



VELS



INSTITUTE OF SCIENCE, TECHNOLOGY & ADVANCED STUDIES (VISTAS)
(Deemed to be University Estd. u/s 3 of the UGC Act, 1956)
PALLAVARAM - CHENNAI
INSTITUTION WITH UGC 12B STATUS

DCBBA-12

Business Management



B.Com, BBA
B.A. (Hons) Economics
ODL MODE
[Semester Pattern]

School of Management Studies and Commerce

Centre for Distance and Online Education

Vels Institute of Science, Technology and Advanced Studies (VISTAS)

Pallavaram, Chennai - 600117

**Vels Institute of Science, Technology
and Advanced Studies**

Centre for Distance and Online Education

BBA / B.Com- ODL Mode
(Semester Pattern)

DCBBA-12: Business Management

(4 Credits)

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Further information on the VISTAS ODL Academic Programmes may be obtained from VISTAS-CDOE at Velan Nagar, P.V.Vaithiyalingam Road, Pallavaram, Chennai–600117 [or] www.vistas.ac.in.

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FOREWORD



Dr. Ishari K Ganesh
Chancellor

Vels Institute of Science, Technology and Advanced Studies (VISTAS), deemed to be a university, was established in 2008 under section 3 of the Act of 1956 of the University Grants Commission, Government of India, New Delhi.

VISTAS has blossomed into a multi-disciplinary Institute offering more than 100 UG & PG Programmes, besides Doctoral Programmes, through 18 Schools and 46 Departments. All the Programmes have the approval of the relevant Statutory Regulating Authorities such as UGC, UGC-DEB, AICTE, PCI, BCI, NCTE and DGS.

The deemed to be University aims to provide innovative syllabi and industry-oriented courses, and hence, the revision of curricula is a continuous and ongoing process. The revision is initiated by the faculty depending on the requirement and approved by the Board of Studies of the concerned Department/School. The courses are under Choice Based Credit Systems that enable students to get adequate freedom in choosing subjects.

I am pleased to inform you that VISTAS has been rendering its services to society to democratize the opportunities of higher education for those who are in need through Open and Distance Learning (ODL) mode.

VISTAS ODL Programmes offered have been approved by the University Grants Commission (UGC) – Distance Education Bureau (DEB), New Delhi.

The curriculum and syllabi have been approved by the Board of Studies, Academic Council, and the Executive Committee of the VISTAS, and they are designed to help provide employment opportunities to the students.

The ODL Programme (B.Com., BBA and MBA) study material have been prepared in the Self Instructional Mode (SIM) format as per the UGC-DEB (ODL & OL) Regulations 2020. It is highly helpful to the students, faculties and other professionals. It gives me immense pleasure to bring out the ODL programme with a noble cause of enriching learners' knowledge. I extend my congratulations and appreciation to the Programme Coordinator and the entire team for bringing up the ODL Programme in an elegant manner.

At this juncture, I am glad to announce that the syllabus of this ODL Programme has been made available on our website, www.vistas.ac.in, for the benefit of the student fraternity and other knowledge seekers. I wish that this Self Learning Materials (SLM) would be a nice treatise to the academic community and everyone.

CHANCELLOR

FOREWORD



Dr.S.Sriman Narayanan
Vice-Chancellor

My Dear Students!

Open and Distance Learning (ODL) of VISTAS gives you the flexibility to acquire a University degree without the need to visit the campus often. VISTAS-CDOE involves the creation of an educational experience of qualitative value for the learner that is best suited to the needs outside the classroom. My wholehearted congratulations and delightful greetings to all those who have availed themselves of the wonderful leveraged opportunity of pursuing higher education through this Open and Distance Learning Programme.

Across the world, pursuing higher education through Open and Distance Learning Systems is on the rise. In India, distance education constitutes a considerable portion of the total enrollment in higher education, and innovative approaches and programmes are needed to improve it further, comparable to Western countries where close to 50% of students are enrolled in higher education through ODL systems.

Recent advancements in information and communications technologies, as well as digital teaching and e-learning, provide an opportunity for non-traditional learners who are at a disadvantage in the conventional system due to age, occupation, and social background to upgrade their skills.

VISTAS has a noble intent to take higher education closer to the oppressed, underprivileged women and the rural folk to whom higher education has remained a dream for a long time.

I assure you all that the Vels Institute of Science, Technology and Advanced Studies would extend all possible support to every registered student of this deemed to be university to pursue her/his education without any constraints. We will facilitate an excellent ambience for your pleasant learning and satisfy your learning needs through our professionally designed curriculum, providing Open Educational Resources, continuous mentoring and assessments by faculty members through interactive counselling sessions.

This university brings to reality the dreams of the great poet of modern times, Mahakavi Bharathi, who envisioned that all our citizens be offered education so that the globe grows and advances forever.

I hope that you achieve all your dreams, aspirations, and goals by associating yourself with our ODL System for never-ending continuous learning.

With warm regards,

VICE-CHANCELLOR

Course Introduction

The Course DCBBA-12: **Business Management** has been divided in to five Blocks consisting of 18 Units. The concept of **Management Thought and Evolution** has been given in Block-1.

The Block-1 has been divided in to four Units (Unit-1 to Unit-4). Unit-1 describes about the Introduction to Business Management, Unit-2 explains about the Role of Managers in Management, Unit-3 deals with the Process and Functions of Management and the Unit-4 presents about the Authors Contribution to the Management.

The Block-2 **Planning and Decision Making** has been divided in to four Units (Unit-5 to Unit-8). Unit-5 describes about the Types of Planning, Unit-6 explains about the Management by Objectives (MBO), Unit-7 deals with the Approaches of Planning Process and the Unit-8 presents about the concept of Decision Making.

The Block-3 **Organization Structure** has been divided in to four Units (Unit-9 to Unit-12). Unit-9 describes about the Concepts of Organization, Unit-10 explains about the Formal and Informal Organisations, Unit-11 deals with the Departmentation and the Unit-12 presents about the Delegation of Authority.

The Block-4 **Recruitment, Selection, Training and Development** has been divided in to three Units (Unit-13 to Unit-15). Unit-13 describes about the Recruitment , Unit-14 explains about the Selection concept and the Unit-15 deals with the Training and Development.

The Block-5 **Controlling** has been divided in to three Units (Unit-16 to Unit-18). Unit-16 describes about the Motivation and Communication, Unit-17 explains about the Direction and Coordination and Unit-18 deals with the concept of Controlling.

DCBBA-12: Business Management

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Block-1: Introduction

Block-1: **Management Thought and Evolution** has been divided in to four Units. In the Unit-1: **Introduction to Business Management**, the **Introduction**, the Meaning and the Definition of Management, the Nature of Management, the Scope of Management, the Financial Management, the Marketing Management, Personnel Management, Production Management, Office Management, and the Level of Management has been presented.

The Unit-2 : **Role of Managers in Management** deals with the Introduction, Role of Managers, Interpersonal role, The Informational role, The Decisional role, Responsibilities and skills, Leadership, Communication, Collaboration, Critical Thinking, Finance, Project Management, Emerging Issues in Business Management, Business Process Re-engineering, Total Quality Management, Benchmarking and Strategic Management.

The Unit-3: **Process and Functions of Management** explains about the Process of Management, Planning, Organizing, Staffing, Direction, Controlling, Development of Scientific Management, Objectives of Frederick Taylor Theory, Frederick Taylor's Scientific Management Principles, Trends and Challenges of Management in Global Scenario, Globalization, Technology, Workforce diversity, Innovation, Ethics and Governance, Quality, Cost and Change Management.

The Unit-4: **Authors Contribution to Management** presents about Henry Fayol, Principles of Management, F.W. Taylor and Four Principles of Scientific Management.

In all the units of Block -1: **Management Thought and Evolution**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-1

Introduction to Business Management

STRUCTURE

Overview

Objectives

1.1. Introduction

1.2. Meaning and Definition of Management

1.3. Nature of Management

1.4. Scope of Management

1.4.1. Financial Management

1.4.2. Marketing Management

1.4.3. Personnel Management

1.4.4. Production Management

1.4.5. Office Management

1.5. Level of Management

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

This Unit explains about the nature of the management, scope of management such as financial management, marketing management, personal management, production management, office management and level of management with the help of coordination and administration of business activities, tasks, and resources to achieve a set objective in an organization.

Objectives

After completion of this unit, students should be able:

- To define Business management and describe its purpose.

- To identify the nature of management.
- To understand the scope and level of management.

1.1. Introduction

One of the most important activities that all of us engage in, is managing. Ever since human life started either to organize for food or shelter, the elements of management were subtly seen in all these activities. History also confirms the application of management techniques, which are visible even today.

The Egyptian pyramids built centuries ago, are evidence of excellent organizational skills of scores of workers in those times, thus making us believe that a number of management functions were in use long ago.

Similarly, Indus valley civilization also demonstrates the use of management techniques of a higher level of sophistication, considering the time it was built. Further, these instances also show that management has been an inherent part in human survival and organized activity as well.

Management is a process of integrating resources and tasks towards the achievement of the stated organizational goals. It is often referred to as a process of planning, organizing, staffing, Direction and controlling. Management literature labels them as the functions of management.

1.2. Meaning and Definition

It is not an exaggeration to state that everyone is a manager in some measure or the other in our daily lives. People confront different situations/contexts forcing them to manage the otherwise messy situations in a planned and organized way so as to achieve the goals.

Management is a comprehensive function of Planning, Organising, Forecasting Coordinating, Leading, Controlling, Motivating the efforts of others to achieve specific objectives. Management can precisely be called the rule – making and rule – enforcing body.

According to Harold Koontz “Management is the art of getting things done through and with formally organized groups “.

According to Peter F. Drucker. “A Multipurpose organ that manages a business and manages managers and manages workers and works”.

According to J.Lundy “Management is what management does. It is the task of planning executing and controlling”.

According to Lawrence Appley “Management is the development of people and not the direction of things”.

1.3. Nature of Business Management

Management as a systematic process helps identify a group of people who carry out particular activities, thereby improving an organization’s efficiency and effectiveness. Here are the salient features that highlight the nature of management in businesses.

Universality

Management is a universal process and is essential for all organizations. If there is human activity, there is management. The principles of management are applicable irrespective of the size and location of a business. The universal principle also means that managerial skills can be developed over time and they’re transferrable.

Social Process

The nature of management involves organizing people in groups and managing them. It requires different levels of empathy, understanding and dynamism. In addition to taking care of social and emotional well-being, the process involves developing, motivating and retaining employees.

Purposeful

Management always has an end goal of achieving an organization’s targets, mission and vision. The success of management can be measured by the extent to which an organization achieves its objectives. There is an underlying purpose of increasing efficiency and productivity. The objectives should be realistic, attainable and time-bound.

Intangible

There is no physical proof of the management process. Its success can be measured by the outcomes of its efforts. For example, lower turnover rates indicate there’s high employee engagement and job satisfaction. This further shows that managers or individuals in managerial roles have taken proactive steps toward improving employee retention.

Coordination

Management coordinates all the functions of an organization by bringing together different teams and departments. Without coordination, there would be ambiguity and chaos. Therefore, by getting people on the same page, there is communication and minimized duplication of efforts.

Creativity

Management is made up of individual components and is a composite process. Every independent component contributes in unique ways. For example, group efforts encourage creative ideas and imagination. The sum of individual efforts creates synergy and something new is born.

Dynamic Function

Management should be dynamic at its core because businesses are often influenced by economic, social, political and technological factors. With room for flexibility and adaptability, individuals can perform well even in stressful situations. There should be adequate training and facilitation within the process.

1.4. Scope of Management

Clearly defined responsibilities, concepts, theories and principles related to managerial functions define the scope of management. Let's look at the various aspects of this.

1.4.1. Financial Management

Every enterprise prioritizes financial management because finances can get extremely tricky if not managed properly. Effective financial management ensures there are fair returns to stakeholders, proper estimation of capital requirements and laying down optimal capital. It includes preparation and examination of financial statements, creating proper dividend policies and negotiations with external stakeholders.

1.4.2. Marketing Management

The scope of management in marketing extends to planning, organizing, Direction and controlling activities in the marketing department. Identifying customer requirements is crucial for providing business solutions. When a manager is fully aware of the benefits of the products and/or services the organization provides, they achieve better results. Marketing management ensures that available resources are properly utilized and the best possible outcomes are achieved.

1.4.3. Personnel Management

Personnel management - as the name suggests - deals with personnel or individuals in a business environment. It includes the recruitment, transfer, termination, welfare and social security of employees. This aspect of management is extremely important as employees form teams

and teams drive an organization's goals. Individual productivity also contributes to overall efficiency. Without attending to employee needs and wants, an organization is likely to struggle.

1.4.4. Production Management

This type of management refers to the process of creating utilities. When you convert raw materials to finished products and oversee the planning and regulation, you're engaging in production management. Without production, there isn't any finished good or service and without it, organizations can't generate interest or profits. The final product must fulfil customer requirements. The process includes quality control, research and development, plan layout and simplification.

1.4.5. Office Management

This includes controlling and coordinating all office activities to achieve an organization's goals and targets. For example, an administration's efficiency impacts a business significantly. The more organized the departments and responsibilities are, the more effective an organization.

Check Your Progress-1

True or False

- a. According to Lawrence Appley "Management is the development of people and the direction of things".
- b. Personnel management - as the name suggests - deals with personnel or individuals in a business environment.
- c. One of the most important activities that all of us engage in, is directing.
- d. The number of levels in management increases when the size of the business and work force increases.

1.5. Level of Management

The "**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.

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



Figure 1.1- Level of Management

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 -

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.

Middle Level of Management

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

- i. They make plans for the sub-units of the organization.
- ii. They participate in employment & training of lower level management.
- iii. They interpret and explain policies from top level management to lower level.

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. They guide and instruct workers for day to day activities.
- ii. They are responsible for the quality as well as quantity of production.
- iii. They are also entrusted with the responsibility of maintaining good relation in the organization.

Let Us Sum Up

Management is defined variously by different authors. Managing organizations through people has been agreed by a majority of them. In practice, it is process of continually and consciously shaping organizations. All the organizations have people who are responsible for helping them achieve their goals. In this unit, you have learned about the concept of business management such as financial, marketing, personal, production, office management and level of management and also administration of business activities, tasks and resources to achieve a set objective in an organization.

Check Your Progress-2

1. Which of the following statement does not pertain to middle level management?
 - a) They are responsible for all the activities of the operational managers
 - b) They are responsible for the welfare and survival of the organization
 - c) The interpreter the polices made by top level managers
 - d) Co-operate with other departments for the smooth running of the organization
2. Which of the following statement is not true for lower level management?
 - a) Analysis the business environment and its implications for the survival of the business
 - b) Ensure the quality of the output

- c) They strive to reduce the wastage of resources
 - d) They ensure that the safety standards are maintained within the organization
3. Which of the following is a function of top level management?
- a) To interpret the policies
 - b) To oversee the efforts of workers
 - c) To formulate overall goals and strategies for the organization
 - d) All of the above
4. Which level of management spend more time im planning and organizing?
- a) Top management
 - b) Middle management
 - c) Bottom management
 - d) None of these
5. Foreman will be considered under which level of management?
- a) Top level
 - b) Middle- level
 - c) Lower-level
 - d) None of these

Glossary

| | |
|----------------------|---|
| Business: | Business is the activity of making one's living or making money by producing or buying and selling products (such as goods and services). |
| Management: | Management (or managing) is the administration of an organization, whether it is a business, a non-profit organization, or a government body. |
| Top Level: | Top level management consists of Chairman, Board of Directors, Managing Director, General Manager, President, Vice President, Chief Executive Officer (C.E.O.), Chief Financial Officer (C.F.O.) and Chief Operating Officer etc. |
| Middle Level: | Middle management is the intermediate management level of a hierarchical organization that is subordinate to the executive management and responsible for 'team leading' line managers and/or 'specialist' line managers. |
| Lower Level: | The lower-level management consists of foremen and supervisors who look after the operative |

workers, and ensure that the work is carried out properly and on time. Thus, they have the primary responsibility for the actual production of goods and services in the organization.

Model Questions

1. What is management?
2. What is the importance of management?
3. What is the Scope of management?
4. Explain the Level of Management.
5. State the nature of business management
6. Explain the salient features of management.

Answers to Check Your Progress-1

- a-True
- b-False
- c-True
- d-True

Answers to Check Your Progress-2

1. (b)
2. (a)
3. (c)
4. (a)
5. (c)

Suggested Readings

1. Koontz, Harold and Wehrich, Heinz Essentials of management- An International Perspective. New Delhi: McGraw Publishing, Eighth Edition, 2008.
2. Thomas A Bateman and Scott A. Snell, Management-Leading and Collaborating in the Competitive World. New Delhi: McGraw Publishing, Eighth Edition, 2008.
3. Mintzberg, H. (1973). The Nature of Managerial Work. New York: Harper & Row. P. 37.

Unit-2

Role of Managers in Management

STRUCTURE

Overview

Objectives

2.1. Introduction

2.2. Role of Managers

2.2.1. Interpersonal role

2.2.2. The Informational role

2.2.3. The Decisional role

2.3. Responsibilities and skills

2.3.1. Leadership

2.3.2. Communication

2.3.3. Collaboration

2.3.4. Critical Thinking

2.3.5. Finance

2.3.6. Project Management

2.4. Emerging Issues in Business Management

2.4.1. Business Process Re-engineering

2.4.2. Total Quality Management

2.4.3. Benchmarking

2.4.4. Strategic Management

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

This Unit is written to expose managers in practice, experts, professionals and managerial skills students to the reality of applying the concepts of business management. The concept of this chapter is well arranged to cater for learners, researchers and managers in practice such that it's adequately elucidate the core element of business management as may be applicable to our different spheres of discipline.

Objectives

After reading this unit, student should be able to:

- Know the different roles of the managers and
 - Understand the managerial skills.
-

2.1. Introduction

Managers are the people in the organization responsible for developing and carrying out this management process. Management is dynamic by nature and evolves to meet needs and constraints in the organization's internal and external environments. In a global marketplace where the rate of change is rapidly increasing, flexibility and adaptability are crucial to the managerial process. This process is based in four key functional areas of the organization: planning, organizing, leading, and controlling.

2.2. Role of Managers

A classic study of top executives found that they spend their time in performing ten roles, which are grouped under three categories- *interpersonal, informational and decisional*.

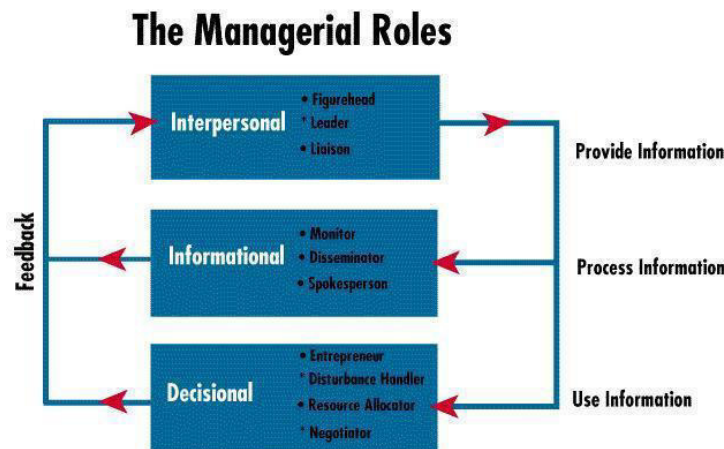


Figure 2.1. Managerial Roles in Management System

2.2.1. Interpersonal role

The three interpersonal roles provide information and are primarily concerned with interpersonal relationships.

- a) The *figurehead role* allows the manager to represent the organization in all official business. As a *symbolic head*, the manager performs a number of routine duties of a legal and social nature.

- b) As a *leader*, the top level manager represents the company legally to those outside the organization. The supervisor represents the work group to the higher management and is responsible for motivating the group along with participating in the hiring, training, and related duties as the leader.
- c) The manager uses the *liaison role* to gain favors from his subordinates and information, while the supervisor uses the same to maintain the routine flow of work. He also uses this role to create his own networks, external and internal, to maintain the relationships.

2.2.2. The Informational role

The informational role ensures that information is provided and that the manager has enough information to do his routine work. This role links all the managerial work together. The manager in interpersonal role is placed in a unique position to receive lots of information. Thus, the three informational roles are primarily concerned with the informational aspect of the managerial role.

- a) Receives and collects information in *monitoring role*, resulting in a thorough understanding of the organization and its internal /external environment. Since manager monitors, it is considered the focal point of internal and external information.
- b) As the *spokesperson* transmits information to the outsiders on the organizational policies, actions and decisions. Since the information is received, monitored and stored by the manager,
- c) *Disseminates* both factual and analytical information, thus serving as the industry expert and the supervisor serves as the unit expert.

2.2.3. The Decisional role

The decisional role makes significant use of the information. The unique access to information places the manager in the center of the organizational decision making. There are *four decisional roles* that the manager performs.

- a) The manager initiates and searches for new opportunities and projects to initiate change in the organization in his *entrepreneurial* role. In the *disturbance handling role* the manager deals with the threats to the organization and takes corrective action accordingly.
- b) In the *resource allocation role*, the manager chooses where the

organization will spend for its efforts. He takes an active role in providing financial and other resources to the departments/units/people including approving organizational decisions in the resource allocation front.

- c) The manager negotiates on behalf of the organization in the *negotiation role*. He engages in negotiations with the parties outside the organization as well as inside the organization and is responsible for representing the organization in major negotiations. The top management makes the decisions for the organization as a whole while the supervisor takes decision about the particular work unit.
- d) Thus, managers play an important role in the organization and management helps in the success of any activity in the organization. All the managers irrespective of the level, perform these roles, with the only difference being the emphasis and focus.
- e) Supervisors performs these roles with a focused approach (in their units) and short term in outlook. The figure head role becomes less significant and the disturbance handling and negotiation roles increase in importance for the supervisor. Since leadership permeates all the activities, the leadership role is among the most important of all the roles across all levels of management.

2.3. Responsibilities and Skills

2.3.1. Leadership

A manager has to be able to set priorities and motivate your team members. This involves self-awareness, self-management, social awareness, and relationship management. The manager needs to radiate energy, empathy, and trust. And, remember that effective leaders work daily to develop team members through positive, constructive feedback and coaching.

2.3.2. Communication

The manager must become a student of effective communication in all of its applications, including one-on-one, small groups, large groups, email, remote working, and social media. Good managers realize that the most important aspect of communicating is listening.

2.3.3. Collaboration

The manager serves as a role model for working together. You support cross-functional efforts and model collaborative behaviours to set the example for your team members.

2.3.4. Critical Thinking

The manager strives to understand where and how your projects fit into the bigger picture to enhance your effectiveness. The manager reviews priorities in light of larger organizational goals. He or she translates this understanding into meaningful goals and objectives for their team members who need to understand where their work fits in the big picture.

2.3.5. Finance

A manager needs to learn the language of numbers. Managers must strive to understand how company funds are invested and to ensure that these investments earn a good return for the firm. While you don't need to be an accountant to be a manager, it is imperative that you learn and apply the basics of solid financial understanding. For example, how many employees can produce the most quality product for the least cost?

2.3.6. Project Management

Nearly every initiative in an organization turns into a project. And, projects can become complex and unwieldy. Today's managers understand and leverage formal project management practices to ensure timely completion and proper control of initiatives.

Check Your Progress-1

True/False

- a. Every initiative in an organization turns into a _____.
- b. A manager needs to learn the _____ of numbers.
- c. The manager serves as a role model for _____ together.
- d. The manager negotiates on behalf of the _____ in the negotiation role.
- e. _____ are the people in the organization responsible for developing and carrying out this management process.

2.4. Emerging Trends in Business Management

Management is not static rather it evolves through time and economic period. The dynamic nature of management has modified and set a new

emerging trend in the era of globalization. Business process re-engineering, total quality management, strategic management and standardization are such emerging trends in management.

2.4.1. Business Process Re-engineering

“BPR is the fundamental rethinking and radical, redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service and speed.”

A process engineer will look at the activities to be performed and how they can be engineered to invest minimum resources and get maximum returns. Companies use business process re-engineering to improve substantially on key process that impact customers. Business process re-engineering can-reduce cost and cycle time, improve quality.

2.4.2. Total Quality Management

TQM is a management philosophy that seeks to integrate all organisational functions (marketing, finance, design, engineering and production, customer service etc.) to focus on meeting customer needs and organisational objectives.

2.4.3. Benchmarking

Benchmarking is a process of measuring the performance of a company’s product, services or process against those of another business considered to be the best in the industry. It involves looking outward (outside a particular business, organisation, industry, region or country) to examine how others achieve their performance levels and to understand the processes they use.

The point of benchmarking is to identify internal opportunities for improvement. By studying companies with superior performance, breaking down what makes such superior performance possible and then comparing those processes to how your business operates, you can implement changes that will yield significant improvements.

2.4.4. Strategic Management

Strategic management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organisation.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firms performance.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organisation is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then re-evaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Let Us Sum Up

In this unit, you have learned about the following: Management is a practice, which is used consciously and continually in organizations. The role of managers, the functions they perform, and the processes they follow assume significance in the achievement of Organizational goals. They possess skills and competencies which are critical in their day- to-day functioning. Managerial function is performed across all levels.

Check Your Progress-2

1. The role of managers in an organization is to:
 - a) Monitor the performance of the company and its employees
 - b) Develop an overall vision for the organization
 - c) Act as a substitute for underperforming employees
 - d) all of the above
2. Which of the following is not considering to be part of the big five personality dimensions?
 - a) Extroversion
 - b) Conscientiousness
 - c) Dependency
 - d) Openness to experience
3. What is the proper term for the preparation of role and responsibilities to be performed by a specified position?
 - a) Job determination
 - b) Job performance
 - c) Job analysis
 - d) Job description
4. What are the proper term for the regular monitoring of employees performance and progression?
 - a) Performance assessment
 - b) Fixed term assessment
 - c) Quarterly assessment
 - d) Skills-based assessment

5. Which of the following is true about managers within an organisation?
- a) Management skills apply to managers at top levels in an organization
 - b) Management skills apply to managers at all levels in an organization
 - c) Management skills apply to managers at middle levels in an organization
 - d) Management skills apply to managers at executive levels in an organization

Glossary

Managers: Managers are responsible for the processes of getting activities completed efficiently with and through other people and setting and achieving the firm's goals.

Role: role is vital for an organization. Every manager provides leadership to others, coordinates the activities of employees, delegates authority to subordinates, takes important decisions, looks after human relation activities, acts as a spokesman for the organization etc.

Emerging trends: The Emerging trends is a list of words that describe the topics which emerged faster than any others over the last 24 hours. By "emerging" we mean getting more social attraction from the crowd, being discussed much more than any other topic.

Model Questions

1. Discuss the role of a manager in an organization?
2. List out the skills needed for a manager?
3. Explain the emerging trend in business management.

Answers to Check Your Progress-1

a-Project

b-Language

c-Working

d-Organization

e-Managers

Answers to Check Your Progress-2

1. d) all of the above - A manager role is to develop mission (short term goal) for the organization and doing regular monitoring of their employees to know who is performing well, and if needed he has to take the role of that undertake the responsibility to success the organizational goals.
2. c) Dependency - Dependency is not included in the Big Five Model. The traits include are: extraversion, conscientiousness and neuroticism.
3. c) Job analysis - Job analysis is a procedure through which you determine the duties and responsibilities, nature of the jobs and finally to decide qualifications, skills and knowledge to be required for an employee to perform particular job. Job analysis helps to understand what tasks are important and how they are carried on.
4. a) Performance assessment -What is the proper term for the regular monitoring of employee performance and progression?
a. Performance assessment. Performance assessment is a method of assessing the performance of employees.
5. b) Management skills apply to managers at all levels in an organization

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Unit -3

Process and Functions of Management

STRUCTURE

Overview

Objectives

3.1. Process of Management

3.1.1. Planning

3.1.2. Organizing

3.1.3. Staffing

3.1.4. Direction

3.1.5. Controlling

3.2. Development of Scientific Management

3.2.1. Objectives of Frederick Taylor Theory

3.2.2. Frederick Taylor's Scientific Management Principles

3.3. Trends and Challenges of Management in Global Scenario

3.3.1 Globalization

3.3.2 Technology

3.3.3 Workforce diversity

3.3.4. Innovation

3.3.5. Ethics and Governance

3.3.6. Quality

3.3.7. Cost

3.3.8. Change Management

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

This lesson explains the different process and functions of management, describe the development of scientific management such as Frederick Taylor's Scientific Management Principles and Objectives of Frederick Taylor Theory. And also will be learned the

managerial skills. It includes trends and challenges of management in global scenario.

Objectives

After reading this unit, Student should be able to:

- Understand the different process and functions of management.
- Identify the management skills.

3.1. Process and Function of Management

Management is a set of principles relating to the functions of planning, organizing, Direction, and controlling, and the applications of these principles in harnessing physical, financial, human, and informational resources efficiently and effectively to achieve organizational goals.



Figure 3.1 Development of Scientific Management

3.1.1. Planning

Planning is future-oriented and determines an organization's direction. It is a rational and systematic way of making decisions today that will affect the future of the company. It is a kind of organized foresight as well as corrective hindsight. It involves predicting of the future as well as attempting to control the events. It involves the ability to foresee the effects of current actions in the long run in the future.

3.1.2. Organizing

Organizing requires a formal structure of authority and the direction and flow of such authority through which work subdivisions are defined, arranged and coordinated so that each part relates to the other part in a united and coherent manner so as to attain the prescribed objectives.

3.1.3. Staffing

Staffing is the function of hiring and retaining a suitable work-force for the enterprise both at managerial as well as non-managerial levels. It

involves the process of recruiting, training, developing, compensating and evaluating employees and maintaining this workforce with proper incentives and motivations.

3.1.4. Direction

The Direction function is concerned with leadership, communication, motivation, and supervision so that the employees perform their activities in the most efficient manner possible, in order to achieve the desired goals.

The **leadership** element involves issuing of instructions and guiding the subordinates about procedures and methods.

The **communication** must be open both ways so that the information can be passed on to the subordinates and the feedback received from them.

Motivation is very important since highly motivated people show excellent performance with less direction from superiors.

Supervising subordinates would lead to continuous progress reports as well as assure the superiors that the directions are being properly carried out.

3.1.5. Controlling

The function of control consists of those activities that are undertaken to ensure that the events do not deviate from the pre-arranged plans. The activities consist of establishing standards for work performance, measuring performance and comparing it to these set standards and taking corrective actions as and when needed, to correct any deviations.

3.2. Development of Scientific Management

Definition

According to Frederick Taylor's theory "It synthesizes and analyzes workflows. Its major purpose is improving, especially labor productivity, economic efficiency. It was an old effort to apply science to the engineering of the procedure and management".

3.2.1. Objectives of Frederick Taylor Theory

The major objectives of Frederick Taylor's contribution to management; are the maximum improvement of workers. This improvement shows efficiency and effectiveness performance. Such development is the revolution in management procedure and employee's actual performance.

If the procedures and scientific theory of management examples apply, it can hugely change the following things. For instance:-

- a) To prevent the wastage of time
- b) To reduce the cost of production
- c) To Secure the labor in the industry
- d) To Increase the efficiency of the workers
- e) To develop the relationship between workers and managers.

3.2.2. Frederick Taylor's Scientific Management Principles

Frederick Winslow Taylor mentioned the core principles of management in his **Principles of Scientific Management** book. These principles refer to Frederick Taylor's theory. Such as:-

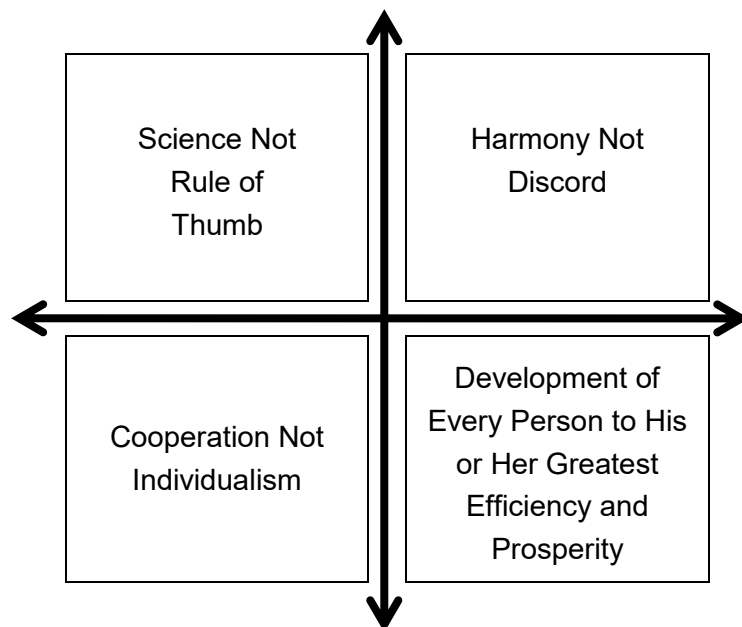


Figure 3.1 Development of Scientific Management

Science, not the Rule of Thumb:

The basic principles of scientific management theory by Taylor, are adopting a scientific approach to decision making. Even abandons the all unscientific approach from managerial activities. So, we can say that these principles suggest *thinking before doing*.

Harmony, not Discord:

An organization consists of two groups, i.e., 'workers' and 'management.' They must create the 'Give and Take' relationship in the workplace. Therefore, Taylor emphasized on Mental Revolution, which means a change of attitude of both groups based on this principle.

An organization consists of two groups, i.e., 'workers' and 'management.' They must create the 'Give and Take' relationship in the workplace. Therefore, Taylor emphasized on Mental Revolution, which means a change of attitude of both groups based on this principle. They should share their opinions and ideas with each other.

Co-operation, not Individualism:

It shows the importance of each other (management and workers). Management should reward and appreciate the employees for their helpful suggestions. At the same time, employees also cooperate with the management for the improvement of the organization.

Development of Every Person to his/her Greatest Efficiency and Prosperity:

Employees should be properly trained and selected scientifically. And it is essential for each organization. For implementing this task, Taylor arranged some techniques, for instance, work-study, time study, motion study, fatigue study, and method study.

Maximum, not Restricted Output:

Maximum productivity is the basic purpose of an organization. In this case, Taylor has emphasized production maximization in his principles.

Check Your Progress-1

True/False

- a. The impact of globalization has been quite significant on technology and the technological changes.
- b. Employees should not be properly trained and selected scientifically.
- c. Planning is future-oriented and determines an organization's direction.
- d. The major objectives of Frederick Taylor's contribution to management are the maximum improvement of workers.
- e. Motivation is not very important since highly motivated people show excellent performance with less direction from superiors.

3.3. Trends and Challenges of Management in Global Scenario

3.3.1. Globalization

A number of economies have embraced Liberalization globalization, privatization (LPG), which pre -supposes that the economies be a

signatory and follow the guidelines in terms of trade laid down by the global agencies like the World Trade Organization, International Labour Organization and also similar agencies which the economies form at the regional level like European Union, South Asian Association for Regional Cooperation etc. It describes the interdependence of economies, cultures and people because of the cross border trade of goods and services, technology, flows of investment, information and communication.

3.3.2. Technology

The impact of globalization has been quite significant on technology and the technological changes. Technology has revolutionized every sector, it both complicates things and creates new opportunities. The speed with which technological changes take place affect the communication patterns, information content and knowledge that gets generated, stored and can be retrieved for organizational use. The world is a witness to the significant changes that has taken place in the technology front, with the hardware and software in relation to a computer or other consumables like keyboards, monitors, mouse, the CPU and other parts. Even in terms of music, we have come a long way from a tape recorder to an audio cassette to a CD to a stage where currently music is embedded in the mobile phone itself. We also hear that Google search can be done in more than hundred languages. Technology is important to business because it serves as a market place, a means for manufacturing goods and services, a communication medium, a distribution channel, information service

3.3.3. Workforce diversity

“Diversity” in English means variety. Diversity exists in organizations when there is a variety of demographic, cultural and personal differences among the people who work there. Diversity makes good business sense by helping companies attract and retain talented workforce. Diverse friendly companies attract better and more diverse job applicants. In short, diversity is no longer about counting heads, it is about making heads count, said the Vice President of diversity and inclusion at Pepsico. While there are advantages of diversity – experience, insight and creativity of a diverse workforce, managers also have challenges in dealing with diverse workforce.

3.3.4. Innovation

Innovation is the introduction of new goods and services. Companies are forced to innovate to bring changes in their goods and services and

stay in competition. Thus innovation becomes the key to sell the goods or to satisfy the customer's preferences. Innovation is all pervasive and has become an important ingredient in business success when Ecommerce has been introduced in a big way. Considering the situation like the pandemic where, all the traditional distribution channels have been transformed to attract the buyers directly, marketing and sales had to be innovated to remain competitive.

Globalization has been a critical driver for innovation. Businesses have to offer products or service their clients using innovative techniques/ methods to deliver the same at a lower price to stay competitive. Organizational experience evidences innovative business models and practices, not only to seize the available opportunity in the business environment, but also achieve competitive advantage.

For example, Reliance Industries in India started its operations in textiles and expanded it to every sector – retail, petro-chemical, digital, footwear, and communication including JIO. Companies thus are required to foster an innovative environment and the managers have to manage the skills, competencies of innovative people strategically for organizational success.

3.3.5. Ethics and Governance

Globalization has introduced the concept of businesses with no borders, thus allowing businesses to operate anywhere across the world. Managing businesses requires strict adherence to business ethics on a professional level.

Governance presupposes the understanding of the rules and regulations, policies and procedures in the different corners of the world, along with the cultural, societal and personal expectations of ethical actions. Thus compliance to the ethical code of conduct in business becomes a critical concern for all managers.

3.3.6. Quality

Quality reflects the excellence of the product or service. The acceptable standards of quality have dramatically increased over the years. Providing world class quality requires adherence to what quality entails. It can be measured in terms of product performance, reliability, customer service, durability, appearance, quality standards etc. It is a management challenge to ensure the quality of the product or service.

Companies continually innovate so as to add new features as per customer preference and provide services as per the client satisfaction.

For example, a quality product like fruits and vegetables, which are organically grown, would be preferred by the customers than those grown with chemicals or frozen foods for health, wellness and well-being

3.3.7. Cost

Consumers compare cost before making a purchase decision. One reason why the companies worry about cost is because cost leadership always ensures a company's competitiveness. Globalization has provided a wide choice in all the product line for the consumers. Managing the cost requires efficient management of available resources and minimizing waste, all the same ensuring a quality product or service.

For example, Reliance Jio, the internet service provider in India, which was launched recently, has challenged established players like Airtel, BSNL, and Vodafone in terms of providing internet connectivity with its popular low cost packages.

3.3.8. Change Management

Three facts about change- that it is everywhere, it is constantly present and the pace of change is experienced by everyone in the current context. Consciously or unconsciously people dislike change and resist change. In reality however, change is inevitable and the speed with which the pace of change is taking place is increasing day by day. A contemporary organization has to welcome change and evolves strategies to survive in the competitive scenario.

Factors like technology, cost, and competition have provoked change management in business. Managers have to don the role of a change agent to manage the resistance to change and make change more as the nature of a habit in the process of change management. For example, the changes in Learning and development area are so fast that the individuals have no choice than to learn them through internet, e-learning and other online modes willingly in the organizational context.

Some of the important functions of management are:

(1).Advisory-In management, line –staff organization is a method in which official set goal and directions that are subsequently carried out by employees and other workers. A line-staff organizational structure aims to make a large and complicated company more flexible without jeopardizing management authority.

(2).Business management describe managers take decisions while performing managerial functions, denote a cause and effect relationship, guidelines for further action in management functions.

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

(4).Communication is an umbrella term referring to the flow of information within a company or between multiple companies. It focuses on reaching a company's target audiences by planning and implementing different methods of communication.

(5).Executive functions People use executive functions to perform activities such as planning, organizing, strategizing, paying attention to and remembering details, and managing time and space.

Let Us Sum Up

In this unit, you have learned about the following:

In practice, it is process of continually and consciously shaping organizations. All the organizations have people who are responsible for helping them achieve their goals. These people are referred to as managers. The managers perform a number of functions and face a number of challenges to manage the organizations effectively.

Check Your Progress

1. Role of staff on “line and staff” organization is ---
 - a) Advisory
 - b) Managerial
 - c) Superior
 - d) All of the above
2. Which of the following best describes the business Management?
 - a) They help managers take decisions while performing managerial functions
 - b) They denote a cause and effect relationship
 - c) They are guidelines for further action in management functions
 - d) All of the above
3. All managerial functions are settled by managers with the tool of
 - a) Planning
 - b) Decision-making
 - c) Effective control
 - d) Authority

4. Which of the following is not a part of management?
 - a) Planning
 - b) Staffing
 - c) Budgeting
 - d) Communication
5. Management is concerned with
 - a) Legislative functions
 - b) Administrative functions
 - c) Executive functions
 - d) All of the above

Glossary

Process: A management process is a well-defined system of setting goals, planning and controlling any action's execution. It constitutes a set of interrelated operations or functions necessary to accomplish desired organizational objectives.

Scientific management: Scientific management is a theory of management that analyzes and synthesizes workflows. Its main objective is improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes to management.

Model Questions

1. Explain the Process of Management
2. State the Development of Scientific Management
3. Trends and Challenges of Management in Global Scenario

Answers to Check Your Progress-1

- a-True
- b-False
- c-True
- d-True
- e-False

Answers to Check Your Progress-2

1. a)
2. d)
3. b)
4. d)
- 5 c)

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
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Unit-4

Authors Contribution to Management

STRUCTURE

Overview

Objectives

4.1. Henry Fayol

4.1.1. Principles of Management

4.2. F.W. Taylor

4.2.1. Four principles of scientific management

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this lesson explains the author's contribution of management. Describe the Henry Fayol- principles of management and FW Taylor- Four principles of scientific management.

Objectives

After reading this unit, student should be able to:

- Describe the contribution of Taylor and Henry Fayol
- Know the principles of scientific management.

4.1. Henry Fayol

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts

as the foundation of the whole management theory and the present super-structure of management has been built on it.

4.1.1. Principles of Management

The fourteen principles of management created by Henri Fayol are explained below.

1. Division of Work

Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.

2. Authority and Responsibility

These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership.

3. Discipline

Without discipline, nothing can be accomplished. It is the core value for any project or any management. Good performance and sensible interrelation make the management job easy and comprehensive. Employees' good behaviour also helps them smoothly build and progress in their professional careers.

4. Unity of Command

This means an employee should have only one boss and follow his command. If an employee has to follow more than one boss, there begins a conflict of interest and can create confusion.

5. Unity of Direction

Whoever is engaged in the same activity should have a unified goal. This means all the person working in a company should have one goal and motive which will make the work easier and achieve the set goal easily.

6. Subordination of Individual Interest

This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company.

7. Remuneration

This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. However, it should be according to an individual's efforts they have made.

8. Centralization

In any company, the management or any authority responsible for the decision-making process should be neutral. However, this depends on the size of an organization. Henri Fayol stressed on the point that there should be a balance between the hierarchy and division of power.

9. Scalar Chain

Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order

A company should maintain a well-defined work order to have a favorable work culture. The positive atmosphere in the workplace will boost more positive productivity.

11. Equity

All employees should be treated equally and respectfully. It's the responsibility of a manager that no employees face discrimination.

12. Stability

An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.

13. Initiative

The management should support and encourage the employees to take initiatives in an organization. It will help them to increase their interest and make them worth.

14. Esprit de Corps

It is the responsibility of the management to motivate their employees and be supportive of each other regularly. Developing trust and mutual understanding will lead to a positive outcome and work environment.

These 14 principles of management are used to manage an organization and are beneficial for prediction, planning, decision-making, organization and process management, control and coordination.

Check Your Progress-1

True/False

- a. Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities.
- b. The management should not support and encourage the employees to take initiatives in an organization.
- c. Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product.

4.2. F.W. Taylor

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. In fact, these principles are the outcome of his long experience as a practicing manager.

These basic principles are useful for effective management of business activities. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him. The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organizations such as colleges, hospitals, charitable institutions and government departments.

Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought. Fayol the fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted. Fayol has given adequate details of every principle suggested by him. He also made them easily acceptable by others.

One of the earliest of these theorists was Frederick Winslow Taylor. He started the Scientific Management movement, and he and his associates were the first people to study the work process scientifically. They studied how work was performed, and they looked at how this affected worker productivity. Taylor's philosophy focused on the belief that making people work as hard as they could was not as efficient as optimizing the way the work was done.

In 1909, Taylor published "The Principles of Scientific Management." In this, he proposed that by optimizing and simplifying jobs, productivity would increase. He also advanced the idea that workers and managers needed to cooperate with one another. This was very different from the way work was typically done in businesses beforehand. A factory manager at that time had very little contact with the workers, and he left them on their own to produce the necessary product. There was no standardization, and a worker's main motivation was often continued employment, so there was no incentive to work as quickly or as efficiently as possible.

Taylor believed that all workers were motivated by money, so he promoted the idea of "a fair day's pay for a fair day's work." In other words, if a worker didn't achieve enough in a day, he didn't deserve to be paid as much as another worker who was highly productive.

With a background in mechanical engineering, Taylor was very interested in efficiency. While advancing his career at a U.S. steel manufacturer, he designed workplace experiments to determine optimal performance levels.

In one, he experimented with shovel design until he had a design that would allow workers to shovel for several hours straight. With bricklayers, he experimented with the various motions required and developed an efficient way to lay bricks. And he applied the scientific method to study the optimal way to do any type of workplace task. As such, he found that by calculating the time needed for the various elements of a task, he could develop the "best" way to complete that task.

These "time and motion" studies also led Taylor to conclude that certain people could work more efficiently than others. These were the people whom managers should seek to hire where possible. Therefore, selecting the right people for the job was another important part of workplace efficiency. Taking what he learned from these workplace experiments, Taylor developed four principles of scientific management. These principles are also known simply as "Taylorism".

4.2.1. Four Principles of Scientific Management

Taylor's four principles are as follows:

- i. Replace working by "rule of thumb," or simple habit and common sense, and instead use the scientific method to study work and determine the most efficient way to perform specific tasks.
- ii. Rather than simply assign workers to just any job, match workers to their jobs based on capability and motivation, and train them to work at maximum efficiency.
- iii. Monitor worker performance, and provide instructions and supervision to ensure that they're using the most efficient ways of working.
- iv. Allocate the work between managers and workers so that the managers spend their time planning and training, allowing the workers to perform their tasks efficiently.

Let Us Sum Up

In this unit, you have learned about the following:

Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management. Taylor believed that all workers were motivated by money, so he promoted the idea of "a fair day's pay for a fair day's work." In other words, if a worker didn't achieve enough in a day, he didn't deserve to be paid as much as another worker who was highly productive.

Check Your Progress-2

1. Henri Fayol is known as:
 - a) The father of general management
 - b) The father of shop floor management
 - c) The father of scientific management
 - d) All of the above
2. Which of the following describes the principle of harmony, not discord?
 - a) The management should properly investigate any task
 - b) The management should engage in scientific enquiry
 - c) The management should focus on observation and analysis
 - d) The management should share the gains or profits of a company with their workers

3. The main reason why Principles of Management do not provide readymade solutions for all management problems is that:
 - a) They act as general guidelines for business-related issues
 - b) The real business issues are pretty complex
 - c) The real business issues are very dynamic
 - d) All of the above
4. _____ pointed out that effective direction depends upon the harmony of objectives
 - a) Peter Drucker
 - b) FW Taylor
 - c) Henry Fayol
 - d) Philip Kotler
5. The father of administrative management is---
 - a) EFL Brech
 - b) FW Taylor
 - c) Henry Fayol
 - d) Peter Drucker

Glossary

Henry Fayol: The five functions of management as defined by Henri Fayol are: Planning, Organizing, Command, Coordination, and Control. These five functions comprise “management”, one of the six industrial activities described in Henri Fayol management theory. Henri Fayol is widely regarded as the father of modern management.

F.W. Taylor: Frederick Winslow Taylor is known as the father of Scientific Management. He believed in the scientific method of management generate more productivity.

Model Questions

- 1.Explain about the Henry Fayol?
- 2.Explain about the F.W.Taylor?
- 3.State the fourteen principles of Henry fayol.

Answers to Check Your Progress-1

- a-True
- b-False
- c-True

Answers to Check Your Progress-2

1. a) Henri Fayol is known as the father of general management
2. d) The management should share the gains or profits of a company with their workers
3. d) All of the above -The main reason why Principles of Management do not provide readymade solutions for all management problems is that as general guidelines for business-related issues, the real business issues are pretty complex and the real business issues are very dynamic.
4. b) FW Taylor- Replace working by "rule of thumb," or simple habit and common sense, and instead use the scientific method to study work and determine the most efficient way to perform specific tasks.

Rather than simply assign workers to just any job, match workers to their jobs based on capability and motivation, and train them to work at maximum efficiency.

Monitor worker performance, and provide instructions and supervision to ensure that they're using the most efficient ways of working.

Allocate the work between managers and workers so that the managers spend their time planning and training, allowing the workers to perform their tasks efficiently.

5. c) Henry Fayol- Henry Fayol is considered that father of administrative management theory, often called process theory or structural theory in his work five primary functions were identified such as planning, organizing, commanding, coordinating and controlling.

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015.

Block-2: Introduction

Block-2: **Planning and Decision Making** has been divided in to four Units.

Unit-5 : Types of Planning deals with Introduction, Meaning and Definition of Planning, Nature of Planning, Importance of Planning, Planning is a rational approach, Planning is an open system, Planning occurs at every level of organization and Planning as an intellectual process.

Unit-6: Management By Objectives (MBO) explains about Introduction and Concept of MBO, 'Koontz' defined MBO, 'S.K. Chakra borthy', Features, Process, Establishment of organizational objectives, Identification of Key Result Areas (KRAs), Determination of Subordinates objectives, Matching Resources with Objectives, Performance Evaluation, Recycling, Merits or Benefits, Better Managing, Clarity in organizational Action, Personnel Satisfaction, Basis for organizational change, Problems or Limitations and Pre-requisites for installing MBO programme.

Unit-7: Approaches of Planning presents about Forms of Planning, Types and steps in planning and Objectives of planning.

Unit-8: Decision Making describes about Introduction, Meaning and Definition of Decision Making, Importance of Decision Making, Process of Decision making and the various Types of Decision.

In all the units of Block -2: **Planning and Decision Making**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-5

Types of Planning

STRUCTURE

Overview

Objectives

5.1. Introduction

5.2. Meaning and Definition of Planning

5.3. Nature of Planning

5.4. Importance of Planning

5.4.1. Planning is a rational approach

5.4.2. Planning is an open system

5.4.3. Planning occurs at every level of organisation

5.4.4. Planning as an intellectual process

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this lesson describe the concepts of planning, nature of planning, importance of planning. Planning helps the making decisions. Planning 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 guesswork.

Objectives

After reading this unit, student should be able to:

- Define Planning and describe its concepts
- Identify the nature of planning
- Understand the importance of planning

5.1. Introduction

Planning is an all-pervasive and fundamental function of management. All other functions of organizing, staffing, Direction and controlling must reflect planning function of management. Though

more important for higher levels, planning is the function of every manager. It involves deciding in advance what is to be done and where, how and by whom it is to be done. While planning, the manager projects a course of action for the future aimed at achieving desired results for the enterprise as a whole and each department within it.

5.2. Meaning and Definition of Planning

Planning deals with future and involves forecasting. A manager does not plan about the past though in his planning for future he is also guided by past performance. Since planning relates activities of the enterprise to its future environment, it requires projecting future activities of the organization.

According to George R. Terry – Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Planning definition

Management is to forecast , to plan , to organize, to command, to coordinate and to control'

- Hendry Fayol

Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done

- Kenneth H. Killen

Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making , that is choosing a course of action amongst all alternatives.

- Heinz Wehrich, Mark V. Cannice and Harold Koontz

Planning is a process that begins with objectives; define strategies, policies and detailed plans to achieve; which establishes an organization to implement decision; and includes a review of performance and feedback to introduce a new planning cycle.

- George A. Steiner

Planning is the conscious, systematic process of making decisions about goals and activities that an individual, group, work unit or organization will pursue in the future. Planning is not an informal or haphazard response to a crisis; it is a purposeful effort that is directed

and controlled by managers and often draws on the knowledge and experience of employees throughout the organization.

- Thomas S. Bateman and Scott A. Snell

5.3. Features of Planning

The essential nature of planning can be highlighted by the following major aspects of planning:

Planning – an Intellectual Process: Planning is the process of choosing the proper course of action from among alternatives and calls for decision-making, which is an intellectual process. Changes in the environment bring opportunities and involve risks as well. It is the task of planners to take advantage of opportunities and minimize the risks. This calls for mental pre-disposition to think before taking action. Moreover, planning is not a guess work. It is conscious determination and projecting a course of action for the future and is based on objectives, facts and considered forecasts.

Planning – a Primary Function: Planning is the most basic function of management. As a matter of fact, all other functions of management largely depend upon planning. Control, for example, is a necessary corollary of planning and cannot exist without planning. Organisation is also set up with a plan and objectives in mind and people are invariably guided and motivated towards accomplishing enterprise objectives. Planning is, therefore, the primary function of management.

Planning – a Continuous Function of Management: Management is a dynamic process and planning as its function cannot be an exception to it. Since different functions of management overlap and intermesh with each other, the planning process is continuously repeated. Moreover, as plans beget a number of sub-plans and since plans have to be revised in the light of changing environment, planning becomes a continuing necessity for management.

Planning – a Pervasive Function: Planning is a pervasive function. It pervades at all levels and in all departments of an organization. Sometimes, planning is erroneously considered to be the prerogative and responsibility of top management alone.

In fact, planning which involves choosing the future course of action from among alternatives is basically the same whether it is at the supervisory level or at higher echelons of management. It must be noted, however, that planning horizons broaden and the implications

of plans becomes wider as one goes up the levels in the management hierarchy.

Check Your Progress-1

True/False

- a. Planning is a mental activity and is a simple process.
- b. Planning is the most basic function of management.
- c. A manager does not plan about the past though in his planning for future he is also guided by past performance.
- d. Sometimes, planning is erroneously considered to be the prerogative and responsibility of top management alone.

5.4. Nature of Planning

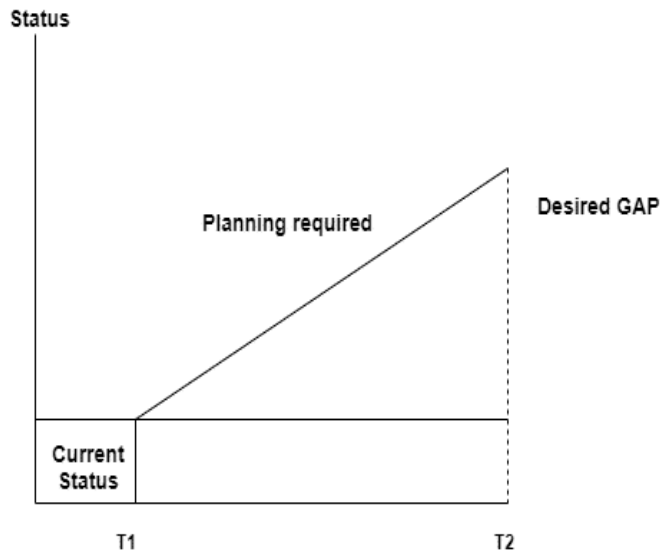
Planning is a mental activity. Planning is not a simple process. It is an intellectual exercise and involves thinking and forethought on the part of the manager. Planning is goal oriented. Every plan specifies the goals to be attained in the future and steps necessary to reach them. Following are a few aspects of the nature of planning.



Figure 5.1 Nature of Planning

5.4.1. Planning is a rational approach

Planning is a future course of action where one wants to reach. Depending upon your objective time period may vary in the planning process.



5.4.2. Planning is an open system

As organization is open planning too is also an open system Change in the environment may affect the planning process

For .e.g. Change in technology, socio-cultural change, political, legal changes to cope up with these changes one has to make these changes in planning also

5.4.3. Planning occurs at every level of organisation

Thus planning occurs throughout organization at every level. Managers perform planning function for .e.g. Product launched at the national level.

First plans are prepared at the top level like prepared at the top level like when to launch a product, who will be the brand celebrity followed by organisation of that even assigning duties. Thus it occurs at every level of organisation.

5.4.4. 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 guesswork. 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.

5.5. Importance of Planning

- i. Minimizes uncertainty: Planning certainly minimizes future uncertainties by basing its decisions on past experiences and present situations.
- ii. Better utilization of resources: All the resources are first identified and then operations are planned. All resources are put to best possible uses.
- iii. Economy in operation: The operations selected being better among possible alternatives, there is an economy in operations.
- iv. Better co-ordination: Planning will lead to better co-ordination in the organization which will ultimately lead to better results.
- v. Encourage innovation: Planning helps innovative and creative thinking among managers because they will think of many new things while planning.
- vi. Planning makes control possible: Control cannot be exercised without planning. With the help of planning the actual output can be compared the desired one, difference is acquired and reasons are located to get necessary action towards unfavorable differences.
- vii. Planning helps motivation: The manager cannot only verify but can encourage workers to attain the targets. When tangible goals are insight it is easier to encourage the workers to reach those levels.
- viii. Planning ensures against failures and setbacks: Planning is based on estimates. It is an effort to visualize the future and attain goals through present action.
- ix. Management by exception possible: Planning fixes objectives of the organization and all efforts should be made to achieve these objectives. Management should interfere in other aspects only when things are not going well. Thus by the introduction of management by exception, managers are given more time for planning. The objectives rather than wasting their time in Direction day-to-day work.

5.6. Classification of planning



Hierarchy Based Classification

I. Top Level Planning or Corporate Planning

Planning covers the entire organization. It is a comprehensive process of determining the long term objective of the organization and evolving This inter-connected and interdependent plans organization. This plan to be carried out inside the research and development, modernization, expansion, covers corporate growth, unprofitable product/section divestment, diversification, manager and acquisition.

Features of corporate planning

- It has a long term perspective.
- It is developmental in nature and focuses on the growth of the company.
- It covers the organization as a whole.
- It involves using all resources of the organization.
- It is a continuous process.
- It keeps on identifying newer opportunities, avoiding threats and reviewing the programme in View of ever-changing environments.
- It integrates strategic plan with operational plans.

Process of corporate planning

- ❖ Defining the long term objectives of the company.
- ❖ Determining the time span of the enterprise.

- ❖ Scanning the environment both internal and external.
- ❖ Appraising resources position both in the current and future period, and assessing the strength and weakness of the organization.
- ❖ Devising alternative strategies.
- ❖ Transforming corporate planning into operational plans for different functional domains.
- ❖ Reviewing the accomplishments and failures.
- ❖ Sustained revision of plans.

2. Middle Level Planning or Functional Planning

This refers to plans made in various departments. It lays down the objectives, policies and programme for various domains like purchase, production, marketing, human resources, finance and other functional areas. The heads of various departments are involved in this planning. The departmental plans are made within the framework of top-level plans. The smooth accomplishment of various departmental plans contributes to successful execution of corporate plans. Departmental heads through their periodical review meetings, integrate the functional plans into corporate plans.

3. Lower Level Planning

This is also called sectional planning. It covers the activities associated with a given functional domain. Unit planning is highly specific and very much detailed as it encompasses the work details for the day to day guidance of human resources employed in different departments. It determines work, duties, specific instructions, work scheduling, arranging tools, raw materials and other facilities. Effective performances of unit level plans leads to accomplishment of organizational goals.

Classification On the Basis of Scope

1.Strategic Planning

Strategic planning envisages the possible changes that may take place in the competitive environment and other environmental conditions and making provisions for meeting them successfully.

Characteristics of strategic planning

- ❖ It is a long range one.

- ❖ It deals with the basic activities like product development, discovery of new geographical area, new technology, invention and social responsibility.
- ❖ It is purely a top level activity.
- ❖ It is an all out effort made by the organization and strongly backed up by the commitment of long term assets.
- ❖ It is a continuous process.

Process of strategic planning

It involves the following:

- ❖ Formulation of goals.
- ❖ Environmental scanning.
- ❖ Resources assessment.
- ❖ Identification of threats and opportunities through SWOT analysis.
- ❖ Putting in place alternative strategies.
- ❖ Review of alternative strategies.
- ❖ Absorption of the strategy.

Advantages

- ❖ It provides consistency and shows direction organization development.
- ❖ It enables them to deal with environmental changes.
- ❖ It minimizes the probability of mistakes and unpleasant surprises.
- ❖ It facilitates long term decision-making the lead time of any project.
- ❖ It eases downward communication.

Shortcomings

- ❖ It is expensive as it involves the use of time and energy of involved in it
- ❖ It takes a longer time to structure this plan. Hence, small organizations hardly engage in devising this type of planning.
- ❖ It is useless in addressing current crisis.
- ❖ It restricts its choice to most rational and less risky projects. It avoids those projects which involve higher uncertainty. But such projects may prove profitable in the long term.

2. Tactical Planning

This type of planning is narrower in scope. However it is a detailed one. The thrust of tactical planning is short term i.e., one to two years. These plans are changed quite often in line with the change in the environment. It focuses on the means of accomplishing the objectives of sub-goals and action plans. Middle level managers are mostly engaged in this type of planning. It is devised mostly in terms of internal environment. This planning is coordination in nature and it is concerned with implementation of strategic plan by coordinating the diverse activities of different departments. For example, if strategic planning involves development of a production department, tactical planning involved includes design, test quality control and installation of production facilities.

3.3. Operational Planning

This type of plan limits itself to devising procedures and processes the plans in work stations in different departments. It is highly detailed. Usually supervisors, foremen or superintendents are engaged in evolving operational plans. It is short tenured plan aimed at carrying out routine tasks like production runs, work scheduling, arrangement of tools and machinery, readying raw materials, machine maintenance, etc. In short, these planning evolved at shop floor level implemented by front line workers or core works like operators, machinists, assemblers, clerks and sales persons.

Classification on the Basis of Time Horizon

1. Long Range Planning

This type of plan covers a time period of two to five years. At times, the tenure of plan may go beyond five years. It takes the form of goal setting for various functional domains, framing strategies, policies and programme. This type of plan can be more suited to industries which are not mainly hit by ever changing environmental variables.

This is quite common in textiles, railways, defence, public utilities, etc. It is the top level management which is usually engaged in evolving long term plans. The goals of long term plan may be attaining market leadership, technological leadership, globalization of operations, building up employer brand and so on.

2. Medium Term Planning

The duration of medium term planning ranges between one year and three years. However, it may vary given the nature of business, risk and

uncertainties, market conditions, level of technology absorption, etc. It is more detailed and specific one. The medium term plans are evolved by departmental heads.

3. Short Range Planning

The tenure of short term plan is up to one year. It is more specific, detailed and instructional in nature. It is action centrist plan. It is mainly carried out by those at lower echelons of the management. For example, sales quota, work scheduling, work assignment, choice of machine to work, decision on shift Working, repairs and maintenance, quality inspection, waste control, material economy, etc.

Classification on the Basis of Challenges

The environment dynamics influence the planning in no small measure. In such a case, planning is made to weather the storm emerging from environmental forces. Accordingly, planning is divided into proactive and reactive planning.

1. Proactive Plans

Proactive planning involves devising suitable course of action in anticipation of likely changes in the relevant environment. Organizations have to Scan environment very deeply and have decentralized control. They should keep in of the readiness the resources required for meeting anticipated eventualities. The organizations using the proactive plans do not wait for the environment to change.

Managers challenge the environment. Only very big entities financial soundness and other resources support can afford to go for protraction planning. In India, Reliance, TATA etc., engage in proactive planning.

2. Reactive Planning

To the events unfolding in the environment planning happens after the occurrence of events. In the contemporary business world, organizations have to respond to the changes swiftly so as not to loss the opportunity. In cellular telephone market, Nokia lost to Samsung due to delayed or non response to changes unfolding in the cell phone market.

In India, Hindustan Automobile Ltd., lost its market share to Maruthi Udayog Ltd., due to very belated response to changes in consumer behaviour in automobile market. Hence, reactive planning holds good only in stable business environment. In other words, reactive planners have to lose to proactive planners in changing business environment.

Classification on the Basis of Formalities

1. Formal Planning

This connotes a well structured process, involving clearly identifiable and sequentially arranged steps. Persons cast with the responsibility of making formal plans are empowered by the organization. Some organizations have a separate department dedicated to planning. Thus planning is centralized. This department makes plans for the organization as a whole. But most of the organizations nowadays adopt decentralized planning. The very structure of the organization is changed to enable the employees across the levels plans at their respective levels. Formal planning is a well documented exercise. It serves as a reference material for future planners in the organization.

2. Informal Planning

This connotes unstructured plans based on the memory of. events and evaluation of environment factors of the managers. This is mainly adopted in small organizations where operations are small and simple.

Classification Based on Utility

I. Single Use Plans

Single use plans are called adhoc plans. It intends to achieve objectives in a given situation. They are tailored to meet a specific situation. These plans are formulated for addressing non-repetitive and unique problems. Once the specific objective is achieved, this plan ceases to exist and new plan is devised, e.g., budgets, programmes, projects, schedules and methods.

1. Budgets: This represents a single use plan containing expected results in quantitative term. It is expressed in terms of time, money and material. It is prepared for various functional areas like production, sales, finance, human resources and materials.

It may be a fixed budget or variable budget. A fixed budget is one prepared for a given level of production activity. It does not provide for changes in cost for various levels of activity. A flexible budget is one prepared for different levels of production activities.

Characteristics of Budget

- ❖ It is related to future period.
- ❖ It is prepared in advance and derived from the long term strategy of the organization.

- ❖ It sets standards of performance against which actual performance is matched for control purpose.
- ❖ There are separate budgets for different functional departments. A budget called master budget is prepared for the whole organization. It is both planning and control device.

Objectives of Budget

- ❖ Determination of target of performance for each department or section of the enterprise.
- ❖ Fixation of responsibilities for each executive so that one knows what is expected of him and how he will be evaluated.
- ❖ Provision of measures for performance evaluation.
- ❖ Enabling better utilization of available resources to maximize output or profit subject to constraints.
- ❖ Initiating corrective action to address deviations from the targeted performance.
- ❖ Centralization of control.
- ❖ Decentralization of responsibility to each manager.

Advantages of Budget

1. Charting future course:

Budget enables business enterprises to chart a future course of action.

2. Performance measurement device:

It facilitates measurement of performance and efficiency of functional departments.

3. Blueprint for goal attainment:

It serves as a blueprint for attainment of the objective.

4. Motivation to staff:

Target fixation through budgeting exercise serves as motivation to staff members to put in their best efforts to attain it.

5. Coordination device:

Budget serves as a tool for coordination through which the functions of various departments are coordinated. Each department becomes aware of limitations faced by others. It results in reduction of inter-departmental conflict. It enables the department to cooperate with one another in realizing objectives of one another.

6. Foundation for standard costing:

It is a foundation on which standard costing and other cost control techniques are put in place.

7. Feedback on plans:

It provides a feedback for revision and alteration of future plans.

Sense of commitment:

Since staff of each department are engaged in framing the budget of a department, there may prevail a sense of commitment among the staff to actualize the target

II. Multi Use Plans

1. Objectives:

Objectives represent the end towards which all the managerial functions are directed. It indicates the destination of an organization. The entire planning process begins with the setting up of objectives. In the words of Allen, "Objectives are goals established to guide the efforts of the company and each of its components. It provides a standard against which the organization can measure its performance and results".

"Objectives are goals; they are aims which management and administration wish organizations to achieve".

-Robert C. Appleby

"Objectives are goals, aims or purposes that organization wish to achieve over varying periods of time".

-Dalton E. Mcfarland

Let Us Sum Up

In this unit, you have learned about the following:

Thus in the context of management, planning is the function of forecasting, framing of the objectives, policies, procedures, schedules, budgets etc,. It involves the consideration of all anticipated problems and a future course of action. Planning basically makes a choice from a number of alternative courses of action.

Check Your Progress-2

1. Pervasiveness of planning indicates that planning
 - a) Is a top management function
 - b) Extends through the organization

- c) Is a future –oriented activity?
 - d) Is the first element of management process?
2. Which one of the following is an importance of planning?
 - a) Reducing uncertainty
 - b) Identifying alternatives critically
 - c) Developing leadership
 - d) Selecting the most appropriate plan
 3. Which one of the following is not limitation of planning?
 - a) Dynamic environment
 - b) Costly process
 - c) Rigidity
 - d) Top management approach
 4. Which one of the following is a step of planning?
 - a) Analysis of organization structure
 - b) Analysis of environment
 - c) Analysis of employee behavior
 - d) Analysis of employee morale
 5. The basic role of strategy is to provide
 - a) Setting procedures
 - b) Direction for action
 - c) Direction for motivation
 - d) Direction for control

Glossary

- Planning:** Planning is the process of thinking regarding the activities required to achieve a desired goal. Planning is based on foresight, the fundamental capacity for mental time travel. The evolution of forethought, the capacity to think ahead, is considered to have been a prime mover in human evolution.
- Intellectual:** as plans is always based on the sound judgment of the top-level management. It is a mental activity in which a manager decides the goals to be achieved and the actions through which those goals are to be achieved.
- Pervasive:** The time spent by the higher-level managers in the process of planning is comparatively more than the time spent by the middle-level and lower-level

managers. It is, therefore, clear that all the managers working in an enterprise have to plan their activities.

Model Questions

1. What is a Planning?
2. What is the importance of planning?
3. What are the Nature and Scope of Planning?

Answers to Check Your Progress-1

- a-False
- b-True
- c-True
- D-True

Answers to Check Your Progress-2

1. b) Extends through the organization
2. a) Reducing uncertainty
3. d) Top management approaches
4. b) Analysis of environments
5. b) Direction for actions

Suggested Readings

1. Tony Morden, Principles of Management, ISBN: 1351908952, 9781351908955, PublisherRoutledge, 2017
2. Balaji, 2018, Principles of Management (WBUT), 2nd Edition. (n.d.). (n.p.): Vikas Publishing House.
3. Edwin A. Locke, "The Ideas of Frederick W. Taylor: An Evaluation." Academy of Management Review, 1982, 7, 14-24
4. Sudha, Business Management, 2017, ISBN: 978-81-8209-504-5, Vijaya Nicole Imprints Private Limited.

Unit-6

Management by Objectives (MBO)

STRUCTURE

Overview

Objectives

6.1. Introduction

6.2. Concept

6.2.1 'Koontz' defined MBO

6.2.2. 'S.K. Chakraborty '

6.3. Features

6.4. Process

6.4.1. Establishment of organizational objectives

6.4.2. Identification of Key Result Areas (KRAs)

6.4.3. Determination of Subordinates objectives

6.4.4. Matching Resources with Objectives

6.4.5. Performance Evaluation

6.4.6. Recycling

6.5. Merits or Benefits

6.5.1. Better Managing

6.5.2. Clarity in organizational Action

6.5.3. Personnel Satisfaction

6.5.4. Basis for organizational change

6.6. Problems or Limitations

6.7. Pre requisites for installing MBO programme

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of management by objectives such as Koontz' defined MBO, 'S.K. Chakraborty ' has been explained. And also describe the features of MBO, Advantages and disadvantage of MBO, Problems and Limitation of MBO, process of MBO and explains the Pre

requisites for installing MBO programme.

Objectives

The objectives of this lesson are to:

- Know the concept of MBO
 - Know the process, merits and demerits of MBO
-

6.1. Introduction

Management by Objectives (MBO) has gained immense popularity during the past decades. “Peter F. Drucker” has pioneered the concept of MBO. According to him, objectives are the ends and means of an enterprise, all the activities must be framed and directed to perform objectives and no deviations from the achievement of objectives is permitted. There should be a great concern and commitment towards objectives throughout the organizations at any level, then only organizations can survive. It means organizations are to be managed in such a way to achieve the objectives. Hence this concept has gained immense popularity all over the world. In India also, in many organizations, MBO has become the way of management process.

6.2. Concept

MBO is both a philosophy and approach of management. It is a process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates assess the contribution of each individual, and integrate individuals with the organization so as to make best use of organizational resources.

6.2.1 ‘Koontz’

‘**Koontz**’ defined MBO as – “MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed towards the effective and efficient achievement of organizational objectives “. It emphasizes the importance and operation of MBO.

6.2.2. ‘S.K. Chakraborty’

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

6.3. Features of MBO

Based on the definitions of MBO its features can listed out as follows:

- a. MBO is an approach and philosophy to management and not merely a technique. It is likely to affect every management practice in the organisation. It employs several techniques but it is not merely the sum total of all these techniques. Thus it is a particular way of thinking about management.
- b. MBO provides the stimulus for the introductions of new techniques of management and enhances the relevance and utility of the existing ones.
- c. MBO is the joint application of a number of principles and techniques, and works as integrating device.
- d. The basic emphasis of MBO is on objectives, it tries to match objectives and resources.
- e. This process clarifies the role very sharply in terms of what one is expected to achieve.
- f. Periodic review of performance is an important feature of MBO.
- g. Objectives in MBO provide guidelines for appropriate systems and procedures for instance resource allocation, delegation of authority etc., are determined on the basis of objectives.

6.4. Process of MBO

The process of management by objectives translates organizational objectives into individual objectives with the commitment and participation of employees. It improves the clarity and balance of the objectives and makes rigorous analysis throughout the organization. Following are the steps in MBO process.

6.4.1. Establishment of organizational objectives

The first basic step in MBO is the definition of organizational purpose and objectives. Basically organizational objectives are to be formulated with the interaction of planning premises. Planning premises refer to the environment in which future plans will operate. The manager has to assume the future environment and should set the objectives accordingly. The objectives must be made clear as long term and short term objectives, and corporate and departmental objectives.

6.4.2. Identification of Key Result Areas (KRAs)

Key result areas refer to departments or divisions or elements or functions

of an enterprise which play a vital role in the achievement of stated objectives. They are to be identified keeping in view planning premises and corporate objectives. For example KRAs applicable to most of the business organizations are

6.4.3. Determination of Subordinates objectives

The organizational objectives are achieved through individuals. Therefore, each individual manager must know in advance what he is expected to achieve. Objectives are to be translated into superior's objectives after designing an appropriate organization with required authority and responsibility. Then superior attempts to decide subordinates objectives with the participation of concerned subordinate. Because the basic concepts of MBO are interaction and mutual acceptance, which increase commitment towards, achievement of objectives.

6.4.4. Matching Resources with Objectives

When objectives are set carefully, they also indicate the resource requirement. In fact, resources availability becomes an important aspect of objective setting, because it is the proper application of resources which ensures objectives achievement. Therefore there should be matching between resources and objectives.

6.4.5. Performance Evaluation

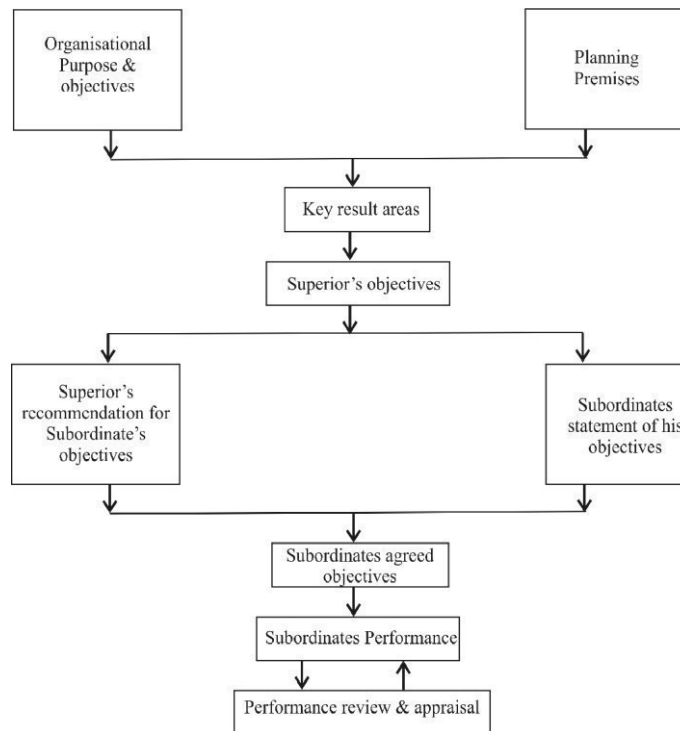
After establishing the goals of subordinates, their performance can be reviewed periodically by the superiors, and necessary corrective measures and assistance may be provided by the superiors, like the suggestions, quality maintenance, etc., Further, new inputs like training and development, incentives, additional facilities and infrastructure can be furnished in order to see that the final performance must match the objective standards.

6.4.6. Recycling

Though appraisal is the last aspect of MBO process, it is used as an input for recycling objectives and other actions. In the MBO process, since all the stages are inter-related, the outcome of appraisal at one level is recycled to the higher level to see that objectives are to be performed.

For instance when subordinate's objectives are changed after the consultation, then superior's objectives are to be redrafted. i.e., either increased or decreased to match subordinates objectives, or the organisation structure is to be changed.

Following figure shows the steps in the process of MBO



Answers to Check Your Progress-1

True/False

- Managers often fail to understand and appreciate this new approach.
- MBO is both a philosophy and approach of management.
- The first basic step in MBO is the definition of organizational purpose and objectives.
- MBO tries to improve performance in the six ways
- MBO Provides greatest opportunity for personnel satisfaction.

6.5. Benefits or Merits of MBO

6.5.1. Better Managing

MBO helps in better managing the organizational resources and activities. Resources and activities are put in such a way that they result into better performance. MBO tries to improve performance in the five ways.

- The relationship between clarity of objectives and improvement of performance is the cornerstone of MBO Philosophy.
- Clarity of roles, including the areas of authority and responsibility, leads to improved performance.
- Periodic review provides opportunities for taking stock of the

situation and planning future course of action.

- d. Participation by managers in the management process is expected to ensure achievement of objectives.
- e. MBO provides a base for the philosophy that there is always scope for improved performance.

All these factors for performance improvement are generated if MBO is followed properly.

6.5.2. Clarity in organizational Action:

MBO tends to provide the key result areas where organizational efforts are needed. For instance a key factor in objective setting is the external environment in which the organization operates. Therefore any change in environmental factors is taken care of at the level of objective setting itself. Thus it provides basis for long range planning in the organization.

6.5.3. Personnel Satisfaction:

MBO Provides greatest opportunity for personnel satisfaction. This is possible because of two closely related phenomena:

- i. Participation in objective setting.
- ii. Rational performance appraisal.

In fact in many organizations, people do not perform to the level of their potential because of absence of these positive factors and often there is high rate of managerial turnover.

6.5.4. Basis for organizational change:

MBO stimulates organizational change and provides a frame work and guidelines for planned change, enabling the top management to initiate, plan, direct and control the direction and speed of change.

6.6. Problems and Limitations of MBO

Some of the common problems of MBO are as follows:

Time & Cost

It is a process which requires large amount of the scarcest resource in the organization and time of the senior managers. Sometimes managers get frustrated and feel overburdened.

Failure to teach MBO Philosophy

Managers often fail to understand and appreciate this new approach. MBO demands rigorous analysis as an integral element of the management process but the organization may not be used to rigour.

Problems in Objective Setting:

Setting of verifiable objectives is difficult at least in some areas. Objectives are more in the form of statement rather than in quantitative form.

Emphasis on short - term objectives:

Sometimes, in order to be more precise there is a tendency to emphasize on short-term objectives usually for a year or even less. There is a danger in emphasizing short - term objectives at the cost of long terms objectives.

Inflexibility:

In a dynamic environment, a particular objective may not be valid for even, in the context of revised objectives, changed premises, it is useless to follow the old objectives. Thus inflexibility created by applying MBO may cause harms.

Frustration:

Sometimes MBO creates frustration among managers, because it tends to arouse high expectations for rapid change, particularly among the young and junior managers.

Problems of MBO can be overcome by implementing it properly.

6.7. Pre-requisites for Installing MBO Programme

Some of the prerequisites for installation of MBO programme are.-

1. Purpose of MBO should be clearly defined.
2. Top management support for using objectives to plan and to control is essential.
3. Systematic training is required in the organisation for disseminating the concepts and philosophy underlying MBO.
4. Success with MBO requires a commitment on the part of each individual involved in this type of system.
5. Feedback is an essential ingredient in sustained learning and improvement in situations.
6. It must be carried all the way down to the first line of the organization.

Let Us Sum Up

In this unit it is attempted to elucidate the process of Management By Objectives. It is a means rather than an end. It has to achieve certain things in the organization, it has to solve some problems.

In this unit, you have learned about the Concept of MBO, 'Koontz' defined MBO, 'S.K. Chakra borthy', Features of MBO, Process such as Establishment of organizational objectives, Identification of Key Result Areas (KRAs), Determination of Subordinates objectives, Matching the Resources with Objectives.

You have also learned about the Performance Evaluation, Recycling, Merits or Benefits, Better Managing, Clarity in organizational Action, Personnel Satisfaction, Basis for organizational change, Problems or Limitations and Pre-requisites for installing MBO programme in this unit.

Check Your Progress-2

1. Which of the following is the main objective of standardisation within a business?
 - a) It helps to establish standards of excellence within a company
 - b) It helps to reduce products to fixed sizes, features or types
 - c) It helps to bring in more significant exchangeability of various parts
 - d) All of the above
2. One of the earliest management thinkers to use the term MBO
 - a) Peter Drucker
 - b) Heinz Weihrich
 - c) Harold Koontz
 - d) Porter
3. A manager set goals through a collaborative process. The extent to which goal are accomplished is an importance parameter in evaluation and rewarding the subordinates performance, by which of the following terms in this described?
 - a) Management by resources
 - b) Management by authority
 - c) Management by system
 - d) Management by objectives
4. Management By Objective (MBO) emphasize particularly in setting goals that are
 - a) General in nature

- b) Tangible, verifiable and measurable
 - c) Easy to attain
 - d) Easy to create and develop
5. Perquisites are meant for_____ in organization
- a) Supervisor
 - b) Foreman
 - c) Technical Staff
 - d) Executives

Glossary

Management by Objectives- Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees.

Model Questions

1. Define the concept of MBO
2. What are the Features of MBO?
3. Explain the process of MBO.
4. Describe the benefits and problems of MBO.

Answers to Check Your Progress-1

- a-True
- b-True
- c-True
- d-False
- e-True

Answers to Check Your Progress-2

1. d) All of the above - the main objective of standardisation within a business to establish standards of excellence within a company, to reduce products to fixed sizes, features or types and to bring in more significant exchangeability of various parts
2. a) Peter Drucker- it is a performance management approach in which a balance is sought between the objective of employees and the company goals. Peter drucker sets a number of

conditions that must be met objectives are determined with the employees or team members.

3. d) Management by objectives- Management by Objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization with the intention to achieve each objective.
4. b) Tangible, verifiable and measurable- it is a comprehensive management system based on measurable and participative set objectives. It has come a long way since it was first suggested by peter F.Drucker in 1954 as way of promoting managerial self control.
5. d) Executives- perquisite are given to executives as incentive for their work performance

Suggested Readings

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Unit-7

Approaches of Planning

STRUCTURE

Overview

Objectives

7.1. Forms of Planning

7.2. Process of Planning

7.3. Types and steps in planning

7.4. Objectives of planning

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of approaches of planning, different forms of planning, steps involved in planning process, objectives of the planning in an organization has been explained. All organizations plan; the only difference is their approach. Prior to starting a new strategic planning process it will be necessary to access the past planning approach that has been used within the organization and determine how the organizations cultural may have been affected. Addressing these cultural issues is critical to the success of the current planning process.

Objectives

After reading this unit, student should be able to:

- Define planning and describe its purpose
- Identify the nature of planning
- Understand the planning process

7.1. Forms of Planning

Forms of planning

Strategic planning involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals.

| Strategic planning | Tactical planning |
|---|--|
| It decides the major goals and policies of allocation of resources to achieve these goals. | It decides the detailed use of resources for achieving each goals. |
| It is done at higher levels of management | It is done at lower of management. |
| It is long term | It is short-term. |
| It is generally based on long-term forecasts about technology, political environment, etc. and is more uncertain. | It is generally based on the past performance of the organizations and is less uncertain. |
| It is less detailed because it is not involved with day to day operations of the organization. | It is more detailed because it is involved with day-to-day operations of the organization. |
| | |

7.2 Process of Planning

1. Situation analysis:

Planning starts with situation analysis. Managers should collate all the information relevant to a given activity for which planning is to be made. The planner should analyse the information deeply to find out past trends, current developments and to forecast the future trend. They should assess the impact of both internal and external factors on the activity to be planned. This analysis would bring to the issues and problems relating to the activity under planning.

2. Identification of opportunity:

The net outcome of the situation analysis is to figure out the opportunities to be tapped. It is only here that the planning process starts. Having identified the opportunities it has to conduct the strength, weakness, opportunity and threat analysis

(SWOT). This analysis helps the organization to understand whether it would be able to capitalize on the opportunity identified. When an organization gets positive results in the SWOT, it would pass on to the

next stage. Otherwise the opportunity identified is dropped.

3.Objective sifting:

Objectives represent the destination of an enterprise. Under this phase, objectives for the whole organization and various departments, units and sections are fixed. Thus, there is hierarchy of objectives.(The objectives are set, taking into account resources at the command of the organization and capability of human resources employed in the organization. The objectives are set in measurable terms. The time line with which the objectives are to be accomplished are also fixed.

4.Planning premises:

It denotes the conditions under which planning will be undertaken. In other words, it represents assumptions. As planning is done for future which is uncertain, assumptions need to be made about the environmental conditions.(The environment is of two types, internal and external. The internal environment includes organizational policies and various resources at the disposal while external environment includes public policy, technological advancement, level of competition, consumer behaviour, suppliers response, shareholder's expectation, etc. The nature of planning premises vary at different levels of planning) Planner is not making assumptions about each and every factor in internal and external environment. It depends on the type of plans. Further assumptions aid in making forecast. When planning premises change, planner has to fall back on contingency options.

5.Determining alternative courses of action:

There are so many alternative ways of achieving the goal. The planner has to screen all the alternative courses of an action. This requires imagination, foresight and ingenuity For example in order to improve productivity, an organization can screen various alternatives like increasing wages, giving incentives, buying quality inputs, increasing workload of workers, intensifying supervision, improving labour welfare measures, improving physical facilities, improving technology, engaging professionals, cutting idle time, reducing wastage and so on.

6.Evaluation of alternatives:

Once alternatives are screened each alternatives should be scanned in detail. The positives and negatives are each alternative should be micro analyses in the light of constrains experienced by the enterprise. Besides each alternative should be viewed through prism of cost, benefit, risk and organizational facilities. Now days computer aided

mathematical models and software come in handy in alternatives evaluation.

7. Selection of best alternative:

After analyzing each and every alternative in micro detail, best alternative is selected which is supposed to accomplish organizational goals effectively and efficiently.

8. Derivative plans/sub-plans:

Once a particular option is chosen based on the criteria, the planner has to think about the outcome of the chosen alternative. He has to provide for those outcomes. For example, an organization chooses to provide transport facility to its staff members instead of outsourcing it. In such a case, it has to consider appointment of bus crew, fuel facility, maintenance of bus, spare parts, parking facilities, repairs and so on. These plans for various outcomes of a chosen alternative are called derivative plans.

9. Implementation of plans:

Once a given alternative is chosen, the planner has to gear up for implementation. He has to do the following:

- ❖ Communication of the plan to all those concerned.
- ❖ Providing instructions to those concerned with its implementation.
- ❖ Deploying facilities like raw materials, man power, technical support, machinery, maintenance support, financial support and so on.
- ❖ Linking the implementation to reward system.
- ❖ Planner has to ensure that all those connected with implementation are engaged in execution thereof.

7.3. Steps in Planning Process

The various steps in Planning Process are as follows:

a). Awareness of opportunities: while planning basically managers are needed to know the availability of opportunities to the organization. Opportunities are available from environment.

The new project can be had from changing needs of customers, technological changes, competitor's weaknesses and innovative patterns of the organization.

Awareness of opportunities involves preliminary understanding and estimation of opportunities and analyzing them in the light of strengths

and weakness of the organization for the purpose of assuming them. When the managers are utilizing the opportunities, they should be free from threats.

b).Establishing Objectives: The second step in planning is to setup objectives for the enterprise as a whole, and for the departments and individuals. Objectives are to be set for the long run as well as for the short run. These are the end points for managerial course of action and they are the destination for all the activities. Objectives specify the expected results and show how the destination is to be achieved and where emphasis is to be placed.

- i. **Planning Premises:** Once the objectives are determined the next step is establishing the planning premises. Planning premises refer to the environmental conditions or surrounding circumstances in which plans work. Plans will operate in future, hence it is appropriate to expect future conditions and should plan accordingly.
- ii. **Identifying the Alternatives:** In order to achieve the objectives under expected conditions managers first must identify various alternative courses of action. For instance, to achieve the objectives of securing desired profits, necessary plant and machinery should be established in the organization.
- iii. **Evaluating the Alternatives:** After identifying the alternatives, the following stage is to evaluate their advantages and disadvantages. Their evaluation should be done in the light of enter- price objectives.
- iv. **Selecting a Course of Action:** Choice of a particular alternative is the next step after evolution. Evaluation explains the merits and demerits. Selection is the real point of decision making. At any time, it is confirmed that selection of two or more alternatives is better than choosing only one alternative. Hence managers should plan in such a manner to select right combination.
- v. **Formulating Derivative Plans:** The departmental plans are known as Derivative plans. For instance, in order to generate desired profits for the organisation, production department should have production plans regarding number and quality of units to be produced.
- vi. **Budgeting:** A budget is forecasted statement of revenue and

expenditure, it is a numbered plan. It allocates the various resources to the required activities keeping in view of objectives. The organisation and each department working in it can have their own budget. Hence, budgeting is the last stage of planning which puts the plan into action.

The planning sequence discussed above, is almost similar to all the managers but may differ according to the complexity and time duration of plans like some steps may be prolonged and some stages may be shortened. Future plans must be cost-effective. Thus, proper planning should be done keeping in view the circumstance, the need, the magnitude and the level of commitment.

7.4. Objectives of Planning

- a) **Forecast's the Course:** The most important ingredient of planning is forecasting. This is basically plan development as per policies and requirement of the organization.
- b) **Forward Bearing:** Planning provides specific forward momentum to all the activities in the organization by chalking out the future working procedure.
- c) **Assured Activities:** Planning drafts the policies, working procedure and decides controlling process for the activities in an organization so that confidence level increases in employees & management regarding the accomplishment of predefined goals.
- d) **Forecast's the Risk:** Planning forecasts the future threats, therefore technical strategies are most often planned and decided in advance to overcome the inconsistency or tackle the problems successfully.
- e) **Helps in Establishing Co-ordination:** Planning is the forefront initiator in any organization regarding coordination. This coordinates all the departments and also policies, procedures, objectives, etc. in business or industrial unit.
- f) **Develops in Facing Competition:** Assists and develops the organization to face competitions of all sorts and in all aspects. This strategic process is part of the objectives of planning.
- g) **Managing Budgetary Targets:** Budgetary Targets are executed & achieved as per the planning. It is a helping hand in planned budget utilization.

- h) **Present Important Information's:** Planning makes available adequate information and communicates it to the employees in the organization as well as presents a positive picture of organization, its policies, functioning and results to the outside world.
- i) **Economy in Management:** Having better coordination in an organization between employees & management the pre decided goals proceed as per the requirement, all types of wastage's is brought to the minimum. This helps in achieving the efficiency in the overall economy of management.

Let Us Sum Up

In this unit, you have learned about the following:

Thus in the context of management, planning is the function of forecasting, framing of the objectives, policies, procedures, schedules, budgets etc,. It involves the consideration of all anticipated problems and a future course of action. Planning basically makes a choice from a number of alternative courses of action.

Check Your Progress

1. Which one of the following plans prescribes chronological steps for performing activities?
 - a) Procedure
 - b) Rule
 - c) Policy
 - d) Method
2. Which one of the following is a single-use plan?
 - a) Strategy
 - b) Rule
 - c) Budget
 - d) Method
3. _____ plans have clearly defined objectives
 - a) Standing
 - b) Flexible
 - c) Specific
 - d) Directional
4. A budget is an example of which of the following plan?
 - a) Strategic plan
 - b) Informal plan

- c) Single use plan
- d) Standing plan

5. Based on importance, Planning can be----

- a) Formal and informal
- b) Proactive and reactive
- c) Long-term and short term
- d) Strategic and operational

Glossary

Principles: Planning is the process by which the managers of an organization set objectives, make an overall assessment of the future.

Limitations: Planning is a very lengthy process as it consumes a lot of time for collection, analysis, and interpretation of data.

Process: It is a process that involves making and evaluating each set of interrelated decisions. It is selection of missions, objectives and "translation of knowledge

Model Questions

1. Define planning; what are the Principles of Planning?
2. Explain Planning Process?
3. What are the techniques of Planning?
4. Describe the significance and limitations of Planning

Answers to Check Your Progress

1. a) Procedure
2. c) Budget
3. c) Specific- they eliminate ambiguity as these are clearly defined, language used must be very understandable, since, specific plans are made for x scenario, it will not be useful if the situation turns into y scenario
4. c) Single use plan- these plans are designed to deal with one time issue. Since their goal is to address a specific issue, single use plan are also referred to as specific plan. These strategies are developed to deal with a one of a kind, no-repeatable issue.
5. d) Strategic and operational- Strategic planning is a process in which an organization's leaders define their vision for the future and identify their organization's goals and objectives. Operational planning is the result of a team or department working to execute a strategic plan. It is a future-oriented process that maps out department goals, capabilities, and budgets to promote the success of team-based activities designed to support the strategic plan.

Suggested Readings

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Unit-8

Decision Making

STRUCTURE

Overview

Objectives

8.1. Introduction

8.2. Meaning and Definition of Decision Making

8.3. Importance of Decision Making

8.4. Process of Decision making

8.5. Types of Decision

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

This Unit deals with the concepts of decision making, importance of Decision Making, Process of Decision making and Types of Decision.

Objectives

After studying this lesson, student should be able to:

- Understand the concepts of decision making
- Know the procedure and principles of decision making
- Understood how make effective decision making in management

8.1. Introduction

A strong emphasis on the performing organization as is typical in most companies – often occurs at the expense of the learning organization (Senge, 1990).

Those characteristics that enabled the firm to find a profitable niche in the first place – such as creativity, flexibility, informality and a tolerance of failure must largely be suppressed to deliver reliable results and reduce performance variance. If so, the firm's short-term performance may be optimized at the expense of its long-term survival prospects, due to lack of requisite variety (Ashby, 1956). Balancing exploitation and exploration (March, 1988) is a major challenge in most companies.

8.2. Meaning and Definition of Decision Making

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

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

Decision-making is the process whereby an individual, group or organization reaches conclusions about what future actions to pursue given a set of objectives and limits on available resources.

This process will be often iterative, involving issue-framing, intelligence-gathering, coming to conclusions and learning from experience.

According to D. E. McFarland, "A decision is an act of choice – wherein an executive forms a conclusion about what must not be done in a given situation.

A decision represents a course of behavior chosen from a number of possible alternatives".

According to Haynes and Massie, "a decision is a course of action which is consciously chosen for achieving a desired result".

According to R. A. Killian, "A decision in its simplest form is a selection of alternatives".

Definition of Decision Making

"Decision-making is the process-of identifying and selecting a course of action to solve a specific problem"

-James A.F. Stoner, R. Edward Freeman and Daniel R. Gilbert, Jr

"Decision-making is the process through which managers identify organizational problems and attempt to resolve them".

- K.M. Bartol and D.C. Martin

"Decision-making is a conscious human process involving both individual and social phenomena based upon factual and value premises which conclude with a choice of one behavioral activity from among two or more alternatives with the intention of moving towards some desired state of affairs"

-F.A. Shull, A.L. Delbecq and L.L. Cummings

8.3. Importance of Decision Making

Decision-making is an indispensable component of the management process. It permeates all management and covers every part of an enterprise. In fact whatever a manager does, he does through decision-making only; the end products of manager's work are decisions and actions.

For example, a manager has to decide:

- (i) What are the long term objectives of the organization, how to achieve these objectives, what strategies, policies, procedures to be adopted (planning);
- (ii) How the jobs should be structured, what type of structure, how to match jobs with individuals (organizing);
- (iii) How to motivate people to peak performance, which leadership style should be used, how to integrate effort and resolve conflicts (leading);
- (iv) What activities should be controlled, how to control them, (controlling). Thus, decision-making is a central, important part of the process of managing. The importance of decision-making in management is such that H.A. Simon called management as decision-making. It is small wonder that Simon viewed decision-making as if it were synonymous with the term 'managing'. Managers are essentially decision makers only.

Almost everything managers do involves decision-making. Decision-making is the substance of a manager's job. In fact, decision-making is a universal requirement for all human beings.

Each of us makes decisions every day in our lives. What college to attend, which job to choose, whom to marry, where to invest and so on.

Surgeons, for example, make life-and-death decisions, engineers make decisions on constructing projects, gamblers are concerned with taking risky decisions, and computer technologists may be concerned with highly complex decisions involving crores of rupees.

Thus whether right or wrong, individuals as members in different organizations take decisions. Collectively the decisions of these members give 'form and direction to the work an organization does'. Some writers equate decision-making with planning.

In fact, Koontz and O'Donnell viewed 'decision-making as the core of

planning', implying that is not at the core of organizing or controlling.

However, instead of taking extreme positions, it would be better to view decision-making as a pervasive function of managers aimed at achieving goals.

According to Glueck there are two important reasons for learning about decision-making:

- (i) Managers spend a great deal of time making decisions. In order to improve managerial skills it is necessary to know how to make effective decisions,
- (ii) Managers are evaluated on the basis of the number and importance of the decisions made. To be effective, managers should learn the art of making better decisions.



8.4 Process of Decision Making

Identify the decision

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

Gather relevant information

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external “work.” Some information is internal: you’ll seek it through a process of self-assessment. Other information is external: you’ll find it online, in books, from other people, and from other sources.

Identify the alternatives

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and

additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

Weigh the evidence

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you'll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

Choose among alternatives

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end.

Take action

You're now ready to take some positive action by beginning to implement the alternative you chose in

Review your decision & its consequences

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has not met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

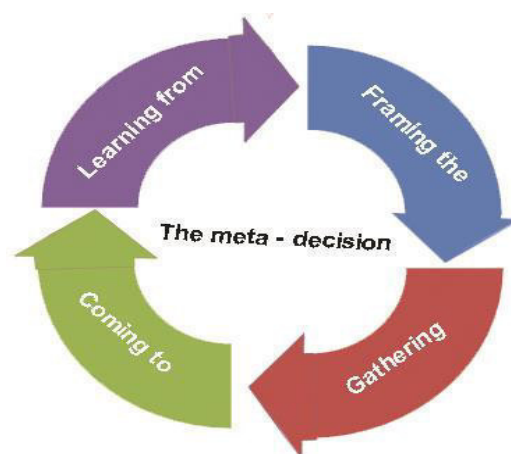


Figure – Phase of decision process

Check Your Progress-1

True/False

- a. Decisions to watch television, to study, or retire early are examples of personal decisions.
- b. According to Glueck there are five important reasons for learning about decision-making:
- c. Almost everything managers do involves decision-making
- d. According to R. A. Killian, "A decision in its simplest form is a selection of alternatives".

8.5. Types of Decision

The decisions taken by managers at various points of time may be classified thus:

1. Personal and Organizational Decisions:

Decisions to watch television, to study, or retire early are examples of personal decisions. Such decisions pertain to managers as individuals. They affect the organization, in an indirect way. For example, a personal decision to purchase a Maruti rather than an Ambassador indirectly helps one firm due to the sale and hurts another because of the lost sale.

Personal decisions cannot be delegated and have a limited impact. Organizational decisions are made by managers, in their official or formal capacity. These decisions are aimed at furthering the interests of the organization and can be delegated. While trying to deliver value to the organization, managers are expected to keep the interests of all stakeholders also in mind such as employees, customers, suppliers, the general public etc. they need to take decisions carefully so that all stakeholders benefit by what they do (Like price the products appropriately, do not resort to unethical practices, do not sell low quality goods etc.)

2. Individual and Group Decisions:

Individual decisions are taken by a single individual. They are mostly routine decisions.

Advantages and Disadvantages of Group Decision-Making:

Group decisions, on the other hand are decisions taken by a group of individuals constituted for this purpose (for example, Admission Committee of a College, Board of Directors in a company). Group decisions, compared to individual decisions, have far reaching

consequences and impact a number of persons and departments. They require serious discussion, deliberation and debate. The following are the advantages and disadvantages of group decision making.

Advantages

- a) A group has more information than an individual. Members, drawn from diverse fields, can provide more information and knowledge about the problem.
- b) A group can generate a greater number of alternatives. It can bring to bear a wider experience, a greater variety of opinions and more thorough probing of facts than a single individual.
- c) Participation in group decisions increases acceptance and commitment on the part of people who now see the solution as their own and acquire a psychological stake in its success.
- d) People understand the decision better because they saw and heard it develop; then paving the way for smooth implementation of the decision.
- e) Interaction between individuals with varied viewpoints leads to greater creativity.

Disadvantages

- a) Groups are notorious time-wasters. They may waste a lot of time and energy, clowning around and getting organized.
- b) Groups create pressures towards conformity; other infirmities, like group think, force members to compromise on the least common denominator.
- c) Presence of some group members, who are powerful and influential may intimidate and prevent other members from participating freely. Domination is counter-productive; it puts a damper on the groups' best problem solvers.
- d) It may be very costly to secure participation from several individuals in the decision-making process.
- e) The group consists of severed individuals and hence, it is easy to pass the buck and avoid responsibility.

3. Programmed and Non-Programmed Decisions:

A programmed decision is one that is routine and repetitive. Rules and policies are established well in advance to solve recurring problems quickly.

For example a hospital establishes a procedure for admitting new patients and this helps everyone to put things in place quickly and easily even when many patients seek entry into the hospital. Programmed decisions leave no room for discretion. They have to be followed in a certain way. They are generally made by lower level personnel following established rules and procedures. Non-programmed decisions deal with unique/unusual problems. Such problems crop up suddenly and there is no established procedure or formula to resolve them. Deciding whether to take over a sick unit, how to restructure an organization to improve efficiency, where to locate a new company warehouse, are examples of non-programmed decisions. The common feature in these decisions is that they are novel and non-recurring and there are no readymade courses of action to resort to. Because, non-programmed decisions often involve broad, long-range consequences for the organization, they are made by higher-level personnel only.

Managers need to be creative when solving the infrequent problem; and such situations have to be treated de novo each time they occur. Non-programmed decisions are quite common in such organizations as research and development firms where 'situations are poorly structured and decisions being made are non-routine and complex.

A strong emphasis on the performing organization as is typical in most companies – often occurs at the expense of the learning organization (Senge, 1990). Those characteristics that enabled the firm to find a profitable niche in the first place – such as creativity, flexibility, informality and a tolerance of failure must largely be suppressed to deliver reliable results and reduce performance variance. If so, the firm's short-term performance may be optimized at the expense of its long-term survival prospects.

Let Us Sum Up

In this Unit you have learned about the Introduction, Meaning and Definition of Decision Making, Importance of Decision Making, the Process of Decision making and the Types of Decision.

Check Your Progress-2

1. Decision making helps in the smooth function of the_____
 - a) Business
 - b) Organizing
 - c) Staffing
 - d) Planning

2. The transmission of thoughts from person to another is _____.
 - a) Communication
 - b) Controlling
 - c) Consultative
 - d) Organizing
3. The study relating of the movement of a machine operator and his machine while performing the job is called _____.
 - a) Time study
 - b) Work study
 - c) Motion study
 - d) Fatigue study
4. Selecting a best course of action among the alternatives is called as
 - a) Decision making
 - b) Planning
 - c) Organizing
 - d) Controlling
5. A decision with is taken to meet unexpected situation
 - a) Problem decision
 - b) Certain decision
 - c) Crisis decision
 - d) Organizational decision

Glossary

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

Individual decision making: Individual decision making in the context of a human organization is a complex process, which involves individual reasoning about own needs, capabilities and experiences, about the surrounding formal organization and (informal) social structures and processes.

Group decision-making: (also known as collaborative decision-making or collective decision-making) is a situation faced when individuals collectively make a choice from the alternatives before them. The decision is then no longer attributable to any single individual who is a member of the group.

Model Questions

1. What do you mean by decision making and explain its procedures?
2. What are the types of decision making?
3. What is the importance of decision making?
4. Explain the process of Decision making.

Answers to Check Your Progress-1

a-True

b-False

c-True

d-True

Answers to Check Your Progress-2

1. a) Decision making helps in the smooth function of the business
2. a) The transmission of thoughts from person to another is Communication
3. c) The studies relating of the movement of a machine operator and his machine while performing the job is called as Motion study
4. a) Decision making -Selecting a best course of action among the alternatives is called as
5. c) Crisis decision- A decision with is taken to meet unexpected situation

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Block-3: Introduction

Block-3: Organization Structure has been divided in to four Units.

Unit-9: Concepts of Organisation explains about the Introduction, Definition of Organizing, Concept of Organizing, Structure of Organizing, Process of Organizing, Significance of Organising and Problems.

Unit-10: Formal and Informal Organisations deals with Introduction of Organization, Types of Organization, Formal Organization, Informal Organization, Differences between Formal and Informal Organizations.

Unit-11: Departmentation describes about the Meaning and Definitions, Scope and Importance, Types of Departmentation, Advantages and Disadvantages.

Unit-12: Delegation of Authority presents about the Introduction, the Nature of Delegation, Benefits of Delegation, the Problems of delegation, Obstacles to Delegation, Ten Commandments of Effective Delegation, Nature of decentralization, Centralization Vs decentralization, Benefits of decentralization, Factors Determining the Extent of decentralization, Meaning of Authority and Power and the Theories on Sources of Authority.

In all the units of Block -3: **Organization Structure** the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-9

Concepts of Organisation

STRUCTURE

Overview

Objectives

9.1. Introduction

9.2. Definition of Organizing

9.3. Concept of Organizing

9.4. Structure of Organizing

9.5. Process of Organizing

9.6. Significance of Organising

9.7. Problems

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of organization, structure of the organization and describe the process of the organizing, significance of organizing and also describe its problems accrued in an organization has been clearly explained.

Objectives

After studying this lesson, student should be able:

- to understand organization process and structure
- to explain principles of organization
- to present development of organization structure

9.1. Introduction

Modern enterprises involve a large number of people. The problem before management is to obtain greatest possible orderly functioning with the help of people, who have diverse qualifications. This will help to build a coordinated and integrated approach to the objectives. The aims of organization are optimum use of human skills and efforts, coordination

of human effort, defining individual roles in the enterprise, to achieve orderly and smooth functioning. These aims are achieved through the principles of organization.

9.2. Definition of Organising

Almost any business managers will affirm that sound organization is highly important to business success. Many will characterize organization as the foundation upon which the whole structure of management is built. Organization is understood as a dynamic process and a managerial activity which is necessary for bringing people together and trying them together in the pursuit of common objectives.

Organisation also refers to the structure of relationships among positions and jobs which is built up for the realization of common objectives. In this, the static sense of the term, organising is the vehicle through which goals are sought to be attained. The organisation structure is viewed differently by various authors.

Wheeler defined organization as “Internal organisation is the structural framework of duties and responsibilities required of personal in performing various functions within the company.

Koontz and O'Donnell opined - “organising involves the establishment of an intentional structure of roles through determination of the activities required to achieve the goals of an enterprise and each part of it, the grouping of these activities, the assignment of such groups of activities to a manager. The delegation of authority to carry them out, and provision for co-ordination of authority and informal relationships horizontally and vertically in the organisation structure”.

9.3. Concept of Organisation

It is the purpose of an organisation to make common men do uncommon things” - this phrasing is Lord Beveridge's. It is the test of an organisation that it make ordinary human beings perform better than they are capable of, that it bring out whatever strength there is in its members and use it to make all the other members perform more and better. It is the test of an organisation that it neutralize the weaknesses of its members. In this concept following factors help to the management.

Division of labour: The total work considered necessary for the realisation of common objectives is divided into activities and functions. Such division is essential because the work is too much for any single individual. In a business organization the work is divided according to functions like –

- Production
- Marketing
- Finance
- Personnel etc.,

- 1) **Co-ordination:** The divided work for purposes of realizing common goals, it becomes necessary to link up the various divisions or activities so that all of them are unified and harmonized.
- 2) **Accomplishment of goals or objectives:** An organization structure is built up around certain clear cut goals or objectives, because it is the ideal way of making a rational pursuit of objectives.
- 3) **Authority & Responsibility:** An organization structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility associated with each of these.

9.4 Organisation Structure

The following diagram shows both the horizontal and vertical dimensions of the organization structure. It gives the levels of management and the line executives in descending order.

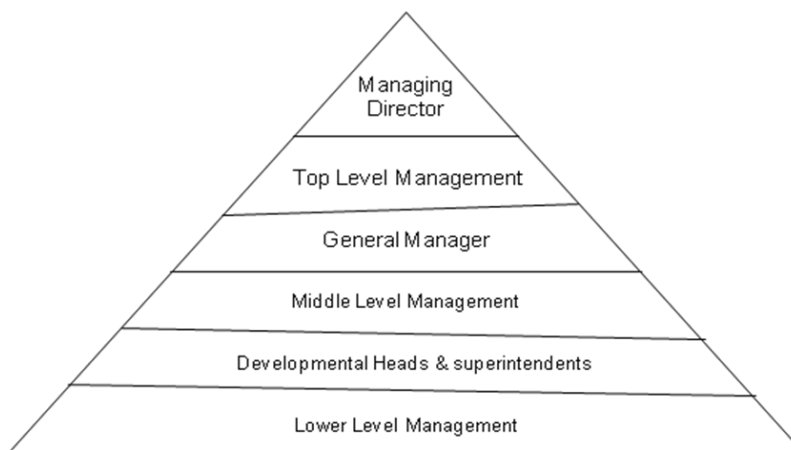


Fig. Organization Structure

9.5. Principles of Organisation Structure

Organization theorists developed certain principles of organization as guides to thinking in organizing. These principles are intended for universal application to all enterprises and cooperative efforts in different fields. The most important of these principles can be listed under the following heads.

- (i) **Division of Labour or Specialization:** F.W. Taylor applied Division of Labour principle at the operation level and displayed how efficiency could be increased by breaking down jobs into single repetitive tasks performed on specialized tools.
- (ii) **Consideration of Objectives:** Objectives are helpful in determining the activities and the structure itself. Once objectives are clearly defined, the organiser can conveniently proceed to group activities, delegate authority to individuals to whom activities have been assigned, and coordinate their efforts for better results.
- (iii) **The Scalar Principle:** The vertical dimension of organization structure consists of levels of authority arranged in a hierarchy from the chief executive at the top to the first line supervisor at the bottom. Existence of the levels is always the characteristic of organized and coordinated group efforts. The scalar principle holds that organization consists of two or more levels of authority. In organizations, the levels represent graduations of distributed authority.
- (iv) **The Principle of Departmentation:** Logical grasping of related jobs and functions is quite natural in developing the organization structure. Departmentation requires analyzing everything that has to be done and determining the grouping in which it can be placed without violating the principle of homogeneity. Departmentation is desirable because individuals vary considerably in the range of activities which their ability will permit them to perform effectively.
- (v) **The Principle of Unity of Command:** A business organization must have a single head in whom all authority and responsibility is concentrated, but this has to be blended with the efforts of the organized people below. Unity of efforts, consistency of direction, high morale, and effectiveness of coordination depend upon one executive as the locus of ultimate responsibility.
- (vi) **The Principle of Span of Control:** The idea of span of control is related to the horizontal dimension of an organization structure. Span of control refers to the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively.
- (vii) **The Principle of Flexibility:** Organization is created to accomplish certain goals. Both the environment and the individuals comprising the organization are constantly in flux. To cope with these changes and yet reach its objectives, an organization must be designed with sufficient amount of flexibility.

- (viii) **The Principle of Balance:** This principle implies that each area and function of an enterprise should operate with equal effectiveness in making its allotted contribution to total purpose. The idea of balance applies to organization structures as well as to functions and process.
- (ix) **The Principle of Exception:** This principle implies that only problem involving unusual matters should be referred to upward and decided by higher level executives, and that routine problems should be passed on to lower levels and resolved there itself. Exception principle is also the principle underlying delegation of authority.
- (x) **The Principle of decentralization:** One important implication of decentralization is delegation of broad authority and decisions making power to the semi-autonomous units.
- (xi) **The Principle of Simplicity:** Simplicity is an appealing objective because it implies economy of efforts. It is desirable to consider simplicity of structure in development of an organization, aiming for as clear-cut structure as will permit doing the necessary work efficiently.

Combination of Line and Staff Functions: Organization structures are usually of line, staff and function types. Line structure is part of every organization. The staff and functional types are modifications of the line structure. Staff and Functional structures never exist apart from a combination with line structure. The above principles are used as guides while designing the organization structure.

Check Your Progress-1

True/False

- a. Organization theorists developed certain principles of organization as guides to thinking in organizing.
- b. Organisation also refers to the structure of relationships among positions and jobs which is built up for the realization of common objectives.
- c. Manager and Functional structures never exist apart from a combination with line structure
- d. The process of an organization may be described as the managerial function of organizing.

9.6. Process of Organisation

The process of an organization may be described as the managerial function of organizing. The managerial function of organizing consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve well-coordinated structure for the accomplishment of work. Following are the various steps involved in this process.

1. **Determination of objectives:** The first step of determination of objectives consist in deciding as to way the proposed organization is to be setup and therefore, what will be the nature of the work to be accomplished through the organization.
2. **Enumeration of activities:** The work of an industrial concern may be divided into the following major functions such as - production, finance, purchases, sales and personnel.
3. **Classification of activities:** In the third step activities are classified according to similarities and common purposes and functions and taking the human and material resources into account.

For instance - the various activities connected with production, may be grouped and classified as production department.

4. **Fitting individuals into Functions:** Each person in the group will be given a specific part of the job to do and will be made responsible for it. For instance - appointment of workers, foremen, supervisors etc.
5. **Assignment of Authority for action:** The manager will have to pass on studied either by a researcher from outside or by someone within the organisation working as a researcher.

9.7. Significance

An organisation is not merely a chart or a lifeless structure. It comprises people and is the agency through which management performs the important functions of direction, co-ordination, motivation and control and implements the function of planning. Both as a process and as a structure, is important as without it no manager can get work done through people. Following are some of the advantages of a good organisation.

- a. **Helps in optimum utilization of Technological Innovations:**
The technological improvements are taking place every time and management is required to make use of them to exist in competitive world. The organization should be flexible to incorporate all new-requirements. There may be also be a need to

delegate new powers for making best utilization of technological changes.

- b. **Helps in administration:** A good organization is an asset to the management. It helps in achieving organization goals through the exercise of effective controls; organization provides a channel for better management.
- c. **Promotes growth and diversification:** Area and activities of a business grow if it has a well-knit organization. There will be a need for employing more persons whenever expansion and diversification takes place. A flexible organizational structure will enable the employment of more persons without disturbing the working.
- d. **Easy coordination:** Every enterprise has a number of departments and sections. There are assigned different duties for achieving business objectives. A good organization will bring an automatic co-ordination in the business and obtains team work among the personnel.
- e. **Training and Development of Personnel:** A clearly defined authority provides a scope for the use of talent. There will be a sufficient scope to try new ideas in improving the working of the organization. A well designed organizational system will provide a sufficient opportunity for the training of new trainees and development of existing staff.
- f. **Encourages initiative:** In a good organization persons are allowed to try new ideas for improving upon their work. Clearly defined work of every person allows them to grow in that sphere.
- g. **Better Human Relations:** A clearly defined work, authority, responsibility, accountability will enable individuals to work in a free atmosphere. This will give job satisfaction to employees.

Let Us Sum Up

In this unit, you have learned about the following:

Organisation as a process refers to the act while organisation structure refers to the accomplished act. It is the process of creating a structure by grouping the activities of an enterprise and establishing authority, responsibility and relationship among the specialists for the attainment of defined objectives. It stimulates independent, creative thinking and initiative through well - defined areas of work.

Check Your Progress-2

1. The process of standardizing jobs by laying down rules and procedures to be adhered to is called
 - a) Formalization
 - b) Centralization
 - c) Decentralization
 - d) Work specialization
2. In which types organization the rules, duties and responsibilities are given in writing?
 - a) Formal organization
 - b) Informal organization
 - c) Strategic organization
 - d) Both (B) and (C)
3. The idea of span of control is related _____ of an organization structure
 - a) Horizontal dimension
 - b) Vertical dimension
 - c) Span dimension
 - d) None of the above
4. _____ is the prerequisite for the sound functioning of the organization, and this can be achieved only through a behavioral approach
 - a) Teamwork
 - b) Management
 - c) Relations
 - d) Human action
5. Which one of the following is the characteristic of organizational climate?
 - a) There are policies that set forth the organization beliefs about how employees or customer are to be treated
 - b) Standard of behavioral exist
 - c) When organizational participants interact with one another, they use common language
 - d) This is an overall feeling that is conveyed by the physical layout and the way participant interact.

Glossary

Organization: An organization, or organization is an entity such as a company, an institution, or an association comprising one or more people and having a particular purpose.

Model Questions

1. Define organization and discuss the principles of organization structure.
 2. Describe the process of organization
 3. Explain significance and problems of organization
-

Answers to Check Your Progress-1

- a-True
 - b-True
 - c-False
 - d-True
-

Answers to Check Your Progress-2

1. a) Formalization (process standardization refers to the organization of different task, approaches and administrative steps in a business as well as their formalization and documentation.
 2. b) Formal organization (It is the types of organization where rules, duties and responsibilities are clearly defined and given in writing to achieve a specific goal. In these types of organization the hierarchy structure of the organization is pre determined)
 3. a) Horizontal dimension
 4. a) Teamwork
 5. d)
-

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Unit-10

Formal and Informal Organisations

STRUCTURE

Overview

Objectives

10.1. Introduction

10.2. Organization

10.3. Types of Organization

10.4. Formal Organization

10.5. Informal Organization

10.6. Differences between Formal and Informal Organizations

10.7. Organisation Charts

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of organization, types of organization such formal organization and informal organization has been clearly explained .

Objectives

After studying this Unit students should be able to:

- Know the Formal Organization
- Understand the Informal Organization

10.1. Introduction

The formal organization is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability, the whole consciously designed to enable the people of the enterprise to work most effectively together in accomplishing their objectives. The informal organization refers largely to what people do because they are human personalities - to their actions in terms of needs, emotions attitudes not in terms of procedures and regulations. In the Informal Organization people work together because of their personal likes and dislikes.

10.2. Organisation

Organization is the activity-authority structure of the enterprise. It is the particular system of arrangements, the pattern of network of relations, between the various positions in a business enterprise. The management determines the structure which they fill, will best serve company needs. Sound organizational structure is essential to any business because of the following reasons.

1. The administration of the enterprise is facilitated.
2. The areas of work for the employees are well-defined, leading to elimination of the over lapping and duplication of activities.
3. Communication between the management and employees becomes easier.
4. Growth, expansion and diversification become possible with the help of optimum use of technological improvements through specialization.

The success of an organization can be ensured well by the following principles.

1. The objective of the enterprise should be established for determining the activities and the structure itself.
2. Every part of the organization should be geared to the achievement of the objectives.
3. The objectives should be attained at the minimum cost.
4. An executive should be asked to supervise a reasonable number of subordinates, say six. This is known as span of management or control.
5. The principle of division of work should be followed.
6. The establishment of responsibility - authority relationship will help in avoiding confusion and overlapping.
7. The line of authority from the chief executive at the top to the first line supervisor at the bottom must be clearly defined [Scalar Principle].
8. As the management at the higher level, has limited time, only exceptionally complex problems should be referred to them and the routine matters should be dealt with by executives at lower level [Exception Principle].

9. Each subordinate should have only one superior.
10. The authority delegated to subordinates should be adequate to assure their ability to accomplish results expected of them.

These main factors should be kept in mind in creating an organization structure. They are -

1. **Unity of Objective:** The organization structure must contribute to the attainment of the goals of the enterprise.
2. **Principle of efficiency:** The principle of efficiency demands that the organization structure should help the people to meet the objectives with minimum of unsought consequences.
3. **Individual and group satisfaction:** The organization should provide individual and group satisfaction.

10.3. Organisation - Types

Organization structures are two types. They are -

1. Know the Formal Organization
2. Understand the Informal Organization

10.4. Formal Organisation

The position, authority, responsibility and accountability of each level are clearly defined in the case of a formal organisation. It prescribes the relationship which exist amongst the people working in the organisation. This relationship is defined by rules, policies and other regulations of the organisation very consciously to enable the people of the enterprise to work most effectively together in accomplishing their objectives.

The formal organisation is a more or less arbitrary structure to which the individual must adjust. It tells him to do certain things in a specified manner, to obey orders from designated individuals, and to work co-operatively with others.

Definite limits for the activities of people are set by the formal organisation. Defined responsibilities and authority provide relatively fixed fences within which people can develop their own work areas to the maximum without encroaching on the work of others.

Features of Formal Organisation:

1. Consciously brought into existence for predetermined objectives.
2. Authority and responsibility are defined.
3. The line of communication is also formalised.

4. The relationship of the superior and the subordinates is fixed.
5. It exists in a written form, and facilitates the determination of objectives and policies according to division of work.

Check Your Progress-1

True/False

- a. Organization is the activity-authority structure of the enterprise.
- b. The organization should not provide individual and group satisfaction.
- c. The formal organisation is a more or less arbitrary structure to which the individual must adjust.
- d. Informal Organisation arises from the social interaction of people in the organization.

10.5. Informal Organisation

Informal Organisation arises from the social interaction of people in the organization. The people cut across formal channels and communicate amongst each other. It is due to friendship, mutual regard, intimacy and closed contact formed with relationship.

Thus the informal organization has no place in the formal organization chart. It is formed to meet personal needs of the group and acts as an agency of social control. Informal organisation is not established by managers formally but arises spontaneously and naturally. For instance the members of a group may start recognizing a person as their leader because of his age. Seniority, job-knowledge, information personality strength or skill etc., thus informal organization is earned not delegated. It is all-pervasive and is found in every enterprise at all levels of the managerial hierarchy. It is very difficult to find a completely formal or a completely informal organization. The formal managers should try to make use of informal managers for the achievement of goals of the enterprise.

Features of Informal Organisations

Informal organizations are characterized by the following features.

1. It develops spontaneously and is not established by formal managers.
2. It is based as informal authority attached to the person, and not the position. Informal authority is earned and not delegated. This authority under informal organisation largely flows upward or horizontally.

3. Informal organisation represents human tendency to cut across formal channels and communicate informally with other parts of the enterprise.
4. People in the informal organisation are influenced by leaders without any formal authority.
5. It is all-pervasive and exists in every enterprise.
6. Informal organisation is not always destructive though at time it can make the job of managing more difficult. Because of its powerful influence on productivity and job satisfaction, formal management will do well to derive benefit from the study of informal organisation.
7. Informal organisation cannot altogether be abolished. Informal organisation is not created at the will of the formal managers; not the latter can do away with all the social conventions and group norms.

Merits of Informal Organization:

1. Informal organization blend with formal systems to make a workable system for getting work done. Many requirements which cannot be met with formal organization can be met better by informal relations.
2. An informal organization lightens the workload of the formal manager. If the employee know that their manager has the support of the existing informal organization, they are more likely to respond to his ideas, to be motivated to work efficiently.
3. A significant benefit of informal organization is that it gives satisfaction and stability to work group. It is the means by which workers achieve a sense of belongingness and security.
4. It is a useful channel of employee Communication. Management often depends on informal system to convey certain types of information.
5. Presence of informal organization encourages a manager to plan and act more carefully than he would otherwise.

Drawbacks:

Informal organizations create a major danger or difficulty which require careful attention on the part of management.

1. **Resistance to Change:** With the persistence of certain culture, these develops a tendency to perpetuate the 'status quo' and oppose change.

2. **Role Conflict:** What is good for the employee is not always good for his employer. Hence a role conflict occurs.
3. **Rumour:** Communication leads to rumour. Rumour is a dangerous disease that sweeps through an organization as fast as wild fire, and usually with as much damage.
4. **Conformity:** Social control exerts strong pressures for conformity under formal organisation. But conformity is caused as much by informal organisation.

Control of Informal Organisation:

Organisation should be viewed as a positive force. Informal organisation lightens the burden of formal managers. It helps to fill in the gaps in formal orders and managers abilities, provides for satisfaction and stability to the workmen. However, benefits of informal organisation will accrue only when it is properly controlled and its potential power properly channelised. The significant aspects of manager’s duty in this connection are:

1. He should recognise and reconcile himself to the existence of informal organisation.
2. He should influence the informal organization, so that its role is positive and the negative aspect is minimised.
3. He should integrate informal organisation, with formal organisation, in such a way that the former also contributes to the accomplishment of enterprise objectives.
4. He should make informal organisation, secondary to formal organisation.

10.6.Differences between Formal and Informal Organisations

The formal and informal groups differ considerably and the major differences can be analyzed as follows.

| Formal Organisation | Informal Organisation |
|--|--|
| <p>1.Origin: A formal group is created by the action of management in order to overcome the shortcomings of organisation structure.</p> | <p>1. Informal groups are created because the members of the organisation are not fully satisfied by the pattern of relationship prescribed by the organisation.</p> |

| | |
|--|---|
| <p>2. Authority Structure: In formal groups members derive authority through the formal source that is through delegation and relegation.</p> <p>3.Nature of Groups: Formal groups are stable and continue for longer time. Their membership is decided by the organisation and there is provision of substitution of members.</p> <p>4.Behaviour of Members: Behaviour of members in a formal group is governed by formally prescribed rules and regulations.</p> <p>5.Communication pattern: Communication in a front group takes place on the lines of formal prescription</p> <p>6.Size of group: Size of group is based on the criterion of efficiency. It can be quite large in size.</p> <p>7. Abolition: Many formal groups are created for specific purpose and when the purpose is served the groups are abolished by the organisational action.</p> | <p>2. In an informal group, every member is equal and they derive authority from interpersonal relationship.</p> <p>3. Informal groups are quite unstable. Since they are created by the members based on their value systems, likings, disliking's, they may disappear because of the change of members or their working is changed.</p> <p>4. In an informal group, the behaviour of members is governed by group norms, beliefs and values.</p> <p>5. In the informal group, communication can go through any direction as there is no prescribed channel.</p> <p>6. The size of informal group tends to be small so that there is proper interaction among members to maintain group cohesiveness.</p> <p>7. Informal groups are created by people in the organisation on their own. Therefore, they cannot be abolished by management action though such groups may affect the organizational functions adversely.</p> |
|--|---|

10.7. Organization Charts

An organization chart is a graphic record showing the formal organization structure and the superior-subordinate relationship. It shows vividly major departments and divisions of the enterprise, the flow of authority and the flow of accountability throughout the management hierarchy. It also points out job title on the management level. In the words of George R. Terry a chart is a "diagrammatically form which

shows important aspects of an organization including the major functions and their respective relationships, the channels of supervision and the relative authority of employee who is in charge of each respective function". An organization chart can be drawn in different forms:

1.Vertical Chart

It exhibits an organization in the form of a pyramid. The lines of command proceeds from top to bottom in vertical lines. The highest position is indicated at the top and after that the next highest is indicated. This process goes on upto the lowest level. It is also called "top to down" chart.

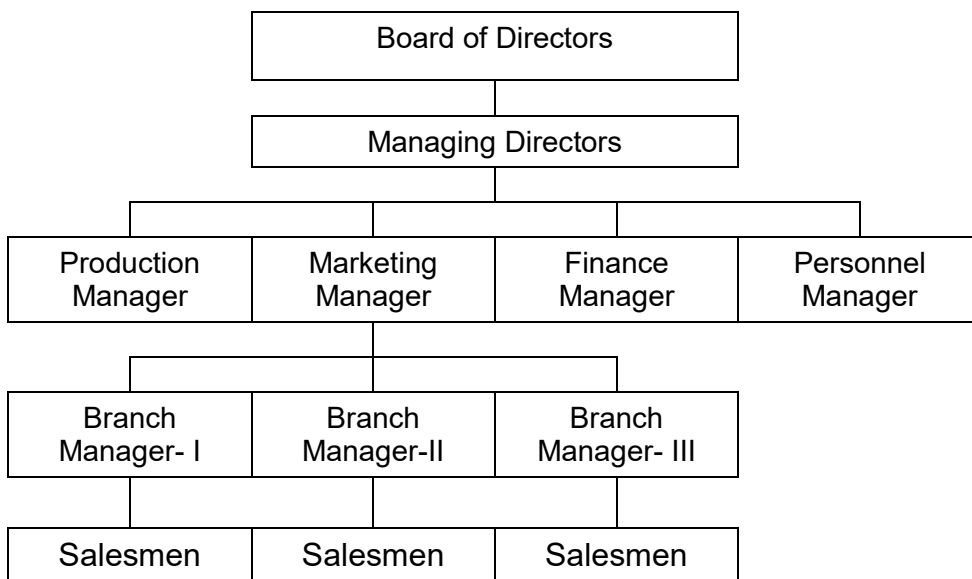
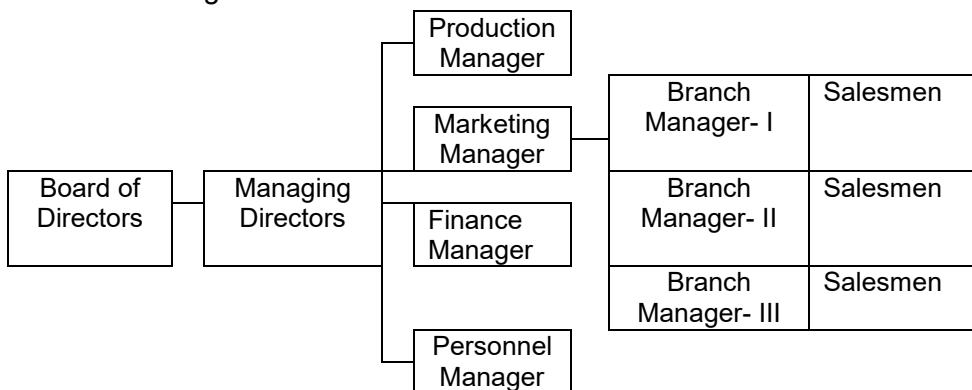


Fig: Vertical Chart

1.Horizontal Chart

In a horizontal chart, the pyramid lies horizontally instead of being vertical. The highest position is shown to the extreme left. Each successive subordinate position extends from left to right. It is also called left to right chart.



2. Circular Chart

In this chart, the highest position is shown at the centre and the lowest position is shown at the outermost circle. The positions at successive echelons extend in all directions outward from the centre. The distance of the position from the centre indicates to closeness to the top position. Positions of equal status lies in the same circle and stand at equal distance from the centre.

10.8. Principles of Organization Chart

The following points are useful in preparing organizational chart:

- ✧ Charts should have a title and be dated and numbered.
- ✧ It should clearly exhibit the lines of authority and responsibility.
- ✧ Positions with different degrees of authority should not be placed at the same line.
- ✧ Positions of similar status should be shown at the same level.
- ✧ Details should be given and job titles should be indicated in the box.
- ✧ Solid lines should be used to point to the flow of authority.
- ✧ The staff relationship should be shown by dotted lines.
- ✧ A complete chart should be drawn on a single sheet.
- ✧ The use of colour is desirable to distinguish between departments or divisions.
- ✧ Chart should be simple enough to be understood by all.
- ✧ It should be flexible to accommodate modifications of field with respect to change in environment

Let Us Sum Up

In this unit, you have learned about the following:

Thus, in the case of formal organisation the position, authority, responsibility and accountability of each level are clearly defined. It prescribes the relationship which exist amongst the people working in the organization. On the other hand, informal organization arises from the social interaction of people in the organization. The two types of organizations differ in some aspects and have relationship is some other aspects. Inflect informal organization is a supplement to the formal organization.

Check Your Progress-2

1. Specialists from different functional department are drawn by an organization and designed one or more project being led by project

manager. Such an organization is called a_____.

- a) Team organization
 - b) Learning organization
 - c) Matrix organization
 - d) Virtual organization
2. The employee perform better in their job when they are given supportive feedback, and this comes under_____
- a) Need for achievement
 - b) Need for power
 - c) Need for affiliation
 - d) None of the above
3. Social environment on the job affects people and affected by them not by management alone is the main proposition of _____
- a) Contingency theory of organization
 - b) System theory of organization
 - c) Classical theory of organization
 - d) Neo classical theory of organization
4. While expanding Business Company to new markets, the analysis of following is required as a first step:
- a) Need for product development
 - b) Analysis of current market position
 - c) Need for technological infrastructure
 - d) Possibilities of marketing tie-ups
5. _____ refers to the network of personal and social relations that is developed spontaneously between people associated with each other.
- a) Informal organization
 - b) Business organization
 - c) Formal organization
 - d) Government organization

Glossary

Formal organization: A formal organization is an organization with a fixed set of rules of intra-organization procedures and structures. As such, it is usually set out in writing, with a language of rules that ostensibly leave little discretion for interpretation.

Informal organization: An informal organization is a group of people who share a common identity and are committed to achieving a common purpose. Informal organizations are created by the will and shared identity of their members.

Model Questions

1. Define formal organization and explain its functions.
 2. Describe Informal organization.
 3. Differentiate formal groups from informal groups.
 4. Explain the merits and demerits of Formal
-

Answers to Check Your Progress-1

- a-True
 - b-False
 - c-True
 - d-True
-

Answers to Check Your Progress-2

1. c) **Matrix organization** (the matrix organization structure is a combination of functional and projective organization structures. Such structure is generally created for a particular project.
2. c) **Need for Affiliation** (it is the desire to belong to a group drives people to get out friendly, open interaction with each others. It is the need to a bond characterized by the mutual aid and comprehension
3. d) **Neo classical theory of organization** (The neo-classical theory is the extended version of the classical theory wherein the behavioral sciences gets included into the management)
4. b) **Analysis of current market position** (these steps shows that

the most important and preliminary step in expanding of business is the Analysis of the current market situation. If the market and customer demand the product then only can a business think of growing and expanding.

5. a) **Informal organization** (it refers to the network of personal and social relations that id developed spontaneously between people associated with each other. it does have its own rules and regulation

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015.

Unit -11

Departmentation

STRUCTURE

Overview

Objectives

11.1. Meaning and Definitions

11.2. Scope and Importance

11.3. Types of Departmentation

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of departmentation, scope of departmentation, types of departmentation and benefit of departmentation has been clearly explained. Departmentation helps to communication with the employees to employer and also it create separate unit with work freedom.

Objectives

After completion of this lesson, student should be able to:

- Understand the concepts of departmentation
- Explain the nature of departmentation
- Identify the benefits of departmentation

11.1. Meaning and Definitions

Departmentation involves grouping of people or activities with similar characteristics into a single department or unit. This facilitates communication, coordination and control, thus contributing to organizational success. It creates semi-autonomous units with independent responsibilities, providing satisfaction to the managers which is turn improves efficiency and effectiveness.

According to Knootz and O'Donnell define a department as designating - "a distinct area, division, or branch of an enterprise over

which a manager has authority for the performance of specified activities”.

11.2. Scope and Importance

Most enterprises are involved in producing a product or a service for the benefit of others. The latter aspect requires marketing or distribution so that the persons for whom the product or service is intended accept it. These activities require money or sufficient capital or finance. Thus for every organisation or enterprise there are three fundamental activities or functions to be performed, namely

1. Production,
2. Marketing and
3. Finance.

Thus functional departmentation consists of grouping of common activities to form an organizational unit. In short, units are formed around common functions. The term functional departmentation is often used at the higher organizational levels.

In addition to the functional departmentation on the basis of production, marketing and finance, it is possible to attempt departmentation in different ways such as by product, by territory, by customer, by process and by task-force. Top management is at liberty to use any means of departmentation while forming an organization structure.

Usually for the top and bottom organization levels, functional departmentation allowed and for the intervening organization organizational levels other means of departmentation are used. The selection of the media of departmentation will be determined on the basis of the extent to which it is likely to achieve the objective.

Check Your Progress-1

True/False

- a. Departmentation can be in seven ways.
- b. Most enterprises are involved in producing a product or a service for the benefit of others.
- c. The term functional departmentation is not often used at the higher organizational levels.

11.3. Types of Departmentation

Departmentation can be in the following seven ways, namely -

1. by function
2. by product
3. by territory, region or geographical area
4. by customer
5. by process
6. by task force and
7. by appropriate combination of these types

1) Departmentation by function

The simplest and the commonest type of departmentation is the functional type of structure which consists of grouping all similar activities of the business into major departments or divisions under an executive reporting to the chief executive such as the managing director. The activities are here grouped on the basis of functions to be performed like in marketing into product planning, marketing research, advertising and sales. This is the simplest and most common type of organisation structure and is depicted in the following chart.

Organisational Structure



It will be noticed that below the Managing Director are four managers in charge of separate functions, namely, finance, marketing, production and personnel.

In the marketing set-up, described in greater detail in this chart, under the marketing manager, separate managers are delegated functions such as marketing research, product planning, sales, advertising and sales promotion.

In this way, similar activities are grouped together into major departments and placed under an executive who reports to the higher executive. The chart shows a more detailed functional basis.

This type of departmentation or structure is quite suitable for small and medium sized business where the chief executive can easily co-ordinate his functional specialists.

The advantages of this type of structure are

1. benefits of occupational specialization;
2. easier inter-departmental co-ordination; and
3. logical and simple, easy-to-understand structure;

The disadvantages of the Functional Departmentation

1. excessive centralization;
2. Unsuitability where geographical centralization is required.
3. unsuitability where emphasis on product lines is called for; and
4. Lower potency for developing managers for promotion.

2. Department by product

The arrangement emphasizes the use of specialized knowledge and encourages a reasonable degree of specialization. For example, the departmentation of department store is on the basis of types of products. A type of organized departmentation which has gained favour in recent years with large organizations with distinct types of products is the product type of organization structure.

In this type, the product lines are segregated and special product executives placed in charge of each line. In this type of structure, the marketing director may have a number of marketing manager under him, each looking after a different group of products.

Each marketing manager will then have under him his own organisation looking after the sales etc., of that particular product or line of products. The marketing director has under him three sales managers looking after different groups of products, namely, batteries, points, radios and industrial products.

Thus in case of companies which are smaller than giant corporations with separate divisions, the popular form of structure is to assign to product or brand managers (sometimes even called sales managers) the responsibility for marketing decisions of particular products or groups of products. The product manager here becomes like a little marketing manager. Advertising, sales promotion, marketing research, etc., can be a centralized staff actively.

The following are some of the advantages of the product type of structure or departmentation

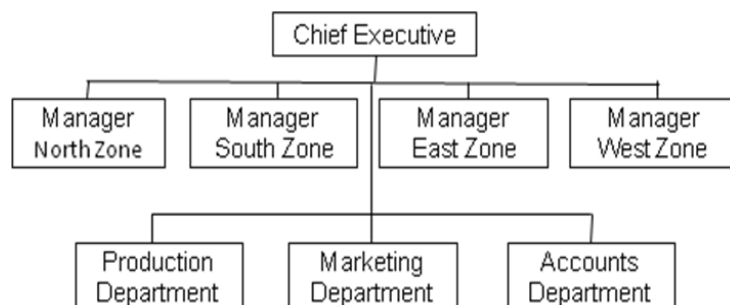
1. Where it is extended right down to the salesman's level, it results in better customer service as the salesman has deeper product knowledge.
2. It simplifies determination of the profitability of each product line.
3. A new division can be added without interrupting the existing operation by merely extending the line and having another marketing manager and staff for that new product line or group of products.
4. Top management secures more detailed and intimate information regarding the markets in relation to specific products.
5. It is extremely suitable where product lines are complex and diverse and require specialized knowledge for selling and marketing as well as salesmen with specialized knowledge.

Disadvantages

1. It may cause customer annoyance and confusion as a number of salesman from the same company may pester him for different products.
2. It involves extra costs of maintaining separate sales forces for each product group.
3. There is a duplication of costs such as travelling expenses.

3. Territorial Geographical Departmentation

When several activities of an enterprise are geographically dispersed in different locations, territorial or geographical departmentation may be adopted. All activities relating to a particular area or zone may be grouped together under one zonal manager or head. There may be further sub-division of activities under one zonal manager as illustrated here.



1. Advantages

The territorial departmentation offers the following advantages.

1. It enables an enterprise to cater to the needs of local people in a satisfactory manner.
2. It enables a concern to make use of locational advantages.
3. It facilitates effective control.
4. It facilitates effective co-ordination of activities within an area.
5. It assists in the development of all-round managerial talent.

2. Disadvantages

1. It is an expensive method of creating departments and overhead costs are also increased.
2. It leads to duplication of activities which creates confusion and involves costs.
3. Co-ordination among various territorial divisions may become difficult.

3. By Customer

A business house may be divided into a number of departments on the basis of customers it serves viz., large and small customers, industrial and ultimate buyers; government and other customers etc. The peculiar advantage of customer wise departmentation is that it ensures full attention to different types of customers and their different needs, tastes and requirements can be met effectively.

However it may not be possible to group all activities of an enterprise on the basis of customers. In fact, sales activities may be classified or grouped on such basis. But there may be problems of co-ordination with others departments. There may not be enough work, at times, in case of certain types of customers. This may lead to idle capacity.

4. Equipment wise departmentation (by task force)

An enterprise where production is carried through different processes may adopt process-wise departmentation to enable continuous flow of production. Similarly, where work is carried on machines which are common, departments may be created on the basis of equipment's, such as milling departments, grinding departments, lathe department etc. The main advantage of this method is that it avoids duplication of equipment in various activities. Moreover, specialized people can be engaged to work on specialized equipment's and departments.

5. By Task Force:

Under this system the responsibility for the completion of work rests upon an entire task - team and normally one individual acts as the leader of the task force. Every member of the task-force identifies the objectives and

fully comprehends them. This type of departmentation is also termed “project organisation” and is a refinement of advanced planning and controlling techniques such as PERT. This system helps build an organisation unit aimed at completing a series of events utilising the best available talent. After the project is completed, the organisation is disbanded with the personnel and physical resources becoming available for personnel, since each members is objective minded and thanks always of achieving the good.

Advantages:

1. The possibility of developing managers who can use different types of resources and
2. The specialised complete team setup for performing the task results in greater concentration and more production results.

Disadvantages:

1. The fostering of a feeling of frustration caused by being a separate unit and not a part of the whole team with chances of promotion to the highest positions being less.

Departmentation by a combination of types

Huge corporations often combine the advantages of both the functional and the product divisional types of organisations where such a combination is maintained, the central office product manager exercise his authority on the decentralised staff personnel indirectly through the division executive. A clear distinction has to be made between the line and functional authority. The divisional manager will have line authority overall executives who report to him and over sales and thus has the right and responsibility to develop sales policy and methods. The functional specialists report to the chief executive having no line authority but merely functional authority.

Let Us Sum Up

In this Unit organizational you have learned about the concepts, factors of organisational design, organisational processes, and organisational structure. The classical design has been in existence since the earliest management days. Moreover, most enterprises are involved in producing a product or a service for the benefit of others. Therefore, departmentation involves grouping of people or activities with similar characteristics in to a single department or unit. Thus, the selection of the media of departmentation will be determined on the basis of the extent to which it is likely to achieve the objective. As such departmentation can be classified into seven types. Viz. (1) by function,

(2). By product, (3). By territory, (4). By customer, (5). By process, (6). By task force and (7). By appropriate combination of these types.

Check Your Progress-2

1. Which among the following is not a primary determinant of organizational structure
 - a) Chain and span
 - b) Capacity and lower needs
 - c) Power and control
 - d) Differentiation and integration

2. Who introduce the formula for determining optimum span of control?
 - a) Bartol and martin
 - b) Hick and Gullett
 - c) V.A.Graicunas
 - d) Normon Horton

3. Which among the following is not a characteristic of transactional leader
 - a) Gives personal attention, treats each employee individually
 - b) abdicates responsibilities, avoid making decisions
 - c) Intervenes only when standards are not met
 - d) Contracts exchange of rewards for efforts

4. According to the contingency approach, the factors governing the span of management are: a) Type of work, b) Ability of the manager, c) Ability of the employees, d) Level of management and e) Geographical location
 - a) B and C only
 - b) B, C and D only
 - c) A, D and E only
 - d) A, B, C, D and E

5. One of the following is an advantage of functional structure
 - a) Responsibility for end result
 - b) Flexibility
 - c) Personalized attention
 - d) Easier employee learning

Glossary

Departmentation: Departmentation is the process of grouping various activities into separate units of departments. A department is a distinct section of the business establishment concerned with a particular group of business activities of like nature.

Model Questions

1. What do we mean by “organisational design? Explain in detail?
 2. What factors should be considered in designing an operationally effective organisation?
 3. What is departmentation? And also describe the process involved in departmentation?
 4. Define departmentation and also Explain the various kinds of departmentation and its advantages and disadvantages.
-

Answers to Check Your Progress-1

- a-True
 - b-True
 - c-False
-

Answers to Check Your Progress-2

1. b) Capacity and Lower needs
 2. c) V.A.Graicunas
 3. a) Gives personal attention treats each employee individually
 4. d) A, B, C, D and E (Span of management –referred to as span of control, describe how many people a manager directly supervises. In a large area of control, a manger is responsible for large number of employees.
 5. d) Easier employee learning
-

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Unit -12

Delegation of Authority

STRUCTURE

Overview

Objectives

12.1. Introduction

12.2. The Nature of Delegation

12.3. Benefits of Delegation

12.4. The Problems of delegation

12.5. Obstacles to Delegation

12.6. Ten Commandments of Effective Delegation

12.7. Nature of decentralization

12.8. Centralization Vs decentralization

12.9. Benefits of decentralization

12.10. Factors Determining the Extent of decentralization

12.11. Meaning of Authority and Power

12.12. Theories on Sources of Authority

Let Us Sum Up

Check Your Progress

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Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of delegation, centralization and decentralization, delegation of power and authority, benefits of decentralization, challenges of delegation of authority in an organization and theories on sources of authority has been clearly explained.

Objectives

After completion of this lesson, student should be able to understand:

- Delegation and decentralization
- The nature of Delegation, Process of Delegation
- Benefits and Problems of Delegation

- Ten commandments of Effective Delegation
- Centralization - decentralization
- benefits and Disadvantages of decentralization

12.1. Introduction

Authority is the degree of discretion conferred on people to make it possible for them to use their judgment. The main purpose of delegation is to make organization possible. Further, decentralization of authority as a position where the ultimate authority to command or control as well as the ultimate responsibility for results is placed as far down in the organization as in consonance with the efficient management of the enterprise. Thus delegation and decentralization are related concepts.

12.2. Nature of Delegation

In Management, the term delegation is generally used to mean the granting of right and approval to others to function within prescribed limits. In short, delegation enables the subordinate to receive from his superior authority to accomplish tasks assigned to him, and the superior and at the same time retains his original authority. The delegation of authority takes place when organizational power is given to a subordinate by a superior. A manager cannot delegate authority which he himself does not possess. The entire process of delegation of authority starts with an assigning of the tasks.

Thus, the delegation process consists of three facts namely -

- (1) An assignment of the task or duty creating an obligation or responsibility.
- (2) a granting of the necessary authority, approval, right or power, and
- (3) The creation of accountability for failure to perform the task so assigned.

The first step of assigning duties and responsibilities forces the executives to consider how best the work can be sub-divided into responsibilities to be assigned and selection of those who are best fitted to discharge such responsibilities.

Delegation of authority can be specific or general, written or unwritten and it must be accompanied by certain kinds of assignment of duties. It is always better to delegate the authority specifically in writing to avoid conflicts and overlapping.

12.3. Benefits of Delegation

1. **Relieving top Executives:** Top executives cannot perform and supervise each and every work. Moreover, they are required to undertake important tasks of planning and controlling. Delegation helps executives in delegating their work to subordinate officers.
2. **Improved functioning:** In the absence of delegation some persons may be burdened with more tasks while others may not have sufficient work to do. Delegation helps in rationalising the functioning of an organisation. Work is divided among various persons in such a way that it is done in an efficient way. Nobody is unduly burdened and no work is left unattended.
3. **Use of specialists:** Delegation enables the use of specialists for taking up different functions. A production manager will be assigned the task of production, a sales manager will look after sales department, a lawyer will look after legal matters and so on. The use of specialists for different functions will improve the quality of work.
4. **Helps in Employee Development:** Delegation of authority is a very important step in the development of subordinates. The benefits of participation in various executive training programmes, seminars and workshops may not be substantial if delegation of authority is neglected.
5. **Provides Motivation:** Adequate delegation, resulting in development of subordinates, encourages the subordinates to look forward to promotions in the future. This motivates them to better and more effective efforts on their respective jobs.

12.4. The Problems of Delegation

Despite the benefits of delegation, in practice there are many problems. There are:

1. **Over confidence of Superior:** The feeling in a superior that only he can do certain work effectively than others is the main difficulty in delegation.
2. **Lack of confidence in subordinates:** The superior may be of the view that subordinates are not competent to carry out certain things of their own. He may lack of confidence in his subordinates. Under these circumstances superior will hesitate to delegate authority.
3. **Lack of ability in superior:** A superior may lack the ability to

delegate authority to subordinates. The manager may not be able to identify the areas where delegation is required. He may not even be able to identify the areas where delegation is required. He may not even be able to chalk out the proper process of delegation. The lack of competence on the part of superior restricts the delegation of authority.

12.5. Obstacles to Delegation

The following are some of the reasons for an executive's reluctance to delegate to his subordinates -

1. **The dominance desire:** The desire to dominate, which is very strong in certain executives, unconsciously restricts such executive's ability to delegate.
2. **Fear of Incompetency:** The subconscious fear that subordinate will prove superior to the executive prevents such an executive from delegating.
3. **Lack of confidence:** A third possible reason is lack of confidence in the subordinate which may be subjective and almost unconscious. This is a result of acceptance of the "indispensible man" theory.
4. **Intolerance towards Ambiguity:** The executive may be handicapped by a temperamental aversion to taking a chance.

Check Your Progress-1

True/False

- a. A manager can delegate authority which he himself does not possess.
- b. Authority should not be delegated commensurate with responsibility.
- c. Delegation of authority is not a very important step in the development of subordinates
- d. The main purpose of delegation is not to make organization possible.
- e. Top executives cannot perform and supervise each and every work.

12.6. Ten Commandments of Effective Delegation of Authority

The following principles may be considered as essentials for effective delegation of authority -

1. **Delegate by Results expected:** The assignments should be defined and authority must be delegated in light of results desire.
2. **Select appropriate subordinate for delegation:** The subordinate should be selected in the light of the work to be achieved. The delegation will be influenced by the qualifications of persons. This is the purpose of the managerial function of staffing and must be carefully considered.
3. **Maintain parity of authority and responsibility:** Authority should be delegated commensurate with responsibility. This is on the assumption that where subordinates are held responsible for performance of certain duties.
4. **Ensure unity of command:** This is one of the common principles of organisation advocated by Henry Fayol which stresses that each subordinate should have only one boss to whom he should be accountable to avoid confusion and friction. Of course, in practice, it is not always possible to follow this principle.
5. **Maintain adequate communication:** There should be free and continuous flow of information between the superior and the subordinate with a view to furnish the subordinate with relevant information to help him make decisions and also to interpret properly the authority delegated to him. Plans may change and decisions have to be taken in the light of the changed conditions.
6. **Establish proper control:** Since the manager is primarily accountable to his superiors, it is necessary to make sure that the authority delegated is properly utilized.
7. **Reward Effective Delegation:** Effective delegation and successful assumption of authority must be rewarded. This will provide a proper environmental climate for fuller delegation and effective assumption of authority.
8. **Establish a climate of confidence:** The subordinate to whom authority is delegated, must mentally feel free from fear and have a feeling of confidence that delegation will not result in punishment but is an opportunity for his own self - development and growth.
9. **Establish a strong belief in delegation:** For delegation to be successful the manager who delegates must himself be convinced of the need and benefits of delegation. He must also be willing to allow his subordinates to make mistakes although he can be stricter when the same mistake is repeated.

- 10. Help the subordinate:** The executive who delegates must watch the subordinate, not as a policeman, but as a friend or helper. Whenever assistance is required, it should be readily forthcoming.

12.7. Nature of Decentralisation

Definition: The decentralization of authority may be defined as a position where the ultimate authority to command or control as well as the ultimate responsibility for result is placed as far down in the organization as in consonance with the efficient management of the enterprise.

Nature: In organizing, a highly important concept related to the question of delegation is the extent of centralization or decentralization of authority in a particular organizational structure. Centralization in this context refers to concentration of authority whilst decentralization expresses greater dispersion of authority in actual practice, there is some decentralization of authority in very organization as otherwise there cannot be a structure with management hierarchical levels.

12.8. Centralisation Vs Decentralisation

Considerable debate has taken place over the years over the issue of 'centralization' which means that the authority for most decisions is concentrated at the top of the managerial hierarchy versus 'decentralization'. Which requires such authority to be dispersed by extension and delegation throughout all levels of management. There are advantages and disadvantages of both types of structure and pure form centralization is not practical except in small companies and pure form of decentralization almost never exists. However, the organizational structure would determine the degree of centralization or the degree of decentralization.

As the organizations grow bigger by expansion, mergers or acquisitions, decentralization becomes both necessary and practical. If an automobile manufacturing company acquires a company which makes refrigerators, then decentralization would be the natural outcome since policies and decisions in these two areas may not be similar.

12.9. Benefits of Decentralisation

Decentralization and centralization both enjoy certain benefits and corresponding defects. Some of the advantages of decentralization are as follows.

- 1. Relieves Higher Executives:** A decentralized organization structure requires delegation of authority which relieves the top managers of their routine work. This is an answer to the problem of expanding the

size of a business. Top executives can concentrate more on important decisions relating to planning for the future whilst delegating the operating decisions to self-contained units with competent managers in charge of each such unit.

2. **Facilitates Managerial Development:** It encourages the development of generalists, facilitating succession into the position of general managers. Expansion of business requires the production of the generalist type of managers who can co-ordinate the several activities and perform the managerial function of planning, organizing, staffing, motivating and controlling.
3. **Faster's co-ordination:** It results in the promotion of intimate personalities and relationships which result in greater employee co-ordination and enthusiasm. Here greater co-ordination is secured at divisional levels where all the activities necessary are grouped.
4. **Facilitates Control:** The profit center concept can be used for controlling divisional operations by measuring performance against the standard of profits generated by such divisions. The divisional manager's efficiency can be evaluated in terms of the returns on investment concept. In this way, competition can be fostered among the divisions.
5. **Encourages greater Efficiency:** The competitive atmosphere inculcated by the profit centre concept increases the efficiency of the divisions. Besides, trouble spots can be located and remedied more easily, which also results in an increase of efficiency.
6. **Infuses Maximum Motivation:** By placing greater decision making power on managers down the line, initiative is promoted and the managers are motivated to higher performance.

Disadvantages of Decentralisation

The following are some of the limitations and problems faced by decentralization.

1. **Increased Costs:** Unless the business size is large enough, the overhead costs of decentralisation would be relatively too heavy as each division has to be a self-contained unit with all the service function available within the division. This naturally results in duplication of functions with result uneconomic use of resource.
2. **Need for generalist manager:** For success in decentralisation, it is necessary to have capable executives with general management ability as the decentralised organisation has to place great reliance

on the divisional manager's effectiveness.

- 3. Greater need for control at policy level:** The independence generated by decentralisation requires adequate establishment of policies at the centralised level. Too much of such control may result in less decentralisation. Inadequacy of controls have forced certain organisations to recentralize the operations.

12.10. Factors Determining the Extent of Decentralisation

The following are, therefore, the important factors which determine the extent of decentralization of authority which is considered desirable for a particular organization.

- 1. Size and complexity of the organisation:** Large organisations with diverse product line and conglomerates with companies involved in different fields would find centralisation to be more effective due to limitations in managerial expertise as well as increased executive work load.
- 2. High costs of decisions:** The more expensive or costly the action to be decided upon, the chances are that it will be decided at the higher levels of management. Thus the decision of whether to have another factory or not would be taken at the top levels, whilst the question of purchasing of stationary would be taken at an extremely low level.
- 3. Highly differentiated product lines:** where the product lines in a company are very different the extreme case being of industrial and consumer products both existing in the same company - decentralization or divisionalisation becomes very important.
- 4. Availability of Managerial Manpower:** Decentralization of authority requires the availability of competent managers. The organization must provide adequate training and development facilities for managers and decentralization is one of the good methods of encouraging such development. A large firm can even decentralize with the objective of developing managers.
- 5. Top level Management Philosophy:** A subordinate generally copies his boss. Thus the whole organization is often molded round the character of the top management. The management philosophy of top management determines to a large extent how much the several managers in the organization are willing to retain authority or delegate it down the line.
- 6. Environmental influences:** The contingency theory of organization stresses that an organization's structure and functioning are

dependent on its interface with the external environment. The external factors relate to dealing with labour unions, community officials, lobbying in the government or matters relating to defense contracts etc. These factors necessitate centralization.

12.11. Meaning of Authority and Power

Meaning of Authority

'Authority ' is the official right of a person to do and make things happen in an organization. The person vested with authority is known as the 'Superior'. The person on whom the authority is exercised is known as the 'Subordinate'. Authority gives the superior the right to give orders, make decisions and allocate resources. Authority comes to the superior by virtue of his official position.

Meaning of Power

Power is the capacity of a person to act and influence others. It does not come to a person by reason of his official position. A person gets power by virtue of his intelligence, knowledge, skill and other personal traits.

12.12. Theories on Sources of Authority

Theories on the source of Authority

A) Formal Authority Theory

This theory states that authority flows downward in an organisation through the process of delegation. In a joint stock company, for example, the ultimate authority lies with the shareholders. It is only the shareholders who entrust the management of the company to the Board of Directors.

The Board, in turn, delegates the authority to the Managing Director who delegates it to the departmental managers. Every individual derives his authority by reason of his formal position in the organization. Such authority is, therefore, known as formal authority.

Acceptance Theory

The acceptance theory was developed by a management expert called Chester Barnard. According to this theory, the formal authority has significance only if it is accepted by the subordinates. In other words, the effectiveness of formal authority depends on the willingness of the subordinates to accept it.

A subordinate will accept the exercise of authority if the advantages accruing to him from accepting it exceed the advantages accruing from

not accepting. A subordinate will accept an order if it is consistent with the organizational interest as well as his personal interest and he is able to comply with it both physically and mentally.

Competence Theory

This theory states that a person derives authority out of his personal qualities. Formal authority accrues to a person by virtue of his official position in the organization. Personal authority, on the other hand is derived by a person by reason of his experience, intelligence, technical knowledge and skill and so on. Ex: A superior officer evolving an important decision after consulting an experienced and competent subordinate of his.

Responsibility

'Responsibility' is the duty or obligation of a subordinate, to whom some work has been assigned by a superior. The existence of superior — subordinate relationship between the persons concerned is an important condition for assignment of responsibility. The concept of Responsibility won't work without providing Authority. It is also important that Authority must match Responsibility

Accountability

Accountability means 'answerability'. A subordinate, to whom some responsibility has been given by a superior, becomes answerable to the latter for the performance of the work. The subordinate remains liable whether or not he has completed the task. If he has not completed the work assigned, he must offer proper explanation for it. If the explanation given is not acceptable to the superior, he can take suitable action.

Delegation of Authority

Meaning of Delegation of Authority

In any organization, an individual alone cannot perform all the tasks. He has, therefore, to assign work to different persons who are engaged for the purpose. For example, the sales manager of a concern cannot look after sales in different towns and villages himself. Sales representatives are appointed to assist him in the work. The sales manager will depute each salesman to a particular place.

Assignment of work or responsibility alone is not enough to make the salesmen perform the task. They need to be given the necessary authority to carry out their responsibilities. 'Delegation of authority' is only the process of transfer of authority by a superior to his subordinate to enable the latter to perform the task assigned.

Definition of Delegation of Authority

The process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for the accomplishment of these tasks and the exaction of responsibility for their accomplishment

-Koontz and O'Donnell

Delegation is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement can perform effectively, and so that he can get others to help him with what remains

-Allen

Definition of Delegation of Authority

Delegation takes place when one person gives another the right to perform work on his behalf and in his name, and the second person accepts a corresponding duty to do what is required of him".

-O.S. Hiner

"Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the subordinate with responsibility for carrying through the assigned task".

Douglas C. Basil

"Delegation is the assignment of authority and responsibility to a subordinate at a lower level. The process can occur between any two individuals in any type of structure with regard to any tasks".

-T.S. Bateman and S.A. Snell

"Delegation is the assignment of part of a manager's work to others, along with both the responsibility and the authority necessary to achieve expected results".

- K.M. Bartol and D.C. Martin

Process of Delegation of Authority : The followings are the process of delegation of authority.

Assignment of Duties

The different departments or divisions in an enterprise, namely, production, marketing, personnel, finance, etc., are headed by the respective departmental managers. A number of subordinates work in

each of these departments .Every departmental manager assigns work to each of the subordinates working under him. While assigning work or duty, the superior/manager shall take into account the capabilities of his subordinates.

Delegation of Authority

Assignment of duty alone is not enough to get the work done by the subordinates. The subordinates need to be given the requisite authority to carry out the responsibility. Delegation of authority will enable the subordinates to have access to the resources of the enterprise, namely, men, machines, material and money. Further, authority also enables them to meet customers and enter into contracts on behalf of the concern.

Creation of Accountability

- i. The subordinate, who has been assigned some work and given the necessary authority, remains liable or answerable to his superior for the due performance of the work,. This is necessary in view of the following reasons: The superior remains liable, on the performance of his subordinates, to his own superior.
- ii. The superior has to ensure that there has been no misuse of authority by his subordinates.

The overall objective of the enterprise has to be attained thus everyone concerned with the enterprise has to put in efforts.

Advantages of Delegation of Authority

Vital for every Organization

Delegation of Authority is indispensable for any organization. An individual cannot do the tasks all by himself. He needs the support of a team. Thus the work should have to share by different persons.

Relief to Managers

The manager of each department is able to divide the entire work of his department among his subordinates. After assigning each work to every subordinate, the manager also gives him the requisite authority. The manager, thus, is able to concentrate on more important duties.

Specialization

The very division of the work of a business enterprise into production, marketing, finance, personnel, etc., is to derive the benefits of specialization. Each of these divisions is looked after by a manager. Such manager will work under the control of the General Manager of the

concern. Within each division there is further scope for deriving the benefits of specialisation

Prompt Decisions

Delegation of authority to subordinates enables them to make decisions within the scope of their authority. For example, a foreman has the authority to make certain decisions within his level of authority. It is, therefore, not necessary to refer every matter to the superior and to await his decision.

Improvement of Job Satisfaction

Assignment of work and responsibilities to subordinates gives them the feeling that they are being recognized. This would certainly motivate them to put in greater efforts in order to show good results.

Scope for Business Expansion

As the subordinates of the organization are well versed in performing their tasks and also have the expertise in decision-making.

Let Us Sum Up

In this unit, you have learned about the following:

Delegation is an administrative process of getting things done by others by giving them responsibility. All important decisions are taken at top level by Board of Directors. The execution is entrusted to Chief Executive. The chief executive assigns the work to departmental managers who in turn delegate the authority to their subordinates. Further, decentralization of authority as a position where the ultimate authority to command or control as well as the ultimate responsibility for results is placed as far down in the organization. Thus delegation and decentralization are related concepts.

Check Your Progress-2

1. Elements of delegation_____
 - a) Responsibility, Authority, Accountability
 - b) Authority, Delegation, Accountability
 - c) Responsibility, Decentralization, Centralization
 - d) Controlling, Responsibility, Authority.

2. The right of a person to give instructions to his subordinates is known as_____
 - a) Responsibility
 - b) Authority

- c) Accountability
 - d) Line authority
3. The extent to which power and authority are retained at the top is called as_____
- a) Centralization
 - b) Decentralization
 - c) Responsibility
 - d) Accountability
4. _____Deals with appointing people and placing them at the appropriate job
- a) Human resource
 - b) recruitment
 - c) Staffing
 - d) Placement
5. The decisions which are frequent and repetitive in nature are called as_____
- a) Non-programmed decisions
 - b) Programmed decisions
 - c) Major decisions
 - d) Operative decisions

Glossary

Delegation: The task of a delegation each member of which can be called a delegate is to represent a larger group, often at a conference. Thus, a delegation of non-doctors to a medical convention may want to make sure the rights and needs of patients aren't ignored, just as a delegation of laypeople may attend a religious conference to express the concerns of other laypeople.

Authority: Authority in management may be defined as – “the right to guide and direct the action of others and to secure from them responses which are appropriate to the attainment of the purposes and goals of the organization”.

Centralization: Centralization refers to a setup in which the decision-making powers are concentrated in a few leaders at the top of the organizational structure. Decisions are made at the top and communicated to lower-level managers for implementation.

Decentralization: Decentralization refers to a specific form of organizational structure where the top management delegates decision-

making responsibilities and daily operations to middle and lower subordinates.

Model Questions

1. What are the elements of delegation? Explain its advantages and disadvantages.
2. Discuss delegation of authority. What are the different types of delegation?
3. Why should authority be delegated? Point out the difficulties in delegation.
4. What do you mean by delegation of authority? Which factors determine the delegation of authority?
5. Discuss the centralization - decentralization issue with its pros and cons.
6. Under what situations decentralization is desirable?

Answers to Check Your Progress-1

- a-False
- b-False
- c-False
- d-False
- e-True

Answers to Check Your Progress-2

1. a) Responsibility, Authority, Accountability
2. b) Authority
3. a) Centralization
4. c) Staffing
5. b) Programmed decisions

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Block-4: Introduction

Block-4: Recruitment, Selection, Training and Development has been divided in to three Units. **Unit-13: Recruitment** deals with **Introduction**, Meaning and Definition of Recruitment, Characteristics of a Good Recruitment Policy, Sources of Recruitment, Internal Sources and External Sources.

Unit-14: Selection explains about Introduction, Meaning and Definition of Selection, Significance of Selection, Main Principles of Selection, Selection Procedure, Essentials of Selection Procedure and Procedure.

Unit-15: Training and Development describes the Introduction, Meaning and Definition of Training and Development, Importance of Training, Process of Training and Methods of Training.

In all the units of Block -4: **Recruitment, Selection, Training and Development**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-13

Recruitment

STRUCTURE

Overview

Objectives

13.1. Introduction

13.2. Meaning and Definition of Recruitment

13.3. Characteristics of a Good Recruitment Policy

13.4. Sources of Recruitment

13.4.1. Internal Sources

13.4.2. External Sources

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this chapter focused the recruitment, every organization is depend upon the personnel management because efficient employee is backbone of the company and also essential asset of the organization, therefore recruitment is very important. To learn the process of recruitment, sources of the recruitment and characteristics of good recruitment policy.

Objectives

After reading this unit, student should be able to:

- Define recruitment and selection
- Identify the nature of recruitment
- Understand the procedures of recruitment and procedure of recruitment

13.1. Introduction

Recruitment and selection constitutes a staffing function of management. Scientific selection ensures right man for the right job. For creating a team of efficient, capable and loyal employees, proper

attention needs to be given to scientific selection of managers and other employees. The conventional approach of selecting managers in a casual manner is now treated as outdated and is being replaced by scientific and rational approach, deciding who should hire under the employment rule of the organisation

13.2. Meaning and Definition of Recruitment

Recruitment means an activity which refers to the discovery and development of workers and employees in the enterprise at the time they are required. It involves locating, maintaining and contacting the sources of man power. The recruitment has been defined by many eminent authors as under:

In the words of Flippo, "Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in the organisation."

13.3. Characteristics of a Good Recruitment Policy

A good recruitment policy is the guiding can save an organization from facing situations like unproductive test and interview due to non-availability of the right candidate in the applicant pool, compromising on the selection of good candidates, high attrition rate low productivity and low motivation among existing employees as a result of faulty policy. The success of an enterprise largely depends upon the ability and efficiency of its employees. To get the capable and efficient employees, the recruitment policy of the organization must be very sound. An ideal recruitment policy must have following characteristics:

1. All selections must be made at a central place of the enterprise.
2. The whole process of recruitment must be strictly in accordance with the merit.
3. The number of employees to be recruited must be determined well in advance according to the need of enterprise.
4. No such assurance should be given at the time of recruitment which may not be followed later on.
5. Higher posts must be filled up through promotions, so far as possible.
6. The qualification experience, terms of service, salaries etc. must be determined well in advance.
7. The selection of employees must be accordance with the merit.

8. The abilities of employees must be according to the need of their jobs.
9. New posts must be authorized by a higher officer.
10. Recruitment policy must be fair and flexible.

Check Your Progress-1

True/False

- a. Recruitment means an activity which refers to the discovery and development of workers and employees in the enterprise at the time they are required.
- b. All selections must be made at a central place of the enterprise.
- c. The various sources of recruitment can be broadly classified into ten categories.
- d. The number of employees to be recruited must be determined well in advance according to the need of enterprise.

13.4. Sources of Recruitment

It is essential to organization that develops the different sources of recruitment, when the organization is successful in gathering a large application pool, it can adopt a rigorous procedure in choosing the best employees without compromising on quality. However, there is no single combination of resources and methods that will work well for all organization.

The various sources of recruitment can be broadly classified into two categories:

- A. Internal Recruitment
- B. External Recruitment.

Most organizations depend upon both the sources. The relative emphases may differ from enterprise to enterprise depending upon the following factors:

1. Training programme of the enterprise whether it prefers trained persons or wants fresh candidates to be trained by itself.
2. The level of specialization and training required for employees.
3. Management policy towards recruitment whether it prefers internal or external sources.
4. The need for originality and initiative required from employees.

5. Trade union's attitude towards management's recruitment policy.

13.4.1. Internal Sources

Internal sources of recruitment consist of personnel already working in the enterprise. Many organizations fill job vacancies through promotions and transfer of existing staff and it also refers to filling open jobs with the current employees of the organisation. It is a process designed to create sufficient interest among the current employees to cause them to formally indicate an interest in a given position. The position applied for may represent a promotion, transfer or even demotion in the organisation.

The main sources of internal recruitment are as follows:

Present Employee: The most common source of internal recruitment is through existing employees of organization.

Generally, the organisation maintains the inventories of qualifications to choose employees for suitable vacancies. The usual method of creating a pool of internal application through job posting. The evaluate job opportunities relative to their skill, experience, interests and career goal. Promotions and transfers from present employees are example of internal sources of recruitment.

Employees Referrals: It is also a good source of internal recruitment. Employee develops good prospects for their families and friends by acquainting them with the advantages of a job with the company furnishing letters of introduction and even encouraging them to apply. This source is an effective source of recruiting because many qualified people are reached at a very low cost to the organization. A major limitation of employee's referrals is that the referred individuals are likely to be similar in type to those who are already working in the organization.

Former Employees: Former employees are another internal source of recruitment. Some retired employees may be willing to come back to work on a part time basis or recommend someone who would be interested in working for the company. Sometimes people who have left the company for some reason or the other are willing to come back and work. An advantage of this source is that the performance of these people is already known.

Merits of Internal Sources

Internal recruitment offers the following advantages.

- a) It keeps employees happy and in high morale.

- b) It creates a sense of security among employee.
- c) Employees know that they stand the chance of promotion to higher positions. This induces them to work harder so as to prove their worth.
- d) Internal recruitment ensures continuity of employment and organizational stability.
- e) Prospects of transfer to new posts inspire employees to keep on adding to their knowledge and experience which leads to their development.
- f) Filling of vacancies from internal source is quite economical and convenient. No time and money is to be spent on advertisement, tests and interview because the knowledge and skill of employees are already known. There is no need for orientation of employees for preparing them for the new job.

Demerits of Internal sources

Internal recruitment suffers from the following drawbacks:

- a) Existing employees may not be fully qualified for the new job. Required talent may not be available among the present staff.
- b) All vacancies cannot be filled through internal sources. The enterprise has to depend upon outside sources for entry level jobs.
- c) Internal candidates become accustomed to the company's work patterns and as such may lack originality and fresh outlook. Therefore, internal recruitment involves in breeding of ideas.
- d) This method narrows the choice and denies the outsiders an opportunity to prove their worth.

13.4.2 External Sources

The main sources of external recruitment are as follows;

- a) **Advertising:** Advertising in newspapers and journals is the most popular source of recruitment from outside. It is a very convenient and economical method for different types of personnel. Detailed information can be given in the advertisement to facilitate self-screening by the candidates. If necessary, the enterprise can keep its identity secret by giving a post box number.
- b) **Educational Institutions:** Universities, colleges and institutes of higher education have become a popular source of

recruitment of recruitment for engineers, scientists, Management trainees, technicians, etc. Business concerns may hold campus interviews and select students for final interview at their offices. Universities and institutes generally run placement bureaus to assist in recruiting students. But educational institutions provide only young and inexperienced candidates.

- c) **Personnel Consultants:** A consulting firm is a specialized agency which helps client companies in recruiting personnel. .It serves as an intermediary between the enterprise and the job-seekers. On a requisition form a client company, it advertises the vacancy and receives applications. It may pass on the applications to the client company or may conduct tests and interview of the candidates, It charges fee from the client company. This source is generally used for recruiting executives.
- d) **Jobbers and Contractors:** These are sources of recruitment for unskilled and manual labour. They have close links with towns and villages for this purpose.
- e) **Employment Exchanges:** Public employment exchanges are important sources of recruitment of personnel. Job seekers register their names with these exchanges. Employers notify job vacancies to these exchanges that pass on the names of suitable candidates to the employers.
- f) **Leasing:** This method is often used by public sectors organizations. Under it personnel from civil services, defense services and private sector are employed for specific periods due to shortage of managerial personnel.
- g) **Unsolicited Applicants:** Due to unemployment problem in India business concerns receive a large number of unsolicited candidates at the main gate or through mail. Such jobseekers may be considered for casual vacancies or for preparing a waiting list for future use.

Merit of External sources

The main advantages of external recruitment are as follows:

- a) **Wide choice:** The enterprise can choose the best personnel from among a large number of applicants.
- b) **Fresh Outlook:** Candidates recruited from external sources

bring originality and fresh viewpoint. They are free from the in-built preferences and prejudices.

- c) **Varies Experience:** The enterprise can secure candidates with varies and broader experience.

Demerits of External sources

External sources of recruitment have the following disadvantages:

- a. **Danger of Maladjustment:** Some candidates chosen from outside may fail to adjust themselves to new environment. They may be irritable, quarrelsome or suspicious. They may have to be terminated and replaced.
- b. **Expensive:** Greater time and money have to be spent on advertising, tests and interviews of external candidates, cost of inductions of new personnel.
- c. **Heart-burning:** External recruitment creates heart-burning and demoralization among the existing personnel.
- d. **Sense of Insecurity:** Recruitment from outside creates a sense of insecurity among the present staff. The staff may refuse to co-operate fully with the enterprise.

Let Us Sum Up

In this unit, you have learned about the following:

Recruitment constitutes a staffing function of management. Scientific selection ensures right man for the right job. For creating a team of efficient, capable and loyal employees, proper attention needs to be given to scientific selection of managers and other employees. The conventional approach of selecting managers in a casual manner is now treated as outdated and is being replaced by scientific and rational approach, deciding who should hire under the employment rule of the organisation

Check Your Progress-2

1. Which one of the following is a sources of recruitment?
 - a) Transfer
 - b) Employee recommendation
 - c) Campus recruitment
 - d) Personal contact

2. Which one of the following sources is most relevant to recruiting managerial personnel?
 - a) Direct recruitment
 - b) Employment exchange
 - c) Advertisement
 - d) Casual callers
3. Which type of learning is management development concern with:
 - a) Specific job skill development
 - b) Manual skill development
 - c) Inventory development
 - d) All the above
4. Which of these is the purpose of recruitment?
 - a) Make sure that there is match between cost and benefit
 - b) Help increase the success rate of the selection process by reducing the number of visibly under qualified or over qualified job applicants.
 - c) Help the firm create more culturally diverse work - force
 - d) None of the above
5. Which of these are the most important external factor governing recruitments?
 - a) Sons of soil
 - b) Labour market
 - c) Unemployment rate
 - d) Supply and demand

Glossary

Recruitment: Recruitment is the process of actively seeking out, finding and hiring candidates for a specific position or job. The recruitment definition includes the entire hiring process, from inception to the individual recruit's integration into the company.

Model Questions

1. What is the process of recruitment?
2. What are the sources of recruitment?
3. Explain the define recruitment.
4. State the importance of recruitment

Answers to Check Your Progress-1

- a-True
- b-True
- c-False
- d-True

Answers to Check Your Progress-2

1. a) Transfer
2. c) Advertisement
3. e) All the above- it include Specific job skill development, Multi-skill development, Manual Skill Development and Inventory Development.
4. b) Help increase the success rate of the selection process by reducing the number of visibly underqualified or over qualified job applicants because Rest all the alternatives are the ways in which a recruit programme helps the firm.
5. d) Supply and demand

Suggested Readings

1. Buindu Gupta and Sita Mishra 2016, Case studies in Business Management, Chand publication, ISBN:978-93-8212-7543
2. Dr. C.B. Gupta, 2008, 5th edition, Business Management, Sultan Chand and Sons Punlication, ISBN:978-81-8054-702-7
3. John Ancievich and Thomas N. Duening, 2004, Business and Management (Principles and Guidelines) Biztandra Publication, ISBN:81-7722-433-6

Unit-14

Selection

STRUCTURE

Overview

Objectives

14.1. Introduction

14.2. Meaning and Definition of Selection

14.3. Significance of Selection

14.4. Main Principles of Selection

14.5. Selection Procedure

14.6. Essentials of Selection Procedure

14.7. Procedure

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concept of selection, importance of selection, Principles of selection and procedure of selection in an organization has been clearly explained.

Objectives

After reading this unit, student should be able to:

- Define selection
- Identify the nature and importance of selection
- Understand the procedure of selection

14.1. Introduction

Selection constitutes a staffing function of management. Scientific selection ensures right man for the right job. For creating a team of efficient, capable and loyal employees, proper attention needs to be given to scientific selection of managers and other employees. The conventional approach of selecting managers in a casual manner is now treated as outdated and is being replaced by scientific and rational

approach, deciding who should hire under the employment rule of the organization.

14.2. Meaning and Definition of Selection

Selection is the process of carefully screening the candidates who offer themselves for appointment so as to choose the most suitable persons for the jobs that are to be filled. It is the process of matching the qualifications of candidates with the requirements of jobs to be filled. The recruitment has been defined by many eminent authors as under:

In the words of Dale Yoder, "Selection is the process by which candidates are divided into two classes-those who will be offered employment and those who will not?"

According to O'Donnell, "Selection is the process of choosing from among the candidates, from within the organization or from the outside, the most suitable person for the current position or for the future position."

Selection process divides the candidates into two categories those who will be offered employment and those who will not be. This process could be called 'rejection' because more candidates may be turned away than hired. It is a process of weeding out unsuitable candidates. It is for this reasons that selection is often described as a negative process in contrast with the positive nature of recruitment.

14.3. Significance of Selection

Selection is an important function and it must be performed carefully. If unsuitable persons are selected, labor absenteeism and turnover will be high. Such persons will shirk their job and ultimately leave the enterprise. This will result in wastage of time, energy and money spent in hiring and training them.

The efficiency of the organization will go down. The well-being of an organization depends greatly on the quality of its managers. Only sound selection of executives can build up the strong managerial structure of the enterprise. Errors in selection may prove very costly in future.

Proper selection is very helpful in building up a suitable workforce. If right people are selected for various jobs, their productivity and efficiency will be high. Therefore, the basic purpose of the selection process is choosing right type of candidates to man various positions in the organization. In order to achieve this purpose, a well-organized selection procedure is required.

Each step in the selection procedure should provide more and more information about the candidate. Such information will facilitate decision regarding selection.

14.4. Main Principles of Selection

The success of an industrial enterprise depends upon the fact of whether the selection has been made properly according to the principles of selection or not. If proper selection of best workers and employees has been made, the enterprise may be successful in achieving its objectives. If proper selection has not been made, the enterprise may not be successful in achieving its objectives. Therefore, the selections in a big industrial enterprise must be based on some certain principles as follows-

Policy of recruitment in accordance with the object of enterprise:

The recruitment policy of the must be in accordance with the pre-determined objectives of the enterprise so that help in the achievement of objectives of the enterprise.

Observation of government rules and regulations: Before formulation the policy of the recruitment and selection for the enterprise, Government rules and regulations of selection must be thoroughly understood and followed, especially either reference to the rules of reservation that no legal complication may arise at later stage after the recruitment is made.

Recruitment by a Committee: The right to recruit the workers and employees must be assigned to a committee of capable, efficient, experienced, senior and responsible officers of the company. Entire work of the process of recruitment must be performed by a committee and not by any individual officer so that fair selection may be assured.

Clear Policy of Recruitment: The policy of recruitment must be definite and clear so that it may easy be implement without facing any complications.

Flexibility: The recruitment policy must be flexible so that necessary changes may be made in it according to the need of the enterprise.

Impartiality: The recruitment policy must be such that fair selection maybe assured. Only the best and capable candidate must be selected only on the basis of merit.

Job Security: Security of job must be assured to every worker and employee of the enterprise right at the time of his appointment so that he

may contribute his efforts to the achievement of organizational objectives.

Opportunity of Development to the Employees: The selection policy of the enterprise must be prepared in the manner that it may provide challenging opportunities to the employees of the enterprise based on their ability and performance. It will always pursue them to do more and better to best the work.

Check Your Progress-1

True/False

- a. Proper selection is very helpful in building up a suitable workforce.
- b. According to Yorder, the hiring process is of one or many 'go, no-go' gauge.
- c. Selection process divides the candidates into two categories those who will be offered employment and those who will not be.
- d. The selection procedure is not concerned with securing relevant information about an applicant.

14.5. Selection Procedure

The selection procedure is, concerned with securing relevant information about an applicant. This information is secured in a number of steps or stages. The objective of selection process is to determine whether an applicant meets the qualifications for a specific job and to choose the applicant who is most likely to perform well in that job.

The hiring procedure is not a single act but it is essentially a series of methods or steps or stages by which additional information is reduced about the applicant. At each stage, facts may come to light which may lead to the rejection of the applicant. A procedure may be compared to a series of successive hurdles or barriers which an applicant must cross. These are intended as screens, and they are designed to eliminate an unqualified applicant at any point in the process.

According to Yorder, the hiring process is of one or many 'go, no-go' gauge. Candidates are screened by the application of these tools. Qualified applicants go on to the next hurdle, while the unqualified are eliminated. Thus, an effective selection programme is a nonrandom process because those selected have been chosen on the basis of the assumption that they are more likely to be 'better' employees than those who have been rejected.

Selection processes or activities typically follow a standard pattern, beginning with an initial screening interview and concluding with the final employment decision. The traditional selection process includes, preliminary screening interview, completion of application form, employment screening interview, completion of application form, employment tests, comprehensive interview, background investigations physical examination and final employment decision to hire.

14.6. Essentials of Selection Procedure

The selection procedure adopted by an organization is mostly tailor made to meet its particular needs. The thoroughness of the procedure depends upon three factors:

First, the policy of the company and the attitude of the management. As a practice some companies usually hire more than the actual number needed with a view to removing the unfit persons from the jobs.

Second, the nature of selection, whether faulty or safe, because a faulty selection affects not only the training period that may be needed but also results in heavy expenditure on the new employee and the loss that may be incurred by the organization in case the job-occupant fails on his job.

Third, the length of the probationary or the trial period. The longer the period, the greater the uncertainty in the minds of the selected candidate about his future.

The hiring process can be successful, if the following preliminary requirements are satisfied:

Someone should have the authority to hire. This authority comes from the employment requisition, as developed by an analysis of the workload and work force.

There must be a sufficient number of applicants from whom the required number of employees may be selected.

There must be some standard or personnel with which a prospective employee may be compared, i.e. there should be available, beforehand, a comprehensive job description and job specifications as developed by a job analysis.

14.7. Procedure

There can be no standard procedure to select different types of employees or to be adopted by all concerns. In practice, selection procedure differs from job to job and from organization to organization.

In some cases, selection is a very simple and one-step process. But in many cases, it is quite complex and time consuming. The main steps in selection procedure may be as follows:

- a) Preliminary interview
- b) Application blank
- c) Selection tests
- d) Employment interview
- e) Checking of references
- f) Physical examination
- g) Final approval.

The steps listed above should not be treated as a rigid sequence. Some organizations do not follow all these steps while others follow them in a changed sequence. For example, some enterprises do not hold the preliminary interview. In some cases, physical examination may take place before selection tests.

Some concerns require the candidates to fill two types of application forms, before and after the preliminary interview. In some companies the practice is to obtain the bio-data after the final interview to account for the time gap involved. Some concerns conduct physical examination relatively early in the procedure so as to avoid time and expense of screening medical unfit persons.

Preliminary Interview: The purpose of preliminary interview is to eliminate the totally unsuitable candidates. It is generally brief and may take place across the counter in the employment office of the company. It consists of a short exchange of information regarding the candidate's age, qualifications experience and interests, it helps to determine whether it is worthwhile for the candidate to fill in an application form.

It saves the expense of processing unsuitable candidates and saves the candidate from the trouble of passing through the long procedure. Preliminary interview provide basic information about candidates. While providing important information, applications and curriculum vitae of the candidate tend not to be extremely useful for making final selection decisions.

Application Blank: Candidate who get through the preliminary interview are asked to fill up a blank application form specially designed to obtain the required information about the candidate. Different types of application forms are used by different organizations and for different jobs. As far as possible, the application should be brief and simple. It

should elicit only such information which is relevant for the job concerned. Generally, an application form contains information regarding, (a) personal history name, date of birth, sex, marital status, nationality, etc. of the candidate, (b) educational qualifications, (c) job experience, and (d) references, etc. Application form provides a permanent record of the candidate's education, experience, interests, etc. in his own handwriting.

It helps to make tentative references regarding the candidate's suitability. It serves as the basis for framing questions to be asked in the employment interview. It also reflects the interest of the employer in the candidates for tests. Among the most traditional methods, application form is prominent one useful to extract as much information as possible on various aspects of the candidates.

Selection Tests: Tests have become an important device in the process of selection. These are used for efficient performance of the job. Several types of tests are used to measure such skills and abilities which are needed in practice for screening applicants. Written tests may be descriptive or objective in nature. The personality tests are having meager popularity in employee's selection, greatly because they are difficult to defend legally. However, they are re-earning vital importance, and opportunities are that at some point in the career of employees they have to complete certain personality tests.

Employment Interview: Personal interview is perhaps the most widely used method for selecting employees. It is a face-to-face talk between the employer and the candidate. It is more thorough and comprehensive than the preliminary interview.

The main purposes of employment interview are: (a) to check the information obtained in earlier steps, (b) to seek more information about the candidate, (c) to test the qualities of the candidate, and (d) to inform the candidate about the job and the organization. Personal and social traits like aptitude, interest, motivation, communicating skill, etc. can better be judged in an interview.

Employment interview, however, suffers from several weaknesses. First, interview is a time-consuming and expensive device. Secondly, interviews can test only the personality of the candidate and not his ability for the job. Thirdly, interview process depends too much on the personal judgment of the interviewers. Inaccuracy and bias in judgment may yield misleading results. Fourthly, interviewers may not be able to elicit required information from the candidate.

Finally, very often interview is interpreted as having greater meaning and validity than is justified. Answers to questions may not reveal the 'real man'. Appearance may be deceptive. A candidate good at interview may prove a failure on the job.

Checking References: Candidates are usually required to provide some references, i.e. names of person whom inquiries as to his educational background, experience, ability, character, etc., could be addressed.

A referee can be a useful source of information in case he is sufficiently knowledgeable and truthful. He may be the previous employer or teacher of the candidate. Before making final selection, the enterprise may contact the references to seek information on the candidate's ability and integrity.

A letter of recommendation may also be asked from the candidate. Checking the references may help to point out discrepancies regarding the candidate's previous employment, past salary and reasons for leaving the job. However, reference checks are not very reliable in practice because in general the references do not know the person well enough or they are biased in his favor.

Moreover, the person they do respond when approached. They may be persuaded to give opinions frankly by giving an assurance that all information will be treated as strictly confidential. Some employers do have policies that preclude employees from providing reference information and it is always risky to ask candidates to self-selected reference.

Group Discussion: This method is being increasingly used for the selection of executives and civil servants. Under this method, several candidates are brought together and given a topic for discussion. Interviewers sit at the back and observe how each candidate participates in the discussion.

This method reveals personality characteristics, communication skills, ability to get on with others, ability to appreciate others ideas, etc. The candidate cannot be supposed to be different than what he really is. His personality asserts itself and is revealed in his attitude and behavior during the crossfire of a discussion. The interactions emerging out of group discussions are analyzed to judge the orientation and their selling skills. Such analysis is known as interaction analysis.

Physical Examination: Physical or medical examination of candidate is carried out to ascertain his physical fitness for the job. It can vary from a

simple check of physical appearance and will- being to a very comprehensive examination. Some companies accept the medical certificate obtained by a candidate from a qualified physician. Other requires the candidate to pass the fitness test conducted by an expert appointed by the organization. A proper medical examination will ensure high standard of health and physical fitness for the employees. It will reduce the rates of absenteeism, accidents and labour turnover.

A thorough medical checkup candidate fulfills three objectives; first, it helps to ascertain the applicant's physical capability to meet the job requirement. Secondly, it helps to prevent communicable diseases entering the organization. Thirdly, it protects the organization against unwarranted claims under the Workmen's Compensation Act.

Final Approval: After screening the candidates a list of suitable candidates is prepared. The list is sent to the line manager who requisitioned the personnel. He gives the final approval. The candidates formally approved by the manager concerned are appointed by issuing appointment letter and concluding service agreements.

Generally, the candidates are appointed on probation for one or two years. This is because no selection procedure is fool proof. If during the probation period, an employee is found unfit he may be transferred to some other job.

Alternatively, he may be given time and training to improve himself. If the organization cannot offer him a job which he can do well, his services may be terminated after due notice.

Let Us Sum Up

In this unit, you have learned about the following:

Selection constitutes a staffing function of management. Scientific selection ensures right man for the right job. For creating a team of efficient, capable and loyal employees, proper attention needs to be given to scientific selection of managers and other employees. The conventional approach of selecting managers in a casual manner is now treated as outdated and is being replaced by scientific and rational approach, deciding who should hire under the employment rule of the organisation

Check Your Progress-2

1. In staffing function, which one of the following groups of managers is involved?
 - a) Only top managers
 - b) Only human resource manager
 - c) Only middle managers
 - d) All managers
2. Which one of the following is not an importance of staffing?
 - a) Suitable division of work among employees
 - b) Developing skills in employees
 - c) Employee satisfaction
 - d) Effect use of human resource
3. In staff function, which combination of activities in sequential order is correct?
 - a) Recruitment, Selection, training, placement
 - b) Selection, training, recruitment, placement
 - c) Recruitment, selection, placement, training
 - d) Recruitment, training, selection, placement
4. What is the natural perception of people on the process of recruitment and selection?
 - a) Positive
 - b) Negative
 - c) Both positive and negative
 - d) None of the above
5. What is the main objective of the recruitment and selection process?
 - a) Recruit the right candidates
 - b) Meet the high labour turnover
 - c) To reduce the costs of recruiting
 - d) None of the above

Glossary

Staffing: Staffing refers to the continuous process of finding, selecting evaluating and developing a working relationship with current or future employees. The main goal of staffing is to fill the various roles within the company with suitable candidates.

Selection: The Selection is the process of choosing the most

suitable candidate for the vacant position in the organization.

Model Questions

1. Explain the procedure for staffing.
2. What is the process of selection?
3. Explain the principles of selection.
4. State the importance of selection.

Answers to Check Your Progress-1

- a-True
- b-True
- c-True
- d-False

Answers to Check Your Progress-2

1. d) All managers
2. a) Suitable division of work among employees
3. c) Recruitment, selection, placement, training
4. a) Positive
5. b) Meet the high labour turnover

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Unit-15

Training and Development

STRUCTURE

Overview

Objectives

15.1. Introduction

15.2. Meaning and Definition of Training

15.3. Importance of Training

15.4. Process of Training

15.5. Methods of Training

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of training, importance of training and the processes to follow the efficient training in an organization. And also the methods of the training has been clearly presented.

Objectives

After reading this unit, student should be able to:

- Define training and describe its purpose
- Identify the nature of training process
- Understand the methods and benefits of training

15.1. Introduction

Training is a process of learning a sequence of programmed behavior. It is the application of knowledge and gives people an awareness of rules & procedures to guide their behavior. It helps in bringing about positive change in the knowledge, skills and attitudes of employees. The process of increasing the knowledge and skills of the workforce to enable them to perform their jobs effectively. Training is, therefore, a process whereby an individual acquires job-related skills and knowledge. Training costs can be significant in any business. However,

many employers are prepared to incur these costs because they expect their business to benefit from employees' development and progress.

15.2. Meaning and Definition of Training

Training is the process of imparting skill or job knowledge to a person. It takes an individual from where he is to where he should be.

Definition of Training

“The term training is used here to indicate the only process by which the aptitudes skill and the abilities of employees to perform specific jobs are increased”

-Jucius

Training is the act of increasing the knowledge and skills of an Employee for doing a particular job.

-Edwin B Flippo

15.3. Importance of Training

1. Improvement in skill and knowledge

Training, certainly, real. Training certainly result in improvement in the skill and knowledge of the employee does training is essential.

2. Higher production and productivity

If an enterprise has a team of well trained employees, it will be able to expand its production. That will be a rise, not only in production, but also in productivity.

3. Job satisfaction

Well trained employees are able to perform their jobs with the highest degree of skill. This increases their level of confidence and commitment to do work.

4. Better use of resources.

Trained employees will be able to make better use of materials and machines. Thus, optimal use of the resources is attained.

5. Reduction in accidents

Trained employees are aware of the safety precautions to be taken while at work. Thus, the number of accidents is reduced.

6. Reduced Supervision.

Well-trained employees, do not need much supervision, they can do their work without any guidance. This enables the superior to manage

more employees effectively.

7. Reduction in complaints

Only bad workers blame the tools, but trained employee would certainly love his job, and does not complain about anyone and anything adaptability, trained workers do not resist change. They have the capacity to adapt themselves to any kind of situations. They are good in crisis management too.

8. Adaptability

Trained workers don't resist change. They have capacity to adapt themselves to any kind of situation. They are good in crisis management too.

9. Stability

If an organisation has a team of trained employees, it can face future challenges easily. Any kind of challenges for the organization will not make them unstable. Thus Stability is maintained through training.

10.Scope for Management By Exception (MBE).

With trained workers working under them, it becomes easy for the managers to get things done by delegating authority does provide provision of training for employees gives the managers, the scope to practice MBE management by exception.

Check Your Progress-1

True/False

- a. Training needs of different categories of employees in an organization are not the same.
- b. Training certainly result in improvement in the skill and knowledge of the employee does training is essential
- c. If an organisation has a team of trained employees, it cannot face future challenges easily.
- d. Well-trained employees, do not need much supervision, they can do their work without any guidance.
- e. Training is a process of learning a sequence of programmed behavior.
- f. Trained workers don't resist change.

15.4. Process of Training

1. Identifying the training needs of the staff

Training needs of different categories of employees in an organization are not the same. And new staff must learn the job first and experienced staff must be given training for updating his skills. So first step is to identify the training needs of the staff

2. Establishment of training goals

The management should have short term and long term goals. The short term goal might be to provide training to a new staff. The management is able to prepare him to do the work. The Long term goal might be providing training to an employee to update his skill and make them even more efficient. This benefits the organization as well.

3. Selecting the right method of training

There are On-the-job and off-the-job training. Facilities for training are not always available within the organisation, thus these two trainings are most needed as a result selecting the right method of training is very much important.

15.5. Methods of Training

On-the-job Training

1. Induction training

Induction training is known as is also known as orientation training. It is required for all new employees. A person who has just been inducted into an organisation requires to be informed of his duties. The nature of the work must be clearly explained to him.

This is called as induction training. The new employee must also be explained of the various departments and divisions of the enterprise, so that he will become familiar of the enterprise. In short, this training explains the newcomer all about the enterprise as he can understand how the organisation works.

2. Apprenticeship training.

In this method, the trainee or apprentice is placed under a qualified senior worker. The Apprentice learns the work by observing and assisting his senior. In the case of jobs requiring skill apprenticeship training is the most suitable method to impart knowledge and skill. During this period, the apprentices get a consolidated pay called stipend.

3. Refresher Training

The object of refresher training is to enable the workers to constantly update their job knowledge. The knowledge and skill of the worker in a business establishment tend to become outdated due to the advancement in science and technology. Thus the workers need to update this skill frequently

4. Job Rotation

This kind of training enables an employee to become well versed in different kinds of work, each of which is not totally different. Clerks in banks are usually subjected to job rotation, each employee might serve in different sections like Savings Bank current account fixed deposit cash, and so on at different period of time.

5. Placement as assistance.

It is not uncommon to find certain designations like assistant manager, assistant account manager, assistant sales manager, etc. Such designations only implies that these executives are posted as a manager production manager, sales manager in future. As assistant, these executives, not only carry out the task assigned to them, but also observe their superior

6. Vestibule training

The term Vestibule refers to a training school established within the factory premises, the working conditions and facilities. In such a training school are so created that the place of training, almost resembles the actual workplace. The training activities do not in any way interfere with the regular process of production. It is useful when it is necessary to train a large number of workers for the same kind of work without affecting the production process.

Merits of On-the-Job Training

1. Training is provided to the employee in the workplace itself. He will be under the direct control office superior.
2. The employee does his work while undergoing training. Thus the Enterprise work does not get affected.
3. As the employee learns by actually doing the work. Progress during the period of training will become visible.
4. It also requires every organisation to equip itself with all the facilities needed for providing training to its employees such

equipment can become permanent assets for the organisation in future.

5. As a trainee learns the work from a senior employee of the same organisation training will be more rather relevant

Demerits of On-the-Job Training

1. Sometimes the senior employees might not. Sometimes the senior employees might not sit with the trainees, and teach them the work. They briefly explain the work and expect the trainees to pick up things fast.
2. The employee in the case of on the job training has dual tasks. He has not only to learn the work, but also complete his target.
3. The organisation should have all the infrastructure facilities needed for training. This will result in heavy investment.
4. Sometimes instructors name. Sometimes instructors may be appointed for the sake of training. This results in more expenditure in means of salary. And also, it can result in conflict between the land managers and the instructors.

Off-the-job Training

1.Lectures and conferences

There are staff training colleges like administrative staff College in Hyderabad that train executives that are experts in different functional areas of management, who input training through lectures. The sponsoring organisation usually pay the fees for the candidates.

The conferences provide an opportunity for the executive trainees of different enterprises to meet at a particular place for the sake of exchanging views on specific organisational issues, participants may also present papers that will be discussed.

2.Role Playing

In this the participant trainees are to enact the roles, given to them in a role playing session, a specific organisational problem may be explained. And each participant will be given a role. For example, a participant may be asked to do the role of a manager who has just received notice of strike from his employees.

3.Case Study

In case study method the trainees are given an organisational problem in written form. The problem may be something that has been

experienced in some workplace or may even be an imaginary one. The participants may be asked to analyse the cause of the problem and such as solutions.

4. Management games

Different groups of trainees participate in the management game. The trainer specifies a certain situation in which each group has to make decisions in the specific area assigned to it. Decision of the group on the task assigned to it will then be evaluated and feedback will be given to it. All the participating groups will make an endeavour to achieve optimum results.

5. Brainstorming

It is a technique used to solve a certain important organisational problem. For example, the executives of production and in a brainstorming session the participants may express their views freely without having to bother about what others would think of their ideas. The proposal, put forward. For the sake of evaluation and decision making.

6. Sensitivity training

The sensitivity training group is called the T - group. The actual training involves interaction between members of a small group that has no formal agenda in goal of such interactions members do become sensitive to the views expressed by their associate. Some of them may also get the word. An observer who does not attempt to resolve differences among the members may watch the activities of the group sensitivity training helps an individual to understand group behaviour and to work with others as a team.

Merits of Off-the-Job Training

1. These methods are most suitable for training junior executives.
2. The focus is mainly on personality development
3. The organisation need now equip itself with the facilities for training as the trainings are to be sent only to the training centres.
4. Training is provided outside the organisation, the trainee is able to devote his full time and attention for learning.
5. The trainees need not be at the mercy of the senior employees of the organisation.

Demerits of Off-the-Job Training

- a. These methods do not help the training much in enriching as job knowledge or skill. They focus mainly only on developing such qualities of an individual as self-confidence, tolerance, etc.
- b. Deputing the trainees to training centres may prove to be an expensive affair.
- c. The training institutes cannot design the training programme to this specific organisational needs work gets affected during the period the employee undergoes training.

Let Us Sum Up

In this unit, you have learned about the following:

Training is a process of learning a sequence of programmed behavior. It is the application of knowledge & gives people an awareness of rules and procedures to guide their behavior. It helps in bringing about positive change in the knowledge, skills & attitudes of employees. The process of increasing the knowledge and skills of the workforce to enable them to perform their jobs effectively.

Check Your Progress-2

1. For which group of persons is vestibule training relevant?
 - a) Operatives
 - b) Top management
 - c) Middle management
 - d) Supervisory management
2. The training is a _____ process.
 - a) Ongoing.
 - b) New.
 - c) Difficult.
 - d) Time oriented.
3. Training is a _____ process.
 - a) Short-term
 - b) Lon-term
 - c) Financial
 - d) None of the above

4. Training refers to the process of imparting_____skills.

- a) Specific
- b) General
- c) Important
- d) Over all

5. Training occurs as a result of_____.

- a) Instruction
- b) Education
- c) Development
- d) All of the above

Glossary

Training: Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

Model Questions

1. What is the importance of training?
2. Explain eth process of training.
3. What are the methods of training?
4. Explain the training process.

Answers to Check Your Progress-1

- a-True
- b-True
- c-False
- d-True
- e-True
- f-True

Answers to Check Your Progress-2

1. a) Operatives
2. a) Ongoing
3. a) Short term - Training implies a systematic procedure whereby employees are imparted technical knowledge and skill for specific jobs. Training is a short term process. It helps to reduce the time and cost required to reach the acceptable level of performance
Training helps to improve the quantity and quality of work force.
4. a) Specific
5. d) All of the above

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Block-5: Introduction

Block-5: Controlling has been divided into three Units. **Unit-16: Motivation and Communication** explains about the Introduction, Meaning and Definition of Motivation, Needs of Motivation, Importance of Motivation, Theories of Motivation, Meaning and Definition of Communication, Importance of Communication, Types of Communication, Barriers of Communication and the various Channels of Communication.

Unit-17: Direction and Co-Ordination describes about the Introduction, Meaning and Definition of Direction, Characteristics of Direction, Importance of Direction, Principles of Direction, Meaning and Definition of Coordination, Principles of Coordination, Types of Coordination, Internal Coordination, External Coordination, Difference between Coordination and Cooperation and Needs of Coordination.

Unit-18: Control deals with Introduction, Meaning of Controlling, Characteristics of Controlling, Nature of Controlling, Importance of Controlling and the various Steps in Control.

In all the units of Block -5: **Controlling**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-16

Motivation and Communication

STRUCTURE

Overview

Objectives

16.1. Introduction

16.2. Meaning and Definition of Motivation

16.3. Needs of Motivation

16.4. Importance of Motivation

16.5. Theories of Motivation

16.6. Meaning and Definition of Communication

16.7. Importance of Communication

16.8. Types of Communication

16.9. Barriers of Communication

16.10. Channels of Communication

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concepts of motivation and communication, theories of motivation, needs and importance of communication, types of communication in management, importance of motivation, barriers of communication and channels of communication has been clearly explained.

Objectives

After reading this unit, student should be able to:

- Define Motivation, Communication and describe its purpose
- Identify the needs of motivation and communication
- Understood the theories of motivation
- Know the channels of communication

16.1. Introduction

Motivation' is the process of inspiring people in order to intensify their desire and willingness for executing their duties effectively and for co-operating to achieve the common objectives of an enterprise. In other words, it means to induce, instigate, incite or prompt someone to a particular course of action for getting the result expected from him.

16.2. Meaning and Definition of Motivation

Motivation' is the process of inspiring people in order to intensify their desire and willingness for executing their duties effectively and for co-operating to achieve the common objectives of an enterprise. In other words, it means to induce, instigate, incite or prompt someone to a particular course of action for getting the result expected from him.

In the words of E.F.L. Brech:

“Motivation is a general inspiration process which gets the members of the team pull their weight effectively to give their loyalty to the group, to carry out properly the tasks they have accepted and generally to play an effective part in the job that the group has undertaken.”

In fact, motivation may be regarded as an integral part of the process of direction. In Direction the subordinates, the manager has to try to create in them the willingness to pursue the goals of the organisation enthusiastically. In trying to do so, the manager may be said to concern himself with motivation. The term 'motivation' is derived from the word 'motive'.

16.3. Needs of Motivation

[1] High Efficiency

One way the management of the firm can boost the efficiency and performance of their employees is to use motivation as a tool. Motivation helps transform the employee's talents and knowledge into actual performance and activity. Demotivated employees affect the overall efficiency of the firm and also can cause other employees to be demotivated.

[2] Utilization of Resources

Motivation helps stimulate employees. Thus they make the best possible choices, and so the best utilization of the factors of production and other resources. Motivated employees try to minimize their wastages and costs to better their performances. This will help with the firm maximize their potential and make the best use of their limited resources.

[3] Reduction in Labor Turnover

This is an important aspect of the importance of motivation. Higher motivation also means better job performances which lead to job satisfaction among employees. And so the employees do not want to miss out on opportunities and seek to do more and better work. This will lead to commitment and loyalty among employees which leads to lower absenteeism and labor turnover among employees.

[4] Readiness for Change

Every organization functions in a very dynamic business environment. And with the changes in the environment, the organization also must change to adapt and keep up with times. When such technological, environmental etc changes occur in the organization sometimes employees are hesitant to accept and adapt to such changes. But motivated employees are more likely to adapt to these changes. They are generally more ready to accept the changes and get to work.

[5] Achieving Organizational Goals

The best way to motivate employees is to line up their personal goals with those of the organization. The motivated then work tirelessly to achieve not only their personal goals but also the goals of the company. Demotivated employees will not be overly enthusiastic about achieving organizational goals.

[6] Helps with Attitude of Employees

Sometimes certain employees of an organization have a negative or indifferent attitude. But the manager can use the tools of motivation to change their attitudes. A positive, optimistic employee who is properly motivated is an asset to the organization. And motivation is the key to this change.

Check Your Progress-1

True/False

- a. A positive, optimistic employee who is properly motivated is not an asset to the organization
- b. Every concern requires physical, financial and human resources to accomplish the goals.
- c. Motivation helps stimulate employees.
- d. In fact, motivation may be regarded as an integral part of the process of direction.

- e. Higher motivation also means better job performances which lead to job satisfaction among employees.

16.4. Importance of Motivation

- **Puts human resources into action**
 - Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.
- **Improves level of efficiency of employees**
 - The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into
 - Increase in productivity,
 - Reducing cost of operations, and
 - Improving overall efficiency.

Leads to achievement of organizational goals

- The goals of an enterprise can be achieved only when the following factors take place :-
 - There is best possible utilization of resources,
 - There is a co-operative work environment,
 - The employees are goal-directed and they act in a purposive manner,
 - Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

Builds friendly relationship

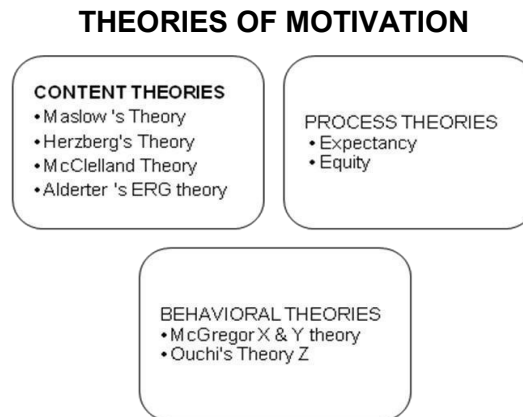
Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- Monetary and non-monetary incentives,
- Promotion opportunities for employees,

- Disincentives for inefficient employees.
- In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:
 - Effective co-operation which brings stability,
 - Industrial dispute and unrest in employees will reduce,
 - The employees will be adaptable to the changes and there will be no resistance to the change,
 - This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
 - This will result in profit maximization through increased productivity
- **Leads to stability of work force**
 - Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern.
 1. **Cooperation and Goals:** Motivated employees cooperate willingly with the management and thus contribute maximum towards the goals of the company.
 2. **Productivity:** Motivated employees attempt to enhance their knowledge and skills. This enables increase in the productivity.
 3. **High Efficiency:** It has been observed that when motivated employees work sincerely towards their given tasks; they develop a sense of belongingness which results in conserving the organisational resources. This results in improvement in efficiency.
 4. **Job Satisfaction:** Higher motivation paves the way for a higher job satisfaction of the employees. A motivated employee yearning for opportunities for satisfying needs becomes loyal and committed towards his work and eventually the organisation.
 5. **Better Relations:** The number of complaints and grievances reduce when the employees are motivated.
 6. **Good Image:** If the employees of the organisational are

motivated and satisfied with the work environment, the image of the company as a good employer boosts in the industry.

16.5. Theories of Motivation



Content theories emphasise on the idea that motivation depends upon the individual needs. Need could be defined as a state in person's life that triggers action and activates behaviour. Content theorists have gathered that there is a variation in the individual needs and hence the motivation levels. These theories are also referred as needs theories, because they are generally related with a view that focuses on the significance of determining 'what' motivates us.

Maslows Theories

Need hierarchy model developed by Abraham Maslow is one of the earliest works in the area of motivation. This theory has classified the human needs into five categories such as Physical or Physiological Needs; Safety needs Social or Belongingness Needs, Esteem Needs and Self Actualisation Needs. According to him, once a lower level need of an individual is met, he moves towards the next level needs.

Hierarchy of Needs given by Maslow



Physical or Physiological Needs

These needs include the basis needs of an individual which include food, air, water and shelter. They are lower-order needs and they need to be met first in order to move an individual for higher level needs.

Safety needs

After meeting physical needs, an individual is concerned about the safety needs which include staying in a safe and secure environment. At a work place, the managers ensure meeting of the safety needs by providing job security, medical insurance and safe gadgets and machines for working.

Social or Belongingness Needs

These needs include the needs for love, affection and interaction with people. These needs are also called affiliation needs. Social needs are essential to humans so that they do not feel isolated and depressed. Social needs are met through friendships, family and intimacy. A manager can work upon satisfying the social needs by ensuring that employees are provided with cooperative teamwork, kind supervision and sufficient work-life balance.

Esteem Needs

These needs include two aspects- self-esteem or self-respect through personal achievement and social esteem through respect and appreciation from others. Managers should motivate their subordinates by giving those awards and appreciation certificates for their achievements.

Self-Actualization Needs

It is the pursuit of reaching one's full potential as a person. These needs are not necessarily fully satisfied owing to the exploration of new opportunities by an individual. This depends upon the individual to individual. The management should help in meeting these needs by providing the employees with a challenging tasks and inviting them for decision making.

Herzberg Two-Factor Theory

Frederick Herzberg developed motivation-hygiene theory on the basis of studies to understand the factors affecting satisfaction or dissatisfaction in a work environment.

These factors have been classified as motivators and hygiene factors respectively.

1. Hygiene Factors
2. Motivators

Hygiene Factors

1. These are the basic factors in a job and also known as extrinsic factors. Although, they may not provide positive satisfaction but absence of these factors lead to dissatisfaction. Examples of hygiene factors include status, job security, salary and fringe benefits.

Motivators

2. These factors are internal to the jobs that provide satisfaction. These are called intrinsic factors. Absence of these factors may not yield to dissatisfaction but their presence in a job give a sense of satisfaction. Examples of motivators are job challenge, advancement, autonomy, responsibility, etc.

Alderfer's ERG Theory

Alderfer developed a model of motivation aligning with Maslow's motivation theory by reducing the five needs suggested by Maslow to three needs. These needs are Existence, Relatedness and Growth. According to Alderfer, there is no hierarchy of needs and any desire to fulfil a need can be activated at any point in time. This results in the lower level needs not requiring to be satisfied in order to satisfy a higher level need.

Existence: It refers to our concern with basic material existence motivators.(safety needs, physical needs)

Relatedness: It refers to the motivation we have for maintaining interpersonal relationships.(internal esteem, social esteem)

Growth: It refers to an intrinsic desire for personal development (self-actualization, external esteems)

Process Theories

Process theories concentrate on "how" part of motivation. They describe and analyse how behavior is energized, directed and sustained.

Expectancy Theory

Expectancy theory was propounded opposing the Herzberg's two-factor theory. This theory was developed by Vroom. The theory explains the behavioural process of why individuals choose one behavioural alternative over another. It suggests that individuals are motivated

towards objectives if they think that their performance will be rewarded for the efforts they will put. Vroom suggested three variables in this study-Expectancy, Instrumentality and Valence.

Expectancy:

Effort Performance It is the confidence that better efforts will result in better performance. It is influenced by factors like having appropriate skills for performing the job, availability of right resources, availability of critical information and getting the required support for accomplishing the goal.

Instrumentality:

Performance Outcome, It is the faith that the individual will receive an award if he performs well. This depends upon trusting the people who decide who receives what outcome, understanding the relationship between performance and reward and finally the transparency in the system that decides who get what outcomes

Equity Theory

Equity theory was suggested by J.S.Adams. The assumption behind this theory is that the employees experience strong expectations of justice, balance and fairness in treatment by their employers. This theory propounds that individuals are motivated by a desire to be treated equally at work. In this theory, two variables are important namely inputs and outcomes. According to this theory, the employee constantly assesses their level of effort against fellow workers and the reward they receive for their effort. When the employee feels that the compensation and treatment for his efforts are fair with reference to his skills and efforts, he feels satisfied and motivated.

- **Inputs:** These constitute of the quality and quantity of employee's contribution to work. They include time, effort, loyalty, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, trust in management, support from colleagues and skills.
- **Outputs:** The outputs encompass the positive and negative results that an individual gets after putting inputs into a task. They can be tangible and intangible. Examples of outputs are job security, esteem, salary employee benefits, praise, recognition, etc.

16.6. Meaning and Definition of Communication

Communications is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings, etc. among the people to reach a common understanding. Communication is the key to the Direction function of management.

A manager may be highly qualified and skilled but if he does not possess good communication skills, all his ability becomes irrelevant. A manager must communicate his directions effectively to the subordinates to get the work done from them properly.

16.7. Importance of Communication

Effective communication is vital for efficient management and to improve industrial relations. In modern world the growth of telecommunication, information technology and the growing competition and complexity in production have increased importance of communication in organisations large and small irrespective of their type and kind. A corporate executive must be in a position to communicate effectively with his superiors, colleagues in other departments and subordinates. This will make him perform well and enable him to give his hundred percent to the organisation.

1. Base for Action:

Communication acts as a base for any action. Starting of any activity begins with communication which brings information necessary to begin with.

2. Planning Becomes Easy:

Communication facilitates planning. Planning is made easy by communication. Any type of information regarding the human resource requirement of each department of the organisation with their qualifications, the type and kinds of job etc. can be collected through communication which helps in human resource planning. Policies and programmes for their acquisition can be prepared and implemented. In the entire process communication plays a vital role, it also facilitates managerial planning of the organisation.

3. Means of Coordination:

Communication is an important tool for coordinating the efforts of various people at work in the organisation.

4. Aids in Decision-Making:

The information collected through communication aids in decision-making. Communication facilitates access to the vital information required to take decisions.

5. Provides Effective Leadership:

A communication skill bring manager near to his subordinates and exchange ideas and submits appropriate proposals, knows their opinions, seeks advices and make decisions. This enables a manager to win confidence of his subordinates through constantly communicating with them and removing probable misunderstandings. In this way he leads his people to accomplish the organisational goal.

6. Boosts Morale and Motivation:

An effective communication system instils confidence among subordinates and workers ensuring change in their attitude and behaviour. The main cause of conflict and dissatisfaction is misunderstanding which can be removed through communication skills. The removal of misunderstanding makes manager and his subordinates understand each other and create good industrial relations. This boosts up the morale of the people and motivates them to work harder.

16.8. Types of Communication

Communications is a continuous process which mainly involves three elements viz. sender, message, and receiver. The elements involved in the communication process are explained below in detail:

1. Sender

The sender or the communicator generates the message and conveys it to the receiver. He is the source and the one who starts the communication

2. Message

It is the idea, information, view, fact, feeling, etc. that is generated by the sender and is then intended to be communicated further.

3. Encoding

The message generated by the sender is encoded symbolically such as in the form of words, pictures, gestures, etc. before it is being conveyed.

4. Media

It is the manner in which the encoded message is transmitted. The message may be transmitted orally or in writing. The medium of

communication includes telephone, internet, post, fax, e-mail, etc. The choice of medium is decided by the sender.

5. Decoding

It is the process of converting the symbols encoded by the sender. After decoding the message is received by the receiver.

6. Receiver

He is the person who is last in the chain and for whom the message was sent by the sender. Once the receiver receives the message and understands it in proper perspective and acts according to the message, only then the purpose of communication is successful.

7. Feedback

Once the receiver confirms to the sender that he has received the message and understood it, the process of communication is complete.

8. Noise

It refers to any obstruction that is caused by the sender, message or receiver during the process of communication. For example, bad telephone connection, faulty encoding, faulty decoding, inattentive receiver, poor understanding of message due to prejudice or inappropriate gestures, etc.

16.9. Barriers of Communication

- a) The use of jargon. Over-complicated, unfamiliar and/or technical terms.
- b) Emotional barriers and taboos. Some people may find it difficult to express their emotions and some topics may be completely 'off-limits' or taboo. Taboo or difficult topics may include, but are not limited to, politics, religion, disabilities (mental and physical), sexuality and sex, racism and any opinion that may be seen as unpopular.
- c) Lack of attention, interest, distractions, or irrelevance to the receiver. (See our page Barriers to Effective Listening for more information).
- d) Differences in perception and viewpoint.
- e) Physical disabilities such as hearing problems or speech difficulties.
- f) Physical barriers to non-verbal communication. Not being able to see the non-verbal cues, gestures, posture and general body

language can make communication less effective. Phone calls, text messages and other communication methods that rely on technology are often less effective than face-to-face communication.

- g) Language differences and the difficulty in understanding unfamiliar accents.
- h) Expectations and prejudices which may lead to false assumptions or stereotyping. People often hear what they expect to hear rather than what is actually said and jump to incorrect conclusions. Our page The Ladder of Inference explains this in more detail.
- i) Cultural differences. The norms of social interaction vary greatly in different cultures, as do the way in which emotions are expressed. For example, the concept of personal space varies between cultures and between different social settings. See our page on Intercultural Awareness for more information.

16.10. Channels of Communication

Formal channel of communication:

A formal channel of communication is the means of communication normally controlled by people in positions of authority in an organisation. Hence, it has also been referred to as an organization's 'main line of operational communication'. All the reports, records and other forms that supply working information to various parts of an organisation are included in the formal channel of communication. These channels of communication do not function automatically. A good business organisation will ensure that these are carefully planned and designed to its needs.

Disadvantages:

(i) Deter free flow of information:

Formal channels deter a free flow of information. Formality demands that the information flow take a specific route only. This inhibits the natural flow of information.

(ii) Time-consuming:

Formal channels of communication often lead to delays. The information may not directly reach the person for whom it is meant. It will often have to take a circuitous formal route where the intervening links may be meaningless. As a result, formal channels of communication can become time-consuming.

(iii) Affects decision-making:

Filtering and monitoring of information at lower levels is a double-edged sword. While it has its advantages, it may also prevent vital information from reaching the top management. This may change the perspective while making decisions.

Advantages

(i) Effective

Formal channels are considered the more effective of channels of communication. With organizations constantly growing in size, formal channels help to bridge the gap in the communication process. It is a readily available means to reach through to every corner of an organisation, which would otherwise be difficult.

(ii) Prevent bogging:

In formal channels, the rules are well laid. For example, a worker communicates with the supervisor, the supervisor with the manager, and so on. Thus, only necessary information gets filtered and sent to the top. It prevents the top-level management from getting bogged down with the irrelevant nitty-gritty (the practical details) of information and leaves it free for bigger decisions and overall management.

(iii) Better monitoring:

An organisation can design formal channels to suit its specific needs. This can help monitor organizational activities. It can ensure that problems are solved without too much delay.

(iv) Good atmosphere:

Good formal channels of communication reflect professionalism. They help consolidate the organisation. They also keep the managerial personnel in control.

Informal Channel of Communication / Grapevine

The informal channel of communication is often discouraged or looked down upon in an “organization, and is not officially sanctioned. It is popularly referred to as grapevine. This is because it runs in all directions irrespective of the formal structure.

The origin of the term grapevine can be traced to the way the botanical vine grew over telegraph wires, making telegraphic messages go in unintended directions. In business life, grapevine owes its existence to man’s gossipy nature.

Humans tend to speak loosely or lightly with their associates wherever

they may be. Time to time they feel the need to get freed from the necessity to stick to logic or truth.

Let Us Sum Up

In this unit, you have learned about the following:

The communication brings people together, closer to each other. The communication is an important management function closely associated with all other managerial functions. It bridges the gap between individuals and groups through flow of information and understanding between them.

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be - desire for money.

Check Your Progress-2

1. Motivation is not
 - a) A complex process
 - b) Related to satisfaction
 - c) An easy process
 - d) A goal –directed behavior
2. Need hierarchy theory of motivation has been given by
 - a) Maslow
 - b) Fayol
 - c) Taylor
 - d) Koontz
3. Most important goal of communication _____.
 - a) Favorable relationship between sender and receiver
 - b) Organizational goodwill
 - c) Receiver response
 - d) Receiver understanding
4. The horizontal communication take place between_____.
 - a) Superior to subordinate
 - b) Subordinate to superior
 - c) Employees with same status
 - d) None of these

5. The study on communication through touch is_____.

- a) Chronemics
- b) Haptics
- c) Proxemics
- d) Semantics

Glossary

Motivation: Internal motivation gives managers a reason to want to succeed at work. For internal motivation to thrive, managers must feel supported by their bosses and have a sense of self-direction. Managers' internal motivation promotes job satisfaction and organizational commitment and reduces turnover.

Communication: Communications management is an umbrella term referring to the flow of information within a company or between multiple companies. It focuses on reaching a company's target audiences—consumers, employees, vendors, media groups, etc. by planning and implementing myriad methods of communication.

Model Questions

1. Explain the motivation theory of Maslow's.
2. What is Communication and state the importance?
3. Explain the Importance of Motivation.
4. Explain the channels of communication.

Answers to Check Your Progress-1

- a-False
- b-True
- c-True
- d-True
- e-True

Answers to Check Your Progress-2

1. c) An easy process
2. a) Maslow- Need hierarchy theory of motivation has been given by Maslow theory.

3. d) Receiver understanding- The most important goal of business communication is receiver understanding. Every receiver who enters into the Communication Process brings with them their own ideas and feelings that influence their understanding of your message, and their response to it. That means it's your job, as the sender, to take these ideas and feelings into consideration when drawing up your message.
4. c) Employees with same status - Horizontal communication takes place between employees with same status. Horizontal communication, also called lateral communication, involves the flow of messages between individuals and groups on the same level of an organization. Horizontal communication does not involve relaying information up or down across levels.
5. b) Haptics -The study of communication through touch is haptics. Haptic communication is a form of nonverbal communication and the way by which people and animals communicate via touching.

Suggested Readings

1. Mitch McCrimmon, Leadership and Management Reinvented, Ivey Business Journal Online, Jan/Feb 2010.
2. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

Unit-17

Direction and Co-Ordination

STRUCTURE

Overview

Objectives

17.1. Introduction

17.2. Meaning and Definition of Direction

17.3. Characteristics of Direction

17.4. Importance of Direction

17.5. Principles of Direction

17.6. Meaning and Definition of Coordination

17.7. Principles of Coordination

17.8. Types of Coordination

 17.8.1 Internal Coordination

 17.8.2 External Coordination

17.9. Difference between Coordination and Cooperation

17.10. Needs of Coordination

Let Us Sum Up

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Suggested Readings

Overview

In this Unit the concept of directing and co-coordinating, characteristics of direction, importance of direction, principles of direction and importance of or co-coordinating has been explained.

Objectives

After reading this unit, student should be able to:

- Define Direction and coordination with describe its purpose
- To understood the concepts of Direction and coordinating in management

- Understand the scope and the principles of Direction, coordinating.

17.1. Introduction

Coordination is the function of management which ensures that different departments and groups work in sync. Therefore, there is unity of action among the employees, groups, and departments. It also brings harmony in carrying out the different tasks and activities to achieve the organization's objectives efficiently.

The above case reveals how important it is to instill leadership qualities in all managers. Business organisations have always given due importance to its managers who are capable of leading others. A manager needs to use various ways to lead, motivate and inspire the subordinates and to communicate with them suitably. These ways, discussed in the present chapter, are collectively called the Direction function of management.

17.2. Meaning and Definition of Direction

In the ordinary sense, Direction means giving instructions and guiding people in doing work. In our daily life, we come across many situations like a hotel owner Direction his employees to complete certain activities for organising a function, a teacher Direction his student to complete an assignment. Define Direction by **Koontz and O'Donnell** "Direction is the impersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives."

Direction definition by **John A. Pearce II and Richard B. Robinson**, "Direction is a managerial function that involves the responsibility of managers for communicating to others what their roles are in achieving the company plan".

The Direction definition defines by Theo Haimann "Direction consists of the process and techniques utilized in issuing instructions and making certain that operations are carried out as planned".

According to Ernest Dale "Direction is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on-the-job instructions, and of course, issuing orders.

17.3. Characteristics of Direction

Direction initiates action: Direction is a key managerial function. A manager has to perform this function along with planning, organising, staffing and controlling while discharging his duties in the organisation. While other functions prepare a setting for action, Direction initiates action in the organisation.

Direction takes place at every level of management: Every manager, from top executive to supervisor performs the function of Direction. The Direction takes place wherever superior – subordinate relations exist.

Direction is a continuous process: Direction is a continuous activity. It takes place throughout the life of the organisation irrespective of people occupying managerial positions. We can observe that in organisations like Infosys, Tata, BHEL, HLL and the managers may change but the Direction process continues because without direction the organisational activities cannot continue further.

Direction flows from top to bottom: Direction is first initiated at top level and flows to the bottom through organisational hierarchy. It means that every manager can direct his immediate subordinate and take instructions from his immediate boss.

17.4. Importance of Direction

The importance of Direction can be understood by the fact that every action in the organisation is initiated through Direction only. Direction guides towards achievement of common objectives.

Direction helps to initiate action by people in the organisation towards attainment of desired objectives. For example, if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help the worker to achieve work targets given to him.

Direction integrates employees- efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals. For example, a manager with good leadership abilities will be in a position to convince the employees working under him that individual efforts and team effort will lead to achievement of organisational goals.

Direction guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their full potential. Direction facilitates introduction of needed changes in the organization. Generally, people have a tendency to resist changes in the organisation.

Effective Direction through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation. For example, if a manager wants to introduce new system of accounting, there may be initial resistance from accounting staff. But, if manager explains the purpose, provides training and motivates with additional rewards, the employees may accept change and cooperate with manager.

Check Your Progress-1

True/False

- a. Effective direction is an art which a manager can learn and perfect through practice.
- b. Direction guides employees to fully realise their potential and capabilities by motivating and providing effective leadership.
- c. Direction is not a continuous activity.
- d. Direction is not a key managerial function.
- e. Business organisations have always given due importance to its managers who are capable of leading others.

17.5. Principles of Direction

Direction is a complex function as it deals with people whose behaviour is unpredictable. Effective direction is an art which a manager can learn and perfect through practice. However, managers can follow the following principles while Direction their subordinates.

1. **Harmony of objectives.** Individuals join the organization to satisfy their physiological and psychological needs. They are expected to work for the achievement of organizational objectives. They will perform their tasks better if they feel that it will satisfy their personal goals. Therefore, management should reconcile the personal goals of employees with the organizational goals.

2. **Maximum individual contribution.** Organizational objectives are achieved at the optimum level when every individual in the organization makes maximum contribution towards them. Managers should, therefore, try to elicit maximum possible contribution from each subordinate.

3. **Unity of command.** A subordinate should get orders and instruction from one superior only. If he is made accountable to two bosses simultaneously, there will be confusion, conflict, disorder and indiscipline in the organization. Therefore, every subordinate should be asked to report to only one manager.

4. **Appropriate techniques.** The manager should use correct direction techniques to ensure efficiency of direction. The technique used should be suitable to the superior, the subordinates and the situation.

5. **Direct supervision.** Direction becomes more effective when there is a direct personal contact between the superior and his subordinates. Such contact improves the morale and commitment of the employees. Therefore, whenever possible direct supervision should be used.

6. **Managerial communication.** A good system of communication between the superior and his subordinates helps to improve mutual understanding. Upwards communication helps a manager to understand the subordinates to express their feeling.

17.6. Meaning and Definition of Coordination

Co-ordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of actions in the pursuit of a common purpose.

Charles Worth – Coordination is the integration of several parts into an orderly whole to achieve the purpose of understanding.

Brech – Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with the harmony among the members themselves.

17.7. Principles of Coordination

Coordination is a process to establish harmony among the different activities of an organization, so that the desired objectives can be achieved.

1. Coordination Integrates Group Effort:

The need for coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual effort. The question of coordination does not arise, if the job is done by one person only.

2. Coordination Ensures Unity of Action:

The nature of coordination is of creating unity in action. It means during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

17.8. Types of Coordination

In an organization, the efficient coordination of internal and external components help in reducing the complexities (both internal and external). Therefore, the organization experiences an increase in productivity, easier integration of micro and macro level organizational dynamics, a better connection of roles among intra-organizational and inter-organizational groups as well as building trust among competing groups, and defining organizational tasks. Coordination is primarily of two types – internal coordination and external coordination as described below.

17.8.1. Internal Coordination

Internal coordination is all about establishing a relationship between all the managers, executives, departments, divisions, branches, and employees or workers. These relationships are established with a view to coordinate the activities of the organization. Internal coordination has two groups:

Vertical coordination – In vertical coordination, a superior authority coordinates his work with that of his subordinates and vice versa. For example, a sales manager will coordinate his tasks with his sales supervisors. On the other hand, all sales supervisors ensure that they work in sync with the sales manager.

Horizontal coordination – In horizontal coordination, employees of the same status establish a relationship between them for better performance. For example, the coordination between department heads, or supervisors, or co-workers, etc. In other words, in internal coordination, an employee either reports vertically to the supervisor and/or the subordinates and horizontally to the colleagues and/or co-workers.

17.8.2. External Coordination

As the name suggests, external coordination is all about establishing a relationship between the employees of the organization and people outside it. These relationships are established with a view to having a better understanding of outsiders like market agencies, public, competitors, customers, government agencies, financial institutions, etc.

Usually, organizations entrust a Public Relations Officer (PRO) with the responsibility of establishing cordial relationships between the employees of the organization and outsiders.

Coordination – The Essence of Management

Coordination is the essence of management as it is inseparable from the following managerial functions:

Planning – In planning, coordination allows a manager to assess what he must include and/or exclude in a good plan. Planning also facilitates coordination by integrating various plans through mutual discussion and exchanging ideas.

Organizing – Organizing requires a lot of coordination. Whenever the management assigns tasks or activities to individuals or groups, coordination allows them to organize it well.

Staffing – In staffing, coordination helps to specify the type of staff required and its rational placement. For better coordination, the management always ensures that they hire the right number of employees with the appropriate skills and qualification. This also ensures that they have the right men in the right job.

Direction – In Direction, coordination provides focus to the manager. In fact, the purpose of giving orders or instructions to subordinates is served only when there is a sense of coordination and harmony between them.

Controlling – Coordination makes reporting realistic. Through coordination, the management ensures that the actual performance is as close to the standard performance as possible.

17.9. Difference between Coordination and Cooperation

1. The systematic arrangement and synchronisation of different elements of management so as to ensure, smooth functioning, is known as coordination. The act of working jointly or complying with standards, for the realisation of common goals, is called cooperation.
2. Coordination is a fundamental activity of management; that helps in attaining harmony in action among various interdependent activities and departments of the organization. On the contrary, cooperation depends on the will of any person, i.e. to work with or help someone voluntarily, for accomplishing common objectives.
3. Coordination is a continuous function of management. Hence, it is for the long term. As against this, the cooperation of persons is required for accomplishing a task or activity, thus, it is for short term only.

4. Coordination may result in the establishment of the formal and informal relationship. Unlike, cooperation give rise to the informal relationship between individuals.
5. Coordination is a contrived process, performed to integrate different activities of the organisation. Conversely, cooperation is a natural process, which is not planned in advance but occurs spontaneously, out of mutual respect.
6. In coordination, there is open communication between all the members of the organisation. As opposed, tacit communication takes place between individuals in cooperation.
7. Coordination of activities is performed at top level management, whereas cooperation is performed at each level.

17.10. Needs of Coordination

1. In every organization, the nature of work is such that it requires to be divided into homogeneous and specialized sub-tasks and then without Integration and co-ordination the output of the organization will be nil.
2. Co-ordination applies to group effort rather than to individual effort. It gives importance to unity of effort and united action. The outcome of coordinated group efforts will be much better than the sum results of various individuals.
3. Coordination motivates the employees to consider their work from the point of view of business and so the employees will willingly contribute towards the success of the concern. Therefore, coordination is heartbeat of organization which brings integration of efforts and action among employees in the organization.
3. Coordination ensures commitment on the part of divisions, groups, individuals toward organizational goals.
4. Coordination ensures efficiency and economy in the organization, enterprise to ensure smooth working. It also helps in saving of time by bringing efficiency and economy to the enterprise.
5. There may arise certain circumstances that may demand sacrifice of objective of one department in the welfare of the enterprise as a whole. In such situation, the need for co-ordination arises.
6. Coordination is directed towards channelizing the efforts, skills,

energies of work groups along organizationally established lines. If the co-ordination is absent, group members may be pulled in different directions and work at cross purposes.

Let Us Sum Up

In this unit, you have learned about the following:

In an organization, the efficient coordination of internal and external components help in reducing the complexities. Co-ordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of actions in the pursuit of a common purpose. Direction integrates employees- efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals.

Check Your Progress

1. The element that aims at integrating group efforts to achieve group objectives is called _____.
 - a) Coordination
 - b) Management
 - c) Directing
 - d) Cooperation
2. Which one of the following is not important to management?
 - a) Developing society.
 - b) Disciplining employees.
 - c) Inculcating creativity.
 - d) Integrating various interest groups.
3. Coordination is _____.
 - a) The essence of management.
 - b) An objective of management.
 - c) A social objective.
 - d) A management functions.
4. Co-ordination between the activities of various departments and individual working within the organization is known as _____.
 - a) Vertical coordination
 - b) External coordination
 - c) Internal coordination
 - d) Horizontal coordination

5. Devices which shows the organizational relationships-----
- a) Organizational charts
 - b) Scalar chain
 - c) Overall plan
 - d) Budgets

Glossary

Coordination: Coordination is the function of management which ensures that different departments and groups work in sync. Therefore, there is unity of action among the employees, groups, and departments. It also brings harmony in carrying out the different tasks and activities to achieve the organization's objectives efficiently.

Cooperation: Cooperative management means single or multiple use management by more than one agency so that each utilizes its particular expertise in order to achieve a particular management goal.

Direction: Direction is an aspect of management that deals directly with influencing, guiding, supervising, and motivating staff for the achievement of organizational goals. Listed below are action steps and resources to help you build capacity for directing effectively so that you can make progress toward your defined purpose.

Model Questions

1. Explain the principle of Direction.
2. Explain the important of Direction.
3. Describes the needs of Direction.
4. What do you meant by Coordination and explain the difference between coordination and cooperation.

Answers to Check Your Progress-1

- a-True
- b-True
- c-False
- d-False
- e-True

Answers to Check Your Progress-2

1. a) Coordination
2. b) Disciplining employees
3. a) The essence of management
4. c) Internal coordination
5. a) Organizational charts

Suggested Readings

1. Thomas A Bateman and Scott A. Snell, Management-Leading and Collaborating in the Competitive World. New Delhi: McGraw Publishing, Eighth Edition, 2008.
2. Longenceiker, Retty, Palich, 2006, Small Business Management, ISBN:0-324-32339-5
3. Stephen. P. Robbins, Mary Coulter and Agna Fernandez, Management. New Delhi: Pearson, 14th Edition, 2015

STRUCTURE

Overview

Objectives

18.1. Introduction

18.2. Meaning of Controlling

18.3. Characteristics of Controlling

18.4. Nature of Controlling

18.5. Importance of Controlling

18.6. Steps in Controlling

Let Us Sum Up

Check Your Progress

Glossary

Model Questions

Answers to Check Your Progress

Suggested Readings

Overview

In this Unit the concept of controlling, characteristics of controlling, nature of controlling, importance of controlling and the process of controlling has been clearly explained.

Objectives

The objectives of this lesson, students are able to

- Know the concept of Controlling
 - Understood the process of Controlling
 - Know essentials of Effective Controlling
 - Describe the concept management by exception.
-

18.1. Introduction

Controlling is a primary goal-oriented function of management in an organization. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.

Controlling is the last managerial function. It is one of the two inseparable functions in management being planning and controlling.

These two functions are inseparable as planning doesn't meet its purpose without controlling, while controlling can't achieve its goal without the assistance of planning and its components. So very significant managerial function is 'controlling' though it is the last one.

- It is making a review
- It is an investigation and audit
- It is looking back once to check-up
- It is making a comparison between two important aspects viz. actuals and standards, to find out whether the actuals are at variance with standards (or) not.

18.2. Meaning of Controlling

The executive's instrument panel which guides progressive business to its target is managerial control. The purpose of the control function is to examine the past and present activities so as to search out weaknesses which can be eliminated in the future and to ascertain the results.

Koontz and O'Donnell "Control is the measurement and correction of the performance of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are accomplished".

18.3. Characteristics of Controlling

The main characteristics of the controlling function are -

- (a) Controlling is a self-corrective process:** Controlling begins with planning. It can be exercised only with reference to and on the basis of plans which establish the objectives. Actual performance is compared with the objectives established and deviations measured.
- (b) Controlling exercises at all levels:** Controlling is exercised at all levels of management i.e. top level, middle level and lower level.
- (c) Controlling is a continuous process:** In the process of comparison of standards with actuals there will be a constant analysis of the validity of objectives, policies, procedures, positions, incentives and reports etc.
- (d) Controlling is forward looking:** Another characteristic feature of controlling is that it always looks forward. It relates to the future as a manager has no control on the happenings in the past. They can only correct future action for further operations of work.

Managers find it easy to reduce wastage, loss and deviation from standards in future from the knowledge which they have attained from previous experiences.

- (e) **Controlling is a dynamic process:** It is dynamic and flexible. It requires regular review and check-up of standards and performances which leads to proper corrective action in plans according to the changing atmosphere, tests and needs of business.
- (f) **Controlling is closely related to planning:** Control makes impossible things possible which would not otherwise happen. For this certain objectives are framed and are returned to as standards against which actual performance is checked.

Thus, although control is last function of the management, it is not least and enables again planning function

18.4. Nature of Controlling

Nature of controlling function can be expanded in the following way.

1. **Planning is the basis of control:** Control can be exercised only on the basis of plans. Effective control is possible only with the clear and effective planning of the organization. Planning sets the course of action and control observes deviations from the course of action.
2. **Action is the essence of control:** Control is to correct a condition which is different from the one that is desired. To control, manager has to initiate action which will guide the operations within the sphere of plans.

For instance 'Thermostat in a refrigerator works as the essence of control'.

3. **Delegation is the key to control:** Control is exercised by taking action and action may be taken within the authority delegated. An executive can perform the control function only if he enjoys the authority to take remedial action and is to be held accountable for results.

Example:

Suppose an executive is given the responsibility for maintaining the production level. He can really be held accountable for this responsibility only if he has the authority to get the materials, equipment and take the action against reward the more efficient.

- 4. Information is the guide to control:** Control is exercised by a manager on the basis of the information and reports from those actually doing the job. Such information and reports may be called the feed-back from the operations. Feedback enables the manager to determine how far the operations are proceeding in conformity with plans and standards and where remedial action is called for accurate, adequate and timely feedback information helps the management to take decisions in time. Too much information is as bad as too little.

Check Your Progress-1

True/False

- a. Controlling is the last managerial function.
- b. Controlling begins with planning.
- c. Effective control is possible only with the clear and effective planning of the organization.
- d. The main objective of control is to ensure a high degree of efficiency of the business.
- e. Too much information is as good as too little.

18.5. Importance of Controlling

The main objective of control is to ensure a high degree of efficiency of the business. This very objective helps the manager to attain the goals of the organization in a systematic and effective way. The following are the uses of controlling technique.

- 1. Control helps to review operations and ensures high efficiency of the business.
- 2. Control appraise results against performance, standards and policies.
- 3. It helps to understand what had happened or is happening, why and by whom it happens.
- 4. It helps to ensure effective and proper communication between the management and workers at all levels to achieve the objectives of the organisation.
- 5. Control is essential to keep a proper check and control over direct and indirect expenses.
- 6. Control helps to reframe organisational goals, policies and objectives.

7. Control helps the management to find out the various deviations from the planned and proposed targets and to take necessary corrective action.
8. Control is essential to make sure that all the activities are performed according to the pre-determined plans.

18.6. Steps in Controlling

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.

A) 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.

B) 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.

- (a) Superior prepares a report regarding the performance of an employee.

- (b) Various ratios like gross profit ratio, debtor turnover ratio, return on investment, current ratio etc. are calculated at periodic intervals to Measure Company's performance.
- (c) Progress made in areas like marketing can be measured by considering the number of units, increase in market share etc.
- (d) In small organisations, each unit produced can be checked personally to ensure the quality standards.

C) 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.

D) 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.

- (a) Critical Point Control:** Since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on Key Result Areas (KRAs) which act as the critical points. The KRAs are very essential for the success of an organisation. Therefore, the entire organisation has to suffer if anything goes wrong at these points. For example, in a manufacturing organisation, an increase of 7% in labour cost is more troublesome than an 18% increase in stationary expenses.
- (b) Management by Exception:** Management by exception or control by exception is an important principle of management control. According to this principle, an attempt to control everything results in controlling nothing. Thus only the important deviations which exceed the prescribed limit should be brought to the notice of management. Thus, if plans provide for 3% increase in labour cost, deviations beyond 3% alone should be brought to the notice of the management.
- (c) 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.

Let Us Sum Up

In this unit, you have learned about the following:

Controlling is the last managerial function. It is one of the two inseparable functions in management being planning and controlling. These two functions are inseparable as planning doesn't meet its purpose without controlling, while controlling can't achieve its goal without the assistance of planning and its components.

Check Your Progress-2

1. it's the process of making sure that things go as planned.
 - a) Planning
 - b) Controlling
 - c) Planning
 - d) Directing
2. Which of the following is not a necessary feature of the controlling?
 - a) It maintains order and discipline
 - b) It prevents action coordination.
 - c) It aids in the evaluation of standard accuracy.
 - d) It boosts worker motivation.
3. The function of controlling is performed by-
 - a) Senior management
 - b) Management at the lower levels
 - c) Management at the middle level
 - d) All of the above
4. The controlling function returns the management cycle to the
 - a) Organizing
 - b) Directing
 - c) Planning
 - d) None of the above functions.
5. When deviations are good in nature, they are referred to as deviations-
 - a) Expected performance and actual performance
 - b) Expected performance exceeds actual performance
 - c) Both expected and actual performances are the same
 - d) None of the above

Glossary

Controlling: Controlling can be defined as that function of management which helps to seek planned results from the subordinates, managers and at all levels of an organization. The controlling function helps in measuring the progress towards the organizational goals & brings any deviations, & indicates corrective action.

Management Control system- management control system (MCS) is a system which gathers and uses information to evaluate the performance of different organizational resources like human, physical, financial and also the organization as a whole in light of the organizational strategies pursued. Management control system influences the behavior of organizational resources to implement organizational strategies. Management control system might be formal or informal.

Model Questions

- 1.What is controlling? Discuss its nature.
- 2.What are requisites of a good controlling system?
- 3.Explain the process ofcontrolling.
- 4.Describe the concept management by exception.
- 5.What are the benefits of controlling in management?

Answers to Check Your Progress-1

- a-True
- b-True
- c-True
- d-True
- e-False

Answers to Check Your Progress-2

1. b) Controlling
2. b) It prevents action coordination.
3. d) All of the above
4. c) Planning
5. b) Expected performance exceeds actual performance

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Model End Semester Examination Question Paper

Bachelor of Commerce (B.Com)/Bachelor of Business
Administration (BBA)

Course Code: DCBBA-12

Course Title: Business Management

Max. Marks: 70

Time: 3 hours

PART – A (5x2 =10 Marks)

Answer any FIVE questions out of EIGHT questions

[All questions carry equal marks]

1. Define management.
2. What are the functional areas of management?
3. Define decision- making.
4. What is meant by planning premises?
5. What is departmentation?
6. What is meant by Span of Control?
7. What do you mean by decentralization?
8. What is meant by responsibility?

PART – B (4X5=20 Marks)

Answer any FOUR questions out of SEVEN questions

[All questions carry equal marks]

9. What is meant by motivation?
10. What is meant by sideward communication?
11. Write a note on F.W Taylor's thought to the development of Management.
12. Elaborate the importance and scope of management.
13. What are the problems normally faced in decision making?
14. What are the merits and demerits of Line and Staff Organization?
15. Distinguish between "on the job" and "off the job training".

PART - C (10 Marks) 4X10= 40 Marks

Answer any FOUR questions out of SEVEN questions













[All questions carry equal marks]

16. Write notes on formal and informal channels of communication.
17. What are the advantages and disadvantages of motivation?
18. Differentiate the functions and functional areas of Management.
19. What is the importance of decision making in management? Explain the different steps of decision making.
20. What is Span of Management? Explain the factors determining the optimum Span of Management in an organization.
21. Explain about Training and Development.
22. Explain about Motivation and Communication.

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