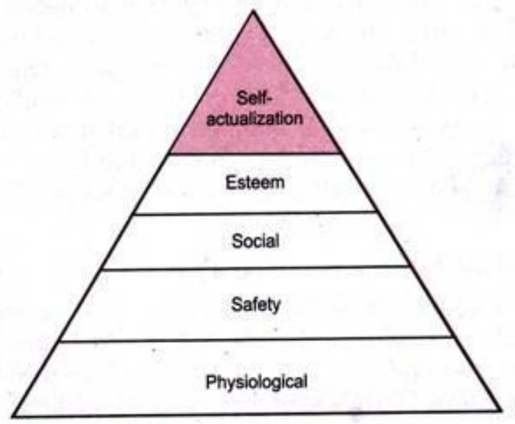


Figure 10.2: Maslow's Need Hierarchy Theory

The above five need-clusters are now discussed in seriatim:

***1*. Physiological Needs:**

These needs are of the lowest-order and most basic needs of human beings. These involve satisfying fundamental biological drives, such as the need for food, air, water, cloth, and shelter generally expressed in the names of roti, kapada aur makan. These needs exert tremendous influence on human behaviour. Entrepreneur also being a human being has to meet his physiological needs for survival. Hence, he / she is motivated to work in the enterprise to have economic rewards to meet his / her basic needs.

2. Safety and Security Needs:

The second level of need in Maslow's hierarchy is emerged once physiological needs are met. Safety needs involve the need for a secure environment, free from threats of physical and psychological harm. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the entrepreneur is prompted to work more in his/ her entrepreneurial pursuit. Like physical needs, these become inactive once they are also satisfied.

3. Social Needs:

Man is social animal. These needs, therefore, refer to belongingness or affiliation. All individuals want to be recognized and accepted by others. Likewise, an entrepreneur is motivated to interact with fellow entrepreneurs, his employees, and others.

4. Esteem Needs:

These needs refer to self-esteem and self-respect. These include such needs that indicate self-confidence, achievement, competence, knowledge, and independence. In case of entrepreneurs, the ownership and self- control over enterprise satisfies their esteem needs by providing them status, respect, reputation, and independence.

5. Self-Actualization:

The final step under the need hierarchy model is the need for self-actualization. This refers to self- fulfilment. The term 'self- actualization' was coined by Kurt Goldstein and means to become actualized in what one is potentially good. An entrepreneur may achieve self-actualization in being a successful entrepreneur.

- In Maslow's above need hierarchy theory, human needs are arranged in a lowest to the highest order. The second need does not dominate unless the first is reasonably satisfied and the third need does not dominate until the first two needs have been reasonably satisfied. This process goes on till the last need.

- This is because man is never satisfied. If one need is satisfied, another need arises. Once a need is satisfied, it ceases to be a motivating factor. For entrepreneurs, it is mainly social, esteem, and self-actualization needs which motivate them to work more and more for satisfying them.

4.21 McClelland's Theory of Needs (Power, Achievement, and Affiliation)

- **McClelland's theory of needs** is one such theory that explains this process of motivation by breaking down what and how needs are and how they have to be approached. David McClelland was an American Psychologist who developed his theory of needs or Achievement Theory of Motivation which revolves around three important aspects, namely, Achievement, Power and Affiliation.

- This theory was developed in the 1960s and McClelland points out that regardless of our age, sex, race or culture, all of us possess one of these needs and are driven by it. This theory is also known as the Acquired Needs as McClelland put forth that the specific needs of an individual are acquired and shaped over time through the experiences he has had in life.

- Psychologist David McClelland advocated Need theory, also **popular as Three Needs Theory**. This motivational theory states that the needs for **achievement**, **power**, and **affiliation** significantly influence the behavior of an individual, which is useful to understand from a managerial context.

- This theory can be considered an extension of Maslow's hierarchy of needs. Per McClelland, every individual has these three types of motivational needs irrespective of their demography, culture or wealth. These motivation types are driven from real-life experiences and the views of their ethics

Need For Achievement

- The need for achievement as the name itself suggests is the urge to achieve something in what you do. If you are a lawyer it is the need to win cases and be recognized, if you are a painter it is the need to paint a famous painting.

- It is the need that drives a person to work and even struggle for the objective that he wants to achieve. People who possess high achievement needs are people who always work to excel by particularly avoiding low reward low-risk situations and difficult to achieve high-risk situations.

- Such people avoid low-risk situations because of the lack of a real challenge and their understanding that such achievement is not genuine.
- They also avoid high-risk situations because they perceive and understand it to be more about luck and chance and not about one's own effort. The more the achievements they make the higher their performance because of higher levels of motivation.
- These people find innovative clever ways to achieve goals and consider their achievement a better reward than financial ones. They take calculated decision and always appreciate feedback and usually works alone.

- The individuals motivated by needs for achievement usually have a strong desire of setting up difficult objectives and accomplishing them. Their preference is to work in a results-oriented work environment and always appreciate any feedback on their work.

- Achievement based individuals take calculated risks to reach their goals and may circumvent both high-risk and low-risk situations.

- They often prefer working alone. This personality type believes in a hierarchical structure derived primarily by work-based achievements.

Need For Power

- The need for power is the desire within a person to hold control and authority over another person and influence and change their decision in accordance with his own needs or desires. The need to enhance their self-esteem and reputation drives these people and they desire their views and ideas to be accepted and implemented over the views and ideas over others.

- These people are strong leaders and can be best suited to leading positions. They either belong to Personal or Institutional power motivator groups.

- If they are a personal power motivator they would have the need to control others and an institutional power motivator seeks to lead and coordinate a team towards an end.

- The individuals motivated by the need for power have a desire to control and influence others.

- Competition motivates them and they enjoy winning arguments. Status and recognition is something they aspire for and do not like being on the losing side.
- They are self-disciplined and expect the same from their peers and teams. They do not mind playing a zero-sum game, where, for one person to win, another must lose and collaboration is not an option.
- This motivational type is accompanied by needs for personal prestige, and better personal status.

Need For Affiliation

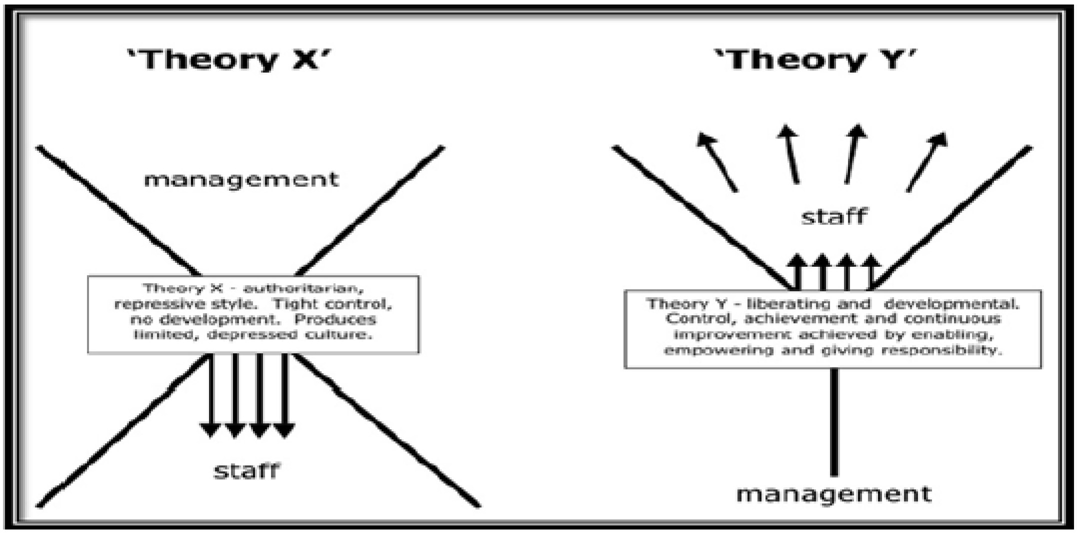
- The need for affiliation is the urge of a person to have interpersonal and social relationships with others or a particular set of people.
- They seek to work in groups by creating friendly and lasting relationships and has the urge to be liked by others. They tend to like collaborating with others to competing with them and usually avoids high-risk situations and uncertainty
- The individuals motivated by the need for affiliation prefer being part of a group. They like spending their time socializing and maintaining relationships and possess a strong desire to be loved and accepted.
- These individuals stick to basics and play by the books without feeling a need to change things, primarily due to a fear of being rejected.
- People in this group tend to adhere to the norms of the culture in that workplace and typically do not change the norms of the workplace for fear of rejection. Collaboration is the way to work for the competition remains secondary.

- They are not risk seekers and are more cautious in their approach. These individuals work effectively in roles based on social interactions, for instance, client service and other customer interaction positions.

4.22 MCGREGOR'S THEORY X and Y theory.

- Our management style is firmly influenced by our beliefs and assumptions about what encourages members of our team like: If we believe that our team members dislike work, then we tend towards an authoritarian style of management.
- However, if we assume that employees take pride in doing a good job, we tend to adopt a more participative style.
- Douglas McGregor, the eminent social psychologist, divides management style into two contrasting theories −

- Theory X
- Theory Y



Theory X

This theory believes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management.

According to this theory, management must firmly intervene to get things done. This style of management concludes that workers –

- Disfavour working.
- Abstain responsibility and the need to be directed.
- Need to be controlled, forced, and warned to deliver what's needed.
- Demand to be supervised at each and every step, with controls put in place.
- Require to be attracted to produce results, else they have no ambition or incentive to work.

McGregor observed that X-type workers are in fact mostly in minority, and yet in mass organizations, such as large scale production environment, X Theory management may be needed and can be unavoidable.

Theory Y

This theory explains a participative style of management, that is, distributive in nature. It concludes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It estimates that workers –

- Take responsibility willingly and are encouraged to fulfill the goals they are given.
- Explore and accept responsibility and do not need much guidance.
- Assume work as a natural part of life and solve work issues imaginatively.

In Y-type organizations, people at lower levels are engaged in decision making and have more responsibility.

Comparing Theory X & Theory Y

Let us now compare both the theories –

Motivation

Theory X considers that people dislike work, they want to avoid it and do not take responsibilities willingly.

While, Theory Y considers that people are self-motivated, and sportingly take responsibilities.

Management Style and Control

- In Theory X-type organization, management is authoritarian, and centralized control is maintained.
- While in Theory Y-type organization, the management style is participative, employees are involved decision making, but the power retains to implement decisions.

Work Organization

- Theory X employees are specialized and the same work cycle continues.
- In Theory Y, the work tends to be coordinated around wider areas of skill or knowledge. Employees are also motivated to develop expertise, and make suggestions and improvements.

Rewards and Appraisals

Theory X-type organizations work on a ‘carrot and stick’ basis, and performance assessment is part of the overall mechanism of control and compensation.

Coming to Theory Y-type organizations, appraisal is also regular and crucial, but is usually a separate mechanism from organizational controls. Theory Y-type organizations provide employees frequent opportunities for promotion.

Application

- Admitting the fact that Theory X management style is widely accepted as inferior to others, it has its place in large scale production procedure and unskilled production-line work.
- Many of the principles of Theory Y are widely accepted by different types of organization that value and motivate active participation.
- Theory Y-style management is appropriate for knowledge work and licensed services. Licensed service organizations naturally develop Theory Y-type practices by the nature of their work, even high structure knowledge framework, like call centre operations, benefit from its principles to motivate knowledge sharing and continuous improvement.

UNIT-V CONTROL AND COORDINATION

5.1 FUNDAMENTALS OF CONTROLLING: CONCEPT

Some of the essential steps of controlling process as studied under Business Management are : 1. Setting Performance Standards

2. Measurement of Actual Performance

3. Comparing Actual Performance with Standards

4. Analysing Deviations

5. Taking Corrective Action.

Controlling Process consists of following systematic steps:

1. Setting Performance Standards:

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

Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.

Examples of Quantitative Standards:

(a) Revenue to be earned.

(b) Units to be produced and sold.

(c) Cost to be incurred.

(d) Time to be spent in performing a task.

(e) Amount of inventories to be maintained etc

.**Examples of Qualitative Standards:**

(a) Improving motivation level of employees.

(b) Improving labour relations.

(c) Improving quality of products.

(d) Improving goodwill etc.

In order to facilitate easy comparison of actual performance with the standards, a manager should try to set these standards in quantitative terms as far as possible. However, in case of qualitative standards, effort should be made to define these standards in such a way that comparison becomes easily understandable.

2. Measurement of Actual Performance:

Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

3. Comparing Actual Performance with Standards:

This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.

4. Analysing Deviations:

Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas. Management should use critical point control and management by exception in such areas.

5. Taking Corrective Action:

The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

5.2 NEED:

1. Accomplishing Organizational Goals The process of controlling helps in accomplishing organizational goals or objectives. The controlling guides the activities of subordinates in achieving the goals. It ensures the use ot human and material resources in the best possible manner so that there may be pre-determined objectives of the organization.

2. Judging Accuracy of the Standards A manager compares the actual work performance with the standards while performing the function of control. He tries to find out whether the accuracy of the standards is not more or less than the general standards. In case of the needs, they are redefined.

3. Improves Efficiency The organization sets the goal to the future which is not certain. So, controlling is the way which focuses on uncertainty and to attain the goals. Regular control snows the deviation in plan and actual achievement which helps to keep the staffs on the right track.

4. Improve Employee Motivation Motivation is defined as the process to inspiring someone tor doing something. Controlling makes all the employees work with complete dedication as they know that their work performance will be evaluated. Their identity will be established if the progress report is satisfactory in the organization.

5.3 TYPES OF CONTROL:

Management theorists and experts have devised several techniques over the years. They often divide these techniques into two categories: traditional and modern. Traditional types of techniques generally focus on non-scientific methods. On the other hand, modern techniques find their sources in scientific methods which can be more accurate.

Traditional Types of Control Techniques in Management

- Budgetary Control
- Standard Costing
- Financial Ratio Analysis
- Internal Audit
- Break-Even Analysis
- Statistical Control

Budgetary Control

- Budgeting simply means showcasing plans and expected results using numerical information. As a corollary to this, budgetary control means controlling regular operations of an organization for executing budgets.

- A budget basically helps in understanding and expressing expected results of projects and tasks in numerical form. For example, the amounts of sales, production output, machine hours, etc. can be seen in budgets.

- There can be several types of budgets depending on the kind of data they aim to project. For example, a sale budget explains selling and distribution targets. Similarly, there can also be budgets for purchase, production, capital expenditure, cash, etc.

- The main aim of budgetary control is to regulate the activity of an organization using budgeting. This process firstly requires managers to determine what objectives they wish to achieve from a particular activity. After that, they have to lay down the exact course of action that they will follow for weeks and months.

- Next, they will translate these expected results into monetary and numerical terms, i.e. under a budget. Finally, managers will compare actual performances with their budgets and take corrective measures if necessary. This is exactly how the process of budgetary control works.

Standard Costing

- Standard costing is similar to budgeting in the way that it relies on numerical figures. The difference between the two, however, is that standard costing relies on standard and regular/recurring costs.

- Under this technique, managers record their costs and expenses for every activity and compare them with standard costs. This controlling technique basically helps in realizing which activity is profitable and which one is not.

Financial Ratio Analysis

- Every business organization has to depict its financial performances using reports like balance sheets and profit & loss statements. Financial ratio analysis basically compares these financial reports to show the financial performance of a business in numerical terms.

- Comparative studies of financial statements showcase standards like changes in assets, liabilities, capital, profits, etc. Financial ratio analysis also helps in understanding the liquidity and solvency status of a business.

Internal Audit

- Another popular traditional type of control technique is internal auditing. This process requires internal auditors to appraise themselves of the operations of an organization.

- Generally, the scope of an internal audit is narrow and it relates to financial and accounting activities. In modern times, however, managers use it to regulate several other tasks.

- For example, it can also cover policies, procedures, methods, and management of an organization. Results of such audits can, consequently, help managers take corrective action for controlling.

Break-Even Analysis

- Break-even analysis shows the point at which a business neither earns profits nor incurs losses. This can be in the form of sale output, production volume, the price of products, etc.

- Managers often use break-even analysis to determine the minimum level of results they must achieve for an activity. Any number that goes below the break-even point triggers corrective measures for control.

Statistical Control

- The use of statistical tools is a great way to understand an organization's tasks effectively and efficiently. They help in showing averages, percentages, and ratios using comprehensible graphs and charts.

- Managers often use pie charts and graphs to depict their sales, production, profits, productivity, etc. Such tools have always been popular traditional control techniques.

5.4 BUDGETARY CONTROL:

Definition: Budgetary control refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. In other words, budgetary control is a process for managers to set financial and performance goals with budgets, compare the actual results, and adjust performance, as it is needed.

OBJECTIVES:

1. To ensure planning for future by setting up various budgets, the requirements and expected performance of the enterprise are anticipated.

2. To operate various cost centres and departments with efficiency and economy.

3. Elimination of wastes and increase in profitability.

4. To anticipate capital expenditure for future.

5. To centralise the control system.

6. Correction of deviations from the established standards

Essentials of Budgetary Control:

There are certain steps which are necessary for the successful implementation budgetary control system.

These are as follows:

1. Organisation for Budgetary Control

2. Budget Centres

3. Budget Mammal

4. Budget Officer

5. Budget Committee

6. Budget Period

7. Determination of Key Factor.

1. Organization for Budgetary Control:

The proper organization is essential for the successful preparation, maintenance and administration of budgets.

A Budgetary Committee is formed, which comprises the departmental heads of various departments. All the functional heads are entrusted with the responsibility of ensuring proper implementation of their respective departmental budgets.

The Chief Executive is the overall in-charge of budgetary system.

He constitutes a budget committee for preparing realistic budgets A budget officer is the convener of the budget committee who co-ordinates the budgets of different departments. The managers of different departments are made responsible for their departmental budgets.

2. Budget Centres:

A budget centre is that part of the organization for which the budget is prepared. A budget centre may be a department, section of a department or any other part of the department.

The establishment of budget centres is essential for covering all parts of the organization.

The budget centres are also necessary for cost control purposes. The appraisal performance of different parts of the organization becomes easy when different centres are established.

3. Budget Manual:

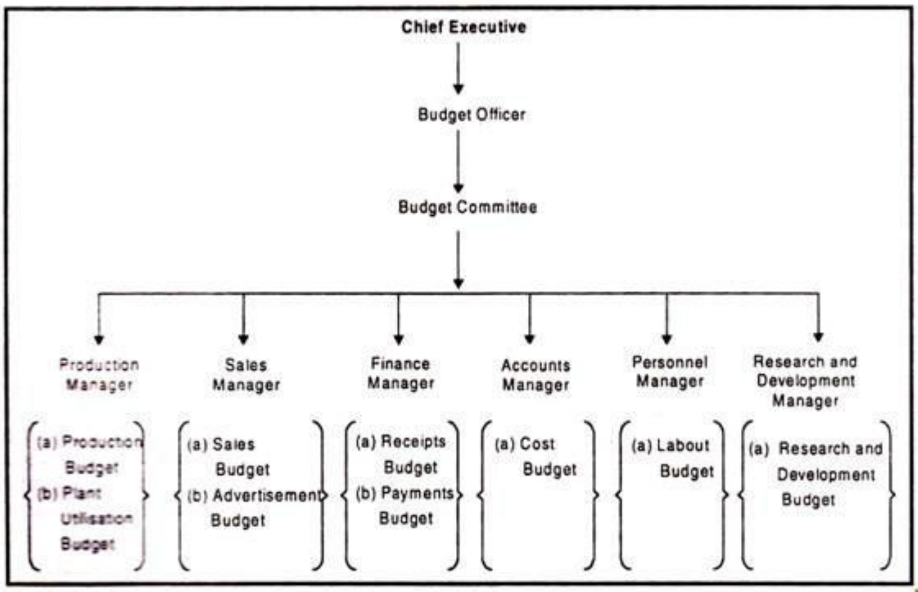
A budget manual is a document which spells out the duties and also the responsibilities of various executives concerned with the budgets. It specifies the relations amongst various functionaries.

4. Budget Officer:

The Chief Executive, who is at the top of the organization, appoints some person as Budget Officer.

The budget officer is empowered to scrutinize the budgets prepared by different functional heads and to make changes in them, if the situations so demand.

The actual performance of different departments is communicated to the Budget Officer. He determines the deviations in the budgets and the actual performance and takes necessary steps to rectify the deficiencies, if any.



5. Budget Committee:

In small-scale concerns the accountant is made responsible for preparation and implementation of budgets. In large-scale concerns a committee known as Budget Committee is formed. The heads of all the important departments are made members of this committee.

The Committee is responsible for preparation and execution of budgets. The members of this committee put up the case of their respective departments and help the committee to take collective decisions if necessary. The Budget Officer acts as convener of this committee.

6. Budget Period:

A budget period is the length of time for which a budget is prepared and employed. The budget period depends upon a number of factors.

It may be different for different industries or even it may be different in the same industry or business.

7. Determination of Key Factor:

The budgets are prepared for all functional areas. These budgets are interdependent and inter-related. A proper co-ordination among different budgets is necessary for making the budgetary control a success.

The constraints on some budgets may have an effect on other budgets too. A factor which influences all other budgets is known as Key Factor or Principal Factor.

Advantages of Budgetary Control:

The budgetary control system help in fixing the goals for the organization as whole and concerted efforts are made for its achievements. It enables 'economies in the enterprise.

Some of the advantages of budgetary control are:

1. Maximization of Profits:

The budgetary control aims at the maximization of profits of the enterprise. To achieve this aim, a proper planning and co ordination of different functions is undertaken. There is a proper control over various capital and revenue expenditures. The resources are put to the best possible use.

2. Co-ordination:

The working of different departments and sectors is properly coordinated. The budgets of different departments have a bearing on one another. The co-ordination of various executives and subordinates is necessary for achieving budgeted targets.

3. Specific Aims:

The plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal, of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims.

4. Tool for Measuring Performance:

By providing targets to various departments, budgetary control provides a tool for measuring managerial performance. The budgeted targets are compared to actual results and deviations are determined. The performance of each department is reported to the top management. This system enables the introduction of management by exception.

5. Economy:

The planning of expenditure will be systematic and there will be economy in spending. The finances will be put to optimum use. The benefits derived for the concern will ultimately extend to industry and then to national economy. The national resources will be used economically and wastage will be eliminated.

5.5 Limitations of Budgetary Control:

Despite of many good points of budgetary control there are some limitations of this system.

Some of the limitations are discussed as follows:

1. Uncertain Future:

The budgets are prepared for the future period. Despite best estimates made for the future, the predictions may not always come true. The future is always uncertain and the situation which is presumed to prevail in future may change.

The change in future conditions upsets the budgets which have to be prepared on the basis of certain assumptions. The future uncertainties reduce the utility of budgetary control system.

2. Budgetary Revision Required:

Budgets are prepared on the assumptions that certain conditions will prevail. Because of future uncertainties, assumed conditions may not prevail necessitating the revision of budgetary targets.

The frequent revision of targets will reduce the value of budgets and revisions involve huge expenditures too.

3. Discourage Efficient Persons:

Under budgetary control system the targets are given to every person in the organization.

The common tendency of people is to achieve the targets only. There may be some efficient persons who can exceed the targets but they will also feel contented by reaching the targets. So budgets may serve as constraints on managerial initiatives.

4. Problem of Co-ordination:

The success of budgetary control depends upon the co-ordination among different departments.

The performance of one department affects the results of other departments. To overcome the problem of coordination a Budgetary Officer is needed. Every concern cannot afford to appoint a Budgetary Officer.

The lack of co-ordination among different departments results in poor performance.

5. Conflict Among Different Departments:

Budgetary control may lead to conflicts among functional departments. Every departmental head worries for his department goals without thinking of business goal.

Every department tries to get maximum allocation of funds and this raises a conflict among different departments.

5.6 NON BUDGETARY CONTROL:

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

1. Statistical data:

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

2. Break- even point analysis:

An interesting control device is the break even chart.
This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

3. Operational audit:

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

4. Personal observation:

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

5.7 STEPS IN CONTROLLING:

Controlling involves ensuring that performance does not deviate from standards. Controlling consists of five steps: (1) set standards, (2) measure performance, (3) compare performance to standards, (4) determine the reasons for deviations and then (5) take corrective action as needed .

- The measurement of performance can be done in several ways, depending on the performance standards, including financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals. Managers at all levels engage in the managerial function of controlling to some degree.

- The managerial function of controlling should not be confused with control in the behavioural or manipulative sense.
- This function does not imply that managers should attempt to control or to manipulate the personalities, values, attitudes, or emotions of their subordinates.
- Instead, this function of management concerns the manager's role in taking necessary actions to ensure that the work-related activities of subordinates are consistent with and contributing toward the accomplishment of organizational and departmental objectives.

Costs

Financial costs—direct (i.e., paying for an accountant for an audit) and indirect (i.e., people employed by the organization whose primary function is related to control—internal quality control, for instance).

Culture and reputation costs—the intangible costs associated with any form of control. Examples include damaged relationships with employees or tarnished reputation with investors or government.

*Responsiveness cost*s—downtime between a decision and the actions required to implement it due to compliance with controls.

Poorly implemented controls—implementation is botched or the implementation of a new control conflicts with other controls.

Benefits

Cost and productivity control—ensures that the firm functions effectively and efficiently.

Quality control—contributes to cost control (i.e., fewer defects, less waste), customer satisfaction (i.e., fewer returns), and greater sales (i.e., repeat customers and new customers).

Opportunity recognition—helps managers identify and isolate the source of positive surprises, such as a new growth market. Though opportunities can also be found in internal comparisons of cost control and productivity across units.

Manage uncertainty and complexity—keeps the organization focused on its strategy, and helps managers anticipate and detect negative surprises and respond opportunistically to positive surprises.

Decentralized decision making—allows the organization to be more responsive by moving decision making to those closest to customers and areas of uncertainty.

5.8 SOURCE OF CONTROLLING:

1. Guides the Management in Achieving Pre-determined Goals:

The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark.

2. Ensures Effective Use of Scarce and Valuable Resources:

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest.

Controls put psychological pressure on persons in the organization. On the other hand control also enables management to decide whether employees are doing right things.

3. Facilitates Coordination:

Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals.

Similarly the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

4. Leads to Delegation and Decentralization of Authority:

A decision about follow-up action is also facilitated. Control makes delegation easier/better. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control.

The targets or goals of various departments are used as a control technique. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralization without losing control over activities.

5. Spares Top Management to Concentrate on Policy Making:

For control processes management's attention is not required every now and then. The management by exception enables top management to concentrate on policy formulation.

5.9 CONTROL TECHNIQUE:

1. Direct Supervision and Observation

'Direct Supervision and Observation' is the oldest technique of controlling. The supervisor himself observes the employees and their work. This brings him in direct contact with the workers. So, many problems are solved during supervision. The supervisor gets first hand information, and he has better understanding with the workers. This technique is most suitable for a small-sized business.

2. Financial Statements

All business organisations prepare Profit and Loss Account. It gives a summary of the income and expenses for a specified period. They also prepare Balance Sheet, which shows the financial position of the organisation at the end of the specified period. Financial statements are used to control the organisation. The figures of the current year can be compared with the previous year's figures. They can also be compared with the figures of other similar organisations.

3. Budgetary Control

A budget is a planning and controlling device. Budgetary control is a technique of managerial control through budgets. It is the essence of financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue. Budgetary control is done by the budget committee.

4. Break Even Analysis

Break Even Analysis or Break Even Point is the point of no profit, no loss. For e.g. When an organisation sells 50K cars it will break even. It means that, any sale below this point will cause losses and any sale above this point will earn profits. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take collective action to improve its performance in the future. Break-even analysis is a simple control tool.

5. Return on Investment (ROI)

Investment consists of fixed assets and working capital used in business. Profit on the investment is a reward for risk taking. If the ROI is high then the financial performance of a business is good and vice-versa.

ROI is a tool to improve financial performance. It helps the business to compare its present performance with that of previous years' performance. It helps to conduct inter-firm comparisons. It also shows the areas where corrective actions are needed.

5.10 LIMITATIONS:

1. Difficulty in setting quantitative standards:

Control system loses its effectiveness when standard of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behaviour, efficiency level, job satisfaction, employee's morale, etc. In such cases judgment depends upon the discretion of manager.

2. No control on external factors:

An enterprise cannot control the external factors such as government policy, technological changes, change in fashion, change in competitor's policy, etc.

3. Resistance from employees:

Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.

4. Costly affair:

Control is an expensive process it involves lot of time and effort as sufficient attention has to be paid to observe the performance of the employees. To install an expensive control system organisations have to spend large amount. Management must compare the benefits of controlling system with the cost involved in installing them. The benefits must be more than the cost involved then only controlling will be effective otherwise it will lead to inefficiency.

5.11 COORDINATION:

The purpose of organising, division of work, departmentation, span of management, centralisation and decentralisation, delegation of authority and organisation structure is to optimally achieve the organisational goals.

This is possible if departments of the organisation are co-ordinated in a unified direction.

NEED:

The need for coordination arises because individuals and departments have different goals. They depend on each other for resources and information. Managers continuously coordinate their activities to ensure that all individuals and departments use organisational resources and information for successful attainment of organisational goals.

Coordination results in the following benefits:

1. Non-routine jobs:

Non-routine jobs need constant flow of information, both vertical and horizontal. Unless there is proper coordination amongst these jobs, they cannot be performed efficiently. Coordination, thus, helps in effectively carrying out non-routine jobs.

2. Dynamic activities:

Organisations operate in the dynamic environment. Environmental changes have to be adopted by organisations for their survival and growth. Coordination helps in integrating activities which constantly change according to changes in the environment.

3. Standards of performance:

When standards of performance against which actual performance is to be measured are too high, managers coordinate the various business activities to ensure that high performance standards are achieved.

4. Interdependence of activities:

When different units of the organisation are dependent on each other for resources or information, there is great need for coordination amongst them. Greater the interdependence, greater is the need for coordination. According to Thompson, there are three types of interdependence: pooled, sequential and reciprocal interdependence.

In pooled interdependence, organisational performance depends upon pooled or combined performance of all the departments. This happens when different divisions make different products not dependent on each other.

5. Specialisation:

Specialisation leads to concentration on very narrow areas of job activity. Individuals tend to overlook overall perspective of the job. This requires coordination to direct all the activities towards a common goal.

6. Growing organisation:

In growing organisations, number of people and divisions become so large that it becomes difficult for top managers to coordinate the activities performed by all of them. Various techniques of coordination (rules, procedures, plans, goals, slack resources etc.) help in unifying diverse and multiple organisational/departmental activities towards the common goal.

7. Promote group effort:

In the absence of coordination, each individual and department will carry out their objectives in a manner that they perceive as the best. People tend to maximise their individual goals. This may, however, not be the best for the organisation as a whole.

8. Unity of action:

Organisations have diverse work force, thoughts, resources, goals, activities and skills. Coordination helps to unify these diverse set of actions towards a single goal and, thus, maximise their use.

9. Synergy:

Coordination facilitates the sum total of output of group to increase by more than the sum total of their individual output. It integrates work of different units and produces synergistic effects by increasing the overall organisational output.

5.12 TYPES AND PRINCIPLES OF COORDINATION:

Coordination can be of the following types:

1. Internal and External Coordination, and

2. Vertical and Horizontal Coordination.

1. Internal and External Coordination:

Coordination between the activities of departments and people working within the organisation is known as internal coordination. Coordination between activities of the organisation with units outside the organisation (Government, customers, suppliers, competitors etc.) is known as external coordination.

Organisations are open system which continuously interacts with the environment through the input-output conversion process. They receive inputs from the environment, process them and give them back to the environment in the form of outputs. This cycle is repeated after receiving feedback from the environment about the acceptability of their products.

2. Vertical and Horizontal Coordination:

Both these types of coordination are the forms of internal coordination. Vertical coordination is achieved amongst activities of people working at different levels. It coordinates the activities of top managers with those of middle and lower level managers.

It is "the linking of activities at the top of the organisation with those at the middle and lower levels in order to achieve organisational goals." Vertical coordination can be achieved through span of management, centralisation, decentralisation and delegation.

(i) Direct contact:

Mostly prevalent at middle and lower levels, people of different departments directly communicate with each other to solve their organisational problems without involving the top managers. Coordination is, thus, achieved laterally without following the chain of command.

(ii) Liaison roles:

Rather than people of different departments solving their problems through direct contact, the problems are solved by a person who maintains direct contact with people of different departments. The person known as liaison officer, is a common link between the units or departments.

Though he does not have formal authority over the groups, he facilitates the flow of information and communication between them. He coordinates the efforts of diverse groups by dealing directly with departments where problems have arisen.

(iii) Task forces:

Where liaison officer cannot coordinate the activities of departments because the inter-departmental dependence is complex or because coordination has to be achieved amongst many departments, task forces are created to facilitate coordination.

A task force is a team of members from different departments (where the problem has arisen) who form a group and share information with respect to the problems of their respective departments. When solution to the problem is achieved, the task force is dissolved and members go back to their respective positions. Coordination amongst different departments is, thus, facilitated through task forces.

(iv) Committees:

Committees are formed to look into specific organisational problems which may be recurring in nature. A committee that looks into absenteeism, promotion and transfer of employees achieves coordination with respect to labour force, keeping it satisfied and committed towards organisational goals.

(v) Managerial integrators:

They are the specifically appointed managers who coordinate the products, projects or brands that involve inter-departmental dependence or interaction. They are usually product managers, project managers or brand managers.

Principles of Coordination:

Principles refer to fundamental truths on which an action is based.

The following principles help in achieving coordination:

1. Unity of command:

Unity of command means one boss for one subordinate. It will be difficult to achieve coordination if one individual has to report to more than one boss. Unity of command helps in coordinating the activities of individuals and departments.

2. Early beginning:

It follows the principle of earlier the better. Managers should initiate efforts to coordinate organisational activities right from the planning stage.

If plans are implemented without coordination in mind, it will become difficult to coordinate the organisational activities at later stages.

Well begun is half done. Framing objectives and policies through participative decision-making are the strengths to achieve coordination. Participation allows members to know the importance of everyone in the organisation. It reduces conflicts, promotes commitment and harmony to create an environment conducive for coordinated efforts directed towards organisational goals.

3. Scalar chain:

It refers to chain or link between top managers and lower managers. It is the hierarchy of levels where information and instructions flow from top to bottom and suggestions and complaints flow from bottom to top.

This chain facilitates coordination as top managers pass orders and instructions down the chain, necessary for subordinates to work efficiently.

Subordinates also pass upwards only those suggestions and complaints, which they feel should be brought to the notice of top managers through middle level managers. Passing of only necessary information facilitates coordination amongst various levels. Scalar chain, thus, facilitates coordination.

4. Continuity:

Coordination is a continuous process. It must be continuously carried out at all levels in every department. It starts the moment an organisation comes into existence and continues till the organisation exists. Coordination is not an option. It is the inevitable force that binds organisational members and resources together and, thus, is the backbone of organisational success.

5. Span of management:

It refers to the number of subordinates that a manager can manage effectively. It is important to place only as many subordinates under the direction of one manager as can be effectively managed by him.

It affects the manager’s ability to coordinate the activities of subordinates working under him. Large number of subordinates under one manager can make coordination difficult.

6. Direct contact:

Direct or personal contact between managers and subordinates can achieve better coordination than indirect or impersonal contact. Face-to-face interaction amongst people of different levels or same level in different departments promotes understanding of information and thoughts.

This facilitates effective communication and mutual understanding and through it, effective coordination.

7. Reciprocity:

It refers to interdependence of activities. Production and sales department, for example, are inter-dependent. The more one sells, the more one needs to produce. The more one produces, the more one attempts to sell what is produced.

The nature and extent to which organisational activities are dependent on each other are considered by managers when they initiate to coordinate the organisational activities.

More the inter-dependence amongst organisational activities more is the need for coordination amongst them.

8. Dynamism:

There are no fixed and rigid rules for coordination. Changes in organisational environment necessitate changes in the techniques of coordination. It is, thus, a dynamic and not a static concept.

5.13 Techniques of effective Coordination in Organization

1. **Direct Contact**: One of the most effective means of achieving coordination is direct contact. Written communication, modern electronic, mechanical devices, etc., can also be used.
2. **Group Meetings**: Group meetings are said to be an effective means of achieving coordination.
At the time of meeting, superior comes into personal contact with those connected with the actual problems. Such meetings encourage the people to integrate their efforts. Coordination can be achieved through regular meetings of superiors and subordinates.
3. **Organizational Structure**: Coordination can be achieved only when the authority and responsibility of each and every person are clearly defined. In this connection in other words, the organizational structure should be designed properly so as to permit coordination among various activities along the line itself.
4. **Effective Communication**: In achieving coordination, effective communication plays a vital role. Communication greatly helps in coordination. The purpose of communication is to promote deep

understanding among members by bringing and maintaining coordination in order to achieve the ultimate goals.

Effective Communication is a process whereby ideas and images of one person are transmitted to another person. Coordination between various individuals and activities is brought out by communication

5. **Committees**: In order to coordinate the various activities, various types of committees may be appointed. Committees provide the means for synchronizing various efforts. Committees develop better understanding and morale among the members. They are greatly advisory in nature and make use of the best efforts of the members.

6. **Staff Meetings**: Staff meetings at regular intervals helps in achieving effective coordination because such meeting provides opportunities for frank discussions and better exchange of ideas of people from different sections. This infuses a feeling of unity among the members which makes them to jointly work for the organization.

7. **Effective Leadership**: Leader inculcates a feeling of collectivism in the employees and forces them to work as a team. Individuals within the group may possess varied interests and multiple goals. Leader reconciles these conflicting goals and restores equilibrium. A good leader can achieve coordination at all stages. Hence, effective leadership is essential for achieving coordination.

8. **Informal Coordination**: Many organizations adopt informal means of coordination through processes of social, unofficial interactions, relationship and mutual adjustments. They are very often more effective than formal means.

5.14 DIFFERENCE BETWEEN COORDINATION AND CO-OPERATION

BASIS FOR COMPARISON	COORDINATION	COOPERATION
Meaning	Coordination is the systematic arrangement of various elements of management so as to ensure smooth functioning.	Cooperation is described as the act of working together or conforming to standards, for achieving a common goal.
What is it?	It is a part of management process.	It is a voluntary activity.
Process	Contrived	Natural
Communication	Open	Tacit
Time horizon	Long term	Short term
Relations	Formal	Informal
Activity	Performed at top level management	Performed at each level

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