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PART I SEMESTER-I   101- PRINCIPLES OF MANAGEMENT

LESSON NO.1   **AUTHOR: Rajan Goyal**

NATURE AND SCOPE OF MANAGEMENT

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1 Objectives

The purpose of this lesson is to:
— Introduce the concept of Management.
— Discuss the nature and scope of management.
— To understand the distinction between Administration and Management.
— To introduce the list of management techniques.
— To discuss the various functions performed by the manager.

Introduction

The basic unit of a society is the individual. But no individual can satisfy all of his desires himself. Therefore, he unites with his fellow beings and works in an organized group to achieve what he cannot achieve individually. Management is an essential part of any group activity. It is a universal process in all organized social and economic activities. Initially, the resources were abundant, but how to optimize their use for the development of the human race was unknown. There was hardly any difference between a human being and other living creatures. Both were always in search of food and shelter. But soon man with a brilliant brain left behind every other species to grow rather very fast. The first lesson to the ancient man was perhaps to live in groups, both for protection and collective action for food gathering. Thus, it is a process of transforming civilization from an individual effort to a collective effort. A group or collective action means the need to manage one person and every action to get the desired results. Here begins the origin of a very significant phenomenon of the modern era i.e., management.

Management is composed of three words: manage-men-tactfully to get things done efficiently. In the words of Harold Koontz, "Management is the process of designing and maintaining an environment in which individuals, working, together in groups; accomplish efficiently selected aims".

Further Koontz expanded this definition as managers, people carry out the managerial function of planning, staffing leading, and controlling
— Management applies to any kind of organisation.

— It applies to all managers at all organisational levels.

— The aim of all managers is the same i.e., to create surplus.

— Managing is concerned with productivity which implies effectiveness and efficiency. Force has to operate to fulfill desired results and predetermined targets. A significant part of this definition is giving stress of the role played by a manager. It is the personality that plays a very crucial role in the overall process of management with the help of his various policies. A manager is responsible for efficient use of resources to give maximum output and he manages all through his men or human resources available or non-human resources.

Definition of Management

According to Mary Parker Pollett, "Management is the art of getting things done through people.'

According to Harold Koontz, 'Management is the art of getting things done through and with people in formally organized groups."

According to Louis Allen, "Management is what a manager does."

According to F.W. Taylor, "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

According to George Terry, "Management is a distant process consisting of planning, organizing, activating & controlling performance to determine and accomplish the objectives by the use of human beings and other resources."

According to Peter Drucker, "Management is a multi-purpose organ that manages a business, manages manager and manage workers and work.'

According to Herbiaon and Myers, 'Management is a rule-making and rule-enforcing body, and within itself is bound together by a web of relationships between superiors and Subordinates."

So, management broadly is the optimum combination of human resources to produce the desired output at the most competitive cost.

Management is now regarded as a normal discipline in industrial and academic life. Management is an integration and application of knowledge, tools, and technique drawn from several disciplines. In the ultimate analysis, management is a process of decision.

Harbison, and Mayore have taken a three-fold view of management as are economic resource, as a system of authority and as class of life.

Sociologists view management a class and status system. The modern society is based on organisation. With scientific and technological advancement, organisations are growing rapidly and becoming more complex. The views with regard to management do not run against each other. So it can be said that management is a synthesis of all these some other few important definitions of management are:

In words of Stanley Vance, 'Management is simply the process of decision making and control over the action of human beings for express purpose of attaining the pre-determined goals.'

John F. Mec. defined Management, 'as the art of ensuring maximum results with a

minimum of effort so as to desire maximum prosperity and happiness for both employer and employee and give by the public the best possible service.'

Another definition given by Joseph Massie defines management as the process by which a cooperative group directs action towards common goals.

The central idea behind all the above definitions given by various management thinkers is that a manager is responsible for getting things done through and with people. He endeavors to fulfill the common goals by directing human activities with the help of other available resources. The managers are the activating elements who convert different disorganized resources and productive factors such as men, money, materials, machines and methods into a useful enterprise. Thus, integration is the cornerstone of the managerial function. This integration is of two types i.e., the internal integration and the external integration. Both are equally significant and of due importance. Internal integration consists of all matters relating with the domestic sector of any organization. It covers various individual factors affecting one's performance and motivation: optimum use of input resources available: determination of priority areas; all internal efforts directed towards achievement of overall objective of the organisation. The experiences have shown that for successful stay in the business world it is must that internal matters of the organisation should be well set first. Equally important is the external environment which ultimately decides the economic health of any organisation . Though the external environment consists of a variety of factors and components, yet significant ones are consumers, investors, suppliers and government, etc. These few components are ultimately going to decide the fate of any organisation. It is a must for a company to have good and cordial relations with all so as to achieve benefits.

Scope of Management

While discussing the scope of management, we can safely advance this argument that, 'Management is a social process.' It is directly in charge of the allocation, utilization and coordination of all human and material resources to be procured from the business environment or the society. The environment provides these resources as inputs to a business enterprise. Most of the resources are scarce and have alternative uses. Management has to evolve optimum combination of these resources or inputs. The resources are coordinated and integrated by the management through performing the typical managerial functions, viz., planning, organizing, staffing, leading, motivating, communicating, and controlling. These functions constitute the process of management and are basically incorporated under the nature and scope of management systems. These basic resources are subjected to t h e fundamental nature and functions of management.

At the time of making analysis of the scope of management, it is necessary to determine the objectives and goals end to take appropriate action i.e., to implement the plan in order to accomplish the stated objectives. Controlling ensures performance as per plan and enables the management to remove the deviations, if any, between the actual and the expected results. As people are our greatest resources, management has a special responsibility to create favorable work environment and ensure maximum employee morale and productivity. Hence, management has not only to manage business but also to manage both managers and workers. Motivation and the leadership are the two unique functions or activities to ensure

maximum use of human resources without sacrificing human welfare and human satisfaction.

To carry out the various activities of management successfully and effectively a manager will be called upon to play different roles under different situations, such as planner, coordinator, leader, liaison, monitor, spokesman, disseminator of information, risk bearer, resource allocator, negotiator, disturbance handler, resolver of interpersonal and inter-departmental conflicts and so on.

Classical or bureaucratic management is appropriate and proper where the environment is relatively unchanging. Behavioral and organic management is appropriate where the environment is dynamic, and innovation and creativity are at a premium.

Management is thus a very sensitive and significant process and the role of the Manager is supposed to be much dynamic in it. With ever-changing market conditions, he is supposed to be involving himself in decision making with the latest happenings and should not wait for opportunities, rather should create them. As discussed earlier, the discipline of management is drawn from various other disciplines so there may arise some confusion in determining the exact nature of any principle in it. It may be taken from any other concerned discipline. Then a major problem is the difference between *from* two words i.e.,

Administration Vs Management

A lot of confusion is factually in prevalent about the difference between these two words. Some management thinkers are taking these two words as synonyms. William Newman has used the term administrative manager and executive in the same sense. Similarly, McFarland thinks that these are synonymous though he points out a little distinction. In his words, the administration is widely used in government agencies.

In a broader context administration is concerned with the overall determination of policies and objectives and setting of major goals and laying out the broad programs, whereas management tends to execution of the objectives and programs. Thus, administration is more determinative whereas management refers to execution.

Administration refers to the managerial function of planning and controlling the management function related to two aspects i.e.,

- administrative management
  operative management

Whereas, administrative management relates to policies followed for the achievement of predetermined standards; the operative management is actual execution i.e., use of various inputs optimally to get output and actual execution of plans and strategies.

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things in a business organization is called Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Area of operation	It works under administration.	It has full control over the activities of the organization.
Applicable to	Profit-making organizations, i.e., business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And how will it be done?	What should be done? And When is should be done?
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Focus on	Managing work	Making best possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.
Function	Executive and Governing	Legislative and Determinative

Nature or Characteristics of Management

Management means different aspects to different authors. Each definition lays emphasis on a particular aspect of management thereby presenting only a partial view of the total concept of management. Over a period of time management techniques to manage a business have undergone a change thus the nature of management can be studied as such:

- **Management goal-oriented:**

Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Also, Management goals call group goals or organizational goals. The basic goal of management is to ensure efficiency and economy in the utilization of human, physical and financial resources. The success of management measure by the extent to which one of the established goals achieved. Thus, management is purposeful.

- **Management is universal:**

Management is an essential element of every organized activity irrespective of the size or type of activity. Wherever two or more persons engage in working for a common goal, management is necessary. All types of organizations, e.g., family, club, university, government, army, cricket team, or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organized effort. Also, Managers at all levels perform the same basic functions.

- **Management is an Integrative Force:**

The essence of management lies in the coordination of individual efforts into a team. Also, Management reconciles the individual goals with organizational goals. As the unifying force, management creates a whole that is more than the sum of individual parts. Also, It integrates human and other resources.

- **Management is a Social Process:**

Management is done by people, through people, and for people. It is a social process because it is concerned with interpersonal relations. The human factor is the most important element in management. According to Appley, *"Management is the development of people not the direction of things. A good manager is a leader, not a boss. It is the pervasiveness of the human element which gives management its special character as a social process".*

- **Management is multidisciplinary:**
  Management has to deal with human behavior under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. Also, the vast body of knowledge in management draws heavily upon other fields of study.

  - **Management is a continuous Process:**
  Management is a dynamic and on-going process. The cycle of management continues to operate so long as there is an organized activity for the achievement of group goals.

  - **Management is Intangible:**
  Management is an unseen or invisible force. It cannot see but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

1.6.1 Self-help Exercise
1) What are the characteristics of Management?

Management-A Science or an Art

In the words of **LUTHER GULLICK,** management is regarded as a science because it involves a systematic principle which can be applied in all management situations. On the other hand, **MARY PARKER FOLLET** said that management is an art because it involves the practical knowledge and skills of an individual in taking a managerial decision.

For a better understanding, let see the distinction between the two as follows:

What is "Science"?
Science may be described- "as a systematic body of knowledge pertaining to an area of study and contains some general truths explaining past events or phenomena".

The above definition contains three important characteristics of science. They are
1. It is a systematized body of knowledge and uses scientific methods for observation
2. Its principles are evolved on the basis of continued observation and experiment and
3. Its principles are exact and have universal applicability without any limitation.

Management is a Science because:
1. It involves scientific techniques in all aspects of a situation.
2. It uses a step-by-step control procedure.
3. It determines the cause-and-effect relationship between two or more variables.
4. It can be universally applied.
5. It teaches to the know-how of doing things.

What is "Art"?
'Art' refers to "the way of doing specific things; it indicates how an objective is to be achieved." Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

The above definition contains three important characteristics of art. They are-
1. Art is the application of science. It is putting principle into practice.
2. After knowing a particular art, practice is needed to reach the level of perfection.
3. It is undertaken for accomplishing an end through deliberate efforts.

Management is an Art because:
1. It involves personalized knowledge and skill in all aspects of a situation.
2. It depends on human common sense and understanding.
3. It cannot determine the cause-and-effect relationship between variable factors.
4. It cannot be universally applied.
5. It teaches to do know-how of doing things.

The above-mentioned points clearly reveal that management is both an art and science. Management is an art because it involves the application of personal knowledge and skills in the daily activity of an enterprise towards achieving the desired result. Management is also called a science because it utilizes an organized body of knowledge in arriving at a decision. For a manager to be successful in his profession, he must acquire the knowledge of science and art. For example, he must know the principles underlying management and have the ability to put those principles into practice through the personalized skill and knowledge in solving managerial problems in all aspect of the situations. Management is both a science as well as an art. The science of management provides certain general principles which can guide the managers in their professional effort. The art of management consists in tackling every situation in an effective manner. As a matter of fact, neither science should be over-emphasized nor art should be discounted; the science and the art of management go together and are both mutually interdependent and complimentary.

Management Techniques

In a broader sense, techniques are essential ways of doing things and methods of accomplishment of act objective a. They are very significant and important in all disciplines in case of management, though they are very less in case of managing. Some of the techniques are budgeting, cost accounting, network planning, program, evaluation and review techniques (PERT Critical Path Method (CPM}, Rate of return on investment (ROI}, various devices of organizational development, management by objectives (MBO), etc.

With the **passage** of time, the change in managerial functions is quite evident and the following chart summarizes it all.

Valuation of Management Functions

1.	Early-borrowed concept	Plan	Organize	Command DisciplinePlan	**Organize**
2.	Management Process defined by Fayol	Coordinate	Command	Control	
3.	Further Modification	Plan	Organize	Direct	Control
4.	Modified by behavioral influence	Plan	Organize	Motivate	Control
5.	Recent Modification by Business	Plan	Organize	Integrate	Measure

The Functions of Manager

With growing industrialization arid need for industrial growth for overall economic development and growth has necessitated the fact that managerial functions have totally changed. It includes now a few factors that take into consideration human feelings, emotions and attitudes.

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

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

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

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

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

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

- Supervision
- Motivation
- Leadership
- Communication

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

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

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

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

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

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Comparison of actual performance with the standards and finding out deviation if any.
d. Corrective action.

1.9.1 Self-help Exercise

2) What are the functions of Manager?

Summary

Thus a it is very clear that the origin of management was from the very origin of

human civilization i.e., when things started getting planned or taking a systematic shape from that of raw or unplanned one. Collective efforts at that time were managed for hunting and other primary tasks. Men were not aware of this unique phenomenon. He had just entered in that time but presently the reason of at this massive development around is management. It has just become an integral part of every human activity. From a common household to a big multinational corporation, things are managed to control depletion of natural resources. It is very important to manage efficiently and successfully these resources. Management is now regarded as a normal discipline in industrial arid academic life. Management is an integration and application of knowledge, tools and technique drawn from a number of disciplines. In the ultimate analysis, management is a process of decision making.

Glossary:

Word		Meaning
Abundance	:	Plenty, Large Quantity
Significant	:	Considerable, Important
Optimum	.	Best Possible
Dynamic	:	Vibrant, Self-motivated

Questions for Practice

1. Management is getting things done through others". Elaborate with suitable examples.
2. Define management.How it is helpful in organizational decision making?
3. Differentiate between Administration and Management.
4. Explain the various characteristics of management.
5. "Management is Science or Art?"

Answers to Self-help Exercise

1) What are the characteristics of Management?

Answer- The characteristics of Management are:

- Goal- Oriented
- Universal
- Integrative Force
- Social Process
- Multidisciplinary
- Continuous Process
- Intangible

2) What are the functions of Manager?

Answer- The functions of manager are:

- Planning
- Organising
- Staffing
- Directing
- Controlling

Recommended Readings:

Tripathy P.C; Reddy P.N.	:	Principles of Management
Dannelly James; James L. Gibson	:	Perspectives of Management
Koontz Harold; Weihrich H	:	Essentials of Management
Parsad L.M.	:	Principles and Practices of Management
Stoner.J	:	Management
Singh R. N.:	:	Management thoughts and thinker

LESSON NO.2   **AUTHOR: CHARU**
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FUNCTIONS OF MANAGEMENT

Objectives

Introduction

Meaning and Definition of Management

Functions of Management

Management Skills

Characteristics of Management

Qualities of Good Management

Summary

Questions for Practice

Answers to Self-help Exercise

Recommendations

<u>Objectives</u>

The purpose of this lesson is to:

— To introduce the concept of management.

— To discuss the meaning and definition of management.

— To understand the functions of management.

— To discuss the management skills.

— To introduce the characteristics of management.

— To discuss the qualities of good management.

Introduction

A business develops in course of time with complexities. With increasing complexities managing the business has become a difficult task. The need of existence of management has increased tremendously. Management is essential not only for business concerns but also for banks, schools, colleges, hospitals, hotels, religious bodies, charitable trusts etc.

Management is not a hard science. Unlike chemistry or algebra where a right answer (often) exists, management is fluid, and subjective, and there are divergent perspectives on how to employ its principles.

An early management scholar, Mary P. Follett characterized management as "the art of getting things done through the efforts of other people" (Graham, 1995). Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Since organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to manage oneself, a pre-requisite to attempting to manage others.

Management is a vital aspect of the economic life of man, which is an organized group activity. It is considered as the indispensable institution in the modern social organization marked by scientific thought and technological innovations. One or the other form of management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession.

Meaning and Definition of Management

Meaning: Management is the process of planning and organizing the resources and activities of a business to achieve specific goals in the most effective and efficient manner possible. Efficiency in management refers to the completion of tasks correctly and at minimal costs. Effectiveness in management relates to the completion of tasks within specific timelines to yield tangible results.

To understand the definition of management and its nature, a threefold concept of management for emplacing a broader scope for the viewpoint of management is defined.

Management is an Economic Factor

For an economist, management is one of the factors of production together with land, labour, and capital. As the industrialization of a nation increases, the need for management becomes greater. The managerial resources of a firm determine, in large measure, its productivity and profitability. Executive development, therefore, is more important for those firms in a dynamic industry in which progress is rapid.

Management is a System of Authority

From an administrator's point of view, management is a system of authority. Historically, management first developed an authoritarian philosophy. Later on, it turned paternalistic. Still, later, constitutional management emerged, characterized by a concern for consistent policies and procedures for dealing with the working group. Finally, the trend of management turned towards a democratic and participatory approach. Modern management is nothing but a synthesis of these four approaches to authority.

Management is a Class and Status System

As viewed by a sociologist, management is a class-and-status system. The increase in the complexity of relationships in modern society demands that managers become

elite of brain and education. Entry into this class of executives is being more and more dependent on excellence in education and knowledge rather than family or political connections. Some scholars view this development as a "Managerial Revolution".

Definitions

"Management is an organ; organs can be described and defined only through their functions."- **Peter F. Drucker**

"Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."- **Terry**

"To manage is to forecast and plan, to organize, to compound, to co-ordinate and to control."- **Henry Fayol**

"Management is the art of getting things done through and within formally organized group."- **Harold Koontz**

Functions of Management

Management in some form or another is an integral part of living and is essential wherever human efforts are to be undertaken to achieve desired objectives. The basic ingredients of management are always at play, whether we manage our lives or business.

Management is essential for an organized life and necessary to run all types of organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

There are basically five primary functions of management. These are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

The controlling function comprises coordination, reporting, and budgeting, and hence the controlling function can be broken into these three separate functions. Based upon these seven functions, Luther Gulick coined the word **POSDCORB**, which generally represents the initials of these seven functions i.e., P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting.

But, **Planning, Organizing, Staffing, Directing,** and **Controlling** are widely recognized functions of management.

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.

Peter Drucker has defined planning as follows: ***"Planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations through organized and systematic feedback".***

An effective planning program incorporates the effect of both external as well as internal factors. The external factors are shortages of resources; both capital and material, general economic trend as far as interest rates and inflation are concerned, dynamic technological advancements, increased governmental regulation regarding community interests, unstable international political environments, etc.

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.

According to Henry Fayol, ***"To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's".***

Thus the function of organizing involves the determination of activities that need to be done in order to reach the company goals, assigning these activities to the proper personnel, and delegating the necessary authority to carry out these activities in a coordinated and cohesive manner.

3. STAFFING

Staffing is the function of hiring and retaining a suitable workforce 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. Since the human element is the most vital factor in the process of management, it is important to recruit the right personnel.

According to Koontz & O'Donnell, *"Managerial function of staffing involves manning the organization structure through the proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure".*

This function is even more critically important since people differ in their intelligence, knowledge, skills, experience, physical condition, age and attitudes, and this complicates the function. Hence, management must understand, in addition to the technical and operational competence, the sociological and psychological structure of the workforce.

4. DIRECTING

The directing 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.

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.

According to Koontz & O'Donnell, *"Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished".*

The controlling function involves:

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Measuring actual performance with the pre-determined standard and finding out the deviations.
d. Taking corrective action.

All these five [functions of management](#) are closely interrelated. However, these functions are highly indistinguishable and virtually unrecognizable on the job. It is necessary, though, to put each function separately into focus and deal with it.

6. CO-ORDINATION

Coordination is the process of synchronising the diverse functions of domains and securing unity of action. It is compared to chariot driven by multiple horses. The charioteer has to drive all die horses in one direction. Similar is the case of an organization.

The CEO is charioteer like Lord Krishna in Mahabharat. It is a conscious and rational process of pulling together various department of an organization and unifying them into a team to accomplish goals in an effective manner.

Coordination as the essence of management some writers in the area of administration and management consider Coordination as a separate managerial function. However, coordination might be considered as an essential part of all the managerial functions of planning, organizing, directing and controlling. It is a managerial activity which is needed at all the levels of management.

• The planning function facilitates coordination by properly integrating and interrelating the plans of various departments.

• The organization function facilitates coordination when a manager groups and assigns the various activities to subordinates or creates departments.

• The staffing function facilitates coordination for placing right number and quality of people at various positions.

• The directing function facilitates coordination when a manager instructs, guides and motivates the subordinates.

• The control function facilitates coordination when the manager evaluates the tasks and checks whether performance is in conformity with the desired standards and takes remedial action in case of any deviation.

Management Skills

Business owners are entrepreneurs until they **become managers**. When they become managers, they will feel frustrated because they will need to deal with new problems like **managerial problems**. And management is not a simple task. It needs knowledge and experience.

Because of that, there is the existence of hierarchy, organisational structure and possibilities for each organizational member with adequate knowledge, experience and skills to **move from the bottom to the middle and top level of the managerial pyramid.**
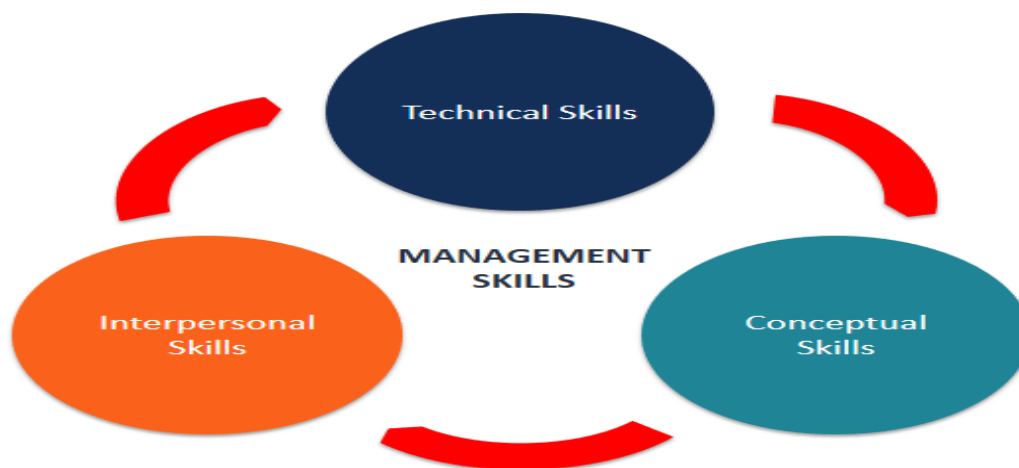
Managerial skills are the knowledge and ability of the individuals in a managerial position to fulfil some specific management activities or tasks. This knowledge and ability can be learned and practiced. However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through learning and practical experience as a manager.

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

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

1. Technical skills

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

2. Conceptual skills

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

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

3. Human or interpersonal managerial skills

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

These skills enable managers to become leaders and motivate employees for better accomplishments. Additionally, they help them to make more effective use of human potential in the company. Simply, they are **essential skills for all hierarchical levels** in the company.

2.5.1 <u>**Self-help Exercise**</u>

1) What are the three types of managerial skills?

<u>**Characteristics of Management**</u>

Management is a distinct activity having the following salient features:

1. <u>**Economic Resource**</u>: Management is one of the factors of production together with land, labour and capital. As industrialization increases, the need for managers also increases. Efficient management is the most critical input in the success of any organized group activity as it is the force which assembles and integrates other factors of production, namely, labour, capital and materials. Inputs of labour, capital and materials do not by themselves ensure production, they require the catalyst of management to produce goods and services required by the society. Thus, management is an essential ingredient of an organization.

2. <u>**Goal Oriented**</u>: Management is a purposeful activity. It coordinates the efforts of workers to achieve the goals of the organization. The success of management is measured by the extent to which the organizational goals are achieved. It is imperative that the organizational goals must be well-defined and properly understood by the management at various levels.

3. <u>**Distinct Process**</u>: Management is a distinct process consisting of such functions as planning, organizing, staffing, directing and controlling. These functions are so interwoven that it is not possible to lay down exactly the sequence of various functions or their relative significance.

4. <u>**Integrative Force**</u>: The essence of management is integration of human and other resources to achieve the desired objectives. All these resources are made available to those who manage. Managers apply knowledge, experience and management principles for

getting the results from the workers by the use of non-human resources. Managers also seek to harmonize the individuals' goals with the organizational goals for the smooth working of the organization.

5. <u>System of Authority</u>: Management as a team of managers represents a system of authority, a hierarchy of command and control. Managers at different levels possess varying degree of authority. Generally, as we move down in the managerial hierarchy, the degree of authority gets gradually reduced. Authority enables the managers to perform their functions effectively.

6. <u>Multi-disciplinary Subject</u>: Management has grown as a field of study (i.e., discipline) taking the help of so many other disciplines such as engineering, anthropology, sociology and psychology. Much of the management literature is the result of the association of these disciplines. For instance, productivity orientation drew its inspiration from industrial engineering and human relations orientation from psychology. Similarly, sociology and operations research have also contributed to the development of management science.

7. <u>Universal Application</u>: Management is universal in character. The principles and techniques of management are equally applicable in the fields of business, education, military, government and hospital. Henri Fayol suggested that principles of management would apply more or less in every situation. The principles are working guidelines which are flexible and capable of adaptation to every organization where the efforts of human beings are to be coordinated.

<u>Qualities of Management</u>

Developing a good management team is a critical component of running a successful organization. Managers not only supervise employees but must make important decisions that directly affect the company. Employers desiring to hire managers must understand the qualities that make up good management. Understanding these characteristics allows companies to make good hiring decisions and helps managers understand what is required of them.

1. **Appreciation of Employees** -Companies with good management teams understand the importance of respecting and appreciating their employees. Appreciation can come in many forms, such as saying thank you, monetary bonuses, paid time off and other valuable rewards. When managers appreciate their employees, it results in a boost in employee morale. Satisfied employees value their jobs, are rarely absent from work and perform their duties with enthusiasm. Completing employee evaluations and rewarding employees based on their performances is another way management can show their appreciation.

2. **Provide Necessary Resources** -Good management provides employees with the resources necessary to accomplish their tasks. Employees can suffer from a lack of motivation when they are asked to complete duties and meet goals without receiving the proper resources. Companies with good management properly train their employees in the latest technology, ethical issues and teamwork. Good organizational management believes in equipping their employees with the necessary skills and knowledge needed to grow and maintain success for the business.

3. **Being Generous with Knowledge** -Management must possess the necessary knowledge to effectively compete in their industry. Knowledge managers possess comes from the ability to learn relevant information. Therefore, managers must stay current on issues regarding their industry and organization. Managers must also be generous in sharing their knowledge with employees and other managers.

4. **Listens and Makes Good Decisions**- Managers should take time to listen to their employees. At times, management is willing to listen to the suggestions of valuable employees but can brush off employee complaints. Effective managers understand the importance of listening to its employees. One reason is that it causes employees to feel as if their opinion is valued. Another reason is that management can consider employee suggestions, concerns and complaints when making decisions. The decisions made within an organization should benefit the company and its employees.

5. **Lead Employees and Delegate Tasks** -Good management knows how to develop employees by focusing on their strengths. In most cases, employees need to hear what they are doing right instead of constantly hearing what they are doing wrong or their weak areas. Also, an organization with good managers employs professionals who know how to delegate tasks to subordinates. Successful organizations utilize teams and individual contributions. A manager that delegates duties to employees shows that workers are perceived as responsible and capable of fulfilling duties. Delegation also allows managers to focus on more pressing issues that require a greater expertise than what employees possess.

Summary

Management is the force that unifies various resources and is the process of bringing them together and coordinating them to help accomplish organization goal. Management is both, a science as well as art. It is an inexact science. However, its principles as distinguished from practice are of universal application. **There are basically five primary functions of management. These are:** Planning, Organizing, Staffing, Directing and Controlling. Planning – It bridges the gap between where we are and where we want to go. Organising – It involves division of work among people to achieve the desired objectives. Staffing – It is concerned with planning right kind of people at right place. Directing – It is the process of instructing guiding motivating the people in the organization to achieve the objectives. Controlling – It refers to comparison of actual performance with standards laid down and taking corrective action in case of deviation. Coordination – It refers to synchronization and harmonization of efforts of subordinates towards achievement of common goals.

Questions for practice

a) What are the functions of a Management? Is mere knowledge of Management enough to become successful manager?

b) Discuss and illustrate the meaning, definition and characteristics of management in modern organizations.

c) "Management is getting things done through others." Elucidate the statement.

d) Discuss the qualities of a good management.

Answers to Self-help Exercise

1) What are the three types of managerial skills?

Answer- The three types of managerial skills are:
- Technical skills
- Conceptual skills
- Interpersonal skills

Recommendations

i. Koontz & O'Donnell (1955), "Principles of Management- An Analysis of Managerial Functions": McGraw-Hill Inc., US

ii. Clayton Reeser (1973), "Management: Functions and Modern Concepts": Addison-Wesley Educational Publishers, Incorp.

iii. Carl R. Anderson (1988), "Management: Skills, Functions, and Organization Performance": Allyn and Bacon Publishers

iv. James H. Donnelly, James L. Gibson, John M. Ivancevich(1975), "Fundamentals of Management: Functions, Behavior, Models": Business Publications, Incorporated

LESSON NO.3
Jyoti Saluja

EVOLUTION OF MANAGEMENT THOUGHT-I

Objectives

Introduction

Classical Theory

Scientific Management Approach

Management Process or Administrative Management Approach

Bureaucracy

Summary

Review Questions

Answer to Self-help Exercise

Objectives

After studying this unit, you will be able to:

-Discuss the classical theory of management

-Realise the fundamentals of scientific management

-Explain the administrative management

-State the bureaucracy approach

Introduction

The work goes on, the cause endures, the hope still lives and the dream shall never die.

Alfred Lord Tennyson

The origin of management can be traced back to the days when man started living in groups. One can argue that management took the form of leadership which was essential to coordinate the efforts of the group members in order to arrange the necessities of life. History reveals that strong

men organised the masses into groups according to their intelligence, physical and mental capabilities. According to Egyptian literature of 1300 B.C., the art of management was being practiced in different forms by different people. The literature clearly indicates the recognition of the importance of organisation and administration in the bureaucratic setup. Similar records exist for ancient China. According to L.S. Hsu, Confucius's parables include practical suggestions for proper public administration and admonitions to choose honest, unselfish and capable public officers. In Greece, the existence of the Athenian common wealth, with its councils, courts, administrators and board of general indicates the nature of management. Similarly, in Rome, the existence of Roman magistrates, with their functional areas of authority and degree of importance, indicates a scalar relationship characteristic or organisation. It is believed that the secret of the success of the Roman Empire lay in the ability of Romans to organise. Through the use of the scalar principle and the delegation of authority, the city of Rome was expanded to an efficient empire.

Classical Theory

The classical theory signifies the beginning of the systematic study of management in an organisation, thus it is also called traditional theory. The history of management can be traced in the 19th century in prototype industrial and military organizations. Several management thinkers viz. Taylor, Fayol, Weber, Luther Gulick, Urwick, Mooney and Reiley and many others contributed to the traditional thoughts in the early years of the 20th century. The classical theory incorporates three viewpoints:

(1) Taylor's Scientific Management,

(2) Fayol's Administrative Management; and

(3) Weber's Ideal Bureaucracy (an organization based on rules and regulations, formal relations, specialization, etc.).

The above theorists concentrated on the structure of organization for greater efficiency and that is why their approach is also sometimes labeled as the 'Structural Theory of Organisation'. Salient features of the classical approach are as follows:

1. The classical theory laid emphasis on the division of labour and specialization and concentrated on the anatomy of formal organization.

2. The classical theory emphasizes organization structure for the coordination of various activities.

3. It treated organisations as closed systems.

4. The organizational efficiency can be increased by making each individual efficient.

5. It is based on centralization of authority.

6. There is no conflict between the individuals and the organization

7. The people at work could be motivated by the economic.

Scientific Management Approach

The scientific management approach came into existence from the first Industrial Revolution and the revolution necessitated the development of new management principles and practices. The main contributors to scientific management were Frederick W. Taylor, Henry L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson.

F.W. Taylor (1865-1915), an American engineer, was the first person who responded to the challenges of management and insisted on the introduction of scientific methods in management. He launched a new movement during the last decade of the 19th century which is known as 'Scientific Management'. That is why; Taylor is regarded as the father of scientific management. During that period, productivity was very low, labour became extremely dissatisfied and industries had to face frequent strikes and lockouts. Taylor's contribution was a system based on science whereby lower labour cost could be achieved simultaneously with higher wages. He suggested a change in the mental attitudes of the workers and the management to bring harmony in the industry. Scientific management means the application of scientific methods to the problems of management. Taylor advocated scientific task setting based on time and motion study, standardization of materials, tools and working conditions, scientific selection and training of workers and so on. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects of management. To sum up, he laid emphasis on the following principles:

1. Science, not rule of thumb.

2. Harmony in group action, rather than discord.

3. Maximum output in place of restricted output.

4. Scientific selection, training and placement of the workers.

5. Almost equal division of work and responsibility between workers and managers.

The basic principles(rules) of Taylor's Scientific management were:

1) **Standardization of work methods**: A scientific method for each job/task of a worker via scientific observation and analysis of a particular job to find out the one best way to do that task that would lead to reduced work for the worker as he could do more with a limited number of movements. Taylor emphasized on the ' right man for the right job' by proper selection and training and ensuring fair wages and reasonable prices for standardized goods to consumers.

2) **Equal division of work and responsibility between management and workers**: Taylor advocated that the management had to seriously undertake functions for which it was best suited to. This principle according to Taylor would help create a mutual understanding and dependence between the latter and the former in the long run that would eliminate all unnecessary conflict and mistrust between the two at that time. He believed that this mutual harmony instead of discord is the just and rightful characteristic of scientific management.

3) **Scientific selection of workers and their progressive development:** He advocated that the need for the management to study the nature and character of each job/work and then scientifically choose the right worker for the same who possesses the necessary skills for the same. He advocated for a systematic and thorough training of workers for the job after being selected. **4) Mutual collaboration of workers and management:** According to this principle there should be active cooperation and cordial relations between management and workers. A healthy environment needs to be created. A formally prescribed scientific method of production in organizations will lead to a lot of conflicts that occur due to a lack of clear communication and confusion from top to bottom. Apart from these four basic principles Taylor also expressed concern about the following in the process of scientific management:

a) Mental Revolution: He advocated a change in the attitudes of workers and management towards each other and their responsibilities. Managers should stop worrying about accumulating the most and instead focus on generating the most which will lead to more funds for them.

b) Division of work: Planning function is to be taken over by management who were appointed for the same as they have been trained and skilled for the same and workers are to concentrate on completing their functional task as per the rules and guidelines and methods planned by the former. Thus, each doing the job for which they have been appointed and are best skilled for.

c) Selection and training of workers: Taylor advocated the selection and training of workers for the best performance of the work in an organisation. The right person for the right job. This is the duty of the management to choose a candidate for a particular job on the basis of his nature,

character and capacities and also provide for formal training and clear instructions to them to perform prescribed motions with the standardized tools and materials.

d) Work study and work measurement: Work should be studied systematically and scientifically and various laws and rules are to be applied to everyday work to find the one best way to do that job. Taylor studied each and every movement of the worker with a stopwatch and removed all the unnecessary movements and found out the minimum time required for each job.

e) Work as an individual activity: Taylor never advocated group work/activity. He asserted that people were only motivated by personal ambition and tends to lose their individuality/individual drive in a group setting.

f) Development of management thinking: He viewed scientific management as a medium to develop management as a science. It means that specific laws and rules could be derived for management studies and practices and those laws relate specifically to way of doing work to increase the rate of production.

g) Standardization of tools: Taylor himself developed and invented many standardized tools to increase production and efficiency. This led to a huge increase in efficiency and production.

h) Task prescription: It means that a worker should get a clear prescription and description of what task is to be done by them in clear language and instructions that are understandable by him/her by the management through proper planning.

i) Trade unions: Taylor was against trade unions or group activity as mentioned earlier as he believed that it was unnecessary since the goal of the workers and management was the same.

j) Incentive scheme: Taylor suggested a piece work rate incentive for workers. That means if a worker achieves a greater output than the target assigned to him he/she would then receive a bonus payment for each piece extra and the bonus should be generous and consistent to encourage the workers to produce more.

Criticism of Scientific Management

Taylor's scientific management was criticized not only by the workers and managers but also by the psychologists and the general public. The main grounds of criticism are given below:

1. The use of the word 'Scientific' before 'Management' was objected to because what is actually meant by scientific management is nothing but a scientific approach to management.

2. Taylor advocated the concept of functional foremanship to bring about specialization in the organisation. But this is not feasible in practice as a worker can't carry out instructions from eight

foremen.

3. Scientific management is production-centered as it concentrates too much on the technical aspects of work and undermines the human factor in industry.

4. Scientific Management ignores the social and psychological needs of workers as it treats them as extension of machines devoid of any feelings and emotions.

5. Trade unionists regarded the principles of scientific management as the means to exploit labour because the wages of the workers were not increased in direct proportion to productivity increases.

Many of the above objections were later remedied by other contributors to scientific management like Henri L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson. Many of the recommendations of Taylor are still being applied by modern business undertakings. In short, it can be said that Taylor was the pioneer in introducing scientific reasoning to the discipline of management.

Self-help Exercise

1) What are the principles of Scientific Management?

Management Process or Administrative Management Approach

The advocates of this school perceive management as a process involving certain functions such as planning, organizing, directing and controlling. That is why, it is also called the **'functional' approach. Henri Fayol** is regarded as the father of this school**.** Henri Fayol defined management. in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.

Henri Fayol was a French executive who emphasized that management could be both taught and learned. He discussed the principles of general management and argued that managerial ability can be acquired as any other technical ability. He was a pioneer in the field of management education. In brief, Fayol's views on management command acceptability even today because they are much in tune with the requirements of the management in the present-day world.

Principles of Management (Contribution of Henry Fayol)

Henry Fayol is considered the father of the modern theory of general and industrial management. He divided general and industrial management into six groups:

1. *Technical activities:* Production, manufacture, adaptation.

2. *Commercial activities:* Buying, selling and exchange.

3. *Financial activities:* Search for and optimum use of capital.

4. *Security activities:* Protection of property and persons.

5. *Accounting activities:* Stock-taking, balance sheet, cost, and statistics.

6. *Managerial activities:* Planning, organization, command, co-ordination and control.

Hence, it is said that Fayol established the pattern of management thought and practice. Even today, the management process has general recognition.

Fayol's Principles of Management: The principles of management are given below:

1. *Division of work:* Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labor and specialization.

2. *Authority and Responsibility:* The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.

3. *Discipline:* The objectives, rules and regulations, policies and procedures must be honored by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.

4. *Unity of Command:* In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).

5. *Unity of Direction:* All members of an organization must work together to accomplish common objectives.

6. *Emphasis on Subordination of Personal Interest to General or Common Interest:* This is also called principle of cooperation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. *Remuneration:* Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. A sound scheme of remuneration includes adequate financial and non-financial incentives.

8. *Centralization:* There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. *Scalar Chain:* The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. *Order:* Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. *Equity:* An organization consists of a group of people involved in a joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. *Stability of Tenure:* A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a prerequisite of sound organization and management.

13. *Esprit of Co-operation:* Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands cooperation. Pride, loyalty and a sense of belonging are responsible for good performance.

14. *Initiative:* Creative thinking and the capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

Criticism of Process of Functional Approach

Though the proponents of the management process approach have made significant contributions to the development of thought, their work suffers from the following limitations:

1. There is no single classification of managerial functions acceptable to all the functional theorists. There is also a lack of unanimity about the various terms such as management and administration, commanding and directing, etc.

2. The functionalists considered their principles to be universal in nature. However many of the principles have failed to deliver the desired results in certain situations.

3. The functional theorists did not consider the external environment of business.

4. Fayol overemphasized the intellectual side of management. He felt that management should be formally taught, but he did not elaborate the nature and contents of management education.

Self-help Exercise

2) Who coined the term Scientific Management and Functional Management?

Bureaucracy

Max Weber (1864-1920), a German sociologist contributed his views on bureaucracy to the management thought. His primary contribution includes his theory of authority structure and his description of organizations based on the nature of authority relations within them. Essentially, it was Weber's contention that there are three types of legitimate authority which are as follows:

1. *Rational-legal authority:* Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.

2. *Traditional authority:* People obey a person because he belongs to a certain class or occupies a position traditionally recognized as possessing authority, such as a real family.

3. *Charismatic authority:* Obedience is based on the follower's belief that a person has some special power or appeal.

Weber's theory of 'bureaucracy' recognizes rational-legal authority as the most important type in organisations. Under traditional authority, leaders are not chosen for their competence, an charismatic authority is too emotional and irrational. A bureaucratic organisation which is based on rational-legal authority displays the following features:

1. *Division of Work:* There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work.

2. *Hierarchy of Positions:* There is a hierarchy of authority in the organisation. Each lower position is under the control of a higher one. Thus, there is unity of command. The bureaucratic structure is hierarchical in nature. It is like a pyramid in which the quantity of authority increases as one moves up the ladder in the organization.

3. *Rules and Regulations:* The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:

(a) They standardize operations and decisions.

(b) They serve as receptacles of past learning.

(c) They protect incumbents and ensure equality of treatment.

4. *Impersonal Conduct:* There is the impersonality of relationships among the organizational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.

5. *Staffing:* The personnel are employed by a contractual relationship between the employee and employer. The tenure of service is governed by the rules and regulations of the organisation. The employees get a salary every months which is based on the job they handle and also the length of

service.

6. *Technical Competence:* The bureaucrats are neither elected nor inherited, but they are appointed through selection and the basis of selection is their technical competence. Promotions in bureaucracies are also based on technical qualifications and performance.

7. *Official Records:* The administration of a bureaucratic organization is supported by an efficient system of record-keeping. The decisions and activities of the organization are formally recorded and preserved safely for future reference. This is made possible by an extensive filing system. The filing system makes the organization independent of individuals. The official records serve as the memory of the organization.

Criticism of Bureaucracy

It is not free of flaws. It may lead to many undesirable consequences such as:

1. The rules may be followed in letter and not in spirit. Thus, instead of providing guidelines, the rules may become a source of inefficiency. The rules may be misused or misinterpreted by the persons concerned with the implementation of the rules. Red tapism and technical is may follow as a result.

2. Bureaucracy does not consider informal organization and interpersonal difficulties.

3. Bureaucracy discourages innovation because every employee is supposed to act as per rules and regulations or to the secondary goals.

4. Goal displacement may take place in a bureaucratic organization. The bureaucrats may give priority to rules and regulations or to the secondary goals.

5. The bureaucratic structure is tall consisting of several layers of executives. Thus, communication from the top level to the lowest level will take a very long time.

Summary

The history of management can be divided into three periods- early, neo-classical and modern. The early period consists of three approaches, viz., scientific management, administrative management and bureaucracy. Each one of the above approaches has made a distinct contribution to management theory. The stress in the scientific management approach is on the "task" aspect of a group effort, in the administrative management approach, it is on laying down universal principles of management and in bureaucracy it is on following standard rules. Bureaucratic management by Max Weber provided a foundation for a rule-based managerial system to prevent

managerial abuse.

Review/Discussion Questions

1. Point out the distinctive contribution of F.W. Taylor to the theory of management. Why is he regarded as the father of scientific management?

2. Present the principles of bureaucratic management outlined by Max Weber.

3. Briefly describe the general principles of management as laid down by Henry Fayol.

Answers for Self-help Exercise

1) What are the principles of Scientific Management?

Answer- The principles of Scientific Management are:

1. Science, not rule of thumb.
2. Harmony in group action, rather than discord.
3. Maximum output in place of restricted output.
4. Scientific selection, training and placement of the workers.
5. Almost equal division of work and responsibility between workers and managers.

2) Who coined the term Scientific Management and Functional Management?

Answer- The term Scientific Management was coined by F.W. Taylor and Functional Management by Henry Fayol.

LESSON NO.4   **AUTHOR: Dr. JYOTI SALUJA**

EVOLUTION OF MANAGEMENT THOUGHT-II

Neo-classical Theory

Neo-classical approaches are called neo-classical for the reason that they do not reject classical concepts rather tries to refine and improve these concepts. This school of management thought emphasized that work and workers cannot be approached from a purely rational point of view, as advocated by the classical school of management. It highlighted the importance of the human element and human relations in determining the level of output of employees in the organisational setting. Therefore, it is also called the 'human relations approach. According to Neo-Classical

theories, management is an art of directing and inspiring people for getting things done through the efforts of other people. This approach pioneered by Elton Mayo, Abraham Maslow, Dickson, Dewey, etc. puts special emphasis on interpersonal behaviour which includes leadership, motivation, human relations and the behaviour of people in groups within an organization. Therefore, it views the discipline of management as a study of the social and organizational behaviour of people in groups. Some of the major Neo-Classical theories are outlined below.

Human Relations Approach

The classical writers including Weber, Taylor and Fayol neglected the human relations aspect. The neo-classicists focused on the human aspect of industry. They asserted that the organization is a social system and the human factor is the most important element within it. There are many experiments conducted like the Hawthorne Experiment which investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership, etc. This recognized the significance of human relations. Elton Mayo is generally recognized as the father of the Human Relations School.

The human relations approach is concerned with the recognition of the importance of the human element in organizations. It revealed the importance of social and psychological factors in determining workers' productivity and satisfaction. The neo-classical or human relations approach put stress on interpersonal relations and informal groups at the workplace. The human relation approach argued that the achievement of organizational objectives is impossible without the willing cooperation of people. The neo-classical approach advocated people people-oriented organization structure which will integrate both informal and formal organizations.

The main features of neo-classical theory or human relations approach are as under:

1. The business organization is a social system.

2. The behaviour of an individual is dominated by the informal group of which he is a member.

3. An individual employee cannot be motivated by economic incentives alone.

4. In an organization, a cooperative attitude yields better results.

5. Management must aim at developing social and leadership skills in addition to technical skills.

6. It must take an interest in the welfare of workers.

Hawthrone Studies

In 1927, a group of researchers led by George Elton Mayo and Fritz J. Roethlisberger at the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western

Electric Company, Chicago. The experiment lasted up to 1932. Earlier, from 1924 to 1927, the National Research Council made a study in collaboration with the Western Electric Company to determine the effect of illumination and other conditions upon workers and their productivity.

1. *Illumination Experiment:* This experiment was conducted to establish a relationship between output and illumination. The output tended to increase every time as the intensity of light was improved. But the output again showed an upward trend when the illumination was brought down gradually from the normal level. Thus, it was found that there is no consistent relationship between the output of workers and illumination in the factory. There were some other factors that influenced the productivity of workers when the intensity of light was increased or decreased.

2. *Relay Assembly Room Experiment:* In this experiment, a small homogeneous work group of girls was constituted. Several new elements were introduced in the work atmosphere of this group. These included shorter working hours, short breaks, improved physical conditions, friendly and informal supervision, free social interaction among group members, etc. Productivity and motivation increased considerably during the period of the experiment. Morale and productivity remained same even when the improvements in working conditions were withdrawn. The researchers concluded that the feeling of being important, recognition, attention, participation, co-operative workgroup, and supervision held the key for higher productivity.

3. *Bank Wiring Observation Room Experiment:* This experiment was conducted to study a group of workers under conditions that were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. There were no significant changes in the two because of the maintenance of 'normal conditions.' The Bank Wiring Experiment led to the following observations:

(a) Each individual was restricting output.

(b) The group had its own "unofficial" standards of performance.

(c) Individual output remained the same over a period of time.

(d) Departmental records were misreported due to differences between actual and reported output

4. *Mass Interview Programme:* The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. Initially, a direct approach was used whereby interviewers asked questions considered important by managers and researchers. The findings confirmed the importance of social factors at work in the total work

environment.

Contributions of Human Relations Approach or Hawthorne Studies

The human relation approach proposed the following points as a result of their findings of the Hawthorne experiments:

1. *Social System:* The organization in general is a social system. The social system defines individual roles and establishes norms that differ from those of the formal organization.

2. *Social Environment:* The social environment on the job affects the workers and is also affected by them. Social and psychological factors put a great influence on the behavior of workers. Therefore, every manager should adopt a sound human approach to all organizational problems.

3. *Informal Organization:* The informal organization also exists within every formal organization which consists of a dynamic set of personal relationships, social networks, communities of common interest and emotional source of motivation.

4. *Group Dynamics:* At the workplace, the group determines the norms of behavior for the group members that put a powerful influence on the morale and performance of individual workers. The management should deal with workers as members of workgroup rather than as individuals.

5. *Informal Leader:* The informal leader helps the workers to function as a social group whereas the formal leader is rendered ineffective in many situations.

6. *Communication:* Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organization and transmits upward the feelings and sentiments of people who work in the organization. It ensures workers' cooperation and participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances which gives them psychological satisfaction.

7. *Non-economic Rewards:* Though money is one of the strongest motivators, but it is not the sole motivator of human behaviour. Many non-economic rewards such as praise, status, interpersonal relations, etc. play an important role in motivating employees. Such rewards must be integrated with the wages and fringe benefits of the employees.

8. *Conflicts:* There may be some conflicts between the organizational goals and group goals. Conflicts will harm the interests of workers and of the organization as well if they are not handled properly. Such Conflicts can be resolved through the improvement of human relations in the organization.

Criticism of Human Relations Approach

The human relations approach has been criticized on the following grounds:

1. *Lack of Scientific Validity:* The human relation approach drew conclusions from Hawthorne's studies. These conclusions are based on clinical insight rather than on scientific evidence.

2. *Over-emphasis on Group:* The human relations approach over-emphasizes the group and group decision-making.

3. *Excessive stress on Human Relations:* It is assumed that all organisational problems are amenable to solutions through human relations.

4. *Limited Focus on Work:* The human relations approach lacks adequate focus on work.

5. *Over-stress on Socio-psychological Factors:* The human relations approach undermines the role of economic incentives in motivation and gives excessive stress on social and psychological factors.

6. *Conflict between Organisational and Individual Goals:* It views the conflict between the goal of the organisation and those of individuals as destructive.

Behavioural Science Approach

Under behavioural science approach psychology, sociology and anthropology, is applied to explain and predict human behaviour. It focuses on human behaviour in organisations and seeks to promote suitable ideas for scientific understanding of human behaviour in organisations. It lays emphasis on the study of motivation, leadership, communication, group dynamics, participative management, etc.

The essential characteristics of behavioural science approach are as under:

1. Information must be objectively collected and analyzed.

2. Results must be presented in such a manner that the distinction between cause and effect.

3. Facts must be systematically related to one another within a systematic framework.

4. The findings of a study must always be open to further examination and question.

The distinguishing feature of the behavioural sciences approach is the methodology employed in developing the research in the management discipline. This approach differs from the human relations approach. Further, the behavioural scientists made the following propositions:

1. An organisation is a socio-technical system.

2. Employees differ with regard to attitudes, perceptions and value systems. As a result, they behave differently under different conditions.

3. Employees working in the organization have their needs and goals which may differ from the organizational goals. Attempts should be made to achieve an alliance between organizational goals and human needs.

4. A wide range of factors influence interpersonal and group behaviour of employees in organisations.

The behaviour school has drawn heavily on the work of Maslow. His development of the need hierarchy to explain human behaviour and the dynamics of the motivation process is an important contribution. Douglas McGregor built on Maslow's work in explaining his 'Theory X' and 'Theory Y'. Frederick Herzberg developed a two-factor theory of motivation. He made a distinction between the factors that either cause or prevent job dissatisfaction (hygienic factors) and those factors which actually lead to motivation (motivational factors).

To sum up, the behavioural sciences approach gives emphasis on increasing productivity through Motivation and leadership. The central core of this approach lies in the following aspects of human behaviour: motivation, leadership, communication, participative management and group dynamics. The behavioral sciences have provided managers with a systematic understanding of one of the most critical factors in the process of management- the human element. It has enabled organisations to formulate programs to train workers and managers more efficiently, and it has effected in numerous other areas of practical significance.

Appraisal of Behavioral Science Approach

1. The study of human behaviour is of great significance in management. Since an individual is a product of the social system, his behaviour is not determined by organizational forces alone, but many forces like perception, attitudes, habits, and socio-cultural environment also shape his behaviour. Therefore, in understanding human behaviour in the organization, all these factors must be taken into account.

2. The behavioral approach suggests how the knowledge of human behaviour can be used in making people more effective in the organization.

3. Behaviorists have enriched management theory through their contributions in the areas of group dynamics, motivation communication and leadership.

4. The other variables such as technology and environment also have an important bearing on the effectiveness of an organization.

5. The complexities of the human factor and the organizational setting make exact predictions impossible.

6. It should also be noted that the findings of behavioral science research are tentative and require further investigation. They should not be treated as applicable to all situations.

7. Behavioral guidelines can be helpful and profitable but are not complete, valid and applicable to all situations.

Self-help Exercise

1) What is Neo-classical theory?

Modern Approach

Management theories represent ideas that provide recommendations for management strategies, frameworks and tools that organizations can implement to aid their workforce or culture. Leaders can use these theories as guidance to meet organizational goals or motivate employees. They can also apply ideas from different theories rather than solely relying on one management theory. Modern management theory represents one of the numerous theories used by organizations. This theory recognizes that today's organizations face rapid change and added complexities, with technology serving as both a potential cause and solution for these factors.

When implementing this theory, managers use technology and mathematical techniques to analyze their workforce and make decisions. This theory serves as a response to classical management theory, which believes workers solely work for monetary gain. The modern management theory believes that employees work for numerous reasons, including to achieve satisfaction, happiness and desired lifestyles. With this theory, managers understand employees' behaviors and needs and can implement strategies to meet those needs and support their skill development over time.

Quantitative Approach

This approach is also called 'Mathematical', 'Operations Research' or 'Management Science' approach. The basic feature of quantitative management thought is the use of mixed teams of scientists from several disciplines. This school used scientific tools for providing a quantitative base for managerial decisions. The techniques commonly used for managerial decision-making

include Linear Programming, Critical Path Method (CPM), Programme Evaluation Review Technique (PERT), Games Theory, Queuing Theory and Break-Even Analysis.

The quantitative approach uses mathematical formulae for finding out the solutions to the problems. The abiding belief of the quantitative approach is that if management is a logical process, it may be expressed in terms of mathematical symbols and relationships. The basic approach is the construction of a quantitative model because it is though this device that the problem is expressed in its basic relationships and in terms of selected objectives. The construction of the model expresses the effectiveness of the system under study as a function of a set of variables at least one of which is subject control. The general form of operations research model is $E = f(x_1, y_1)$, where E represents the effectiveness of the system (profit, cost and the like) x_1 the variables of the system which are subjected to control and y_1 those which are not subject to control. The quantitative approach to management has its roots in the scientific management movement. Since Taylor advocated a logical sequence of problem formulation, fact-finding, modeling, a tentative solution, testing, etc., his scientific approach could be classified as an early form of quantitative approach to management. A natural extension of the scientific management is the operations research.

Another important development along with the growth in the number of quantitative techniques was the introduction of high-speed digital computers. It also incorporated computerised information systems and operations management. The latest emphasis of the quantitative approach marked a move towards a more broad-based management.

Systems Approach

In the 1960s, a new approach to management appeared which attempted to unify the earlier schools of thought. This approach is commonly referred to as 'Systems Approach'. Basically, it took up where the functional process management school let off to try to unify management theory. "A system viewpoint may provide the impetus to unify management theory. By definition, it could treat the various approaches, such as the process, quantitative and behavioural ones, as subsystems in an overall theory of management. The systems approach is based on the generalization that an organisation is a system and its components are interrelated and inter-dependent. "A system is composed of related and dependent elements which, when in interaction, form a unitary whole. It's important feature is that it is composed of a hierarchy of sub-systems. The world as a whole can be considered to be a system in which various national economies are sub-systems. In turn,

each national economy is composed of its various industries, each industry is composed of firms, and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on". Thus, each system may comprise several sub-systems and in turn, each sub-system be further composed of sub-systems.

An organisation as a system has the following characteristics:

1. A system is goal-oriented.

2. A system consists of several sub-systems which are interdependent and interrelated.

3. A system is engaged in the processing or transformation of inputs into outputs.

4. An organisation is an open and dynamic system. It has a continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.

5. A system has a boundary that separates it from other systems.

Features of Systems Approach Notes

The systems approach is far more superior to the classical and neo-classical approaches because of the

Following features:

1. *Interdependent Sub-systems:* An organisation is a system consisting of several sub-systems. All the sub-systems are functionally interacting and interdependent. They are used together into an organic whole through goals, authority flows, and resources flow and so on.

2. *Whole Organisation:* The system approach provides a unified focus to organizational efforts. It gives managers a way of looking at the organisation as a whole that is greater than the sum of its parts. The stress is laid on the integration of various sub-systems of the organisation to ensure the overall effectiveness of the system.

3. *Synergy:* The output of a system is always more than the combined output of its parts. This is called the law of synergy. The parts of the system become more productive when they interact with each other than when they act in isolation.

4. *Multi-disciplinary:* Modern theory of management is enriched by contributions from various disciplines like psychology, sociology, economics, anthropology, mathematics, operations research and so on.

Appraisal of Systems Approach

The system approach is an attempt to design an overall theory of management. Interdependency and inter-relationships between various sub-systems of the organisation is adequately emphasized. A pressure for change in one sub-system generally has a direct or indirect influence on the other sub-systems also. Thus, the systems approach acknowledges environmental influences that were ignored by the classical theory. The systems approach represents a balanced thinking on organization and management. It recognizes the interaction and interdependence among the different variables of the environment. It provides clues to the complex behaviour of an organization. The system approach is criticized as being too abstract and vague. It cannot easily be applied to practical problems. Moreover, this approach does not recognize differences in systems. It fails to specify the nature of interactions and interdependencies between an organization and its external environment.

Contingency Approach

A review of the earlier schools of management helps us to place the current approach to management in perspective. The behavioural approach to management was incomplete. Certain quantitative techniques worked in some situations and not in others. The quantitative people could not solve behavioural problems and behavioural people could not overcome operations problems adaptable to quantitative solutions. Many authors believe that systems-based theory could solve this dilemma. But this approach is also as yet incomplete. The latest approach to management which integrates the various approaches to management is known as the 'contingency' or 'situational' approach. The contingency approach is not new. Pigors and Myers propagated this approach in the area of personnel management as early as in 1950. However, the work of Joan Woodward in the 1950s marked the beginning of the contingency approach to organisation and management. Other contributors include Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson. They analyzed the relationship between the structure of the organisation and the environment. Thus, contingency approach incorporates external environment and attempts to bridge the theory-practice gap. It does so in the systems framework. Contingency approach regards the organisation as an open and dynamic system which has continuous interaction with environment. The contingency theory stresses that there is no one best style of leadership which will suit every situation. The effectiveness of a particular leadership style will vary from situation to situation. For instance, participative leadership may be more effective in an organization employing professional personnel in a high-technology operation in an atmosphere of non-

materialistic orientation and free expression. On the other hand, authoritarian leadership would be more effective in an organisation that employs unskilled personnel on routine tasks in social values oriented towards materialism and obedience to authority.

Evaluation of Contingency Approach Notes

Contingency approach guides the managers to be adaptive to environmental variables. In other words, managers should develop situational sensitivity and practical selectivity. Contingency approach suggests that managers to condone environmental contingencies while choosing their style and techniques. Contingency approach is an improvement over the systems approach. It not only examines the relationships of sub-systems of the organisation, but also the relationship between the organisation and its environment.

Operational Approach

Koontz, O'Donnell and Weihrich have advocated the operational approach to management. This approach recognizes that there is a central core of knowledge about managing which exists in management such as line and staff, patterns of departmentation, span of management, managerial appraisal and various managerial control techniques. Operational approach to management regards management as a universally applicable body of knowledge that can be brought to bear at all levels of managing and in all types of enterprises. At the same time, the approach recognizes that the actual problems managers face and the environments in which they operate may vary between enterprises and levels. It also recognizes that the application of science by perceptive practitioners must take this into account in designing practical problem solutions. The operational approach to management is based largely on the following fundamental beliefs that:

1. Management is an operational process initially best dissected by analyzing the management functions.

2. If the knowledge of management is to be presented effectively, clear concepts are necessary.

3. Experience with managing in a variety of situations can furnish grounds for the distillation of basic truths-theory and principles-which have a clarifying and predictive value in understanding and improving practice.

4. Principles of management can become the focal point for useful research both to ascertain their validity and to improve their applicability.

5. Managing is an art (like medicine and engineering). It should rely on underlying science concepts, theory and principles and techniques.

6. While the total culture and the physical and biological universe variously affect the manager's environment, as they do in every other field of science and art, management science and theory need not encompass all knowledge in order to serve as a useful foundation of management practice.

Summary

The study of Organisation and Management is a must to understand the underlying principles of management. Various schools of thought have put forward theories to better understand the scope of management in organisation. A commonly used analysis of approaches to organisation and management is the three-fold categorization pivotal of classical, human relations and systems. The classical writers placed emphasis on purpose and structure, on the technical requirements of the organisation, on principles of management, and on the assumption of rational and logical behaviour. The human relations writers emphasized the importance of the informal organisation and the psychological and social needs of people at work. The systems approach attempts to integrate the work of the classical and human relations writers. Attention is focused on the organisation as a whole and the interactions between technical and social variables. The organisation is seen as an open system in continual interaction with the external environment. More recent forms of analysis include contingency theory and social action. Contingency theory highlights possible means of differentiating between alternative forms of structures and systems of management. It might be that the study of organisations is moving towards a more scientific value approach. But whatever the balance between philosophy and science, a knowledge of management theory will help to understand the complexities of management in modern work organisations.

Review Questions

1. Give a brief account of the contribution to management thought made by Elton Mayo.
2. Describe the system approach to management. How does it differ from Quantitative Approach?
3. What is the major task of a manager according to the contingency approach? How is this approach an effort to integrate all previous approaches?

Answers to Self-help Exercise

1) What is Neo-classical theory?

Answer- The Neo-Clasical school of management thought emphasized that work and workers cannot be approached from a purely rational point of view, as advocated by the classical school of management. It highlighted the importance of the human element and human relations in determining the level of output of employees in the organisational setting. Therefore, it is also called the 'human relations approach.

LESSON NO.5   **AUTHOR: CHARU CHAUDHARY**

SOCIAL RESPONSIBILITY AND MANGERIAL ETHICS

Objectives

Introduction

Meaning and Definition of Social Responsibility

Kinds of Responsibility

Social Responsibility of Managers

Arguments in Favor and Against Social Responsibility

Level of Social Involvement

Meaning and Definition of Managerial Ethics

Significance of Managerial Ethics

Approaches to Management Ethics

Types of Management Ethics

Summary

Recommendations

Answers to Self-help Exercise

Questions for practice

Objectives

The purpose of this lesson is to:
—   To introduce the concept of social responsibility and managerial ethics.
—   To discuss the social responsibility of managers
—   To discuss the arguments in favor and against social responsibility
—   To elucidate social responsibility and economic performance
—   To discuss meaning and significance of managerial ethic

Introduction

Social responsibility is having a sense of duty to society and everything that is a part of it. In other words, "social responsibility" means managers are accountable to society at large, not just their shareholders.

Social responsibility is an important aspect of capitalism at large. Individuals and consumers place trust in businesses to "do the right thing" and take a leadership role in making the world a better place. A world with more socially responsible managers also leads to fewer government regulations, since regulations are almost always introduced as a reaction to businesses profiting at the loss of society around them.

The business itself (through its mission and vision statements), those put in charge of running it (the managers), and the people who produce value for it (the rank-and-file employees) are expected to act socially responsible. This means they have to be virtuous in who they are and what they do; that is, think in the best interests of the public, act on those best interests, being able to face the consequences of those actions (if they ever arise), controlling negative behaviors that could lead to negative outcomes, and most importantly, being fair to yourself and those around you.

Upper management such as the chief executive officer (CEO), the chief financial officer (CFO), the chief operating officer (COO), the chief technology officer (CTO), the chief marketing officer (CMO), the directors, the presidents, the senior vice presidents, the vice presidents, the sales managers, and many others are charged with being the role models, supporters, the enforcers, the implementers, and the delegators of social responsibility.

Meaning and Definition of Social Responsibility

Meaning: Social responsibility is a moral obligation on a company or an individual to take decisions or actions that are in favor and useful to society. Social responsibility in business is commonly known as Corporate Social Responsibility or CSR. For any company, this responsibility indicates that they acknowledge and appreciate the goals of the society, and therefore, would support them to achieve these goals.

Definitions

"Social responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony."- **Peter F Drucker**

"The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."- **Carroll**

Kinds of Social Responsibility

Social responsibility of business can broadly be divided into four categories, which are as follows:

a) **Economic responsibility:** A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.

b) **Legal responsibility:** Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of society, a law-abiding enterprise is a socially responsible enterprise as well.

c) **Ethical responsibility:** This includes the behaviour of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while advertising for a product. There is an element of voluntary action in performing this responsibility.

d) **Discretionary responsibility:** This refers to a purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes. It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.

5.4.1 Self-help Exercise
1) What are the kinds of Social Responsibility?

Social Responsibility of Managers

Social responsibility is defined as the obligation and commitment of managers to take steps to protect and improve society's welfare along with protecting their own interests. The managers must have social responsibility because of the following reasons:

i. **Organizational Resources -** An organization has a diverse pool of resources in the form of men, money, competencies and functional expertise. When an organization has these resources in hand, it is in a better position to work for societal goals.

ii. **Precautionary measure -** if an organization lingers on dealing with the social issues now, it will land up putting out social fires so that no time is left for realizing its goal of producing goods and services. Practically, it is more cost-efficient to deal with the social issues before they turn into disasters consuming a large part if managements time.

iii. **Moral Obligation -** The acceptance of managers' social responsibility has been identified as a morally appropriate position. It is the moral responsibility of the organization to assist in solving or removing social problems.

iv. **Efficient and Effective Employees -** Recruiting employees becomes easier for socially responsible organization. Employees are attracted to contribute for more socially responsible organizations. For instance - Tobacco companies have difficulty recruiting employees with the best skills and competencies.

v. **Better Organizational Environment -** The organization that is most responsive to the betterment of social quality of life will consequently have a better society in which it can perform its business operations. Employee hiring would be easier and employees would of superior quality. There would be low rate of employee turnover and absenteeism. Because of all the social improvements, there will be a low crime rate consequently less money would be spent in the form of taxes and for the protection of land. Thus, an improved society will create a better business environment.

Social Responsibility Towards Different Interest Groups

Once the social objective of business is recognized, it is important to know to whom and for whom the business and its management are responsible. Obviously, a business unit has to decide in which areas it should carry out social goals. Some of the specific responsibilities and enterprise may be outlined as under:

i. **Responsibility towards the shareholders or owners:** A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organization must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.

ii. **Responsibility towards the workers:** Management of an enterprise is also responsible for providing opportunities to the workers for meaningful work. It should try to create the right kind of working conditions so that it can win the cooperation of workers. The enterprise must respect the democratic rights of the workers to form unions. The worker must also be ensured of a fair wage and a fair deal from the management.

iii. **Responsibility towards the consumers:** Supply of the right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise toward its customers. The enterprise must take proper precautions against adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, and so on. They must also have the right to information about the product, the company and other matters having a bearing on their purchasing decision.

iv. **Responsibility towards the government and community:** An enterprise must respect the laws of the country and pay taxes regularly and honestly. It

must behave as a good citizen and act according to the well-accepted values of the society. It must protect the natural environment and should avoid bad, effluent, smoky chimneys, ugly buildings dirty working conditions. It must also develop a proper image in society through continuous interaction with various groups of people.

Arguments in Favor and Against Social Responsibility

Arguments in Favor of Social Responsibility

i. **Justification for existence and growth:** Business exists to provide goods and services to satisfy human needs. Though profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people. In fact, the prosperity and growth of business is possible only through continuous service to society. Thus, the assumption of social responsibility by a business provides justifications for its existence and growth.

ii. **Long-term interest of the firm:** A firm and its image stand to gain maximum profits in the long run when it has its highest goal as 'service to society'. When an increasing number of members of society — including workers, consumers, shareholders, and government officials, feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned. Therefore, it is in its own interest if a firm fulfills its social responsibility. The public image of any firm would also be improved when it supports social goals.

iii. **Avoidance of government regulation:** From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.

iv. **Maintenance of society:** The argument here is that laws cannot be passed for all possible circumstances. People who feel that they are not getting their due from the business may resort to anti-social activities, not necessarily governed by law. This may harm the interest of the business itself. Therefore, it is desirable that business enterprises should assume social responsibilities.

v. **Availability of resources with business:** This argument holds that business institutions have valuable financial and human resources that can be effectively used for solving problems. For example, a business has a pool of managerial talent and capital resources, supported by years of experience in organizing business activities. It can help society to tackle its problems better, given the huge financial and human resources at its disposal.

vi. **Converting problems into opportunities:** Related to the preceding argument is the argument that business with its glorious history of converting risky situations into profitable deals, can not only solve social problems but it can also make them effectively useful by accepting the challenge.

vii. **Better environment for doing business:** If business is to operate in a society that is full of diverse and complicated problems, it may have little chance of success. Therefore, it is argued that the business system should do something to meet needs before it is confronted with a situation when its own survival is endangered due to enormous social illnesses. A society with fewer problems provides a better environment for a firm to conduct its business.

viii. **Holding businesses responsible for social problems:** It is argued that some of the social problems have either been created or perpetuated by business enterprises themselves. Environmental pollution, unsafe workplaces, corruption in public institutions, and discriminatory practices in employment are some of these problems. Therefore, it is the moral obligation of businesses to get involved in solving these problems, instead of merely expecting that other social agencies will deal with them on their own.

Arguments Against Social Responsibility

i. **Violation of profit maximization objective:** According to this argument, business exists only for-profit maximization. Therefore, any talk of social responsibility is against this objective. In fact, a business can best fulfill its social responsibility if it maximizes profits through increased efficiency and reduced costs.

ii. **Burden on consumers:** It is argued that social responsibilities like pollution control and environmental protection are very costly and often require huge financial investments. In such circumstances, businessmen are likely to simply shift this burden of social responsibility by charging higher prices from the consumers instead of bearing it themselves. Therefore, it is unfair to tax the consumers in the name of social responsibility.

iii. **Lack of social skills:** All social problems cannot be solved the way business problems are solved. In fact, businessmen do not have the necessary understanding and training to solve social problems. Therefore, according to this argument, social problems should be solved by other specialized agencies.

iv. **Lack of broad public support:** Here the argument is that the public, in general, does not like business involvement or interference in social programs. Therefore, businesses cannot operate successfully because of a lack of public confidence and cooperation in solving social problems.

Level of Social Involvement

With respect to social involvement, we usually see the three levels i.e., social responsibility, social obligation and social responsiveness. These three levels are described as follows:

Social Obligation - The obligation of a business to meet its economic and legal responsibilities and nothing more.

Social Responsiveness - When a firm engages in social action in response to some popular social need.

Social Responsibility – A business's intention beyond its legal and economic obligations, to do the right things and act in a way that is good for society.
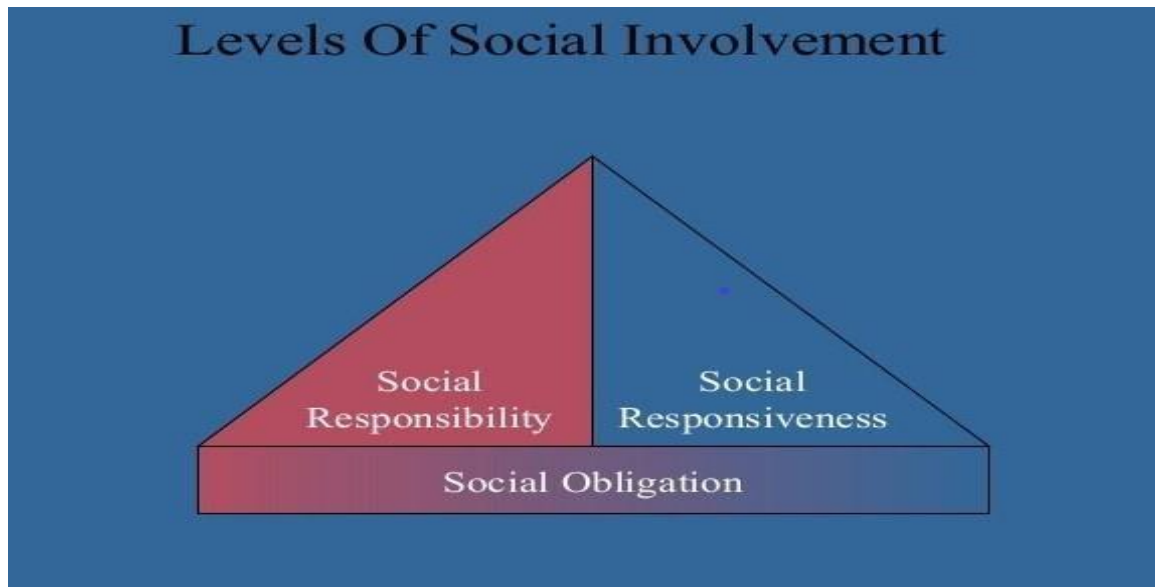
Meaning and Definition of Managerial Ethics

Meaning: Managerial ethics is a set of principles and rules dictated by upper management that define what is right and what is wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of his or her job when a conflict of values is presented.

Managerial ethics is a basic part of business ethics. It is the set of moral principles or beliefs that affect the behaviour of employees. While most people automatically assume that ethics directly correlates to laws, this isn't always the case. Doing the right thing for employees and customers and demonstrating the willingness to go the extra mile also falls under managerial ethics.

When developing managerial ethics policies, everything is considered. Compensation and benefit packages, community involvement and corporate giving are all components of managerial ethics. The policies set the minimum standards that business leaders expect from the company down to its people and community.

Definitions

"Business ethics is concerned with truth and justice and has a variety of aspects such as the expectation of society, fair competition, advertising, public relations, social responsibilities, consumer autonomy and corporate behaviour in the home country as well as abroad."- **Clarance D. Walton**

"Ethics is an individual personal belief about whether a behaviour, action or decision is right or wrong. Managerial ethics are the standard of behaviour that guides individual managers in their work." - **Ricky W. Griffin**

Significance of Managerial Ethics

Importance or significance of management ethics can be highlighted as follows:

1. Maintains Good Image and Goodwill -Business ethics or management ethics gives importance to the expectations of customers. It promotes better quality and fair price of products and services. It discourages black marketing and artificial shortage. So, it helps to increase the goodwill and image of the firm.

2. Better Relation - Ethical behaviour of managers promotes coordination and cooperation at the workplace. It also helps to establish good relationships with stakeholders such as shareholders, workers, government authorities, etc.

3. Long-Run Survival -Management ethics gives focus on proper wages, good working conditions and an attractive reward system. It also gives emphasis on customers' needs and tries to fulfill them. So, it ensures long-term survival of the company.

4. Fair Competition -Management ethics promotes fair competition in the market by discouraging adulteration, unfair pricing, black marketing and artificial shortage.

5. Less Government Interference- Because of the moral behaviour of the firm, it requires less government regulation and interference.

6. Better Working Environment- It ensures the health and safety of employees, promotes a feeling of equality and motivates workers towards the achievement of goals. So, it helps to maintain good environment at the workplace.

7. Increase Productivity and Profitability- Because of proper working conditions, customers satisfaction and a good image, the firm can increase its productivity and profitability which ensures uniform growth of the company.

Approaches to Management Ethics

There are three approaches to management ethics:

a) **<u>Utilitarian approach:</u>**
   In this approach, managers analyse the effects of decisions on people affected by these decisions. The action rather than the motive behind the action is the focus of this approach. Positive and negative results are weighed, and managerial actions are justified if positive effects outweigh the negative effects. Pollution standards and analysing the impact of pollution on society is a management ethics code under the utilitarian approach.

b) **<u>Moral rights approach:</u>**

   In this approach, managers follow an ethical code that takes care of fundamental and moral rights of human beings; the right to speech, right to life and safety, right to express feelings, etc. In the context of business organisations, managers disclose information in the annual reports necessary for the welfare of the people concerned. The nature, timing and validity of information are taken into account while reporting information in the annual reports.

c) **<u>Social justice approach:</u>**

   According to this approach, managers' actions are fair, impartial and equitable to all individuals and groups. Employees are not distinguished on the basis of caste, religion, race or gender though distinction on the basis of abilities or production is justified. For example, all employees, males or females with the same skills should be treated at par but it is justified to treat employees who produce more differently from those who produce less.

5.10.1 <u>Self-help Exercise</u>
2) What are the three approaches to management ethics?

<u>Types of Management Ethics</u>

Three types of management ethics or standards of conduct are identified by Archie B. Carroll:

1. <u>Immoral management:</u>
It implies a lack of ethical practices followed by managers. Managers want to maximise profits even if it is at the cost of legal standards or concern for employees.

2. <u>Moral management</u>

According to moral management ethics, managers aim to maximise profits within the confines of ethical values and principles. They conform to professional and legal standards of conduct. The guiding principle in moral management ethics is "Is this action, decision, or behaviour fair to us and all parties involved?"

3. Amoral management:

This type of management ethics lies between moral and immoral management ethics. Managers respond to personal and legal ethics only if they are required to do so; otherwise, there is lack of ethical perception and awareness.

There are two types of amoral management:

(a) Intentional:

Managers deliberately avoid ethical practices in business decisions because they think ethics should be followed in non-business activities.

(b) Unintentional:

Managers do not deliberately avoid ethical practices but unintentionally they make decisions whose moral implications are not taken into consideration.

Summary

Social responsibility of business refers to its obligation to take those decisions and perform those actions that are desirable in terms of the objectives and values of our society. Business enterprises have a responsibility towards (i) shareholders or owners, (ii) workers, (iii) consumers and (iv) government and community giving fair return on and safety of investment to shareholders, providing opportunities to workers for meaningful work, supplying right quality and quantity of goods and services to consumers and paying to the government, and protecting natural environment are some of the social responsibilities of business.

On the other hand, Managerial ethics is a basic part of business ethics. It is the set of moral principles or beliefs that affect the behavior of employees. While most people automatically assume that ethics directly correlates to laws, this isn't always the case. Doing the right thing for employees and customers and demonstrating the willingness to go the extra mile also falls under managerial ethics.

Questions for practice

e) Discuss the arguments in favor and against social responsibility.

f) "Business is essentially a social institution and not merely a profit-making

activity". Explain.

g) Explain Managerial Ethics and the significance of managerial ethics.

h) Discuss in detail the kinds of social responsibility. Also discuss the level of social involvement.

Answers for Self-help Exercise

1) What are the kinds of Social Responsibility?

Answer- The types of Social Responsibility are:

- Economic responsibility
- Legal responsibility
- Ethical responsibility
- Discretionary responsibility

2) What are the three approaches to management ethics?

Answer- The three approaches to management ethics are:

- Utilitarian Approach
- Moral rights Approach
- Social Justice Approach

Recommendations

i. Philip Kotler, Nancy R. Lee (2011), "Corporate Social Responsibility Doing the Most Good for Your Company and Your Cause", Germany: Wiley Publishers.

ii. Sanjay Agarwal (2008), "Corporate social responsibility in India", India: SAGE Publications.

iii. Marshall Schminke (2010), "Managerial Ethics: Managing the Psychology of Morality", United Kingdom: Taylor & Francis Publishers.

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LESSON NO.6   **AUTHOR: CHARU**
CHAUDHARY

CONCEPT OF PLANNING

Objectives
Introduction
Meaning and Definition of Planning
Features of Planning
Significance of Planning
Classification of Planning
Types of Plans
Process of Planning
Barriers to Effective Planning
Summary
Questions for practice
Answers to Self-Help Exercise
Suggested Readings

Objectives

The purpose of this lesson is to:
— 　　　To introduce the concept of planning.
— 　　　To discuss the features and significance of planning.
— 　　　To understand the classification of planning.
— 　　　To discuss the types of plans.
— 　　　To introduce the process of planning.
— 　　　To discuss the barriers to effective planning.

Introduction

Every organization as part of its life cycle constantly engages in the four essential functions of management – planning, leading, organizing and controlling. The foremost of this is planning. It is the part of management concerned with creating procedures, rules and guidelines for achieving a stated objective. All other managerial functions must be planned if they are to be effective.

Managers at all levels engage in planning as objectives and goals have to be set up for the day-to-day activities as well as the broader long-term initiatives. Planning enables management to command the future rather than being swept away by the future.

Organizations have to typically plan for long-range and short-range future directions. By forecasting and predicting the market and socio-political-economic trends, managers can plan to determine where they desire the company to be in future.

Meaning and Definition of Planning

Meaning: Planning is the most basic of all managerial functions which involves establishing goals, setting out objectives and defining the methods by which these goals and objectives are to be attained. It is, therefore, a rational approach to achieving pre-selected objectives.

"Planning is deciding in advance what to do and how to do". It is one of the basic managerial functions. It involves setting objectives and developing appropriate courses of action to achieve these objectives. The plan that is developed have a given time frame, but time is a limited resource. It needs to be utilized judiciously.

Definitions

"Planning is an intellectual process, conscious determination of the course of action, the basing of decision on purpose, facts and considered estimates."- **Koontz and O'Donnell**

"Planning is chalking out plan of action, i.e., the result envisaged in the line of action to be followed, the stages to go through the methods to use."- **Fayol**

"Planning is the thinking process, the organised foresight, the vision based on fact and experience that is required for intelligent action."- **Alford and Beatt**

6.3.1 Self-Help Exercise

1) Define Planning.

Features of Planning

Planning is a decision in advance; what to do, when to do, how to do, and who will do a particular task. It is a process which involves thinking before doing. It is concerned with the mental state of a manager. Features of planning are:

1 **Planning focuses on achieving objectives:** Organizations set up general goals and specific goals along with the plans and activities to be undertaken to achieve these goals. All business activities are planned with the sole aim of achieving the organisational goals. Thus, the main focus of planning is to achieve the predetermined targets most effectively. For example**, the** main objective of XYZ Ltd. for the financial year 2024-25 is to increase its sales in the eastern part of India. All sales plans will focus on markets in the eastern part. The plans may include advertising in the magazines which are most read in eastern India, and appointing sales managers who have knowledge and experience in that part of the country.

2 **Planning is a primary function of managemen**t: Planning lays down the base for other functions of management. Planning gives directions for actions and lays down the framework regarding how work is to be done. All other managerial functions are performed within the framework of the plans drawn. Therefore, planning is the primary function of management, which precedes all other managerial functions.

3 **Planning is pervasive:** Planning is required at all levels of management as well as in all departments of the organization. The scope of planning is different at different levels and for different departments. For example, top managers plan for the organization as a whole, while middle-level managers propose departmental plans and lower-level managers formulate day-to-day operational plans.

4 **Planning is continuous:** Continuity of planning is related to the planning cycle. It means that a plan is framed, it is implemented and is followed by another plan, and so on. Plans are prepared for a specific period. It could be a five-year plan, yearly plan, quarterly plan, weekly plan or daily plan. At the end of the specific period, managers need to draw up new plans as per new requirements and needs of the business environment. Hence, planning is a continuous process, a plan is framed then it is implemented and after that, again a new plan is framed either based on the success of the previous plan or may be as per the new requirement The process of framing and implementing plans goes on and on.

5 **Planning is futuristic:** The purpose of planning is to meet future events effectively to the best advantage of an organization. Planning involves forecasting future events and conditions and drafting the plans accordingly. Planning is thinking in advance or looking ahead while preparing for the future. Planning implies peeping into the future, analyzing and predicting the future requirements of the business environment and drafting business plans accordingly. Futuristic planning is nothing but forecasting.

6 **Planning involves decision-making:** Planning essentially involves a choice from among various alternatives and activities. If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice. A business has various goals to achieve and there are plenty of alternative resources which may be used to achieve the predetermined goals. Planning involves analyzing and evaluating available alternatives to select the most effective and efficient course of action.

7 **Planning is a mental exercise:** Planning requires the application of the mind involving foresight. Planning is an intellectual activity, which requires logical and systematic thinking rather than guess work. Planning requires foresight, intelligence, ability to analyze the given situation or future possibilities to determine the best course of action to be taken. Though planning is thinking rather than doing but it does need logical and systematic evaluation of facts and forecasts.

6.4.1   Self-Help Exercise

2) What are the basic features of planning?

Significance of Planning

Planning is the first and foremost essential activity in all organisations. It helps in determining and achieving the objectives of the organisation. Sound planning is an important condition for effective management. It helps the organization in the following ways:

1. **Making Objectives Clear:** It makes objectives clean, clear, and specific. It also serves as a guide for deciding what action should be taken in present and future conditions.

2. **Planning Provides Direction:** Planning helps the organisation to keep on the right path. It provides definite direction to managers to decide what to do and when to do

it. By stating in advance, how the work is to be done planning provides direction for action. Planning ensures that objectives are clearly stated to develop an appropriate course of action. If the plans are set, the department and individuals can work in coordination.

3. **It Reduces Risk and Uncertainty:** It helps organisations to predict future events and prepare to take necessary actions against unexpected events. It helps assess and meet future challenges. As per the view of Peter F. Drucker, "Planning enables a manager to affect rather than accept the future". Hence, Planning is an activity, which enables a manager to look ahead and anticipate changes. Changes or events cannot be eliminated but by deciding the plans and course of action in advance managers can anticipate it and adjust the plans according to the situation.

4. **Planning is Economical:** As per views of Koontz and O' Donnell," Planning substitutes jointly directed effort against uncoordinated, piecemeal activity, an even flow of work for an uneven flow, and deliberate decisions for snap judgments". The effective plans coordinate organisational work and economical. Planning serves as the basis for coordinating the activities and efforts of different divisions departments and individuals. It reduces useless and redundant activities, avoids confusion and misunderstanding, and ensures clarity in thought and action.

5. **Planning Provides the Basis for Control:** Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions from alternative courses of action. Planning provides the standard against which the actual performance can be measured and evaluated. There is nothing to control without planning and proper control. Plans serve as yardsticks for measuring performance.

6. **Planning Facilitates Decision Making:** Planned targets serve as the criteria for the evaluation of different alternatives so that the best one may be chosen with the help of planning hasty decisions and random actions can be avoided.

7. **Planning improves efficiency of Operations:** It is the rational activity that leads to efficient and economical operations, planned action is always better than unplanned. Planning makes the task of managing more efficient and effective manner. It helps to minimize the cost of operations and improves the competitive strength of an organisation.

8. **Planning Improves Morale:** If the role of the employee is cleared and describes well-defined goals, then the employee feels highly motivated and contributes his full potential towards the accomplishment of objectives. Planning improves the behavioural climate in the organisation and reduces the friction between departments.

9. **Effective Co-Ordination:** According to Koontz and O' Donnell "Plans are selected courses along with the management desires to coordinate group action." Effective coordination integrates the physical and human resources between departments.

10. **Planning Encourages Innovation and Creativity:** Planning compels managers to be creative and innovative all the time. It forces managers to find new and improved ways of doing things to remain competitive and avoid the threats in the environment.

Classification of Planning

Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable-the Siamese twins of management. Any attempt to control without plans is meaningless since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control. Planning is a complex and comprehensive process involving a series of overlapping and interrelated elements or stages, including strategic, tactical, and operational planning.
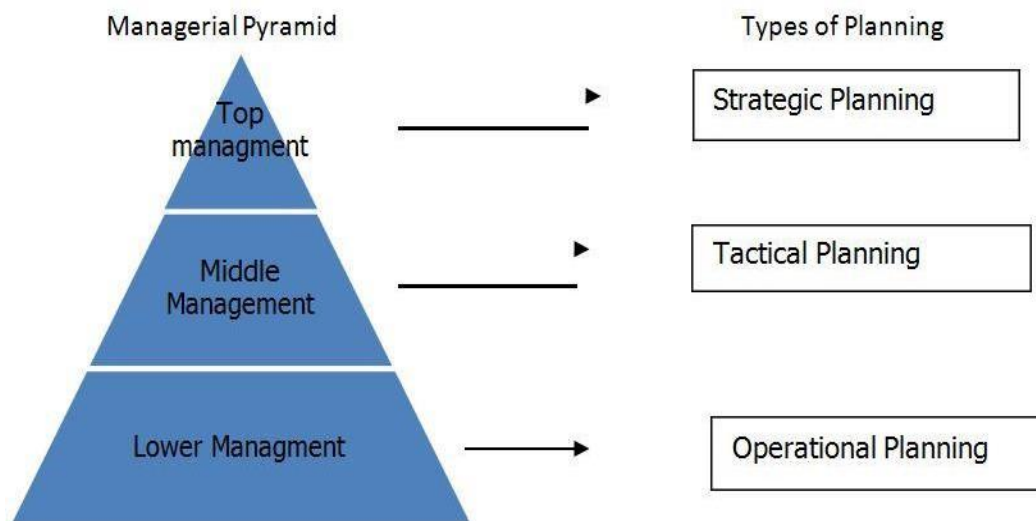
1 **Strategic planning** establishes master plans that shape the destiny of the firm. An example of strategic planning is when the executive team at Harley-Davidson Inc. planned how to deal with the demographic shift of their customer base becoming much older.

Strategic plans set broad, comprehensive, and longer-term action directions for the entire organization. Strategic plans are made to achieve the overall organisational goals. They achieve strategic goals through effective allocation of resources over different functional/ product areas. They match the organisational strengths and weaknesses with the environmental opportunities and threats. They are comprehensive and general. They are made for all functional areas of business. They are made by the top-level managers and generally relate to a period of more than 5 years.

• It is the process of deciding on the Long-term objectives of the organization.

• It encompasses all the functional areas of business.

• It decides major goals and policies of allocation of resources to achieve these goals.

• Done at higher levels of management.

• Less detailed because it is not involved with the day-to-day operations of the organization.

2 **Tactical planning** translates strategic plans into specific goals and plans that are most relevant to a particular organizational unit. The tactical plans also provide details of how the company or business unit will compete within its chosen business area. Middle-level managers have the primary responsibility for formulating and executing tactical plans. These plans are based on marketplace realities when developed for a business. Conditions can change rapidly in competitive fields such as a Korean company suddenly developing a substantially lower price sports bike.

Tactical plans are the means to support and implement strategic plans. They are made to achieve the tactical goals of the organisation. They are related to the departmental goals of the enterprise. These plans are made by middle-level managers and normally relate to the intermediate period of 1 to 5 years. While strategic plans are general, these plans are more specific.

- It involves the conversion of detailed and specific plans into detailed and specification plans.

- It is the blueprint for current action, and it supports the strategic plans.

- It is Mid-term.

- It is more detailed because it involves with day-to-day operations of the organization.

- It is done at the middle level of management

3 **Operational planning** identifies the specific procedures and actions required at lower levels in the organization. If Harley- Davidson wants to revamp an assembly line to produce more sports bikes, operational plans would have to be drawn. In practice, the distinction between tactical planning and operational planning is not clear-cut.

Operational plans must support the tactical plans. They are made to achieve the operational goals of the enterprise. These plans are highly specific and determine what different sections of the organisation need to perform. While resources are allocated in strategic plans, their efficient use to achieve overall organisational goals is ensured by operational plans.

- It is short-term.

- It is more detailed because it is involved with the day-to-day operations of the organization.

- Done at the lower level of management.

- Define what needs to be done in specific areas to implement strategic plans.
    – Production plans
    – Financial plans
    – Facilities plans
    – Marketing plans
    – Human resource plans

6.6.1 Self-Help Exercise

3) Classify the different kinds of planning.

Types of Plans

A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met. The importance of developing plans is evident from the fact that there may be more than one means of reaching a particular goal. So, with the help of logical plans, the objectives of an organization could be achieved easily.

1. **Standing or repeated use plan**: - These plans are prepared by managers at different levels. They are intended for repeated use and are designed to deal with recurring problems. When a particular and familiar problem arises, a standing plan provides a ready guide to action. They form one of the important means for building predictable patterns of behaviour in a business firm. When a group of people live together or work together, they must be able to anticipate each other's actions. This is especially necessary for interdependent activities which require such ability to anticipate.

   a. **Objective:** Effective management implies management by objective. Objectives are goals established to guide the enterprise. So, all planning work must spell out in clear terms the objectives to be realized from proposed business activities.

   b. **Policies**: Planning also requires laying down policies for the easy realization of the objectives of the business. Policies provide a standing answer to recurring questions and problems. They are basic guides to action.

   c. **Procedures and methods**: Objectives and policies will lose much of their significance if the planning cannot lay down the procedure and methods for work performance. Procedures will indicate and outline a series of tasks for a

specific course of action. The method is the manner of work performance and follows the set procedures.

d. **Rules:** A rule specifies the necessary course of action in respect of a situation. It acts as a guide and is like a decision made by the management. This decision lays down what is to be done and what is not to be done. In a particular situation. The rules prescribe a definite and rigid course of action without any scope for deviation or discretion entails penalty.

e. **Strategy**: They are devices formulated from the competitive standpoint by being fully informed somehow about the planning secrets of the competitors. They are a kind of business spying and are applied as the situation demands. So, the success of the plan requires that it should be strategy-oriented.

6. **<u>Single-use or operating plans</u>**: A standing plan establishes a structure of customary behaviour for the desired results. They are highly useful devices for managerial decision-making. However, besides these standing plans, a manager can resort to single- use plans to decide in advance the action to be taken to meet a particular problem(s) arising within a given period. Once the problem is over or met or the time has passed, a new plan is devised for the next period or problem. This type of planning is called single-use plans.

   a. **Programmes:** Programmes are precise plans of action followed in proper sequence in accordance with objectives, policies and procedures. Thus, a programme lays down the important steps to be undertaken to accomplish an objective and sets an approximate time for its fulfilment. A programme may accordingly be a major or a minor one, a long-term one or a medium or short-term one. It is included in a single-use plan because it will not be used in the same form once its task is over.

   b. **Budgets:** Budget estimates the men, money, material and equipment, in numerical terms, required for the implementation of plans and programmes. It covers a particular period and when the period is over, a fresh budget comes into being. Budget, thus, is the main instrument of a single-use plan.

   c. **Projects:** A project is a particular job that needs to be done in connection with a general programme. So, a single step in a programme is set up a project. A period has a distinct object and a clear-cut termination. So, it is included in a single-use plan. The task of management is made easier by setting up the work in a project.

3. **<u>Contingency plans</u>**: Contingency plans as the name suggests are the plans which are formulated in some contingency. The plan is short term and time is a deciding factor in the implementation of this plan. These are most important and prior in nature. Decision taken during this is generally non- programmed, but some time programmed decisions are also taken. Organizations usually plan to face any contingency to avoid

the chance to bear losses. These plans are extremely risky.

EXAMPLE: In most organizations, contingency funds and contingency stock of inventory are maintained in advance to face any contingency in the near future. Sometimes government makes some plans to control the market price of the commodity in contingency like natural calamities like earthquakes, flooding etc. and manmade contingencies like strikes, wars, riots etc.

6.7.1 Self Help Exercise

4) What is a Plan?

Process of Planning

The planning process is concerned with defining a company's goals and determining the resources necessary to achieve those goals. Achieving a vision requires coordinated efforts that adhere to a broader organizational plan. This is enabled through consistent strategies that are supported by staff at all levels.

The steps in the planning process are such that they lead to the translation of an idea into action by reaching the state of establishing sequences of activities. Each stage contributes to the planning process in the following ways:

1. **Perception of opportunities**: Perception of opportunities is not strictly a planning process. However, this awareness is very important for the planning process because it leads to the formulation of plans by providing clues as to whether opportunities exist for taking up particular plans. From this point of view, it can be considered the beginning of the planning process. Perception of opportunities and the ability to see them clearly and completely, knowledge of where the organization stands in the light of its strengths and weaknesses, an understanding of why the organization wants to solve uncertainty, and a vision of what it expects to gain.

2. **Establishing objectives:** At this stage, major organizational and unit objectives are set. Objectives specify the results expected and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the various types of plans.

3. **Planning premises:** After the determination of organizational goals, the next step is establishing the planning premise which is the condition under which planning assumptions – the expected environmental and internal conditions. Thus, planning premises are external and internal. External premises includes total factor in the task environment like political, social, technological, competitors' plans and actions, government policies, etc. Internal factors include organization policies, resources of various types and the ability of the organization to withstand the environmental pressure.

4. **Identification of alternatives:** Based on the organizational objectives and planning premises, various alternatives can be identified. The concepts of various alternatives suggest that a particular objective can be achieved through various actions. Example: If an organization has set its objectives to grow further, it can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organizations, or taking over another organization and so on.

5. **Evaluation of alternatives:** Various alternatives which are considered in terms of preliminary criteria may be taken for detailed evaluation. At this stage, an attempt is made to evaluate how each alternative contributes to the organizational objectives in the light of its resources and constraints.

6. **Choice of alternative:** After the evaluation of various alternatives, the fit one is selected. Sometimes evaluation shows that more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. An alternative course of action is to be undertaken in future which is not constant. A course of action chosen to keep in view the various planning premises may not be the best one if there is a change in planning premises. Therefore, a planner must be ready with the alternative, normally known as a contingency plan, which can be implemented in changed situations.

7. **Formulation of supporting plans:** After formulating the basic plan, various plans are derived to support the main plan. In an organization, there can be various derivative plans like planning for buying equipment(s), buying raw materials, recruiting and training personnel, developing new products, etc. These derivative plans are formulated out of the main plan and therefore, they support it.

8. **Establishing sequence of activities:** After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to give plans more concrete meaning for implementation.

6.8.1 Self-Help Exercise

5) List the steps involved in the process of planning.

Barriers to Effective Planning

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

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

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

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

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

4. **Constraints**
    Another major obstacle to planning arises due to constraints that limit what an organisation can do. For example, an organisation may have such a heavy investment in plant and equipment that it cannot acquire new equipment. Labour contracts can also be

a major constraint. Other possible constraints include governmental regulations, a shortage of managerial talent, and a scarcity of raw materials.

5. **Time and Expense**

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

6. **Psychological Difficulties:**

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

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

7. **Technical Problems:**

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

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

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

8. **Misunderstanding:**

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

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

misinterpretation of the nature of planning which makes consideration of the future difficult.

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

Planning is unlikely to be effective in an atmosphere in which there is excessive reliance on intuitive hunches.

Procedural inflexibility (which can weaken the effectiveness of planning) and continued pressure on online managers to act quickly, so that there is not sufficient time to prepare effective plans, may create severe problems for those who must forecast and act accordingly.

Summary

Planning is the foremost of the primary management functions and sets the direction for an organization. It is a decision-making activity involving the process of ascertaining objectives and deciding the activities needed to these objectives. Planning has both advantages and disadvantages. Organizations plans are usually divided into types, namely standing, single-use plans, and contingency plans. There are three levels of planning associated with different managerial levels- strategic, tactical and operational.

Questions for practice

i) Why is planning important for the success of an organization? Explain.

j) "Planning bridges the gap between where we are (present) and where we want to go (future)". Comment on the statement.

k) Is strategic planning limited to the central management? If so, Explain.

l) "Planning is an important management function. But there are certain barriers to effective planning that prove to be a roadblock in the path of success". Comment on the statement.

Answers to self-help exercise

1) Define Planning.
Answer: Planning is an intellectual process, conscious determination of the course of action, the basing of decisions on purpose, facts and considered estimates.

2) What are the basic features of planning?
Answer: The basic features of planning are:

- Planning focuses on achieving objectives
- Planning is a primary function of management
- Planning is pervasive
- Planning is continuous
- Planning is futuristic
- Planning involves decision-making
- Planning is a mental exercise

3) Classify the different kinds of planning.
Answer: Kinds of planning are:
- Strategic Planning
- Tactical Planning
- Operational Planning

4) What is the plan?
Answer: A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met.

5) List the steps involved in the process of planning.
Answer: The steps involved in the process of planning are:
- Perception of opportunities
- Establishing objectives
- Planning premises
- Identification of alternatives
- Evaluation of alternatives
- Choice of alternative
- Formulation of supporting plans
- Establishing a sequence of activities

Suggested Readings

1. Banerjee, Shayamal (1982), "Principles and Practices of Management", New Delhi: Oxford and IBH Publishing Co.

2. Dale Earnest (1973), "Management: Theory and Practice", New York: Mc Graw Hill Book Company.

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LESSON NO.7   **AUTHOR: SHUBHRA GUPTA**

MANAGEMENT BY OBJECTIVES

Objectives
> **Introduction**
> **Definitions of MBO**
> **Features of MBO**
> **Process of MBO**
> **Installing MBO Program**
> **Advantages of MBO**
> **Limitations of MBO**
> **Management By Exception**
> **Advantages of MBE**
> **Limitations of MBE**
> **Difference between MBO & MBE**
> **Summary**
> **Glossary**
> **Questions for practice**
> **Answers to Self-help exercise**
> **Suggested Readings**

<u>Objectives</u>

After studying this unit, you should be able to:

- explain the meaning of management by objective;

- describe features of MBO;

- explain the process of MBO;

- describe the steps leading to installing the MBO Program;

- discuss the advantages and disadvantages of MBO;

- explain the concept of management by exception;

- discuss the advantages and limitations of MBE; and

- difference between MBO & MBE

7.2. Introduction

Management by objectives also known as management by results has drawn considerable attention among management practitioners as it focuses on the objectives or results which a manager is expected to achieve within a specified period. The term Management by Objectives was first coined by Peter Drucker in his 1954 book 'The Practice of Management' and later developed by various writers like Prof. Redinn, George Odirone, John Humble& Douglas McGregor. Nowadays it is the most widely accepted philosophy of management. John Humble defines managing by objectives as a dynamic system which integrates the company's needs to achieve growth and profit with the employees' need to develop themselves.

MBO refers to the process of setting goals for employees so that they know what they are supposed to do at the workplace. It defines the roles and responsibilities of the employees and helps them chalk out their future course of action in the organization. The principle behind MBO is that everyone in the organisation has a clear understanding of the aims of the organisation including their roles and responsibilities. The process of setting objectives in the organization to give a sense of direction to the employees is called Management by Objectives.

Definitions of MBO

According to Peter Drucker, "MBO is a comprehensive managerial system that systematically integrates many key managerial activities, consciously directed towards the effective and efficient achievement of organizational objectives."

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

According to George S. Ordiorue, "The system of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

According to Koontz and Weihrich, "Management by objectives is a comprehensive managerial system that systematically integrates many key managerial activities and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives."

Thus, Management by objectives (MBO) aims to improve the performance of an organization in which objectives are clearly defined & agreed to by both management and employees.

In MBO goals are expected to be SMART, i.e.

- Specific
- Measurable
- Achievable
- Realistic, and
- Time bound.

7.3.1 <u>Self-Help Exercise</u>

1) Define MBO.

<u>Features of MBO</u>

1. **Superior-Subordinate Participation**: MBO encourages the participation of the superior and the subordinate in setting objectives. With joint efforts duties and responsibilities are assigned in their respective jobs.

2. **Goal orientation:** MBO is all about setting goals that are tangible, verifiable and measurable. Both superiors and subordinates set goals that are inclined towards the achievement of organisational objectives.

3. **Utilisation of Resources**: MBO paves the way for achieving the objectives by optimum utilisation of resources. Subordinates are encouraged to think creatively & meet the targets.

4. **Systematic Approach:** MBO is likely to affect every management technique as it provides the stimulus for new techniques and increases the relevance of existing ones.

5. **Comprehensive**: MBO is a 'Total Approach' as it attaches equal importance to the economic and human dimensions of an organization. It combines attention to detailed micro-level, and short-range analysis within the firm with an emphasis on macro-level, and long-range integration with the environment.

6. **Participative:** The MBO is characterized by the participation of concerned managers in objective setting and performance reviews. Therefore, each manager takes an active part in setting objectives for himself and also in evaluating his performance about how he is performing.

7. **Periodic review of the performance**: Another important feature of MBO is it focuses on the active role of the manager who is responsible for attaining the objective. The review provides a basis for systematic planning & corrective actions.

8. **Operational:** MBO is an operational process which helps to translate concepts into practice. MBO is made operational through periodic reviews of performance, which are future-oriented and involve self-control.

9. **Pervasive**: Objectives are established for all levels of the organization including the corporate level, Departmental level and individual managers.

10. **Effective Results:** MBO helps in the achievement of objectives by putting resources to best use. Performances are evaluated and rewarded- the result is superior performance.

Self-Help Exercise

2) What are the features of MBO?

Process of MBO

Process of management by objectives

1. The setting of Organizational Purpose and Objectives

The first basic step in the MBO process is to define organizational purpose and objectives. Questions, such as why organizations exist? "What business are we in?" and "what should be our business guidelines for the statement of purpose, need to be answered first. Usually, the objective setting starts at the top level of the organization & moves downward to the lowest managerial level. This will go in a sequence like (i) defining the purpose of the organization: (ii) long-range and strategic objectives: (iii) short-term organizational objectives; (iv) divisional/departmental/sectional objectives; and (v) individual manager's objectives. Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. Objectives should:
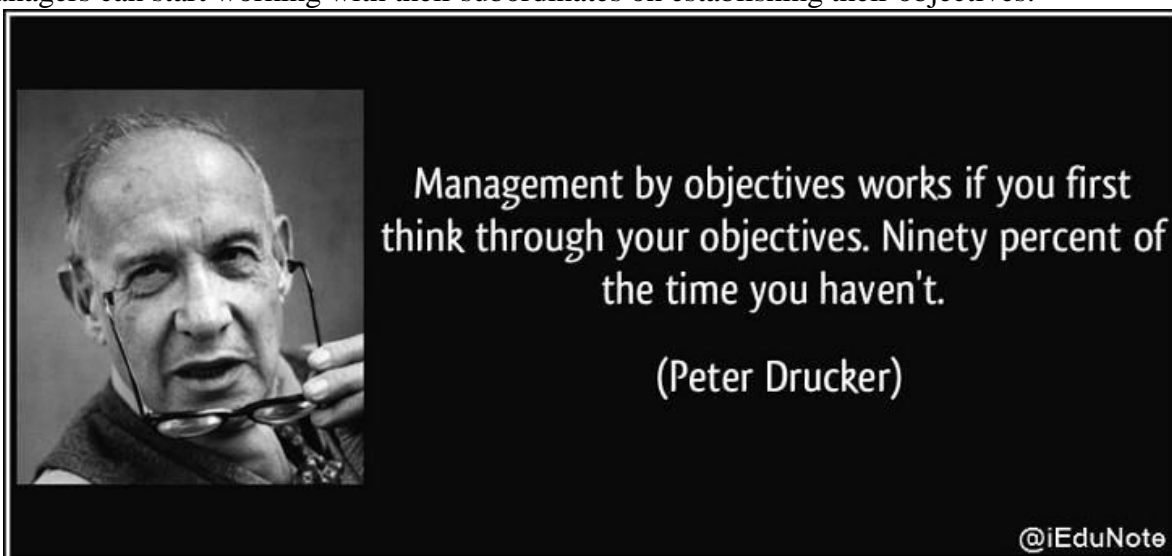
- Be verifiable
- Indicate the time frame within which they are to be achieved
- Indicate the associated cost involved
- Indicate quantity and quality aspects of the expected achievements
- Help in promoting personal and professional growth and development
- Get duly communicated to all who are concerned with it
- Align short-term objectives to medium and long-term objectives

2. Key Result Areas

Organizational objectives and planning premises together provide the basis for the identification of key result areas (KRAs). It may be emphasized that KRAs are derived from the expectations of various stakeholders and indicate the priorities for organizational performance. KRAs also indicate the present state of an organization's health and the top management perspective for the future.

3. Setting Subordinates' Objectives

Once the employees are briefed about the general objectives, plans, and strategies to follow, the managers can start working with their subordinates on establishing their objectives.

Management by objectives works if you first think through your objectives. Ninety percent of the time you haven't.

(Peter Drucker)

@iEduNote

The process of objective setting begins with the superior's proposed recommendations for his subordinate's objectives. In turn, the subordinate states his objectives as perceived by him.

Thereafter, the final objectives for the subordinate are set by the mutual negotiation between the superior and subordinate.

4. Matching Resources with Objectives

To achieve organizational objectives there is a need to allocate resources because it is the proper application of resources which ensures objective achievement. Resources should be matched with the objectives. By relating the objectives, a superior manager is better able to see the need and economy of allocating resources.

5. Monitoring Performance

Though the management by-objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization. Managers can monitor employee's performance & review their efficiency. For monitoring performance following is required:
o Identifying ineffective programs by comparing performance with pre- established objectives,
o Using zero-based budgeting,
o Applying MBO concepts for measuring individuals and plans,
o Preparing long and short-range objectives and plans, and
o Installing effective controls

6. Providing Feedback

The next step in the MBO process is continuous feedback on performance and goals that allow individuals to monitor and correct their actions. This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which leads to further feedback.

7. Performance Appraisal

The appraisal aspect of MBO tries to measure whether the subordinate is achieving his objective or not. If not, what are the problems and how these problems can be overcome? The appraisal is undertaken as an ongoing process to find out the deficiency in the working and also to remove it promptly. Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of the MBO process. Offering an appraisal can help them grow as employees and progress on their career paths.

8. Recycling

Though appraisal is the last aspect of the MBO process, it is used as input for recycling objectives and other actions. Objective setting is a joint process through interaction between superior and subordinate. Therefore, what happens at each level may affect other levels too. The outcome of appraisal at one level is recycled to see if the objectives have been set properly at the level concerned and also at the next higher level.

Self-Help Exercise

3) List the steps involved in the process of MBO.

Installing MBO Programme

MBO is a philosophy, rather than merely a technique. It will help in creating the proper environment required for the adoption of MBO. The installation of the MBO programme will require a change in organisational culture and environment. So the philosophy of MBO should be properly explained to everyone working in the organisation.
The following are the prerequisites for installing the MBO Programme:

1. Defining Purpose
MBO is a means rather than an end. Organisations should be very clear about the purpose for which it is being implemented. Howell has suggested a three-stage evaluation of MBO:
- Management appraisal and development
- Improvement of productivity and profitability
- Long-range planning

Different organizations may have different purposes to be achieved by the MBO programme. In the absence of a definite purpose, MBO will not be a useful exercise.

2. Support from Top Management
The presence or absence of top management support is a critical factor in determining the degree to which an MBO Program will be successful. Top management support is necessary in introducing MBO due to the following reasons:
a) Discussing the objectives already set with each subordinate,
 b) Evaluating progress made in achieving these objectives,
c) Assisting and supporting the subordinate by removing obstacles and hindrances in the way of accomplishing his work.
In short, the MBO program is not an end in itself, but rather a means to an end. Management support for using objectives to plan and to control, working continuously, increases the probability of success of a program.

3. Training for the MBO Programme
The success of any programme depends upon the knowledge of the persons who are to implement it. If they understand what they are implementing then others can be explained about the concept, philosophy and need for such a programme. So there is a need to provide systematic training to the persons about the programme & its implementation.
Moreover, if people in the organisation are clear about the reasons for which MBO is being undertaken, they will not resist & find it difficult to implement it. A major type of training in MBO should be in the area of intra-group, inter-group and inter-personal relationships because MBO entails a lot of such elements. Educational components of Organization Development) are quite useful for MBO.

4. Participation
To secure the commitment of subordinates to the program, there is a need for participation by everybody in the organization. Subordinates should be made an integral part of this system.
The Subordinate's role should include
 (i) Identification of critical areas of accountability of his job:
 (ii) Determination of mutually agreeable performance measures; and
 (iii) Identification of his present performance level.

However, the areas and scope for participation may vary in their relative emphasis according to the functional areas or hierarchical level to which an individual belongs. There cannot be a standard set of participation and each organisation may make its diagnosis about the extent and type of participation it desires under given conditions.

5. Feedback

In the MBO system, every individual decides and controls his performance. The person working in an organisation should regularly know his performance and standing. In case the performance is not as per the goals then required corrective measures will be undertaken. The feedback will help in learning and improving situations

Feedback under MBO may take two forms:

1. The individual should get periodic reports on where he stands on an overall performance basis. This is required especially when he asks for help from his superior.
2. Feedback is necessary at the time of periodic counselling and appraisal interviews.

6. Other Factors

Besides the above there are certain other factors that need to be considered for the success of the system like implementation of MBO to first line of organisation, tie up of compensation system with MBO programme, review of performances at periodic intervals etc.

Advantages of MBO

1. **Efficient Management**: MBO helps in better managing the organizational resources and activities. Resources and activities are put in such a way that they result in better performance. There are five basic assumptions about what improves performance:
   - ➢ Clarity of objectives.
   - ➢ Role clarity
   - ➢ Periodic feedback on performance by managers
   - ➢ Participative management

2. **Effective Planning**: The purpose of planning is to develop a blueprint for growing a business. Planning helps management to take action. Planning becomes relatively more straightforward with MBO. Since employees are clear about the organizational objectives, they can develop a systematic approach and plan to achieve them.

3. **Clarity in Organisational Action:** MBO tends to provide the key result areas (KRAS) where organisational efforts are needed. Since organisational objectives are defined very clearly, they help in relating the organisation to its environment.

4. **Personnel Satisfaction:** MBO leads to employee satisfaction. Employees are involved in objective setting. They derive satisfaction because of the feeling that they are important to the organisation. MBO reinforces the involvement of every member by allowing them to plan and achieve their company goals.

5. **Goal Setting:** Goal setting directs the management & gives a road map to follow. With the MBO Strategic Model, goal-setting is done with the mutual participation of the management and the organization. Objectives are more likely to be fulfilled by the employees as they

actively participate in the goal-setting process and choose the actions to achieve those.

6. **Basis for Organizational Change:** MBO stimulates organizational change. It provides a framework and guidelines for planned change, enabling the top management to initiate, plan, direct and control the direction and speed of change. The difficulty arrives in the way of organisational change because people resist it. If MBO is applied, the change process becomes easier because there is a lesser amount of resistance to change as people become more innovative and dynamic.

7. **Career growth**: Employees have the opportunity to further their careers. Management takes a big interest in improving and enriching the skills of employees and provides many opportunities for this training to happen. Performance evaluations give employees feedback. It allows the employee to become stronger in those areas where they are struggling

8. **Raises Employee morale**: Participation, clearer goals and improved communication will go a long way in improving the morale of employees. MBO can give employees a greater sense of identification. Employees feel proud that they are involved in the goals of the organization and therefore become more productive employees. This also helps in increasing job satisfaction as well as their commitment towards the job.

9. **Management by Objectives facilitates effective control:** One of the main features of MBO is the continual monitoring of progress. This allows everyone to measure their performance against the standards that have been put in place. It is those clear standards that allow everyone to work towards a very identifiable set of goals, all allowing for better control.

10. **Minimizes Ambiguity:** There is no role ambiguity since everyone is clear about their job roles. MBO avoids any kind of confusion or the overlapping of the duties and the tasks of the individual employees. It also impacts performance and encourages a healthy work culture.

11. **Efficient Utilization of Human Resources**: In MBO, employees and managers collaborate on assigning roles and setting goals. Thoughtful matching of talents to jobs fosters success and utilizes human resources to maximum effect.

Limitations of MBO

1. **Burdensome Paper Work**
   MBO programmes introduce an ocean of paper-work such as training manual, newsletters, instruction booklets, questionnaires, performance data and report into the organization. It is also criticised for being more time-consuming than yielding benefits.

2. Problems in Objective Setting
MBO requires verifiable objectives against which performance can be measured. However, setting

such objectives is difficult in some areas. Objectives are more in the form of statements rather than in quantitative terms.

3. Failure to teach MBO Philosophy
Management often fails to understand and appreciate this new approach. MBO demand rigorous analysis as an integral element of the management process but the organisation may not be rigour to it.

4. Emphasis on short-term objectives
MBO tends to focus on short-term goals that can be measured by year's end. As a result, workers may be tempted to achieve short-term goals at the expense of long-term ones. There is a possibility of incompatibility of short-term and long-term goals because of some specific problems. So proper emphasis should be given to both short-term and long-term objectives.

5. Poor implementation
A potentially effective technique such as – MBO is not properly implemented due to factors such as – corporate culture, managerial skills, and failure to recognise the issues relating to power and authority in the implementation process.

6. Inflexibility
MBO represents the danger of inflexibility in the organization, particularly when the objective needs to be changed. In a dynamic environment, a particular objective may not be valid for ever.

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

8. Increase comparison among employees
The MBO process increases comparisons between individuals at the workplace. Employees tend to depend on nasty politics and other unproductive tasks to outshine their fellow workers. Employees do only what their superiors ask them to do. Their work lacks innovation, and creativity and sometimes also becomes monotonous.

9. Time and Cost
MBO is a process which requires a large amount of the scarcest resources in the organization like the time of the senior managers. Sometimes, managers get frustrated and feel overburdened. Therefore, there is a problem of communication overload.

Management By Exception (MBE)

The role of a manager in an organization is very important. He is responsible for the smooth working of the organization which requires a lot of attention to various tasks of different importance. The manager is not only expected to get things done but also required to keep his team members motivated. One of the systems that allows managers to focus on the important task is Management by exception. This management concept is widely attributed to Frederick W. Taylor

and was first discussed in his work, "Shop management: A paper read before the American Society of Mechanical Engineers. N.Y: American Society of Mechanical Engineers.

Management by Exception is a process where a manager focuses on the most critical and strategic tasks as and when his attention is needed. The main object of this system is to enable the manager to identify and isolate the problems that call for decision and action, and avoid or ignore or pay less attention to less critical problems which better be handled by his subordinates. Management By Exception can bring forward business errors and oversights, ineffective strategies that need to be improved, changes in competition, and business opportunities. Thus, it is intended to reduce the managerial load and enable managers to spend their time more effectively in areas where it will have the most impact.

Thus, in Management by exception species management should not concentrate on things of minor nature rather it should involve when there are exceptions. If things are happening as per the decided standards, there is no need to inform the management, rather if there are minor deviations it should be adjusted at lower levels. The management must be informed if there are significant deviations between the standards and actual performance.

Self-Help Exercise

4) What is Management By Exception (MBE).

Advantages of MBE

1. It saves time as problematic issues are identified rapidly, and managers can use their time and energy for important issues rather than for less important ones that could provoke delays in their daily operations.
2. Managers can attend to real problems at a particular point in time.
3. Concentrated efforts are possible, as this system identifies crises and critical problems.
4. As managers take fewer decisions, employees have more responsibility, which increases their motivation
5. A smaller number of decisions is required to be taken, which enables the manager to go into detail.
6. This enables to increased span of control and increases the activities of a manager.
7. It alarms the management about the good opportunities as well as difficulties.
8. This method allows employees to follow their approaches to achieving the results mandated in the company's budget. Management will only step in if exception conditions exist.

Limitations of MBE

1. It is a centralized system, where only decisions taken by the senior management are accepted. However, the outcome can be better if the system is made decentralized and lets everyone take part in the decision process.

2. MBE requires a comprehensive observing and reporting system which increases the paper work.
3. This system can demotivate the employees as only managers have power over really important decisions. Furthermore, the time taken to pass the issues to managers can be time-consuming.
4. The system is silent till the problem becomes critical.
5. Some important factors, like human behaviour, are difficult to measure.

Difference between MBO & MBE

	Management By Objectives (MBO)	Management By Exception (MBE)
Definition	MBO refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace	Management by Exception is a process where a manager focuses on the most critical and strategic tasks as and when his attention is needed.
Employee Participation	High	Low
Decision Making	Employee participation is high in decision-making as it needs a common objective acceptable to management and employees.	Employee Participation is minimal in decision-making as that responsibility is rested with senior management
Role Ambiguity	There is a clarity of responsibility towards organisational goals.	Clarity will be lacking as employees will perform a generic responsibility without understanding their role in the overall objective achievement.
Dependency	Dependency on one group or department is low	Dependency is high
Efficiency	It reduces efficiency as involvement in decision-making can lead to delays	There is High efficiency as only a certain group makes important decisions

Self-Help Exercise

5) Differentiate MBO from MBE.

Summary

Planning is an important function of management as it sets the direction, reduces uncertainty and sets standards for the controlling function. MBO is a system that defines the objectives in an organization agreed to by management and employees collectively. The principle behind management by objectives is to clearly define the responsibility and roles of employees as expected from them by the organization. One of the important parts of MBO is the measurement and comparison of the performance of employees with the set standards. Objectives are more likely to be achieved as they have been involved in goal setting and choosing the course of action. MBO also motivates employees to achieve their

personal goals. Despite its various benefits, it is not without problems and weaknesses. MBO is generally taken as a panacea for all problems or a magic wand which can deliver everything. Its installation requires a basic change in the organizational culture and environment. Many of the organizations are designed so at to undermine the MBO philosophy. Management by exception (MBE) is a process where managers focus on the most critical issues as and when attention is needed. It is intended to reduce the managerial load and enable managers to spend their time more effectively in areas where it will have the most impact.

Glossary

- **Planning**: determining organizational goals & sets means to achieve them.
- **Decision**: specifying the course of action chosen from a set of alternative courses
- **Management by Objectives**: the process where superiors and subordinates set objectives to be achieved with collective effort
- **Management by exception:** a process where managers focus on strategic tasks only.
- **Organization culture:** the system of shared values and beliefs among members in the organisation.

Questions for practice

a) What do you mean by management by objective? Discuss the advantages & disadvantages of management by objectives.

b) Explain the process of MBO.

c) How can the MBO process be made effective in an organization?

d) Discuss in detail the concept of Management by Exception.

Answers to Self-help Exercise

1) Define MBO.
Answer: MBO is a comprehensive managerial system that systematically integrates many key managerial activities, consciously directed towards the effective and efficient achievement of organizational objectives.

2) What are the features of MBO

Answer: Various features of MBO are:

1. Superior Subordinate Participation
2. Goal orientation
3. Utilisation of Resources
4. Systematic Approach

5. Comprehensive:
6. Participative
7. Periodic review of the performance
8. Operational
9. Pervasive
10. Effective Results

3) List the steps involved in the process of MBO.
Answer: The steps involved in the process of MBO are:

1 Setting of Organizational Purpose and Objectives
2. Key Result Areas
3. Setting Subordinates' Objectives
4. Matching Resources with Objectives
5. Monitoring Performance
6 Providing Feedback
7. Performance Appraisal
8. Recycling

4) What is Management by Exception (MBE).

Answer: Management by Exception is a process where a manager focuses on the most critical and strategic tasks as and when his attention is needed. The main object of this system is to enable the manager to identify and isolate the problems that call for decision and action, and avoid or ignore or pay less attention to less critical problems which better be handled by his subordinates.

5)Differentiate MBO from MBE.
Answer: MBO refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace whereas Management by Exception is a process where the manager focuses on the most critical and strategic tasks as and when his attention is needed.

Suggested Readings

1. Tripathy P.C; Reddy P.N., Principles of Management, McGraw Hill Education, 2017
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LESSON NO.8   **AUTHOR: RAJAN GOYAL**

DECISION-MAKING

- **Objectives**
- **Introduction**
- **Definition of Decision-Making**
- **Features of Decision-Making**
- **Steps in Rationale Decision-Making**
- **Factors Influencing Decision Making**
- **Psychological Bias/ Cognitive Bias in Decision Making**
- **Decision Support System**
- **Functions of Decision Support System**
- **Advantages of Decision Support System**
- **Summary**

Questions
   Answers to self-help exercise
   Suggested Readings

Objectives

After studying this unit, you should be able to:

- explain the meaning of decision-making;
- describe various factors influencing the decision-making process;
- explain steps in the rationale decision-making process;
- identify various impacts created by organizational culture;
- discuss the concept of psychological bias;
- describe the concept of a decision support system

Introduction

Every action of a manager is generally an outcome of a decision. The word 'decides' means to come to a conclusion or resolution as to what one is expected to do at some later time. According to Manely H. Jones, "It is a solution selected after examining several alternatives chosen because the decider foresees that the course of action, he selects will do more than the others to further his goals and will be accompanied by the fewest possible objectionable consequences"

A decision is a choice made between two or more available alternatives. It is a process of choosing the best alternative for reaching objectives. It is covered in the planning section of this text managers must also make decisions when performing the other three managerial function-organizing, influencing, and controlling- the subject requires a separate chapter.

Managers make decisions affecting the organization daily and communicate those decision to other organizational members. Not at all managerial decision is of equal significance to the organization, some affect a large number of organization members, cost a great deal of money to carry out, or have a long-term effect on the organization.

Decision-making is an indispensable part of life. Innumerable decisions are taken by human beings in day-to-day life. In business undertakings, decisions are taken at every step. All managerial functions viz., planning, organizing, staffing, directing, co-ordinating and controlling are carried through decisions. Decision-making is thus the core of managerial activities in an organisation.

Definition of Decision Making

Some of the important definitions of decision-making are given below.
Decision-making is the selection based on some criteria from two or more possible alternatives. "-—George R.Terry

A decision can be defined as a course of action consciously chosen from available alternatives for the desired result —J.L. Massie

A decision is an act of choice, wherein an executive form a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from several possible alternatives. -—D.E. Mc. Farland

From these definitions, it is clear that decision-making is concerned with selecting a course of action from among alternatives to achieve a predetermined objective.

The following elements can be derived from the above-mentioned definitions:
1. Decision–making is a selection process and is concerned with selecting the best type of alternative.
2. The decision taken is aimed at achieving the organisational goals.

3. It is concerned with the detailed study of the available alternatives for finding the best possible alternative.

4. Decision-making is a mental process. It is the outline of constant thoughtful consideration.

5. It leads to commitment. The commitment depends upon the nature of the decision whether short term or long term.

> **Excitement, Pride, and *esprit de corps*:** A tangibly good feeling about the organisation and its activities;

> **Commitment:** The willingness of the individuals to work toward goals continuously.

8.3.1 Self-Help Exercise
1) Define Decision Making.

Features of Decision Making

1. Rational Thinking:
It is invariably based on rational thinking. The human brain with its ability to learn, remember and relate many complex factors, makes rationality possible.

2. Process:
It is the process followed by deliberations and reasoning.

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

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

5. Positive:
Although every decision is usually positive sometimes certain decisions may be negative and may just be a decision not to decide. For instance, the manufacturers of the VOX Wagan car once decided not to change the model (body style) and size of the car although the other rival

enterprise (i.e. the Ford Corporation) was planning to introduce a new model every year, in the USA.

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

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

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

Steps in Rationale Decision Making

Step 1: Identify the decision that needs to be made

When you're identifying the decision, ask yourself a few questions:

- What is the problem that needs to be solved?
- What is the goal you plan to achieve by implementing this decision?
- How will you measure success?

These questions are all common goal-setting techniques that will ultimately help you come up with possible solutions. When the problem is clearly defined, you then have more information to come up with the best decision to solve the problem.

1 **Articulate the Decision**
Identify the issue and what decision needs to be made.

2 **Gather Information**
Do intensive research of relevant background.

3 **Identify Your Options**
After gathering the information, tease out the possible and most likely decisions.

4 **Evaluate the Information**
See how the research and background you've identified aligns to one or more of your decision options.

5 **Select Your Decision**

6 **Implement the Decision**
Take all the steps necessary to make sure the decision is made and followed.

7 **Review Your Decision**
Refine as needed as you go forward, and evangelize results for future needs.

Step 2: Gather relevant information

Gathering information related to the decision being made is an important step to making an informed decision. Does your team have any historical data as it relates to this issue? Has anybody attempted to solve this problem before?

It's also important to look for information outside of your team or company. Effective decision-making requires information from many different sources. Find external resources, whether it's doing market research, working with a consultant, or talking with colleagues at a different company who have relevant experience. Gathering information helps your team identify different solutions to your problem.

Step 3: Identify alternative solutions

This step requires you to look for many different solutions for the problem at hand. Finding more than one possible alternative is important when it comes to business decision-making, because different stakeholders may have different needs depending on their role. For example, if a company is looking for a work management tool, the design team may have different needs than the development team. Choosing only one solution right off the bat might not be the right course of action.

Step 4: Weigh the evidence

This is when you take all of the different solutions you've come up with and analyze how they would address your initial problem. Your team begins identifying the pros and cons of each option and eliminating alternatives from those choices.

There are a few common ways your team can analyse and weigh the evidence of options:

- Pros and cons list
- SWOT analysis
- Decision matrix

Step 5: Choose among the alternatives

The next step is to make your final decision. Consider all of the information you've collected and how this decision may affect each stakeholder.

Sometimes the right decision is not one of the alternatives, but a blend of a few different alternatives. Effective decision-making involves creative problem-solving and thinking out of the box, so don't limit yourself or your teams to clear-cut options.

One of the key values at Asana is to reject false trade-offs. Choosing just one decision can mean losing benefits to others. If you can, try and find options that go beyond just the alternatives presented.

Step 6: Take action

Once the final decision maker gives the green light, it's time to put the solution into action. Take the time to create an implementation plan so that your team is on the same page for the next steps. Then it's time to put your plan into action and monitor progress to determine whether or not this decision was a good one.

Step 7: Review your decision and its impact (both good and bad)

Once you have made a decision, you can monitor the success metrics you outlined in step 1. This is how you determine whether or not this solution meets your team's criteria for success.

Here are a few questions to consider when reviewing your decision:

- Did it solve the problem your team identified in step 1?
- Did this decision impact your team positively or negatively?

- Which stakeholders benefited from this decision? Which stakeholders were impacted negatively?

If this solution was not the best alternative, your team might benefit from using an iterative form of project management. This enables your team to quickly adapt to changes, and make the best decisions with the resources they have.

8.5.1 **Self-Help Exercise**

2) List the steps involved in the process of Decision Making.

Factors influencing decision-making process

Whenever we are involved in making decisions several factors can affect the process we follow and ultimately the decision we make.

We can organise the factors affecting decision-making into three major groups:

- Perception Issues
- Organizational Issues
- Environmental Issues

Perception Issues:
Perception can be described as how individuals interpret their environment. An individual's perception can influence how they make decisions and solve problems. For example, when information about a problem needs to be gathered the individual's perception will impact where the information is sought and the type of information regarded as relevant.

Perception can be influenced by the following:

- The perceiver
- The object
- The situation

The Perceiver: The perceiver, the individual perceiving the object, will be heavily influenced by their characteristics. The types of personal characteristics that can affect an individual's perception include:

- Background and experience
- Personal values
- Personal expectations
- Personal interests

The Object: The object, which refers to any person, item or event can have an impact on the way it is perceived. For example, when a manager receives several reports to read he may be more inclined to read the one with the most colourful cover as this one stands out.

The relation an object has to other objects can also affect the perception of the perceiver. For example, an individual team member may be judged on the actions of the whole team even when it is more appropriate for them to be judged on their own merits.

The Situation: Time, location and other situational factors can influence our perception of an object. For example, a Team Leader may notice team members who work late on the same evenings as the Team Leader. However, team members who work late on other evenings may not be noticed by the Team Leader.

Issues within the Organization:

Several organisational issues can impact the decision-making process. These issues include:

- Policies and procedures
- Organisational hierarchy
- Organisational politics

Policies and Procedures: Many organisations have formalised policies and procedures which have been developed to resolve common problems and to guide managers when making decisions. For example, many organisations have documented disciplinary procedures which guide managers through the process of resolving issues with staff members.

Organisational Hierarchy: Organisational hierarchy refers to the management structure of the organisation. Most organisations have different levels of management which carry with them different degrees of authority. The degree of authority directly impacts the nature of the decisions an individual can make. For example, a Customer Contact Centre Team Leader cannot make decisions about the overall goals of the organisation. However, the Team Leader can make decisions about how their team contributes to the achievement of the organisation's goals.

Organisational Politics: Organisational politics refers to behaviour displayed by individuals and groups which is designed to influence others. Individuals and teams will often use politics to:

- Advance their careers
- Advance their interests and ideas
- Increase their rewards

Organizations are made up of individuals with different beliefs, values and interests. These differences are often the driving forces behind organizational politics. For example, two teams believe they require an extra team member. Unfortunately, the organization can only afford one new employee. The two teams may well use politics in an attempt to influence their manager to allocate the new employee to their team.

Issues within the Environment:

Environmental issues are the external factors that affect the organization. The types of external factors that can affect decision-making include:

- The market in which the organization operates
- The economy
- Government legislation
- Customers' reaction to the organization's products and services

Self-Help Exercise

3) How do Perception Issues influence decision making?
4) What are organizational issues that can affect decision-making?
5) What are environmental issues that can affect decision-making?

Psychological Bias/ Cognitive Bias in Decision-Making

Have you ever made a quick decision confidently, founded on supposedly supporting research, only for it to backfire?
If so, you were likely influenced by **cognitive bias**.
Cognitive bias – also known as psychological bias – is the tendency to make decisions or to take action in an unknowingly irrational way. For example, you might subconsciously make selective use of data, or you might feel pressured to decide by powerful colleagues.

What Is Cognitive Bias?
Psychologists Amos Tversky and Daniel Kahneman developed the concept of cognitive bias from their 1970s research into why people struggle to reason and judge objectively in certain situations. Along with Paul Slovic, they published their early findings in their book, "Judgment Under Uncertainty."

Cognitive bias can be defined as a set of predictable mental errors that arise from our limited ability to process information objectively. It can result in illogical decisions, and it can cause you to misjudge risks and threats.
The researchers explained that cognitive bias is the tendency to make decisions or take action in an illogical way, caused by our values, memory, socialization, and other personal attributes. There are numerous biases, affecting a wide range of behaviours including decision-making, judgment, beliefs, and social interactions.

Types of Cognitive Bias
Confirmation Bias
Confirmation bias happens when you look for information that supports your existing beliefs, and reject data that goes against what you believe. This can lead you to make biased decisions because you don't factor in all of the relevant information.

Anchoring
This bias is the tendency to jump to conclusions – that is, to base your final judgment on information gained early on in the decision-making process.
Think of this as a "first impression" bias. Once you've heard "the anchor," you're likely to interpret it and make judgments based on it.

Overconfidence Bias

This happens when you place too much faith in your knowledge and opinions. You may also believe that your contribution to a decision is more valuable than it is.

You might combine this bias with anchoring, meaning that you act on hunches, because you have an unrealistic view of your decision-making ability.

Researchers have found that entrepreneurs are more likely to display overconfidence bias than the general population. They can fail to spot the limits to their knowledge, so they perceive less risk. Some succeed in their ventures, but many do not.

Halo Effect

This is the tendency for a person's positive traits to "spill over" from one area of their personality to another in others' perception of them. In other words, it's hard to believe that someone you like or trust in another context could be wrong now.

You may also come across the opposite: the Horn Effect. As you may have guessed, this is when someone's negative traits cloud your judgment of them or their abilities.

Gambler's Fallacy

With the gambler's fallacy, you expect past events to influence the future.

Often, the longer the run, the stronger your belief can be that things will change the next time. But in fact, outcomes are highly uncertain. The number of successes that you've had previously has little or no bearing on the future. Read more about our biases toward gain and loss in our article, Kahneman and Tvesky's Prospect Theory.

Fundamental Attribution Error

This is the tendency to blame others when things go wrong, instead of looking objectively at the situation. In particular, you may blame or judge someone based on a stereotype or a perceived personality flaw.

Fundamental attribution error is the tendency to place blame on external events.

Bandwagon Bias

Bandwagon bias is a form of **Groupthink**. Here, the tendency is to form an opinion or take action because others have already done so. The probability of you "hopping on the bandwagon" increases as others adopt an idea.

Mere Exposure Effect

According to Robert Zajonc's 1968 study, the mere exposure effect, or "familiarity principle," occurs when "repeated exposure of the individual to a stimulus object enhances his attitude toward it."

In decision-making, this bias can manifest itself as a preference for opinions, people or information that you've already seen or heard before.

Hindsight Bias

Sometimes called the "I knew it all along" effect, hindsight bias is when someone believes that they accurately predicted the outcome of a decision before it was made, even if they didn't.

Researchers Neal Roese and Kathleen Vohs argue that hindsight bias occurs when people feel that a certain outcome was obvious and expected, but only after the event has taken place – put simply

when they look back on a decision, they feel that they "knew what would happen all along" – even though they didn't.

Hindsight bias can be especially problematic when you want to understand why a decision went wrong, as it can be hard to look back objectively. It can also cause problems when you need to analyse or interpret results in business experiments because you might view your findings as "predictable" once your tests are complete.

Dunning-Kruger Effect

The Dunning-Kruger effect refers to people's ability to accurately assess their own and others' competence. In general, low-skilled people tend to overestimate their abilities, and highly-skilled people tend to underestimate theirs.

8.7.3. <u>Self-Help Exercise</u>

6) What is cognitive bias?
7) What are the different types of cognitive biases?

How to Avoid Cognitive Bias

It can be difficult to overcome our biases as they are so ingrained. One study found that people may acknowledge that a bias exists but still use it to make decisions, and then claim to be objective in their assessment.

So, do your best to watch out for biases in your own thinking and decision-making: take your time; question your thoughts, intentions and motivation; consult with others; and guard scrupulously against these common thinking traps.

Here are some tips on how you can avoid and overcome specific biases:

How to Avoid Confirmation Bias

Look for ways to challenge what you think you see. Seek out information from a range of sources, and use an approach such as the **Six Thinking Hats** technique to consider situations from multiple perspectives.

Alternatively, discuss your thoughts with others. Surround yourself with a diverse group of people, and don't be afraid to listen to dissenting views. You can also seek out people and information that challenge your opinions, or assign someone on your team to play "devil's advocate" for major decisions. Constructive controversy will help here.

How to Avoid Anchoring

Anchoring may happen if you feel under pressure to make a quick decision, or if you have a general tendency to act hastily.

So, to avoid it, reflect on your decision-making history, and think about whether you've rushed to judgment in the past.

Then, make time to make decisions slowly, and be ready to ask for longer if you feel under pressure to make a quick decision. (If someone is pressing aggressively for a decision, this can be a sign that the thing they're pushing for is against your best interests.

How to Avoid the Halo Effect

Step back and consider the person's skill set and experience, rather than their attributes. Are they the best person for the task?

How to Avoid Gambler's Fallacy
One study reported that the gambler's fallacy was less likely to happen when decision-makers avoided looking at information chronologically. So, to avoid the gambler's fallacy, make sure that you look at trends from some angles. Drill deep into data, using tools such as **Situational Appreciation**.
If you notice patterns in behaviour or product success – for example, if several projects fail unexpectedly – look for trends in your environment, such as changed customer preferences or wider economic circumstances. Tools such as **PEST Analysis** can be useful here.

How to Avoid Fundamental Attribution Error
It's essential to look at situations, and the people involved in them, non-judgmentally.
Use **empathy** and (if appropriate) **cultural intelligence**, to understand why people behave in the ways that they do.
Also, build **emotional intelligence**, so that you can reflect accurately on your moods and reactions.

How to Avoid Bandwagon Bias
To avoid bandwagon bias, make sure you have a panel of decision-makers who are able and confident to bring fresh perspectives and consider each idea objectively. Try methods like the **Delphi Method** which allows team members to contribute individually, with no knowledge of a group view.
But, remember that the most popular idea could be the best solution for your business, so don't write it off as a bias straight away. Instead, carry out an **impact analysis** to examine whether it's the right decision.

How to Overcome the Mere Exposure Effect
To avoid the mere exposure effect, think carefully about data, individuals or ideas that you're already familiar with. If you've encountered something before, even in passing, it's important to analyze why you might want to support it. Is it truly in line with what you think is best, or are you positive about it because it feels familiar and safe?

How to Overcome Hindsight Bias
One of the best ways to overcome hindsight bias is to **gain expertise**. The more knowledge you have about the task under consideration, the smaller the resulting hindsight bias will be.
To avoid it, do what you can to increase your knowledge about the issue at hand, and about the industry as a whole so that you can understand the task as part of a wider context. Encourage your stakeholders to research the topic for discussion thoroughly, and take steps to build their expertise too.

How to Avoid the Dunning-Kruger Effect
Listen to, and ask for, feedback from your manager and co-workers, too. This will help to highlight your strengths and weaknesses that you may not be aware of.
You can also take skills tests to measure your abilities objectively. Mind Tools has a wide range

of **quizzes** to get you started.

Decision Support System

A **Decision Support System** consist of two major sub-system- human decision-making and computer system. Interpreting a Decision Support System as only a computer hardware and software system is a common misconception. An unstructured or semi-structured decision by definition can not be programmed because its precise nature and structure are elusive and complex Simon 1960. the function of a human decision-maker as a component of the Decision Support System is not to enter data to build a database but to exercise judgment or intuition throughout the entire decision-making process. Imagine a manager who has to make a five-year production planning decision, the first step to the decision-making process begins with the creation of a decision support model using an integrated Decision Support System program Decision Support System generator such as Microsoft excel lotus 1-8-3 interactive financial system IFPS/personal or
Express /PC the user interface sub-system or dialogue generation or management system is the getaway to both database management systems and model-based management systems. DBMS are a set of computer programs that create and manage the database, as well as control access to the data stored within it. The DBMS can be either an independent program or embedded within a Decision Support System generator to allow users to create a database file that is to be used as an input to the Decision Support System. DBMS is a set of computer programs embedded within a Decision Support System generator that allow users to create, edit, update, and/ or delete a model. Users create models and associated database files to make specific decisions the created model and database are stored in the model base and database in the direct assessment storage device such as a hard disk. From a user's viewpoint the user interface subsystem is the only part of
Decision Support System components with which they have to deal.

Today's decision support system generator provide the user with a wide variety of interface modes styles menu-based interaction mode command language style question and answer interaction natural language processing-based dialogue, and graphical user interface use icon, button, pull-down menus, bars and boxes extensively and have become the most widely implemented and versatile type. The interface system allows users access to.

1. The data sub-system:
(a) database
(b) database management software; and

2. The model sub-system:
(a) model base
(b) model base management software.

Functions of Decision Support System

Decision Support Systems provide varying analyses without much programming effort and are

usually directed towards non-technical users/managers. Managers' main use for a Decision Support System includes searching retrieving and analyzing decision-relevant data to allow them to summarize main points which assist them in making more informed and educated decisions. Users often search for correlation between data without rewriting the underlying MIS or software application and most Decision Support System allows graphic capability which not only allows Trent analysis and alternative scenarios to answer what-if queries consequently, Decision Support System supports both tactical and strategic decision and are employed to leverage manager's expertise in a certain field.

1. Model Building -
DSS aids in the decision-making process by identifying the most appropriate model for solving problems. It considers the input variables, interrelationship among the variables, problem assumptions and constraints to design a suitable model.
For example: A television manufacturing company has given the responsibility to its marketing manager to develop a sales forecasting model for colour TV sets.

8. Risk Analysis -
DSS is especially helpful while making medium or high-risk decisions. Decisions can be low, medium or high risks. DSS helps in the assessment of risks of various alternatives by managers in a business enterprise which helps in making decisions.

3. Goal Oriented -
This activity refers to the procedure of determining the value of the input that is required to succeed in a particular goal.
For example: While deciding to buy a house, a person first calculates the equated monthly installments that she or he can afford and for how long.

4. Graphical Analysis -
It provides a large volume of data in a graphical format to visualize it easily and quickly. Managers can also view the impact of various courses of action. The use of a graph is recommended when:
i) Forecasting
ii) Detecting Trends over time
iii) A quick summary of data is required
iv) Composing points and patterns at different variables

5. What-if Analysis -
In this activity, an end user will make changes to variables or relationships among them to notice the resulting changes in other variables.
For example: If advertising cost is cut by 10%, what would be the corresponding impact on sales?

Self-Help Exercise

8) What is what-if analysis?

Advantages of Decision Support System

1. Facilitating Communication
DSS helps in indicating when a particular action should be adopted in future or why a particular action was acceptable in the past. The DSS facilitates interpersonal communication and hence it is used as a tool for the benefit of business.

2. Increasing Organisational Control
DSS control this information, which is in turn used by the managers in assessing the productivity of an individual in the quantity and quality of their decision-making ability. Some DSS can evaluate the individual's decision-making skills.

3. Improving Personal Efficiency
DSS aids in improving personal efficiency. Although it does not do any work in actuality it aids in doing any work a bit faster and with greater efficiency.
For example: Budgets were earlier prepared manually before spreadsheets software was discovered but DSS helps to make work faster with fewer changes of error.

4. Promoting Learning or Training
DSS helps people to learn more about computers and software packages that are present in it. Although, this was never the motive of DSS it promotes learning as well.

5. Improving Problem-solving
DSS helps a person or a group of people in solving problems at a much faster pace with accuracy. When probably applied, it increases the efficiency of a task. It aids in solving the problem as a whole.

Summary

When it comes to making decisions, one should always weigh the positive and negative business consequences and should favour the positive outcomes.
This avoids the possible losses to the organization and keeps the company running with sustained growth. Sometimes, avoiding decision-making seems easier; especially, when you get into a lot of confrontation after making a tough decision.
But, making the decisions and accepting their consequences is the only way to stay in control of your corporate life and time.

Questions for practice

1) What do you mean by Decision Making? Discuss the main characteristics of decision-making?
2) What are the steps involved in the rational decision-making process?
3) Discuss various factors that influence the decision-making process
4) Define the term Psychological Bias. How the problem of psychological bias can be solved?
5) Discuss in detail the various advantages of a decision support system. How

decision support system helps the manager?

1) Define Decision Making.

Answer: Decision-making is the selection based on some criteria from two or more possible alternatives.

2) List the steps involved in the process of Decision Making.
Answer: The steps involved in the process of decision-making are:
Step 1: Identify the decision that needs to be made

  Step 2: Gather relevant information

  Step 3: Identify alternative solutions

  Step 4: Weigh the evidence

  Step 5: Choose among the alternatives

  Step 6: Take action

  Step 7: Review your decision and its impact (both good and bad)

3) How do Perception Issues influence decision making?

Answer: Perception can be described as how individuals interpret their environment. An individual's perception can influence how they make decisions and solve problems. Perception can be influenced by the following: The perceiver, the object and the situation

4) What are organizational issues that can affect decision-making?

Answer: Some organisational issues can impact the decision-making process. These issues include Policies and procedures, Organisational hierarchy and Organisational politics.

5) What are environmental issues that can affect decision-making?

Answer: The types of external factors that can have an effect on decision-making include: The market in which the organization operates, the economy, government legislation and customers' reaction to the organization's products and services.

6) What is cognitive bias?

Answer: Cognitive bias can be defined as a set of predictable mental errors that arise from our limited ability to process information objectively.

7) What are the different types of cognitive biases?

Answer: Different types of cognitive biases are:
- Confirmation Bias
- Anchoring
- Overconfidence Bias
- Halo Effect
- Gambler's Fallacy
- Fundamental Attribution Error
- Bandwagon Bias
- Mere Exposure Effect
- Hindsight Bias
- Dunning-Kruger Effect

8) What is what-if analysis?

Answer: In this activity, an end user will make changes to variables or relationships among them to notice the resulting changes in other variables. For example: If advertising cost is cut by 10%, what would be the corresponding impact on sales?

Suggested Readings

1. Herbert Alexander Simon (1977). *The New Science of Management Decision*. Prentice-Hall. ISBN 9780136161448.
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ORGANISING

- **Objectives**
- **Introduction to the Concept**
- **Meaning and Characteristics of Organization**
- **Nature of Organization**
- **Steps in the Process of Organizing**
- **Objectives of Organizing**
- **Principles of Organization**
- **Formal and Informal Organization**
- **Forms of Organization Structure**
- **Line and Staff Organization**
- **Organization theories**
- **Summary**
- **Questions for practice**
- **Answers to self-help exercise**
- **Suggested Readings**

Objectives

The purpose of this lesson is to:
—   To introduce the concept of organizing.
—   To discuss the characteristics and nature of organizing
—   To understand the process of organizing.
—   To understand Objectives of Organizing

- — To understand Principles of Organization
- — To understand Formal and Informal Organization
- — To discuss Forms of Organization Structure
- — To understand Line and Staff Organization
- — To discuss organization theories

Introduction to the concept

Organization is the backbone of management. Without efficient organization, no management can perform its functions smoothly. Sound organization contributes greatly to the continuity and success of the enterprise. Once Andrew Carnegie, an American industrialist said, "Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organization, and in four years we shall have re-established ourselves". That shows the significance of managerial skills and organization. However, good organisational structure does not by itself produce good performance – just as a good constitution does not guarantee great presidents or good laws in a moral society. However, a poor organisational structure makes good performance impossible, no matter how good the individuals may be. The right organizational structure is the necessary foundation; without it, the best performance in all other areas of management will be ineffectual and frustrated.

Meaning and Characteristics of Organisation

The term 'organization' connotes different meanings to different people. Many writers have attempted to state the nature, characteristics, and principles of an organization in their way. For instance, to sociologist's organization means a study of the interactions of the people, classes, or the hierarchy of an enterprise; to psychologists, organization means an attempt to explain, predict and influence the behaviour of individuals in an enterprise; to a top-level executive, it may mean the weaving together the functional components in the best possible combination so that an enterprise can achieve its goals. The word 'organization' is also used widely to connote a group of people and the structure of relationships.

Some important definitions of organization are given below:

"It is grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with authority necessary to supervise it". Koontz and O'Donnel

From the above definitions, organizing is the process of determining the total activities to achieve a given objective, grouping and assigning activities to individuals, delegating the authority necessary to perform the activities assigned and establishing authority relationships among different positions in the organization.

An analysis of the above definitions reveals the following characteristics of an organization:

1. It is a group of individuals which may be large or small.

2. The group in the organization works under the executive leadership.

3. It is a machine or mechanism of management.

4. It has some directing authority or power which controls the concerted efforts of the group.
5. The division of labour, power and responsibilities is deliberately planned.
6. It implies a structure of duties and responsibilities.

7. It is established for the accomplishment of common objectives

8. It is a functional concept.

The sound organization brings about the following advantages:

1. Facilitates attainment of the objectives of the enterprise.
2. Facilitates optimum use of resources and new technological development.
3. Facilitates growth and diversification.
4. Stimulates creativity and innovation.
5. Facilities effective communication.
6. Encourages better relations between the labour and the management.
7. Increase employee satisfaction and decrease employee turnover.

9.3.1 Self-Help Exercise

1) Define organising.

Nature of Organisation

The term 'organization' is used in two different senses. In the first sense, it is used to denote the process of organizing. In the second sense, it is used to denote the results of that process, namely, the organizational structure. So, the nature of an organization can be viewed in two ways :

(a) Organization as a process; and

(b) Organization as a structure or framework of relationship.

Organization as a process: As a process, organization is an executive function. It becomes a managerial function involving the following activities:

(i)   Determining activities necessary for the accomplishment of the business objective.

(ii)   Grouping of interrelated activities.

(iii)   Assigning duties to persons with requisite competence,

(iv)   Delegating authority, and

(v)   Coordinating the efforts of different persons and groups.

When we consider organization as a process, it becomes the function of every manager. Organizing is a continuous process and goes on throughout the lifetime of an enterprise. Whenever there is a change in the circumstances or material change in the situation, new types of activities spring up. So, there is a need for constant review and reassignment of duties. Right persons have to be recruited and necessary training has to be imparted to enable them to be competent to handle the jobs.

The process of organization thus, involves dividing the work into rational ways and interpreting the activities with work situations and personnel. It also represents the humanistic view of the enterprise since it is the people who are uppermost in the process of integration of activities. Continuous review and adjustment make this dynamic as well.

Organization as a structure or framework of relationships: As a structure, the organization is a network of internal authority, and responsibility relationships. It is the framework of the relationship of persons, operating at various levels, to accomplish common objectives. An organisational structure is a systematic combination of people, functions and physical facilities. It constitutes a formal structure with definite authority and clear responsibility. It has to be first designed to determine the channel of communication and flow of authority and responsibility. For this, analysis of different types has to be done. Peter F. Drucker suggests the following three types of analysis :

(i)   Activities analysis

(ii)   Decision analysis, and

(iii)   Relations analysis,

A hierarchy has to be built up i.e., a hierarchy of positions with clearly defined authority and responsibility. The accountability of each function has to be specified. Therefore, it has to be put into practice. In a way, an organization can be called a system as well.

The main emphasis here is on relationships or structure rather than on persons. The structure once built is not liable to change so soon. This concept of organization is, thus, a static one. It is also called a classical concept. Organization charts are prepared depicting the relationships of different persons.

In an organizational structure, both formal and informal organizations take shape. The former is a planned one and is defined by executive action. The latter is a spontaneous formation, being laid down by the common sentiments, interactions and other interrelated attributes of the people in the organization. Both formal and informal organizations, thus, have structure.

Steps In the Process Of Organizing

The managerial function of organizing may be called the 'process of organizing'. When the objectives have been set and policies framed, the necessary infrastructure of the organization has to be built up. The concentration goes to activities and functions. These form 'the building blocks' of the organizational structure. There are no such rules as to which will lead to the best organizational structure. But the following steps can be of great help in designing a suitable structure, which will help in achieving enterprise objectives :

1. **Clear definition of objectives:** The first step in developing an organizational structure is to lay down its objectives in very clear terms. This will help in determining the type, stability and basic characteristics of the organization. Organization activities are detailed in terms of objectives to be achieved.

2. **Determining activities:** To achieve the objectives of the enterprise, certain activities are necessary. The activities will depend upon the nature and size of the enterprise. For example, a manufacturing concern will have production, marketing and other activities. There is no production activity in retail establishments. Each major activity is divided into smaller parts. For instance, production activity may be further divided into purchasing materials, plant layout, quality control, repairs and maintenance, production research etc.

3. **Assigning duties:** The individual groups of activities are then allotted to different individuals according to their ability and aptitude. The responsibility of every individual should be defined clearly to avoid duplication and overlapping of efforts. Each person is given a specific job suited to him and he is made responsible for its execution. The right man is put in the right job.

4. **Delegating authority:** Every individual is given the authority necessary to perform the assigned activity effectively. By authority, we mean the power to make decisions, issue instructions, guide subordinates, and supervise and control them. Authority delegated to a person should be commensurate with his responsibility. An individual cannot perform his job without the necessary authority or power. Authority flows from top to bottom and responsibility from bottom to top.

5. **Coordinating activities:** The activities and efforts of different individuals are then synchronized. Such coordination is necessary to ensure the effective performance of specialized functions. Interrelationships between different jobs and individuals are clearly defined so that everybody knows from whom he has to take orders and to whom he is answerable.

6. **Providing physical facilities and the right environment:** The success of an organization depends upon the provision of proper physical facilities and the right environment. Whereas it is important to have the right people on the right jobs, it is equally important to have the right working environment. This is necessary for the smooth running and the prosperity of the enterprise.

7. **Establishment of structural relationship for overall control:** It is essential

to establish well-defined clear-cut structural relationships among individuals and groups. This will ensure overall control over the working of all departments and their coordinated direction towards the achievement of predetermined goals of business.

It is thus clear from the foregoing analysis that the organization provides a structural framework of duties and responsibilities. It not only establishes an authority relationship but also provides a system of communication. The various processes of organization explained above are technically performed through

(a) departmentation (b) delegation of authority and fixation of responsibilities and (c) decentralization of authority subject to central control through centralization of decision-making.

9.5.1 Self-Help Exercise

2) List the steps involved in the process of organizing.

Objectives of Organizing

Every economic activity which is deliberately done has some purpose. When a group of people assemble without any planned aim or purpose, it is not an organization but just a mob. But when, for instance, they are invited to participate in a conference, an element of purpose has been introduced. A purpose refers to commitment to a desired future. Objectives and purposes, generally, are interchangeable terms.

The following may be, generally speaking, the objectives (or purpose) of organizing business :

1. **Effective management of the enterprise:** Effective management largely depends upon effective organization. It is an effective organization which ensures a proper balance between authority and responsibility. It achieves a clear line of communication and defines the areas of work. It is the organization which allows the top management to concentrate on overall planning and supervision, leaving the routine work to the lower levels of administration. It saves the entire enterprise from adhocism, over-lappings and inefficiency.

2. **Maximum production at minimum cost:** The activities are allotted according to the principle of division of labour. The efficient system of organization encourages every employee to make his best contribution in raising output. The increase in output and control of wasteful expenditure helps to decrease the cost of production. The profitability of the concern will also go up.

3. **Sustained growth and diversification:** A business enterprise should be a growing organism. With time, an enterprise must expand its activities. It should also aim at the diversification of products and markets.

- A static business soon grows stale and gets out of run. It should grow from a

small-scale concern to a medium-scale one and from a medium-scale concern to a large scale one. The organization plays an important role in this respect. Execution of policies in an organized manner builds the necessary capacity and confidence to undertake bigger activities.

4. **Cooperation of employees:** The organizational structure will succeed only if employees cooperate in the work. The employees learn to work in closer cooperation with others. The management introduces various incentive schemes and gives monetary and other benefits to the employees so that they work in a team spirit.

5. **Discharging social responsibility:** Maximizing profits, no doubt, is the motive of every business. Without profit, no business can exist. But business is a part and parcel of society at large. It cannot survive long by exploiting consumers and society. It has to serve society by providing it with goods of good quality at reasonable prices. It has to ensure a smooth supply of goods as per the needs of consumers. The service motto cannot be realized without a well-knit organisational structure. So, discharging social obligation is an important objective of building up a sound organization.

Principles of Organization

The effective and efficient working of any organization depends on how the managerial function of the organization is being performed. The function of an organization can be carried out effectively with the help of under mentioned principles:

1. **Division of work:** While structuring an organization, division of work, at the very outset, should be considered as the basis of efficiency. It is a fact that a group of individuals can secure better results by having a division of work. Therefore, while designing the organization we should aim at making a suitable grouping of activities. This is also called the principle of specialization.

2. **Attention to objectives:** An organization is a mechanism to accomplish certain goals or objectives. The objectives of an organization play an important role in determining the type of structure which should be developed. Clearly defined objectives facilitate the grouping of activities, delegation of authority and consequently effective coordination.

3. **Span of management:** Span of management also refers to the span of control signifying the number of subordinates reporting directly to any executive. It is a fact that the larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. This important principle of management should also be kept in mind.

4. **Unity of command:** The organization structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority. This facilitates consistency in directing, coordinating and controlling to achieve the end objectives.

5. **Flexibility:** While designing the organization it should be kept in mind that organizational structure should not be regarded as static. Every organization is a living entity in a living environment which is fast changing. As such there must be sufficient room for changing and modifying the structure in the light of environmental changes so that the ultimate objective of the organization is achieved.

6. **Proper balance:** It is important to keep various segments or departments of an organization in balance. The problem of balance arises when an activity or a department is further divided and subdivided into smaller segments. The problems of balancing also crop up with the growth of any organization in its size and functioning.

7. **Management by exception:** It is a fundamental principle that makes any organization effective in its true sense. This principle signifies that problems of an unusual nature only should be referred upward and decided by higher-level executives in the managerial hierarchy, whereas routine problems should be passed on to lower levels and resolved there. Application of this principle as such certainly requires adhering to the principle of delegation of authority. The principle of exception is thus of significant practical utility and applies to all levels in the organization structure.

8. **Decentralization:** This principle is of great significance to big organizations. Decentralization implies selective dispersal of authority to help departments and units run effectively and efficiently without frequent interruptions from the top of the enterprise. It requires very careful selection of what decisions to push down into the organization, of what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control.

9. **Departmentation:** Departmentation is the process of grouping activities into units for purposes of administration. In other words, it denotes the grouping of related jobs and activities without violating the principle of homogeneity over which an executive has authority to exercise and assert. The main advantages of departmentation are that it enables individual executives to manage their subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executives.

10. **Efficiency:** The organization should be able to attain the predetermined objectives at the minimum cost. If it is done, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide maximum work satisfaction. Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of society.

11. **Scalar principle:** Scalar chain refers to the vertical placement of superiors starting from the chief executive at the top through the middle level to the supervisory level at the bottom. A proper scalar chain or line of command is a prerequisite for effective organization.

12. **Unity of direction:** This means that each group of activities having the same objectives should have one plan and one head. There should be one plan or Programme for each segment of work which is to be carried under the control and supervision of one head or superior. If different plans or policies are followed in one department by the subordinates, confusion is bound to occur.

13. **Continuity:** The form of organization structure should be such that which can serve the enterprise to attain its objectives for a long period.

14. **Coordination:** The principle of coordination underlines that there should be proper liaison and cooperation between different departments and units of work. Unity of efforts for the accomplishment of desired objectives is the main aim of the Organization. This can be achieved through the principle of coordination.

15. **Authority and responsibility:** Authority should be commensurate with responsibility. While assigning the responsibility, authority should also be assigned. If authority is not granted, the subordinates cannot discharge their responsibility properly.

9.7.1. <u>Self-Help Exercise</u>

3) What is Decentralization?

4) What is Departmentation?

5) What is the Scalar principle?

<u>Formal and Information Organisation</u>

Formal organization refers to the structure of relationships deliberately built up by the top management to realize the objectives. In this form instructions, responsibility, authority, accountability, lines of command, and positions and authority are clearly defined and declared. Each person is aware of his duties and authority. Every subordinate is expected to obey his supervisor in the formal chain of command. Each individual is fitted in the organization like a cog in the machine. It is designed after careful identification, classification and assignment of business activities. So, it is the conscious creation of relationships.

Informal organization refers to the network of personal and social relationships which arise spontaneously when people working together interact on personal whims, likes and prejudices. Such relations are not created by the top management and they are not recognized formally. The informal groups sometimes run parallel to the formal ones. Informal relations are not portrayed on organization charts and manuals. An informal organization provides an opportunity for workers to come close to each other, and develop a feeling of cooperation and coordination among themselves.

The difference between formal and informal organizations can be enumerated briefly

below:

1. **Formation:** A formal organization is deliberately created by management. It is the result of a conscious and deliberate effort involving delegation of authority. On the other hand, informal organization arises spontaneously and no conscious efforts are made to create it. It takes place based on relationships, caste, culture, occupations personal interests etc. No delegation of authority is essential in an informal organization.

2. **Basis:** A formal organization is based upon rules and procedures, while an informal organization is based upon the attitudes and emotions of the people. It depends on informal, social contact between people working and associating with one another.

3. **Nature:** A formal organization is stable and predictable and it cannot be changed according to the whims or fancies of people. However an informal organization is neither stable nor predictable.

4. **Set up:** A formal organization is a system of well-defined relationships with a definite authority assigned to every individual. It follows predetermined lines of communication. On the contrary, an informal organization has no definite form and there are no definite rules as to who is to report to whom. Even a low-placed employee may have an informal relationship with an officer far above him in the formal hierarchy.

5. **Emphasis:** In a formal organization, the main emphasis is placed on authority and functions. In an informal organization, the stress is on people and their relationships.

6. **Authority:** Formal authority is attached to a position and it flows from top to bottom. Informal authority is attached to a person and it flows either downwards or horizontally.

7. **Existence:** A formal organization exists independently of the informal groups that are formed within it. However an informal organization exists within the framework of a formal structure.

8. **Rationality:** A formal organization operates on logic rather than on sentiments or emotions. All activities follow a predetermined course. As an association between like-minded people, an informal organization has little rationality behind it. In an informal organization, activities are influenced by the emotions and sentiments of its members.

9. **Depiction:** Formal organization can be shown in an organization chart or a manual. However an informal organization cannot be depicted in the chart or manual of the enterprise.

Types of Organisation Structure

9.9.1. Line Organization:

Meaning:
'Line Organisation' is the oldest and simplest form of organisation structure. It is also known as 'Military Organisation' because it originated in the army. In line organisation, authority flows from the man at the top to the lowest man vertically. In other words, the directions are issued by the man-in-charge of the whole organisation and are directly conveyed to the persons responsible for the execution of the work. The business unit may be divided into departments headed by the departmental managers. A departmental head receives orders from the General Manager and passes them on to his immediate subordinates. The subordinates similarly communicate the orders to the workers. The various persons heading the different departments are perfectly independent of each other and enjoy equal status.

In case the manager of one department wishes to issue guidance or directions to a subordinate in another department, he will go up the line and convey the message to the top manager who will then pass it down the line in the other department.

For instance, if the Finance Manager of an enterprise has to convey a message to a Superintendent in the production department, he will have to send the same upwards to the General Manager who will then pass it down to the Production Manager. And the Production Manager will further pass it down to the Superintendent concerned.

Line organisation may be of two types:
(i) Pure line organisation, and

(ii) Departmental line organisation.

In Pure line organisation, all individuals at a given level perform the same type of work and departments are created only to facilitate supervision and control. But in departmental line organisation, work performed in each department is different.
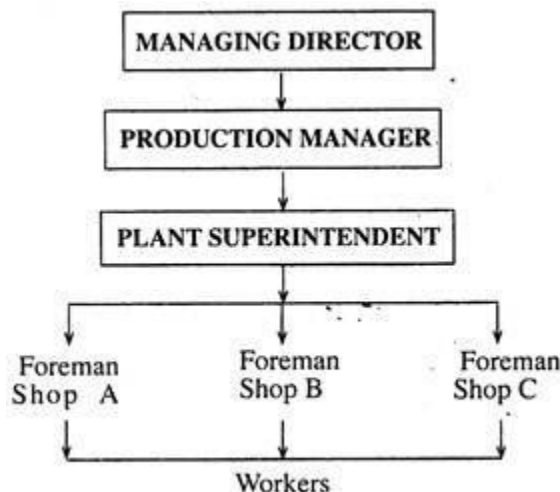
Features of Line Organisation:
Line organisation has the following characteristics:
(i) Authority flows vertically from the top to the bottom.

(ii) The command is given through a straight line.

(iii) Each subordinate receives orders from one superior and is responsible to him only.

Merits of Line Organisation:
The line organisation has the following important advantages not usually found in other types of organisation:
1. Simplicity:
Line organisation is the easiest to establish and operate and simplest to explain to the employees. Lines of authority and responsibility are direct, simple and clear. Every individual understands to whom he is responsible. The authority and responsibility of every position are clearly defined.

2. Prompt Decision:
Every manager can make decisions independently without consulting with others. He does not depend on others for advice, assistance or service. So, the decision-making process is easier and quick in such a type of organisation structure.

3. Strong Discipline:
It ensures effective discipline. Each position is under the direct control of its immediate superior. Therefore, it is easy to maintain discipline among the people in the organisation.

4. Unified Control:
Unity of command results in close personal contact between superiors and subordinates. Direct and close contacts facilitate effective supervision and control.

5. Fixed Responsibility:
Everybody in this type of organisation knows to whom he is responsible and who is responsible to him.

6. Flexibility:
Since each executive has sole responsibility in his position, he can easily adjust the organisation to changes in the business situation.

7. Economical:
Line organisation is quite economical because staff specialists are not required here.

8. Effective Co-ordination:
Since all activities relating to one department are managed by one person, coordination can be effective.

9. Orderly Communication:
Communication between the superiors and subordinates flows in a direct vertical line. Such communication is easy to maintain and it is orderly.

10. Development of Management Skills:

As every executive has to perform a variety of functions, there is an opportunity for all-round development for them. They will emerge as skilled and efficient managers in future.

Demerits of Line Organisation:
Line organisation suffers from the following weaknesses:
1. Over-loading:
Since the managers are overloaded with day-to-day work, they do not find time for creativity and innovation.

2. Lack of Specialisation:
It suffers from a lack of specialisation. A manager has to perform a variety of functions. Any manager cannot be equally good in all the functions and, therefore, the quality of management tends to be poor. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in his department.

3. Autocratic Approach:
The line of authority requires a high level of obedience on the part of the subordinates. There is the concentration of authority at the top. There is usually no communication upwards from the lower rank. The managers at the top may be devoid of the realities of the situation. As a result, decisions may be arbitrary or wrong. There is a scope for favouritism and autocracy.

4. Low Morale:
The subordinates are to carry out the decisions taken by the superiors at the upper level. This leads to a lack of initiative on the part of the subordinates. Their opinions and grievances are not properly communicated upwards.

5. Instability:
The success and continuity of an organisation depend upon a few competent managers. The succession problem is acute and there may be a lack of continuity when the key executives retire.

9.8.1.4 Suitability of Line Organisation:
In the following cases line organisation is suitable:
(i) In small-scale business with a small number of subordinates,

(ii) Where the work is routine,

(iii) In industries where continuous processes are followed, for example, sugar industry.

(iv) In industries where automatic machines are used requiring less expertise of the foremen.
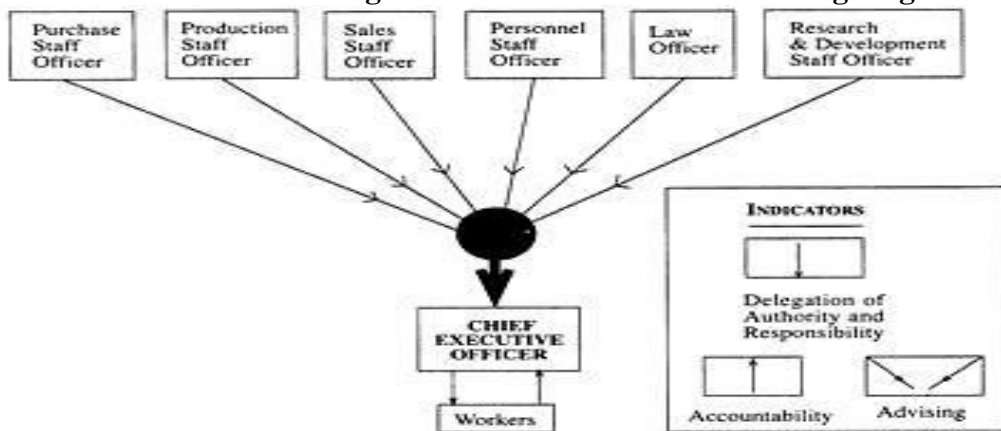
Staff Organisation:
Meaning:
'Staff Organisation' means that type of organisation in which some experts are employed to execute the advisory functions. These experts act as the advisors of the organisation. The staff persons have no authority to command and provide directions. They only advise the line

manager in various organisational aspects.

The experts who are employed for such advice are known as 'Staff Officers', like Purchase Staff Officer, production staff Officer, Sales Staff Officer, and Personnel Staff Officer. The staff officers advise the line managers as and when required, but they bear no liability or responsibility for executing or getting work done. The managers may follow their advice or may not follow them.

The staff organisation is auxiliary. In such a type of organisation structure, benefits of specialisation can be obtained. So the efficiency and effectiveness of the line managers are increased. However, it is an expensive process of organisation.

The structure of the staff organisation is shown in the following diagram:

     Features of Staff Organisation:
The basic characteristics of a staff organisation may be pointed out as under:
(i) The experts of the staff organisation give specialised service to the line organisation.

(ii) The staff organisation is auxiliary.

(iii) It is an advisory body consisting of some functional experts.

(iv) The staff people have no authority to command the line organisation, they can recommend only.

Functional Organisation:
Meaning:
The 'Functional Organisations' are based on the concept of 'Functional Foremanship' suggested by F. W. Taylor, a pioneer in Scientific Management. In functional organisation, the organisation is divided into some functional areas. Each function is managed by a functional expert in that area.

Every functional area serves all other areas. For example, the personnel department recruits

employees, arranges for their training, and deals with the people required for all the other departments. The purchasing department handles purchases for the entire concern.

Every functional manager enjoys functional authority over the subordinates in other departments. Within a functional department, every operating executive receives orders from several functional specialists. For example, each foreman receives orders from the factory superintendent, chief engineer, chemist, etc.
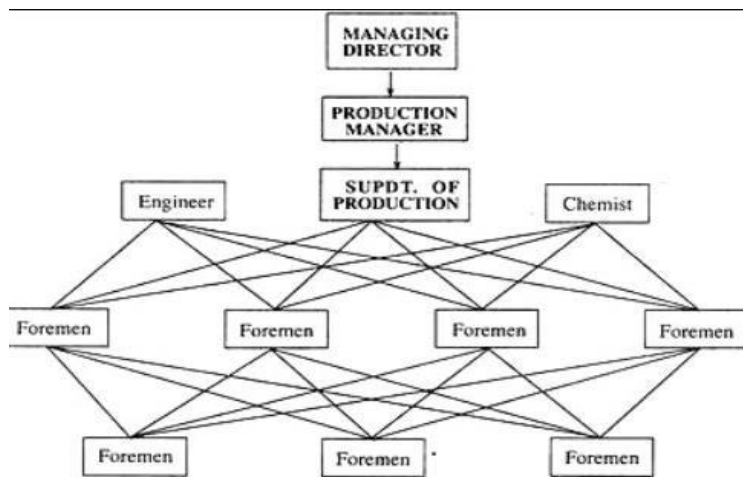
While dividing the management functions into departments care should be taken that:
(i) The entire work has been divided into various departments and no activity remains un-allotted;

(ii) There should not be any duplication in the sense that an activity should not be allotted to more than one department; and

(iii) The work allotted to one department should consist of inter-related jobs.

Features of Functional Organisation:
The principal characteristics of functional organisation are stated below:
(i) The whole task of the enterprise is divided into specialised functions.

(ii) Each function is performed by a specialist.

(iii) The specialist of a functional department has the authority over all other employees for his function.

(iv) The specialists operate with considerable independence.

Merits of Functional Organisation:

The functional organisation enjoys the following advantages:
1. Specialisation:

The functional organisation ensures a logical division of work. This results in the specialisation of functions. Every functional manager is an expert in his area and all workers get the benefit of his expertise.

2. High Degree of Efficiency:
Every employee in the organisation concentrates on one function only and receives expert guidance from the specialists. As a result, the efficiency of operation becomes high.

3. Scope for Expansion:
It facilitates mass production through specialisation and standardisation. A change can be introduced in this type of organisation. There is scope for expansion.

4. Reduction of Work Load:
Every functional head looks after one function only and, so, the work burden on the top executive is reduced. It ensures the separation of mental and manual functions.

5. Better Control:
In functional organisation, there is joint supervision of work. As a result, functional control becomes more effective in comparison with line or staff organisation.

Demerits of Functional Organisation:
Functional organisation suffer from the following drawbacks:
1. Complexity:
There are many cross-relationships which create confusion. A worker may receive conflicting orders.

2. Absence of Unity of Command:
In such an organisation a person is accountable to several superiors. As a result, responsibility for results cannot easily be fixed.

3. Lack of Co-ordination:
It is too complicated in operation because it entails the division of functions into some sub-functions. This leads to a lack of coordination among the workers and functions.

4. Delay in Decision-making:
Arriving at a decision requires the involvement of several specialists. So, the decision-making process in functional organisation is slow.

5. Expensive:
In functional organisation, a large number of specialists are required. Therefore, it is expensive.

Suitability of Functional Organisation:
Functional organisation is usually suitable for large and medium-sized enterprises. But it should be applied at higher levels because it does not work well at the lower levels.

9.9.1 <u>Self-Help Exercise</u>

6) What is Line Organization?

7) What is a staff Organization?

Line and Staff Organisation
Meaning:
'Line and Staff Organisation' is a combination of Line Organisation and Staff Organisation Structure. In such an organisation, line authority flows in a vertical line in the same way as in the line organisation and, in addition, staff specialists are employed to advise the line managers for efficient performance of the special functions.

The staff expert is advisory in nature and has only the authority to recommend. He has no power over the line positions. His main function lies in rendering advice, assistance and making provision of specialised services. Such type of organisation structure is more popular especially in large enterprises.

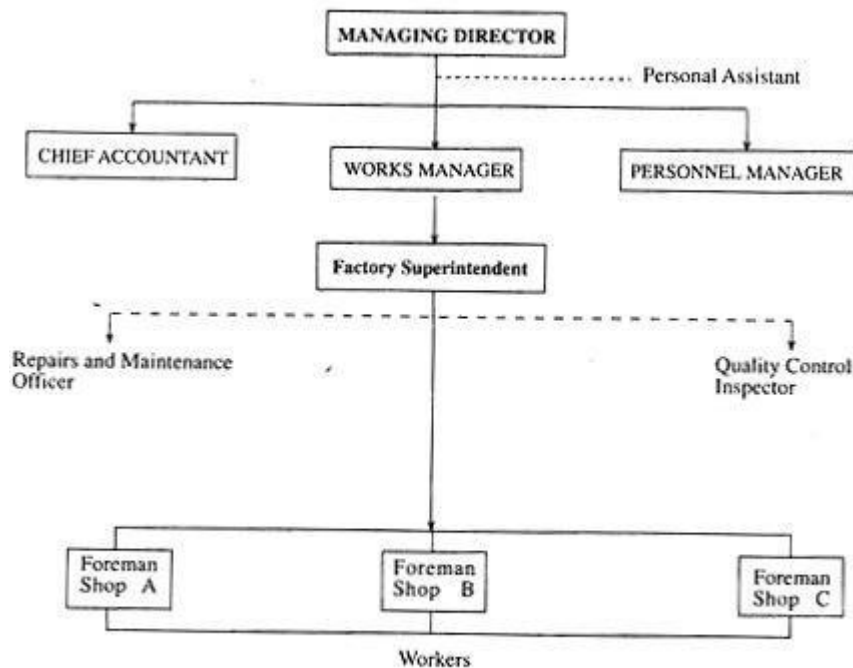**The line and staff organisation structure is shown in the following diagram:**

Fig. 4.6: Line and Staff Organisation.

Characteristics of Line and Staff Organisation:
The following are the main features of a line and staff organisation:
1. Two types of personnel exist in this form of structure—line personnel and staff experts. It adds functional specialists to the line organisation.

2. As compared to line organisation, the structure of the line and staff is more complicated. Besides the line officers, the structure is equipped with specialists at different levels.

3. The staff members are only for giving assistance and specialised advice to the line officers. The line officers have no binding to accept their advice.

4. Such organisation structure is applicable especially in large enterprises.

5. The subordinate is answerable only to his immediate boss and not to his staff specialist. So line and staff organisation, besides following the principle of unity of command, also provides specialisation that leads to efficiency of work.

Merits of Line and Staff Organisation:
Line and staff organisation has the following advantages:
1. Specialised Advice:
The line managers receive the benefit of expert advice and assistance from the staff specialists. The staff experts enable the line managers to discharge their responsibilities more efficiently.

2. Better Decisions:
The staff specialists provide adequate information and expert advice. As a result, the line managers can make quality decisions.

3. Reduction of Work-burden:
The staff specialists carry out detailed investigations and supply information to the line managers. So the workload of the line managers is reduced. They get the chance for creative thinking to generate new ideas.

4. Flexibility:
The line and staff organisation is comparatively more flexible. As the organisation expands, staff specialists can be added to help the line executives. There is more opportunity for advancement and growth.

5. Training of the Executives:
As every executive concentrates on one field of work, he acquires valuable experience. The young staff executives get the opportunity to acquire expertise in their respective fields of activity.

Demerits of Line and Staff Organisation:
The line and staff organisation suffers from the following disadvantages:
1. Line-staff Conflicts:
The main problem of line and staff organisation is that conflicts and friction often arise between the line executives and staff specialists.

2. Ineffective Staff Personnel:
The staff specialists are not accountable for the results. So they may not take their tasks seriously. They may also be ineffective because they do have not the authority to implement their recommendations.

3. Confusion:

Practically, it is very difficult to define clearly the authority relationships between the line and the staff. Different managers may not be clear as to what the actual area of operation is and what is expected of them. The absence of a clear allocation of duties and responsibilities may confuse.

4. Expensive:
The line and staff organisation is expensive for small enterprises, because two types of persons are to be employed simultaneously for line and staff positions.

Suitability of Line and Staff Organisation:
The line and staff organisation is very suitable for large enterprises. It provides ample scope for specialization without violating the unity of command.

Organization theories

Three Organization Theories: Classical, Neo-Classical and Modern Organization Theory.

1. Classical Organization Theory:
The classical writers viewed the organization as a machine and human beings as components of that machine. They were of the view that the efficiency of the organization can be increased by making human beings efficient. Their emphasis was on specialization and coordination of activities. Most of the writers emphasized efficiency at the top level and few at lower levels of organization. That is why this theory has given streams; scientific management and administrative management. The scientific management group was mainly concerned with the tasks to be performed at operative levels.

Pillars of Organization Theory:
According to classical writers, the organization theory is built around four key pillars division of work, scalar and functional processes, structure and span of control.

(i) Division of Labor:
Division of labour implies that work must be divided to obtain specialization to improving the performance of workers. The classical theory rests on the assumption that the more a particular job is broken into its simplest parts, the more specialised a worker can become in carrying out his part of the job.
The specialisation in workers will make the organisation efficient. Various activities of a job are specified and subdivided into different components so that these may be assigned to different persons. The workers will go on repeating their work under the division of labour. The performance of the same work will help workers improve their efficiency and the organisation as a whole will benefit from this exercise.

(ii) Scalar and Functional Process:
The scalar process refers to the growth of the chain of command, delegation of authority, unity of command and obligation to report. It is called a scalar process because it provides a scale or grading of duties according to the degree of authority and responsibility. It generates superior-subordinate relationships in the organisation. The functional process

deals with the division of the organisation into specialised parts or departments and the regrouping of the parts into compatible units.

(ii) Structure:
It is the framework of formal relationships among various tasks, activities and people in the organisation. The basic structural element in the classical theory is position. Each position is assigned a specific task and authority is delegated for its accomplishment. The efficiency with which these tasks will be accomplished will determine the effectiveness of the organisation. The classical writers emphasised line and staff organisations.

(iv) Span of Control:
The span of control means the number of subordinates a manager can control. Classical thinkers specified numbers at different levels which can be effectively supervised by a superior. A manager cannot exercise proper control if the number of subordinates increases beyond a certain figure, on the other hand, if the number is less then his capacity and knowledge cannot be fully utilised.

Appraisal of Classical Theory:
The classical theory suffers from some restraints. Some of its drawbacks are given as follows:
1. Classical thinkers concentrated only on line and staff structures. They did not try to find out the reasons why a particular structure is more effective than others.
2. This theory did not emphasize decision-making processes.
3. Human behaviour was ignored in this theory. Classical thinkers did not realize the complexity of human nature. They take human beings as inert instruments of organisation performing the assigned task.
4. The assumption that an organisation is in a closed system is unrealistic. The organisation is greatly influenced by the environment and vice-versa. A modern organisation is an open system which has interaction with the environment.

2. Neo-Classical Organisation Theory:
The classical theory of organisation focussed main attention on physiological and mechanical variables of organisational functioning. The testing of these variables did not show positive results. The Hawthorne Studies conducted by George Elton Mayo and associates discovered that the real cause of human behaviour was somewhat more than mere physiological variables. These studies focussed attention on human beings in the organisation.

The new-classical approach is contained in two points:
(i) Organisational situation should be viewed in social, economic and technical terms, and
(ii) the social process of group behaviour can be understood in terms of clinical methods analogous to the doctor's diagnosis of a human organism.
This theory views formal and informal forms of organisation as important. The behavioural approach followed in this theory is the other contribution of new classical thinkers. The pillars of classical theory viz. division of work, departmentation, co-ordination and human behaviour were taken as given but these postulates were regarded

as modified by people acting independently or within the context of the informal organisation.

Improvements over Classical Theory:
The neo-classical theory offers modifications and improvements over classical theory in some aspects such as:
 (i) Flat structure,
(ii) Decentralisation,
(iii) Informal organisations.

(i) Flat Structure:
The classical theory suggested a tall structure whereas neo-classical theory suggested a flat structure. In a tall structure there is a problem of communication because of differentiation between decision makers and implementers, the levels of management are too many and the motivation of people is difficult. In the case of a flat structure, the wide span of control helps in motivation, a chain of communication is shorter and it is free from hierarchical control.

(ii) Decentralisation:
The neo-classical theory advocates decentralised organisation which is close to a flat structure because of the wider span of control. It allows autonomy and initiative at the lower level. It also develops people to occupy higher positions in future.

(iii) Informal Organisation:
The neo-classical theorists advocated the need for both formal and informal organisations. The formal organisation represents the intentions of top management for interactions among the people. Informal organisation is necessary to plug the loopholes of formal organisation and to satisfy the social and psychological needs of people. Managements use informal organisation to overcome resistance to change on the part of workers and also for a fast communication process. Both formal and informal organisations are interdependent upon each other.

Appraisal of Neo-classical Organisation Theory:
This theory tries to overcome the shortcomings of classical organisation theory. It introduced the concept of informal organisation and human behaviour approach in the study of organisational functioning. However, it is also not free from various shortcomings. Scott observes that "like classical theory, neo-classical theory suffers from incompetency, a short-sighted perspective and lack of integration among many facts of human behaviour studied by it."

3. Modern Organisation Theory:
Modern organisation theory is of recent origin, having developed in the early 1960's. This theory has tried to overcome the drawbacks of earlier theories. In the words of W.G. Scott, 'The distinctive qualities of modern organisation theory are its conceptual analytical base, its reliance on empirical research data and, above all, its integrating nature. These qualities are framed in a philosophy which accepts the premise that the only meaningful way to

study organisation is to study it as a system." This theory may be understood in two approaches: the systems approach and the contingency approach.

Systems Approach:
This approach studies the organisation in its totality. The mutually dependent variables are properly analysed. Both internal and external variables are studied in analysing the nature of the organisation. Though this theory passes a much higher conceptual level as compared to earlier theories different writers have given varied views of the system.

Organisation as a system can well be understood by identifying various sub-systems within it. Each sub-system may be identified by certain processes, roles, structures and norms of conduct. Seiler has classified four components in an organisation, human inputs, technological inputs, organisational inputs, and social structure and norms.

Katz and Kahu have identified five sub-systems of organisation:
(i) Technical sub-system concerned with the work that gets done;
(ii) Supportive sub-system of procurement, disposal and institutional relations;
(iii) Maintenance of sub-systems for tying people into their functional roles;
(iv) Adaptive sub-systems concerned with organizational change; and
(v) Managerial sub-systems for direction, adjudication and control of the many sub-systems and the activities of the structure.

Self-Help Exercise

8) What is the span of control?

Summary

The word organization has two common meanings. The first meaning refers to the process of organizing. The second meaning signifies the institution or group which comes into existence as a result of organizing. The organizing process involves some steps, viz. consideration of objectives, grouping of activities into departments, deciding which departments will be treated line and which will be related staff, determining the levels at which various types of decisions are to be made, determining the span of supervision and setting up a coordination mechanism. There are some principles of organizing, which should be remembered in the process of organizing.

Questions for practice
1. Define an organization and discuss its characteristics.

   Or

   Discuss the nature and importance of organization.

2. What are the important steps in the process of organization?

3. "Organization is an important tool to achieve organizational objectives," Comment.

4. Explain the meaning of organization and state its principles.

5. What do you mean by (a) line organization and (b) line and staff organization? Discuss their

respective merits and demerits.

   Or

What do you understand by an informal organization? How does it differ from a formal organization?

6. Discuss in detail the theories of organization.

   Or

Write a short note on Classical, Neo-Classical and Modern theory.

Answers to self-help questions

1) Define organising.
Answer: It is a grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with the authority necessary to supervise it.

2) List the steps involved in the process of organizing.
Answer: Steps included:
   1   Clear definition of objectives
   2   Determining activities
   3   Assigning duties
   4   Delegating authority
   5   Coordinating activities
   6   Providing physical facilities and the right environment
   7   Establishment of structural relationship for overall control

3) What is Decentralization?

   Answer: Decentralization implies the selective dispersal of authority to help departments and units run effectively and efficiently without frequent interruptions from the top of the enterprise

4) What is Departmentation?

Answer: Departmentation is the process of grouping activities into units for purposes of administration.

5) What is the Scalar principle?

 Answer: Scalar chain refers to the vertical placement of superiors starting from the chief executive at the top through the middle level to the supervisory level at the bottom.

6) What is Line Organization?

   Answer: In line organisation, authority flows from the man at the top to the lowest man vertically.

7) What is a staff Organization?

   Answer: Staff organisation means that type of organisation in which some experts are

employed to execute the advisory functions. The staff persons have no authority to command and provide directions. They only advise the line manager in various organisational aspects.

8) What is the span of control?

Answer: The span of control means the number of subordinates a manager can control. Classical thinkers specified numbers at different levels which can be effectively supervised by a superior.

Suggested Readings

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LESSON NO.10   **AUTHOR: ANUJA GOYAL**

AUTHORITY AND RESPONSIBILITY

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- **Introduction to Concept of Authority**
- **Factors for Successful use of Authority**
- **Sources of Authority**
- **Meaning and Sources of Power**
- **Delegation of Authority and Its Methods**
- **Elements of Delegation and Its Types**
- **Principles of Delegation**
- **Various Steps in the process of Delegation**
- **Merits of Delegation**
- **Difficulties in Delegation**
- **Decentralization of Authority**
- **Decentralization Vs Delegation**
- **Summary**

Objective: After reading this lesson you should be able to understand meaning and sources of authority; to distinguish between delegation and decentralization; to appreciate advantages and disadvantages of decentralization; to understand relationship between Authority and Responsibility; to distinguish between Responsibility and Accountability

Introduction to Concept of Authority

Authority is a legal power which is possessed by a person from his superior officers and with the help of which he succeeds in getting the things done by his sub-ordinates. Authority is the key to managerial functions. If the managers do not possess required authority, they will not be able to perform their duties properly. A manager is in a position to influence his subordinates only by the use of his authority. It is the authority which enables him to discharge the important functions of planning, co- ordination, motivation and controlling etc. in an enterprise. If proper authority is not vested in him,

he cannot perform these functions in the required manner and he cannot be held responsible for all these functions in the absence of proper authorities. It is only the authority by virtue of which he dominates his sub-ordinates and gets work done bythem.

Definitions

"Authority is the right to give order and the power to exact obedience".   –   Henri Fayol

"Authority is the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance".   – Koontz and O'Donnell

While concluding the meaning of authority it can be said that authority in ordinary sense of the term is nothing more than a legal right. It empowers an individual to take decisions. He is given a right to command and to exercise control over those who are responsible for the execution of policies and programmes of the enterprise. For decisions taken the authorized person is held responsible and is made answerable to his superiors and the organization as a whole.

FACTORS FOR SUCCESSFUL USE OF AUTHORITY

For the successful use of authority following factors may be taken into consideration:

1. **Favourable Atmosphere :** For the implementation of authority, favourable atmosphere must be created in the enterprise so that sweet human relations may be established in the enterprise.

2. **Justified Behaviour :** The second important use for successful implementation of authority is the justified behaviour of the officers towards their subordinates. They must feel and treat all the employees on an equal ground. If they do not do so, the employees may not contribute their efforts towards the attainment of objectives of enterprise.

3. **Mutual Co-operation and Faith :** There must be mutual co-operation and mutual trust between officers and employees of the enterprise for the successful use of authority.

4. **Interest in the work :** A very important condition of the successful use of authority is that the employees must have an interest in the work for which they are responsible. If they are not interested in their work, it may be very difficult for the higher officers to implement their authority.

5. **Respect to Superiors :** There must be an atmosphere in the enterprise in which the employees pay their best regards to their bosses. If they do not have a feeling of regard for them, they may not obey their orders.

SOURCES OF AUTHORITY

There are three different schools of thought about the sources of authority which are discussed below :

1   Formal Authority Theory

According to this theory, all authority originates in the formal structure of an organization. The ultimate authority in a joint stock company lies with the shareholders. Shareholders entrust the management of the company to the Board of Directors and delegate to it most of their authority. The Board of Directors delegates authority to the chief executive and chief executive in turn to the departmental managers and so on. Every manager or executive possesses authority because of his organizational position and this authority is known as formal authority.

2   Acceptance Theory

This theory states that authority is the power that is accepted by others. Formal authority is reduced to nominal authority if it is not accepted by the subordinates. The subordinates accept the authority if the advantages to be derived by its acceptance exceed the disadvantages resulting from its refusal. The subordinates give obedience to the managers because they visualize the following advantages :

(a)   Receipt of financial incentives.

(b)   Contribution in attaining the objectives of the enterprise.

(c)   Fulfillment of responsibilities.

(d)   Appreciation from colleagues.

(e)   Setting of an example for others.

(f)   Responsibility to leadership of superior

(g)   Moral obligation because of regard for old age, experience, competence, etc.

3   Competence Theory

The supporters of this view assert that an individual derives authority because of his personal qualities and technical competence. Many persons derive informal authority because of their competence. For instance a person possesses expert knowledge in a particular subject. People will go to him for guidance in that matter even though he has got no formal authority.

Meaning And Sources Of Power

Power is a method of operating in order to influence the behaviour of others. It is the power politics within the organization that gives rise to power centres in the organization. The power-centres need not necessarily be located at the position of higher authority. Nobody wants to lose power because power can be used in desirable or undesirable ways.

Power may be defined as "the ability to exert influence. If a person has power it means that he is able to change the attitude of other individuals".

In any organization for sound organizational stability, power and right to do things must be equated, when power and authority for a given person or position are roughly equated, we may call the situations as "Legitimate Power".

Difference between 'Authority' and 'Power'

If we study from close in practice the terms 'Authority' and 'Power' are generally used interchangeably but there is a clear-cut difference between these two words and they are as follows :

1. **Right to Command:** Authority is the right to command where as power is the ability or power to command.

2. **Right to Exercise :** Authority usually resides in the position in the organization, but power is exercised by the person. Authority includes the right to exercise which have been institutionalized.

3. **Positional and Legitimate :** Authority is always positional and legitimate and is conferred on the position. But power is not institutional, rather it is personal. It is acquired by people in various ways and then exercised upon others. It is acquired through political means or by having certain personal attributes.

4. **Authority Increases :** It has been observed that authority increases as soon as one goes up in the organizational hierarchy, but it need not necessary be accompanied by more power.

   In actual practice – the power centres may be located at the power levels in the organization. Therefore, one cannot have an idea of power centres in an organization by merely looking at its organization chart.

5. **Authority Relationships :** In practice, authority relationships are modified by power politics in the organization. Some individuals may have more power and less authority or more authority and less power. It is the operating mechanism of the organization which is relevant for studying organizational behaviour.

6. **Authority a Downward Concept :** Authority is a downward flowing concept; whereas power flows in all directions.

7. **Delegation of Authority :** Authority can be delegated to the lower levels in the organization. The lower we go down the lesser is the authority.

Sources of Powers

If we study the origin and sources of power we cannot forget the name of John French and Berhram Raven. They have written that there are five sources of power which are found at all levels of the organization. They are as follows :

(a) **Legitimate Power :** The power corresponds to the term authority. It exists when an influencer acknowledge that the influencer is lawfully entitled to exert influence. In this the influence has an obligation to accept this power.

(b) **Reward Power :** This power is based on the influencer having the ability to reward the influence for carrying out orders.

(c) **Corrective Power :** It is based on the influencer's ability to punish the influence for not carrying out orders or for not meeting requirements.

(d) **Referent Power :** It is based on the influencer's, desire to identify with or imitate the influence. For example – a manager will have referent power over the subordinates if they are motivated to emulate his work habits.

(e) **Expert Power:** This power is based on belief that the influencer has some relevant expertise or special knowledge that the influence does not have. For example a doctor has expert power on his patients.

DELEGATION OF AUTHORITY AND ITS METHODS

Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks. It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives. Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks.

Delegation refers to the assignment of work to others and confer them the requisite authority to accomplish the job assigned.

1. In the words of F.G. Moore – "Delegation means assigning work to others and gives

them authority to do it."

2. Louis A. Allen has said – "Delegation is the dynamics of management, it 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 organizational placement, can perform effectively and so that he can get others to help him with what remains".

METHODS OF DELEGATION

In a big manufacturing concern the following may be the methods of delegation of authority to ensure better result, unified direction and command and effective delegation :

1. **Administrative Delegation –** When a few of the administrative functions are delegated to sub-ordinate staff it is called administrative delegation. These functions are generally of routine nature, e.g. to maintain discipline, to supervise the work, to recommend for the reward or punishment etc.

2. **Geographical Delegation –** When the work of enterprise is located at different distant places it is not possible for an executive to mange the whole affairs single handed. He then proceeds to delegate his authority to those who are posted at the places where physically he cannot be present round the year. This is known as geographical method of delegating the authority.

3. **Functional Delegation –** When the enterprise is organized on the basis of functional organization, the delegation of authority is also done on the functional basis. All the heads are given to manage their departments according to their skill, knowledge and experience of course, they are accountable to the chief executives.

4. **Technical Delegation :** This method of delegation of authority is based on technical knowledge and skill. Here the authority is delegated in order to get the advantages of expert and experienced hands and their technical skill.

ELEMENTS OF DELEGATION AND ITS TYPES

The elements of delegation of authority involve three steps:
1. **Authority:** The superior grants authority to the subordinate to carry out the

assigned task or duty. This may include right to use resources, spend money, engage people, etc.

2. **Responsibility:** The superior entrusts some responsibility or duty to a subordinate.

3. **Accountability:** The last step in delegation is concerned with creating an obligation to carry out duty or responsibility and render an account of the results achieved through the use of delegated authority. The subordinate must be held accountable for the exercise of authority granted to him. By accepting the duties and authority, a subordinate becomes responsible to his superior.

TYPES OF DELEGATION

The important kinds of delegation of authority are as follows:

1 General and Specific Delegation:

a) **General Delegation:** It is that delegation in which the authority is given to perform general managerial functions, like planning, organizing, directing etc. The sub-ordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The Chief Executive exercises over all control and guides the subordinates from time-to-time.

b) **The Specific Delegation :** Specific Delegation relates to a particular function or an assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their department duties.

2. Formal or Informal Delegation :

a) **Formal Delegation :** Formal delegation has been considered as a part of organizational structure. Whenever a task is assigned to a person, the required authority is also given to him. This delegation is a part of the normal functioning of the organization. Every person is automatically given authority as per his duties. When production manager gets powers to increase production then it is formal delegation of authority.

b) **Informal Delegation :** This delegation does not arise due to position but it arises according to the circumstances of the case. A person may undertake a particular task not because he has been assigned it but because it is necessary to do his normal work.

3. Written or Unwritten Delegation :

   a) **Written Delegation :** Written delegation is normally given through letters, instructions, circulars etc. Whatever has been delegated it must be in writing.

   b) **Unwritten Delegation :** Unwritten delegation is given to the person concerned not in any particular way but through conventions, customs and usages the other party has to do work accordingly.

4. Downward or Upward Delegation

   a) **Downwards Delegation :** Downwards delegation is a common type of delegation and is used in every type of the working concern. This delegation has been considered as a superior's delegation of authority to his immediate subordinate.

   b) **Upward Delegation :** This type of delegation takes place when a subordinate assigns some of his tasks to his superiors. This is an uncommon type of delegation and its instances are very rare.

   PRINCIPLES OF DELEGATION

The following principles may be considered as essential for effective delegation of authority :

   a) **There must be Proper Planning :** An executive must plan as to what is to be achieved, if delegation of authority is made. He should define clearly the objectives to be achieved and the functions to be performed by delegating the authority. The job should be designed and divided in such a way as to achieve the objectives. The subordinates must understand clearly what activities they must undertake and what delegator expects from him.

   b) **Select appropriate subordinate of delegation :** The subordinate should be

selected in the light of the work to be achieved. The qualification of the individual concerned may influence the nature of the delegation of authority. This is the purpose of the managerial function of staffing, most carefully considered.

c) **Maintain purity 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 it is fair that they should be vested with the necessary authority to carry out such duties. Although technically it would be inaccurate to stress the questions of equality as the executive does without a certain amount of authority, there must be adequate correlation between duty and authority delegated.

d) **Ensure unity of command :** This is one of the common principles of organization advocated by Henry Fayol which stresses that subordinates should have only one boss to whom he should be accountable, to avoid confusion and friction. Of course, in practice, it is not possible to follow this principle.

e) **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.

f) **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.

g) **Establish a climate of confidence :** The subordinate to whom authority is delegated must generally 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.

h) **Establish a strong belief in delegation:** For delegation to be successful, the man 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 strict if the same mistake is repeated.

i) **Proper Selection and Training of Personnel :** Selection of personnel to various jobs should be fair and just. It should not be arbitrary but it must be based on certain principles. Only right persons should be placed on the right job. The person selected must also be given proper training to enable him to handle the post efficiently and to perform the assigned job properly. Proper selection and training helps to develop their self-confidence and morale.

j) **Proper Control Techniques be Developed:** In a good organization proper control techniques be developed and major deviations from standard should be checked. There should be no interference in day- to-day functioning of subordinates.

VARIOUS STEPS IN THE PROCESS OF DELEGATION

The following steps are essential and they must be kept in mind while delegating:

1. The delegation should define the result expected from his subordinates.

2. Duties should be assigned according to the qualifications, experience and aptitude of the subordinates. They may be described either in terms of activity or set of activities to be performed by a subordinate or

   in terms of results that are expected from the performance of activities.

   For Example: How much sale is to be achieved by salesman? It is better to assign duties in terms of results expected, because the subordinate knows in advance the terms in which his performance will be judged, while assessing duties and responsibilities.

3. Adequate authority must be given to sub-ordinates – The authority to be delegated to each particular sub-ordinate is

determined in advance. The delegator confers upon the subordinate the right to act in a specified way within limited boundaries.

For Example: A sales manager, charged with the responsibility of increasing sales of company's product should be given authority to hire competent salesmen, pay wages and incentives, allow concessions, within specified limits.

4. The subordinate must produce expected results from the task assigned to him – It is obligatory on the part of the subordinate that he must give satisfactory performance from the tasks assigned. He becomes answerable for the proper performance of the assigned duties and for the exercise of the delegated authority.

5. Proper Evaluation of the Performance must be made – In the end, information and control system must be established to check and evaluate the performance of the subordinates to whom authority has been delegated. Duties, authority and responsibility are the three interdependent essential steps in the process of delegation.

An executive according to *Louise A. Allen* can follow the undermentioned rules while delegating:

1. Established goals that are to be attained.

2. Define and enumerate the authority which the delegatee can exercise and the responsibility he is to shoulder.

3. Motivate the subordinate and provide him sufficient guidance. If necessary proper and adequate training should also be given to the delegatee before authority is delegated to him.

4. Ask for the completed work. In between if any help is needed by the delegatee he should be provided with such

help either directly through someone who knows the work and is writing of help.

5. Establish an adequate control so as to supervise and provide necessary guidance.

MERITS OF DELEGATION

(i) *It avoids wastage of time:* Present-day management is a complicated process. A manager has to perform various functions as a matter of routine work. It is not possible for him to give proper attention to all matters coming to him.

(ii) *It helps in training the new incumbents:* The lower units that use the delegated power, get a spontaneous feel of their future responsibility. They become aware of the works at the higher level to which they may be promoted.

(iii) *It avoids over-work*: Delegation shifts some portions of the responsibility and work from the shoulders of the manager. To quote Beach : "The over worked manager who learns the art of delegation, is at one and the same time able to relieve himself of some of his burden, increase the competence of his men, and raise the level of accomplishment of his unit.

(iv) *It develops increased sense of responsibility*: Delegation generates an increased sense of responsibility in the subordinate personnel. It also increases their working capacity and helps in enhancing their unspotted caliber which could be helpful for management.

DIFFICULTIES IN DELEGATION

There is a fear aspect in delegation which plays a dominant role in a decision as to "what to delegate" and "to whom to delegate". Executive knows for certain that once authority

is delegated they will loose the grip over their subordinates and also control over the operations. It is natural that the executives may not like to lose either the grip or control over the operation. But the important psychology is that by their nature executives have no confidence in their subordinates.

From the above discussion we may come to a conclusion that there are three types of fears which discourage delegation and thus create difficulties in delegation. They are:

1. Fear of losing the grip and control over the operations;
2. Fear of not a better performance by the sub-ordinate to whom the authority may be delegated; and

3. Fear of better performance by the subordinate to whom the authority may be delegated.

The above difficulties arise out of –

(i) Luck of mutual confidence;

(ii) Non-existence of atmosphere of team-work;

(iii) Non independence in thinking and behaviour;

(iv) No proper and ambiguous definition of common goals to be achieved;

(v) No inter-exchange of ideas and suggestions;

(vi) No favourable management climate;

(vii) Existence of element of fear and frustration ; and

(viii) Incapable hands manning the executive positions.

MEANING OF DECENTRALISATION

Decentralization is a word that we frequently hear take about by political leaders and business managers. Many of them view decentralization as a

panacea or a magical device that will compensate for poor management, encourage participation, increase efficiency, and raise morale. Most people do not have a clear view of what decentralization is and, as often as not when an organization is having "decentralization", it is for the wrong reasons and in the wrong way the term is understood and used.

Earnest Dale mentions four criteria to measure the extent of decentralization in an organization. He states that whenever decentralization is greater.

1 The greater is the number of decisions made at lower levels;

2 The more important are the decisions made lower levels;

3 The more is the number of areas in which decisions can be made at lower levels; and

4 The fewer are the people to be consulted the less is the checking required on the decisions made at the lower levels.

Essential Characteristics of Decentralization

The essential characteristics of decentralization are :

(i) Decentralization not the same thing as delegation – It is something more than delegation. Delegation means demi-transfer of responsibility and authority from one individual to another. But decentralization means scattering of authority throughout the organization. It is the diffusion of authority within the entire enterprise.

(ii) Decentralization is distinct from dispersion – Decentralizing is often confused with the separation of physical facilities which is not

correct. Dispersion occurs when plants and offices are located at different places with physical distance between them. Performance of work in dispersed plants and offices does not necessarily lead to decentralization.

(iii)   Decentralization is not a type of organization. Some people believe that a company can decentralize by changing its organizational structure. This is not true. Decentralization may be achieved even without changing the organizational structure as it refers primarily to the systematic delegation authority throughout the organization industries in which markets are less uncertain, production processes technologically less dynamic and competitive relationships more stable, tend to become more centralized.

Gauging the Degree of Decentralization

How decentralized a particular organization is? There are no hard and fast rules, but the following guidelines may be used to test the degree of decentralization in a company:

•   The narrower the breadth of the control imposed on managers, the greater the decentralization : Thus, a company in which each product-division manager simply has to report once or twice a year on the rate of return his division has earned on its investment is more decentralized. production, marketing, and personnel decisions are monitored is less decentralized;

•   The greater the discretion permitted by the company's policies, procedures and rules, the greater the decentralization;

•   The greater the breadth of decision in terms of the number of functions they cover, the more the decentralization. Thus, the company in which division managers are authorized to take production, marketing and personnel decisions is more decentralized than one in which the managers can take only production and personnel decisions;

•   The less a subordinate has to check with his superior before taking decisions, the greater is the degree of decentralization – Thus, a company in which a manager does not have to check at all with his superior is more decentralized than one in which the manager must get

most of his decisions approved beforehand;

- The closer the level to which the decision is made in the relation to the point where the problem arise, the greater the decentralization – Suppose a customer in Maharashtra has a problem, and the western division manager is authorized to make the necessary decisions, then to that extent the company is more decentralized than if the boss in the New Delhi had to make the decisions; and

- The more important are the decisions that can be made at the lower levels, the greater the decentralization – For example, a company in which divisional managers can make equipment purchase decisions of up to Rs. 500,000 is more decentralized than one in which they are authorized to make these decisions up to a limit of Rs. 1,00,000.

Advantages of Decentralization
The merits of decentralization are listed below:

(iv)   It leads to a competitive climate in the organization.

(v)   It relieves the management of much workload;

(vi)   It makes jobs at the lower levels of the organization more attractive and interesting. As a result, the level of motivation of the employee increases;

(vii)   It encourages initiative at lower levels where the employees are allowed to participate in the decision-making process;

(viii)   Decision made closer to the actual situations is likely to be more realistic. Effective decisions are possible because of the speed and first-hand knowledge that decentralization provides.

Disadvantages of Decentralization

(ix)   It increases the administrative cost due to duplication of specialized services and the appointment of capable executives at lowerlevels;

(x)   It becomes difficult for top management to exercise control over what people at lower levels are doing or even to know what decisions they are taking;

(xi)   Emergency situations cannot be tackled properly in decentralized structure. Adjustment to changing conditions may be difficult; and

(xii)   It hampers uniformity in decision making and consistency of procedures.

DECENTRALISATION VS. DELEGATION

Though both delegation and decentralization are related concepts, but the distinction between   the   two   terms must   be   clearly understood.

Decentralization could be differentiated from delegation in the following way:

(i)   Delegation creates authority-responsibility relationship between a superior and his subordinates, whereas decentralization refers to the creation of semi-autonomous decision-making units or even profit centers functionally related to the top management. In other words, decentralization is diffusion of decision making authority throughout the multiple layers of the organization;

(ii)   Decentralization is simply not an extension of delegation. The purpose of delegation may be confined to relieve the excessive burden of key managerial personnel, but decentralization has a deeper meaning bordering on a new philosophy of organization and management;

(iii)   Delegation is a process whereby the superior assigns certain tasks and responsibilities within his control to his subordinates, immediately vests part of his decision-making authority in them and precisely it is an obligation from them for proper discharge

of authority conferred upon them and for effective performance in the area of delegated activity.

(iv) Delegation takes place between a superior and a subordinate and is a complete process. It may consist of certain tasks alone. But decentralization involves spreading out the total decision-making power throughout the organization.

(v) Sheer pressure of managerial workload forces managers to delegate a part of their burden to their subordinates, as a matter of necessary with few alternatives. Decentralization, on the other hand, could be only one of the options open to an enterprise out of several alternative ways of organizing expanding operations.

(vi) In case of delegation of authority, the diligent has directive responsibility in relation to his subordinates. But in a decentralized setting, direction is to a large extent substituted by control by the top management.

(vii) Delegation could be a routine administrative activity involving only managers and their subordinates while decentralization is a conscious and deliberate organizational action with strategy overtones, to manage growth and expansion under conditions of environmental pressures, challenges and opportunities.

SUMMARY

This lesson highlighted the concepts of authority, responsibility, accountability, power, delegation, centralization and decentralization. Authority being the sum of the powers and rights entrusted to make possible the performance of the work delegated.

According to Fayol, delegation of work permits reduction in the number of objects to which attention and effort must be directed and has been recognized as the best means of making use of individuals and group of people. Formal delegation is the delegation of authority as per the organizational structure. Whereas, informal

delegation of authority is through informal relations. The other type of delegation is bottom up or lateral delegation. It could also be general or specific delegation

Questions for practice.

Question. 1 What are the types of authority? What are the sources of authority?

Or what are important factors for successful use of authority in any organization?

Question 2. Distinguish between power and authority. Discuss the various sources of power.

Question 3. What do you mean by delegation of Authority? And also discuss the types and methods of delegation.

Question.4 Discuss in detail the principles of delegation.

Question.5 Explain the process of Delegation.

Question 6. In spite of its importance, why delegation fails in organizations

Question 7. What is meant by decentralization of authority? Distinguish between delegation and decentralization of authority? How would you decide the degree of decentralization?

- **Objectives**

- **Introduction of staffing**

- **Nature of staffing**

- **Objectives of Staffing**

- **Process of Staffing**

- **System Approach to Staffing**

- **Meaning and Definitions of Manpower Planning**

- **Process of Manpower Planning**

- **Importance of Manpower Planning**

- **Obstacles to Manpower Planning**

- **Introduction to Motivation Staffing**

- **Types of motivation**

- **Characteristics of Motivation**

- **Importance of Motivation**

- **Different Methods of Motivation**

- **Questions for Practice**

- **Answers to Self Help Exercise**

Objectives

The purpose of this chapter is to:
- Introduce the concept of staffing

- Discuss the objectives and relevance of staffing in an organization
- Understand the meaning and purpose of manpower planning in staffing process
- Gain knowledge on need of motivating staff in an organization.

Introduction of staffing

The foundation of any organization is the talented and hardworking people, who are the principal assets of any firm. It is an established fact that the growth of an organization requires the continual infusion of quality staff. Thus, adequate staffing or the provision for appropriate human resources is an essential requirement for any organization's success. It is, therefore, believed that an organization can achieve its objectives only when it has the right persons in the right positions.
After planning and selection of the organisation structure, the next step in the management process is to fill the various posts provided in the organization. This is termed as the staffing function of managment. In the simplest terms, staffing is 'putting people to jobs'. It begins with workforce planning and includes different other function like recruitment, selection, training, development, promotion, compensation and performance appraisal of work force. In other words, staffing is that part of the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied work force. Today, staffing may involve any combination of employees including daily wagers, consultants and contract employees. Staffing recognises the importance of every single person employed by an organisation as it is the individual worker, who is the ultimate performer.

Concept of staffing

Staffing has been described as the managerial function of filling and keeping filled the positions in the organisation structure. This is achieved by, first of all, identifying requirement of work force, followed by recruitment, selection, placement, promotion, appraisal and development of personnel, to fill the roles designed into the organisation structure.

Definitions of staffing

"Staffing can be defined as filling and keeping filled positions in the organisation structure."   -**Koontz and Weihrich**

"Staffing function is concerned with the placement, growth and development of all those members of the organisation whose function is to get things done through the efforts of other individuals."
- Theo Hainmann

"Staffing can be defined as the process of acquiring, deploying and retaining a workforce of sufficient quantity and quality to create positive impacts on the organisation's effectiveness." **-Heneman, Judge and Kammeyer-Mueller**

"Staffing is a process through which an organisation ensures that it has, on a continuous basis, the proper number of employees with the appropriate skills in the right jobs at the right times to achieve the organisation's objectives." **-Caruth, Caruth and Pane**
"The managerial function of staffing involves managing the organisation structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure." **- Koontz and O'Donnell**

Nature of staffing

1. Crucial function of management: Staffing is managerial function and is the most crucial function in any organization besides other managerial functions. Staffing is a management function that employs people in various positions to run the organization. When creating or organizing departments and positions, staffing ensures that people with desired skills and abilities occupy these positions to contribute to organizational goals.

2. People-Centered: Staffing is as people-centered function and is relevant for all types of organization. It is concerned with all categories of personnel from top to bottom of the organization. The broad classification of personnel in an organisation is:

i) Blue collar workers (those who work on the machines and are engaged in loading, unloading etc.) and white collar workers (clerical employees).

ii) Managerial and Non Managerial personal.

iii) Professionals (e.g. Chartered Accountant, Company Secretary, lawyer).

3. Staffing is a part of Human Resource Management: Staffing is an important part of human resource management in an organization. Human resource management ensures that competent people carry out organizational activities. It deals with the set of organizational activities that attract, develop and sustain an effective workforce. The requirements of human resource management are filled through staffing by placing right people at right jobs.

4. Efficient management of human resources: Through proper staffing procedure, human resources can be efficiently managed. A proper system of recruitment, selection, placement, training and development, providing remuneration, etc. results in efficient use of human capital, high employee satisfaction and lower rates of turnover and absenteeism.

5. Facilitates right person at the right job: Justified recruitment procedures and selection process results in the placement of right people at the right job. The person having suitable qualification as per job requirements would be selected in the organisation.

6.Pervasive function: Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. As staffing function is carried out by all managers and in all types of concerns where business activities are carried out, staffing is a pervasive function of management.

7. Continuous Function: Staffing is a continuous managerial function. People keep leaving and joining the organisations. Departments and organisations grow and, therefore, need for people keeps arising. Hiring, training and compensating people (staffing) are, therefore, continuously performed by managers.

Objectives of Staffing

1. Needs Assessment: An objective of staffing is to be effective in determining the specific manpower needs of the business. This may vary according to requirements of internal and external environment of business. Staffing managers are responsible for continually assessing the employment needs of the business as it changes.

2. Determining the source of Recruitment of Employees: An important purpose of staffing function is to determine the sources of recruitment of the prospective employees to fill up the vacant positions in an organization. Organisation can use internal and external sources of recruitment.

3. Proper allocation of jobs: Staffing is also done to appoint deserving candidates at the right job, at the right time and to allocate the jobs among the employees properly according to their ability, talent, aptitude and specializations.

4. Performance appraisal of the Employees: Another objective of staffing is to evaluate the performance of each and every employee in an organisation. Performance appraisal is vital and important purpose of staffing as it would increase overall performance of the organization.

5. Training to employees: Another purpose of staffing is to provide training to new and existing employees of an organisation. In this, new employees are introduced with its organisation's culture and employees are given training related to skills as well as education regarding a company's policies and procedures. Staffing managers must assure that employees have full understanding of their job duties. Ongoing training is a necessary for the purpose of employee development and to enhance workplace productivity.

6. Building skills: Staffing is done to build the skills of employees. When workers perform the same tasks repeatedly, their morale declines because they do not feel challenged. Scheduling employees for responsibilities outside of their comfort zone enables them to grow, learn and maintain interest in their jobs. It also benefits management by enabling a company to be able to draw on more employees qualified to perform broader range of tasks.

7. Retention of Workforce: Developing an effective staffing system can help your business retain the employees over the long period of time. Proper staffing includes opportunities for advancement, increased earning potential, motivation, employee incentive programs and morale boosters which help in retention of employees and reducing labour turnover.

Process of Staffing

Now, the process of Staffing can be explained in the following ways as follows-

1. **Manpower Planning**: Manpower planning can be regarded as the quantitative and qualitative measurement of labour force required in an enterprise. Operationally, understanding the manpower requirements would necessitate workload analysis on the one hand and workforce analysis on the other. Workload analysis would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives. Workforce analysis would reveal the number and type available. In fact such an

exercise would reveal whether we are understaffed, overstaffed or optimally staffed. It may be pointed out that neither over-staffing nor under-staffing is a desirable situation.

2. **Recruitment**: Once the requirement is evaluated, the next step involves the searching of prospective persons that are eligible for the job and inviting applicants to apply for the positions. In this process, the employer advertises about the openings in the organisation through various media, which makes it easy for the applicants to get to know about the job vacancy and the required skills.

3. **Selection**: The selection process helps in screening the employees and identifying the deserving candidate who will be suitable for a specified job. Therefore, it can be said that the main objective of selection is to identify the right employee for the right job. Even in case of highly specialised jobs where the choice space is very narrow, the rigour of the selection process serves two important purposes: (i) it ensures that the organisation gets the best among the available, and (ii) it enhances the self-esteem and prestige of those selected and conveys to them the seriousness with which the things are done in the organisation. The rigour involves a host of tests and interviews. Those who are able to successfully negotiate the test and the interviews are offered an employment contract, a written document containing the offer of employment, the terms and conditions and the date of joining.

4. **Placement and orientation**: Placement involves putting the selected man at the right place considering his aptitude and ability. It is the actual posting of an employee to a particular job for which he/she has been chosen.

Orientation is also known as induction. It means introducing the newly selected employee i.e. to various facets of the company his job, other jobs, nature of products, policies, rules and existing employees etc. It aims at inducting new employees into the organisation smoothly.

5. **Training and development**: After selection of an employee, the important part of the programmed is to provide training to the new employee. The term training implies a systematic procedure of imparting knowledge and skills for a specific job. It benefits both the enterprise & the employee. Training increases the skills and abilities of employees to perform specific jobs.

Development refers to the learning opportunities designed to help employees grow. It covers not only those activities which improve job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualisation of their potential capacities so that they become not only good employees but better men and women.

6. **Performance Appraisal:** At this step, the capability of the employee is judged and for that, his actual work performance is compared with the work assigned to him. If the results are unfavourable, he is again given training and after that also if results are again unfavourable, the employee is put on some other work.

7. **Promotion and career planning:** It becomes necessary for all organisations to address career related issues and promotional avenues for their employees. Managers need to design activities to serve employees' long-term interests also. They must encourage employees to grow and realise their full potential. Promotions are an integral part of people's career. They refer to being placed in positions of increased responsibility. They usually mean more pay, responsibility and job satisfaction.

8. **Compensation:** All organisations need to establish wage and salary plans for their employees. There are various ways to prepare different pay plans depending on the worth of the job. Basically the price of the job needs to be determined. Compensation, therefore, refers to all forms of pay or rewards going to employees. It may be in the form of direct financial payments like wages, salaries, incentives, commissions and bonuses and indirect payments like employer paid insurance and vacations

SELF HELP EXERCISE:

1) **Define staffing.**

2) **Who are blue collar workers.**

System Approach to Staffing
Staffing is the process of obtaining and maintaining capable and competent candidates to fill all the positions from the top level to the subordinate levels. System approach to staffing considers every organisation as a system wherein all the functions are interrelated and integrated with each other. It employs an open system approach where process of staffing starts with developing enterprise and organisational plans. In order to accomplish those plans, need for manpower at present and future is assessed by comparing required forecasted manpower and already existing manpower inventory in the organisation. This manpower need is fulfilled through recruitment, selection, placement and promotion. Then as per requirement, they are provided training and development. After this, performance of each and every employee is evaluated called performance appraisal. Staffing gives life to the organisation and influences leading and controlling. All the functions in system approach of staffing are performed internally within the organisation but linking it with external environment.

Aspects in the System Approach to Staffing
System approach to staffing includes different aspects and detail of every aspect is mentioned below.

1. Enterprise Plans: The initial step in this approach of staffing is to frame enterprise plans i.e. plans for the entire organisation as a whole. They are developed by top level management and includes mission, purpose of the whole enterprise. Examples of enterprise plan include change in technology or business process or adding new production line, etc

2. Organisation Plans: On the basis of enterprise plans, organisation plans are framed. These objectives and plans are developed on the functional level i.e. plans for different departments. The head of HR department identifies what kind of people are required at different functional levels on the basis of age, qualification, experience, background, etc. to meet enterprise plans.

3. Number and kind of managers required: Here, number for managers required at different level of management to accomplish organisation plans are assessed. It does not only include the number of managers, but also kind and quality of managers i.e. their qualification, experience, skills, etc. In other words, in this aspect, company examine, evaluate and forecast the type of manager workforce they want to accomplish organisation plans. Number of managers required depends upon factors like size and complexity of organisation, plans for expansion, rate of turnover, etc.
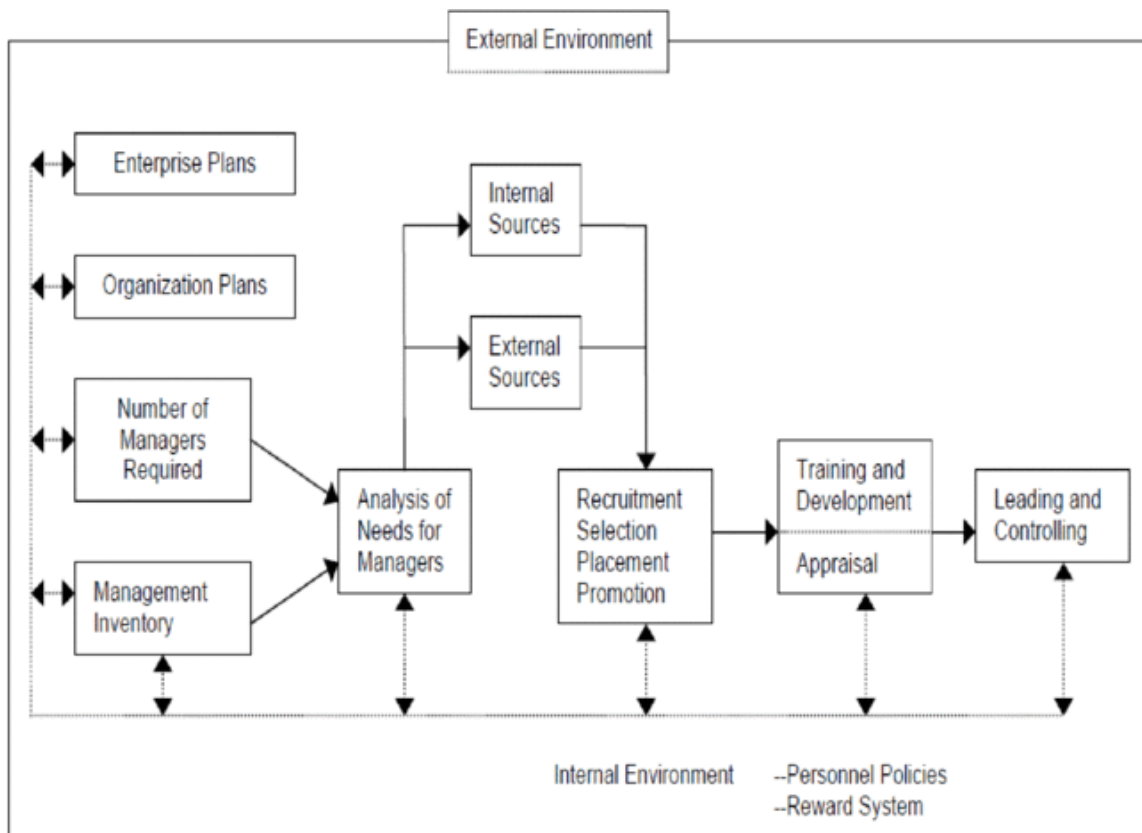

Figure 1: System Approach to staffing

4. Manager inventory: After assessing manager requirement, managers already working in the organisation with required skills, experience and qualification who are appropriate to fill vacant positions are counted. Manpower available with the company considering their present and potential talent are assessed. It is done because it is always better to fill vacant position in the organisation by already existing manpower inventory as this will reduce cost of recruitment.

5. Analysis of needs for managers: Comparing forecasted manpower requirement and already existing manager inventory will reveal the gaps in terms of number and quality of managers. This is also called manpower gap and is done to avoid the situation of over or under staffing. This comparison would lead to net managers needed to be hired from internal and outside sources
.
6. Recruitment: After analysing need for managers, recruitment process is started. Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organization. Recruiting involves attracting candidate to fill the positions in the organization

structure. Before recruiting, the requirement of positions must be cleared identified.

Sources of recruitment: It refers to various modes of connecting with the job seeker for completing the task of finding potential employees. In simple words, it is the medium through which communication regarding the vacant positions is made aware to the prospective candidates. There are generally recognised two sources of recruitment, which are internal and external sources.

a) **Internal Sources -**Internal sources of recruitment refers to the recruitment of employees who are already a part of the existing payroll of the organisation. The vacancy for the position can be informed to the employee through internal communication. There are different types of internal hiring in the organisation and they are as follows:

(i) Promotion: Promotion is referred to as the change of designation of the employee. It involves shifting of the existing employee to a higher position within the organisation and providing that employee with more responsibility and a raise in pay. Promotion helps in motivating the other employees of the organisation to work hard so that they also become eligible for promotion.

(ii) Transfer: Transfer refers to the shifting of an existing employee from one department to another department in an organisation.

b) **External Sources -** External sources of recruitment seek to employ candidates that have not been recruited anytime before in the organisation. Introduction of fresh talent among the workforce leads to growth and development of the business. Following are the some of the external sources of recruitment:

(i) Advertisement: Advertisements serve as a great source of information regarding any job opportunities. This type of source is used for recruitment of middle level employees, or high level employees.

(ii) Employment Exchanges: Employment exchanges serve as a source of recruitment for the people as it is run by the government.

(iii) Employment portals: In this age of technology, development in the field of hiring has taken place. Nowadays many employment portals are open where one can find information about job openings.

(iv) Educational Institutions: Educational institutions also serve as a good source of recruitment as many students or say resources will be available at once under one roof.

(v) Recommendation: This can also be a good source of recruitment as an existing employee will be able to provide better recommendation for other candidates.

7. Selection: Selection is a process of eliminating those who appear unpromising. The purpose of this selection process is to determine whether a candidate is suitable for employment in the organization or not. It helps in screening the employees and identifying the deserving candidate who will be

suitable for a specified job. Therefore, it can be said that the main objective of selection is to identify the right employee for the right job.

8. Placement: Once screening takes place, the appointed candidates are made familiar to the work units and work environment through the orientation programmes. Placement means putting the person on the job for which he is selected. It takes place by putting right man on the right job and includes introducing the employee to his job.

9. Promotion: It becomes necessary for all organisations to address career related issues and promotional avenues for their employees. Managers need to design activities to serve employees' long-term interests also. They must encourage employees to grow and realise their full potential. Promotions are an integral part of people's career. They refer to being placed in positions of increased responsibility. They usually mean more pay, responsibility and job satisfaction.

10. Training and development: Training and Development is an attempt to improve the current or future employee performance by increasing an employee's ability to perform. through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. Training is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. It is a process of learning new skills and application of knowledge. It attempts to improve their performance on the current job or prepare them for any intended job.

Development refers to the learning opportunities designed to help employees grow. It covers not only those activities which improve job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualisation of their potential capacities so that they become not only good employees but better men and women

11. Performance Appraisal: After the employees have undergone a period of training and they have been on the job for some time, there is a need to evaluate their performance. All organisations have some formal or informal means of appraising their employee's performance. Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. The employee is expected to know what the standards are and the superior is to provide the employee feedback on his/her performance. The performance appraisal process, therefore, will include defining the job, appraising performance and providing feedback.

12. Leading and controlling: After all these functions are performed in this process, leading and controlling by the employers is must for proper implementation of staffing function. Staffing influences leading and controlling as latter is dependent on the kind of people selected and placed in the vacant position. More experienced and qualified employees need less leading and controlling as compared to less experienced and qualified ones.

13. Internal environment: According to system approach to staffing, all those above mentioned functions are performed in the internal environment of the organisation. Internal factors of staffing includes personnel policies, organisational climate, reward system, etc. These internal factors are in the control of management of the organisation and can be framed as per its requirement.

14. External environment: Business organisations don't work in isolation. They need to link

internal environment with the external environment. External environment of organisation can be grouped into educational, social cultural, legal political and economic opportunities. External factors include well trained and educated managers, highly skilled managers. Ignorance of external factors may keep away an enterprise to survive and grow in this competitive environment. So, managers need to match internal environment policies according to external factors.

Meaning and Definitions of Manpower Planning

Manpower Planning which is also called as Human Resource Planning is the starting point in staffing function. It consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. Manpower planning is the process of estimating the optimum number of people required for completing a project, task or a goal within time.

"Human resource or manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation." **– Coleman**

"Manpower planning is defined as strategy for the acquisition, utilisation, improvement, and preservation of an enterprise's human resources. It relates to establishing job specifications or the quantitative requirements of jobs determining the number of personnel required and developing sources of manpower." **– Stainer**

Process of Manpower Planning

Manpower planning is a process and it proceeds through various interrelated activities. The process of manpower planning is explained below:

1. **Organizational Objectives and Plans**: The starting point of any activity in an organization/enterprise is its objective which originates of various plans and policies that provide direction for future course of action. Depending upon these directions, various subsystems of the enterprise devise their own plans and programmes. In this way each sub system's plans and programmes are linked to the principal organizational plan and policies. This is true even in case of manpower planning too. Therefore, organizational policies should be identified and incorporated in manpower planning process. Specifically the following questions are considered in this regard:

   a) Are the identified vacancies to be filled by promotion from within or from outside?

   b) How do the development and training objectives interface with the objectives of manpower planning?

c) What are the constraints encountered in manpower planning what policies are required to handle with these constraints?

d) Should the routine and boring jobs continue or be eliminated i.e. how to enrich employee's job?

e) What are the ways and means to decrease the size of organizations in order to fight the existing competition?

f) To what extent automation can be adopted in case of production and other operations?

g) What are the ways and means of ensuring continuous availability of adaptive and flexible work force?

2. **Forecasting of Manpower Requirement:** Predicting the future requirement of manpower is the most important and difficult step of the manpower planning process. Companies must examine, evaluate and forecast the type of employee workforce they want in the future years. On the basis of this knowledge, the employment program is prepared and the decision is made whether the employee recruited should be higher as full-time employees or part-time employees and where to seek employees with the required skill set. In order to make the right prediction, the human resource manager should have the knowledge of future trends, technological skills requirements in the future, etc. The Manpower forecasting techniques commonly employed by the organizations are as follows:

   a) **Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.

   b) **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).

   c) **Work Load Analysis:** It is dependent upon the nature of work load in a department, in a branch or in a division.

   d) **Work Force Analysis:** Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.

   e) **Other methods:** Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

3. **Preparation of Manpower Inventory:** The HR department has to thoroughly understand the manpower available with the company. It is not simply a head count of existing staff but cataloguing of their present and potential talent. The number, skill set, levels, background, qualification, work experience, job history, date of recruitment, potential for developing etc. of the entire work force are analysed so that they have a good idea regarding the pool of talent which the company has. Such a management inventory or skills inventory would reveal the status of available managerial talent and undeveloped potential if any. This would be helpful in preparing selection and training programmes for future. Current manpower can be evaluated according to age groups, skill, level, potential wise and cost effectiveness.

4. **Identification of Manpower Gap**: Comparison between manpower inventory and manpower forecast will reveal the gaps in terms of number and quality of personnel. The difference between manpower required at a particular time and the personnel being available at that time is known as manpower gap. The gap should be measured in respect of various types of personnel because mere aggregate quantitative gap would not serve much purpose. Basically this gap may be of two types: surplus human resources and shortage of human resources. Different action plans that are needed to deal with surplus human resources include voluntary retirement scheme, lay off, reduced work hours etc. as the case may be and as permitted by legal requirements. Shortage of human resources can be met by making additional recruitment and selection, developing personnel as well as motivating and integrating them with the organization.

5. **Action Plans:** Various action plans are devised to bridge the human resources gap. The surplus or shortage of human resources is normally due to improper manpower planning or due to changes in organizational plans, such as divestment of business or closing down some businesses. Therefore, action plans may be devised to prune their size through voluntary retirement scheme, lay off, reduced work hours etc. Similarly, in case of shortages of human resources, action plans may be devised to recruit additional personnel as discussed above.

Importance of Manpower Planning

Manpower planning is of primacy nature and precedes all other staffing functions. Without manpower planning, no other functions can be undertaken in meaningful way. In particular, manpower planning contributes in the following ways in managing human resources in an organisation:

1. **Determine** future personnel need: Manpower planning defines future personnel need and this becomes the basis of recruiting and developing personnel. In its absence, there is likelihood of mismatch between personnel needed and personnel available. Lack of systematic manpower planning may result into large scale overstaffing in business organisations.

2. **Key to managerial functions:** The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, manpower planning is necessary to

carry on all managerial functions.

3. **Coping with changes:** Business environment is dynamic and keeps on changing due to liberalised economy, global competition, increase in global trade, etc. every organisation try to survive this competitive environment on the basis of technology and managerial talents. They need to adopt formal and meticulous manpower planning to create the balance between manpower needs and availability and to avoid surplus or shortage of staff.

4. **Helps to Enhance Productivity:** Many companies through effective [manpower planning process](#) hire and train their employees to perform optimally in various positions. It enables an organization not only to hire the needed staff but provide adequate training that will enhance their skills for the job. Optimum utilisation of manpower would lead to high productivity as company will no longer experience wastage of time, money and other resources.

5. **Provide base for developing talents**: Jobs are becoming more and more knowledge -oriented. This has resulted into changed profile of manpower. Because of increasing emphasis on knowledge, there is shortage of certain category of personnel and there are frequent movements of personnel from one organisation to another. Thus the organisation must be ready to face such eventuality by taking proper manpower planning.

6. **To Make the Programmes of Employees Development:**Manpower Planning helps in estimating the needs of working force for the future. It also helps in determining the abilities of the employees to be recruited in the future and to estimate requirement of providing training to them. Effective programmes may be prepared on the basis of Manpower Planning for the development of employees.

7. **Reduction in Cost of Production:**Manpower planning helps in recruitment of best possible workers and employees. It reduces the rate of labour turnover and minimises the wastages of the enterprise. This results in maximum exploitation of the resources of enterprise leading to high productivity and low cost of production.

8. **Forcing top management to involve in staffing:** Systematic manpower planning forces top management of an organisation to participate actively in total staffing functions, an area that has been neglected by most of the companies. If there will be active involvement of top management in the preparation of human resource plans, it is expected to appreciate the real value of human resources in achieving organisational effectiveness.

Obstacles to Manpower Planning

Organisations may face following obstacles while performing function of manpower planning:

1. Under Utilization of Manpower: The biggest obstacle in case of manpower planning is the fact that the industries in general are not making optimum use of their manpower. Underutilised

manpower increases the cost for an organisation.

2. Degree of employee turnover: There could be various reasons for employee absenteism and turnover which is difficult to forecast. It is harder to identify or forecast the death of an employee or an illness. Developing manpower plan considering accurate forecast of employee turnover is difficult. Therefore, ensuring that the employee turnover does not impact the manpower is the biggest dilemma.

3. Estimation of Accuracy of Forecasts: Manpower planning includes forecasting the demand and supply of human resources. In this way the effectiveness of planning is conditional as it depends upon the accuracy of forecasts. In case the forecasts are not accurate, this would hamper process of manpower planning.

4. Lack of Support of Top Management: Manpower planning needs full and whole hearted support from the top management. Without their support and commitment, it would not be possible to properly implement process of manpower planning. So, cooperation and support from top management is necessary for the success of the manpower planning.

5. Expensive and Time Consuming: Manpower planning is expensive as well as time consuming process. This process requires lot of time and money and is based on future forecasts. Also, employers may resist manpower planning which may tend to increase the cost of manpower.

6. Resistance from Employees: A common observation is that employees and trade unions resist manpower planning. They fear that this planning will enhance their overall workload and would lead to widespread unemployment, especially of unskilled labour.

7. Uncertainties: In view of the rapid changes in the environment, there are a great number of uncertainties like absenteeism, turnover, technological changes, market fluctuations which are faced by organisations. These uncertainties work as constraints to manpower planning and reduce its effectiveness.

8. Management Information System: Effectiveness of planning depends upon the reliability of the information system. In most of the Indian industries, human resource information system has not fully developed. In view of the lack of reliable data, it would not be possible to have effective manpower planning.

9. Unbalanced Approach: It is said that most of the human resource experts have unbalanced approach. The reason is they give more importance on the quantitative aspect of manpower only. They do it to ensure that there is adequate flow of people in and out of the organisation. They overlook the qualitative aspects like career development and planning, skill levels, morale, etc. Such unbalanced approach affects the effectiveness of manpower planning.

Introduction to Motivation
The biggest challenge faced by the organisations is to get the work done by their employees. This entirely depends on the motivation levels of the employees. Their motivation is a result of their needs and organisational expectations. If the employees are adequately motivated, the organisation

will be able to meet its objectives.

The term 'motivation' is derived from a latin word movere which means to move. A motive is an inner state that encourages, activates or moves and that directs behaviour towards goals. Thus, motivation is psychological force within an individual that sets him in motion for the achievement of certain goals or satisfaction of certain needs.

Motives are somewhere a reflection of human needs. E.g. A factory worker knows if he will complete his work on time, he will be rewarded with a bonus or some kind of financial incentive which can be spent. Thus, here we can understand that needs are physiological and psychological drives. On the other hand, drives for which an individual has money and wants to spend become wants. The factors which are utilised for satisfying or motivating people are called incentives.

SELF HELP EXERCISE:

3) **What is manpower planning?**

4) **Write any two obstacles of manpower planning.**

5) **Write any two features of motivation.**

Definition of Motivation

Several authors have defined motivation in different ways.

"Motivation is the complex set of forces starting and keeping a person at work in an organization."
- Robert Dublin

"Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to march in a goal-directed pattern, towards restoring a state of equilibrium by satisfying the need." **- Stanley Vance**

Types of motivation

The two types of motivation are intrinsic motivation and extrinsic motivation.

1. Intrinsic motivation: Intrinsic motivation can arise from the self-generated factors that influence people's behaviour. It is not created by external incentives. It can take the form of motivation by the work itself when individuals feel that their work is important, interesting and challenging and provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.

2. Extrinsic motivation: Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but will not necessarily last long. The intrinsic motivators, which are concerned with the 'quality of working life' (a phrase and movement that emerged from this concept), are likely to have a deeper and longer-term effect because they are inherent in individuals and their work and not imposed from outside in such forms as incentive pay.

Characteristics of Motivation

1. Psychological process: Motivation is a psychological process. It is the process to achieve a desired result by stimulating and influencing the behaviour of subordinates. A manager should carefully make an attempt to understand the needs, motives and desires of every employee in the organization. The reason for this is that each person is different and a same kind of motivational technique does not apply to all kinds of individuals.

2. Continuous process: Motivation is a continuous process. When one need is satisfies, another need emerges. Therefore, motivation is an incessant process until the completion of objectives. Therefore, it is the responsibility of the management to develop innovative techniques, systems and methods to satisfy the changing needs of workers.

3. Complex and unpredictable: Motivation is a complex and unpredictable task. Human wants are not definite and they change according to consequences. A worker may be satisfied in present situation but due to his changed needs he may not be satisfied in future. Similarly, even two persons may not be motivated with similar behaviour and facilities. Therefore, a manager must be more conscious to motivate subordinates and to achieve objectives

4. Pervasive function: Motivation is the pervasive function of all levels of management. Every manager from top to the lowest level in the management hierarchy is responsible for motivation. A manager is largely responsible for motivating his subordinates and secondly other subordinates in management hierarchy.

5. Influences the behaviour: The most important objective of motivation is to influence the employees' behaviour and thus bringing about the behavioural changes. The managers influence the behaviour of workers and encourage them to concentrate more on their goals.

6. Positive or negative: Motivation may be positive or negative. A positive motivation promises incentives and rewards to workers. Incentives are both financial and non financial. Negative motivation is based on punishment for poor performance like reducing wages, demotion, job termination etc. On the basis of requirements, manager can use both positive and negative motivation for better performance.

Importance of Motivation

Motivating the subordinates is the fundamental duty of the manager as it ultimately helps in fulfilling the goals of the organisation. The significance of motivation is discussed below:
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
.
Different Methods of Motivation

Organisations have evolved different techniques of motivating their employees which have been generally classified into financial and non-financial incentives. An incentive is something that stimulates a person towards some goals. It stimulates human needs and generates the desire to perform. Therefore, an incentive is a method of motivating employees. Incentives are directly linked to increase performance in companies.

Financial Incentives are the ones which are linked with money. Examples of financial incentives are wages and salaries, commission, bonus, stock options. On the other hand, non-financial incentives are those which are not related with money. Examples of non-financial incentives are status, praise, recognition.

Table 8.1: Classification of Incentives used by organisations

Financial Incentives	Non-financial Incentives
Pay and allowances	Status
Bonus	Praise
Profit sharing	Group Incentives
Commission	Participation & Involvement
Performance related Incentives	Opportunity for Growth
Stock Options	Suggestion System

(b) **Financial Incentives:** Financial incentives also known as monetary incentives are needed for meeting the basic needs of the employees. The usual incentives given to employees are discussed below:

1. Pay and Allowances: Pay and allowances include salary and allowances in form of dearness allowance, house rent allowance, etc. Salaries differ from company to company whereas allowances are dependent on various factors like inflation. Some organisations offer a compensation including both salary and allowances while some provide a consolidated salary.

2. Bonus: Some organisations have a tendency to distribute bonus to the employees. Minimum bonus limit is 8.33% of salary or wages in India under the Payment of Bonus Act, 1965.

3. Profit Sharing: Under profit sharing scheme, the employees are given a certain share in the profits of the company when the profits increase beyond a given limit. This conduct of the

management induces the workers to perform more hard to gain their share of company's profits.

4. Commission: Commission is the variable part of compensation. This is generally given as a percentage of sales to the sales personnel as per their contribution to the sales. The commission rate varies from organisation to organisation.

5. Performance linked incentives: Organisations also provide salary/wages linked incentives where the amount of incentive is associated with the performance of the employee.

6. Stock options: There are many companies which offer this kind of financial incentives. The stock options give employees the right to purchase company's shares at a future date on a predetermined price. The companies offer shares in lieu of profits to the employees which make them co-owners of the companies and hence a higher sense of belongingness in the organisation.

b) Non-Financial Incentives: Employees cannot be always be satisfied by financial needs. The management also uses non-financial incentives to motivate the employees. These are explained as follows:

1. Status: Status means rank in the society. It is also applicable in organisational structure whereby the individuals are given designations or positions as per their abilities, skills and experience. This is a way of promotion which provides motivation to the employees.

2. Praise: Praise is more effective than any other incentive. However, this incentive should be used with great care because praising an incompetent worker would create resentment among competent workers. Of course, a pat on the back of an incompetent worker may act as an incentive to him for improvement.

3. Group Incentives: At times, group incentives act as more effective than individual incentives to motivate the employees. Particularly, when the prestige or even existence of a group is at stake, the group members work with a team spirit. This result in high morale and sequentially, increases in its productivity.

4. Participation & Involvement: Involving workers to participate in management gives worker's a psychological satisfaction that their voices are also heard. This imbibes a sense of importance among the workers.

5. Opportunity for Growth: When the employees are provided proper opportunities for growth and career advancement and opportunity to develop their personality, they feel motivated and become more committed to the organizational goals.

6. Suggestion System: Many organizations which use the suggestion system make use of cash awards for useful suggestions. Sometimes, they publish the workers name with his photograph in the company's magazine or newsletter. This motivates the workers to be in search for something which can be of greater use to the organization.

Questions for Practice

1. Discuss the obstacles that hinder the way of manpower planning in the organisations.

2. What are the different kinds of financial and non-financial incentives given by companies?

3. 'No organisation can be successful unless it fills and keeps the various positions filled with the right kind of people for the right job.' Elucidate.

4. What do you mean by system approach to staffing? Explain in detail.

5. 'Manpower planning is of primacy nature preceding all other staffing functions and without it, no other functions can be undertaken in meaningful way.' Justify.

ANSWERS TO SELF HELP EXERCISE:
1)Define staffing.

Ans. Staffing can be defined as the process of acquiring, deploying and retaining a workforce of sufficient quantity and quality to create positive impacts on the organisation's effectiveness.

2)Who are blue collar workers.

Ans. Blue collar workers (those who work on the machines and are engaged in loading, unloading etc.) and white collar workers (clerical employees).

3)What is manpower planning?
Ans.Human resource or manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation.
4)Write any two obstacles of manpower planning.
Ans. a) Under Utilization of Manpower
        b) Degree of employee turnover
5)Write any two features of motivation.
Ans. a) Psychological Process
        b)Continous Process

DIRECTING

- **Introduction of Directing**
- **Elements of Directing**
- **Characteristics of Directing**
   Principles of Directing
- **Importance of Directing**
- **Introduction of Supervision**
- **Roles of a Supervisor**
- **Functions of a Supervisor**
- **Qualities/skills of good Supervision**
- **Types of Directing and Supervisory techniques**
- **Questions for Practice**

Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall.

-Stephen Covey

Learning Outcomes

- Basic concepts of directing-features, elements.
- Basic concepts of supervision- types, characteristics.
- Techniques of directing and supervision.

Introduction:

Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. After planning has been done, organization has been set up and adequately and appropriately staffed; the next step is that organization collectively progresses towards achieving its objectives. Planning, organizing and staffing lay down the foundation, but directing is the function through which action is initiated for achieving the targets of an organization. Thus, it is the execution stage where actual work starts. It is also called the actuating function of management as it is through direction through which the operation of an enterprise actually starts.

Just like a film director directs the actors in the movie and supporting staff as to how they should act in order to produce a good film, in the same way managers assume the responsibility of directing their subordinates as to how they should do work for achieving organizational objectives. Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently.

<u>DEFINITIONS</u>
A few definitions of direction given by eminent authors will be helpful in understanding its meaning clearly.

"Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed."
—**Joseph Massie**

"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." —**Koontz and O'Donnell**

"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. "—**Ernest Dale**

"Direction is the sum total of managerial efforts that are applied for guiding and inspiring the working terms to make better accomplishments in the organization. " —**S.S. Chatterjee**

Thus, in simple words:

- Directing initiates action in the organization according to certain predefined standards, rules and regulations.

- It is concerned with the mobilization of the human efforts and human resources to achieve certain goals in a definite time.
- Directing implies issuing orders and instructions along with constant guide and support superior offers to his/her subordinate.

- The top-management gives broad directions to the middle-level managers who in turn give specific directions to lower-level management.

ELEMENTS OF DIRECTING

ELEMENTS OF

DIRECTING

| COMMUNICATION | SUPERVISION | MOTIVATION | LEADERSHIP |
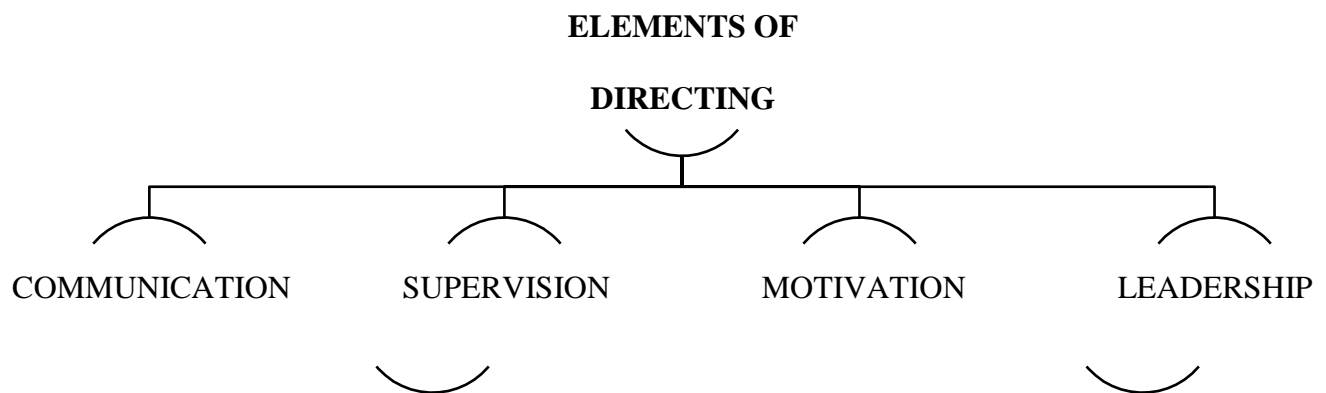
Directing as a management function comprises the following elements.

- Communication
- Supervision
- Motivation
- Leadership

The following is brief explanation of these four primary elements of directing.

- **Communication:** It is the process by which a piece of information is transferred from one person to another in an organization. The person who conveys the information is known as the sender and the one to whom the information is conveyed is known as the receiver. Communication can always be two sided, where the flow of information is from supervisor to subordinates and vice versa. When the flow of communication is from superior to subordinates, as in case of stating performance of the employees and ways to improve them, is downward communication. In contrast when the flow of communication is from subordinates to superior, as in case of communicating subordinates grievance, reports, etc., is upward communication.

- **Supervision:** This is the next step after information is conveyed to subordinates and they have indicated that they have understood the same. It implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers. Managers act as supervisors and they ensure that the work is going as per their instructions. It is the duty of a supervisor to make sure that all instructions are properly followed and the subordinates are doing as they are instructed. Supervisors act as problem solvers of the subordinates regarding any issues with the instructions or the process.

- **Motivation:** It is one of the key elements of directing. Mere issuing orders does not guarantee results. For getting the desired outcome, the employees need to be motivated by the managers which leads to the task being completed efficiently. Motivation is a force that makes an individual perform to the best of his abilities in order to complete a set of tasks or instructions. This motivation can either be monetary or non-monetary. Monetary motivation includes incentives, bonus while non-monetary motivation includes recognition, appreciation, awards, etc.

- **Leadership**- It may be defined as a process by which manager guides and influences the work of subordinates in desired direction. In every organization it is necessary that some individuals assume the roles of leaders. Every successful organization has one cardinal attribute that sets it apart from unsuccessful organizations: dynamic and effective leadership. It is an administrative process that involves directing the affairs and actions of others. Leadership is a behavioral process performed by "leaders" who are human beings, who steer and guide the efforts of other human beings.

CHARACTERISTICS OF DIRECTING

The following will throw more light on the direction function of management.

1. **Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates. Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

2. **Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of organization. People need guidance on continuous basis. Thus, it is not interim or seasonal activity. A manager never rests after issuing orders or instructions. He has to continuously motivate and guide his/her subordinates.

3. **Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behavior is unpredictable, direction function becomes important. Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

4. **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless. And it takes creativity on part of leaders to come up ways to keep their subordinates directed and motivated.

5. **Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.

6. **Delicate Function** - Direction is supposed to be a function dealing with human beings. Human behavior is unpredictable by nature and conditioning the people's behavior towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behavior.

7. **Linking function**- Planning, organizing and staffing are merely preparation for doing the work and work actually starts when managers perform the directing function. Direction puts plans into an action and provides performance for measurement and control. In this way, directing serves as a connecting link between planning and control.

8. **Descending order of hierarchy-** Directions are given from superiors to subordinates. Thus, it starts from top and flows to lower levels.

9. **Performance oriented-** Directing is performance oriented function. It converts plans into performance.

10. Situational- the direction changes from situation to situation. Various factors like environment, caliber of workers, group behavior, attitude towards work, nature of work, etc., affect the degree of direction.

PRINCIPLES OF DIRECTING

Important principles of directing:

(1) Principle of Maximum Individual Contribution:

One of the main principles of directing is the contribution of individuals. According to this principle, management should adopt that directing policy through which the employees get motivated and give their maximum individual contribution for the achievement of organizational objective. It is the duty of management to adopt such directing policies, that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

(2) Principle of Harmony of Objectives:

According to this principle, there must be full coordination between organizational and individual objectives. Sometimes there is a conflict between the organizational objectives and individual objectives. For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked hard for it. Management here must establish coordination between the objectives of both the parties/factors by adopting suitable method of direction. Directing has an important role to play in establishing harmony and coordination between the objectives of both the parties.

(3) Principle of Unity of Command:

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superiors at the same time, it will create confusion, conflict, and disorder in the organization and he will not be able to prioritize his work. As a result, situation of confusion, conflict and disarrangement is created. By following this principle, effective direction takes place.

(4) Principle of Appropriateness of Direction Technique:

According to this principle, appropriate direction techniques should be used, e.g., to supervise effectively, to provide able leadership, to adopt free communication and to motivate through right medium.

(5) Principle of Managerial Communication:

According to this principle, the management should monitor that the subordinates get the same meaning for what has been said. This simplifies the job of the subordinates and they

need not go to the managers repeatedly for enquiring. It should also be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

(6) Principle of Use of Informal Organization:

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information. According to this principle, there must be a free flow of information between the seniors and the subordinates. The success of direction depends upon effective exchange of information to a great extent. Information should be given both through formal and informal mediums. Special attention should be given to the informal organization. This strengthens the formal organization.

(7) Principle of Leadership:

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing. By this, subordinates get influenced by the managers. In this situation, subordinates act according to the wish of the managers.

(8) Principle of Follow Through:

According to this principle, it must be monitored by management as to what extent the policies framed and issued directions have been enforced. Thus, it must be seen whether the employees are following the management or not. If yes, then to what extent. As per this principle, the job of managers is not to sit idle after framing policies or issuing directions but to continuously take feedback. The advantage of this will be that if there is any problem in implementing a policy or a direction it can be removed immediately.

(9) Principle of right person at right job:

Direction function demands that right persons should be selected at the right jobs. It would lead to effective implementation of directions and orders issued.

(10) Principle of direct supervision:

The communication between the superior and subordinates should be direct and least possible intermediaries should be involved. Face-to-Face communication between the superior and subordinate reduces the chances of confusion, boosts the morale of employees, develops quick feedback and provides necessary information.

(11) Principle of effective control:

Control function helps in getting feedback on the proper implementation of directions issued. The managers can compare the actual performance f employees with the standards and can pin point the deviations. Thus, an effective control system facilitates direction function in the organization.

(12) Principle of motivation:
   Motivation is the act of inspiring and encouraging the people to achieve the organizational goals through monetary and non-monetary incentives. Employees must be motivated to achieve the goals. Without motivation, direction cannot be complete.

12.4.1 SELF HELP EXERCISE:
   1)Define directing.

   2) **What are the elements of directing?**

   IMPORTANCE OF DIRECTING

An organization committed to achieve its overall organizational goals cannot do away with the directing functions. There are many advantages, which an organization may realize, out of its directing function. Some of them are-

1. **Initiates Action:**
   Without direction, planning, organizing and staffing become ineffective, Directing activities the sub-ordinates to do things as originally planned. It makes it possible to achieve the mission and objectives of the organization.

2. **Ensures Co-Ordination:**
   Direction helps in co-ordination among various operations of the enterprise. It is the essence of operations and co-ordination is a necessary by product of effective direction.

3. **Improves Efficiency**:
   Through direction, managers, encourage and influence employees to contribute to the best of their capability for the achievement of organizational objectives.

4. **Facilitates Change:**
   An organization must adopt itself to environmental changes in order to be effective. Moreover, there are changes in organization structure and in its members. In order to incorporate and implement these changes management has to motivate and guide the employees.

5. **Assists Stability and Growth:**
   In order to survive and grow in the long run, an organization must maintain balance in its different parts. Effective leadership and communication provide stability in the organization and help to ensure that its parts work in a harmonious way.

6. **Direction Integrates Employee's Efforts:**
   Successful achievement of organizational objectives is only possible when efforts of every individual are directed towards the same. Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. It is through direction only; the efforts of every department can be related and integrated with others. Integration of efforts brings effectiveness and stability in the organization. Thus, individual's efforts need to be

integrated so that organization achieves its objectives in the most efficient manner and this is possible through direction only.

7. **Direction Attempts to Get Maximum out of Individuals:**
   A manager makes use of the elements like motivation, leadership, and communication to improve the performances of subordinates. Direction provides the way to utilize these capabilities and also it helps in increasing these capabilities. Superior performance of employees is ensured by proper direction to them.

8. **Resolution of Conflict between the Goals:**
   Often there is a conflict between individual goals and organizational goals. It is here the role of direction assumes significance. Direction engenders in employees a sense of belonging to the organization and helps in integrating both the individual and the organizational interest.

9. **Improving Communication:**
   Direction helps in improving the free flow of communication throughout the organization. The use of faster means of communication, face to face contact, use of technology, clarity in communication etc., are ensured through proper direction.

10. **Improving Human Relations:**
    Provision of incentives, use of monetary and non-monetary motivators, and use of positive motivators in right dosage contribute to congenial relations among human assets functioning in the organization. Direction accomplishes smooth human relations through motivation and right leadership.

11. **Effective Control:**
    Supervision is an integral part of direction. Supervisor is better placed to know the potentials, capability and skill level of workers working under them and entrust the work suited to their competency. They assist employees in times of need. They also regulate their deviant behavior through tight supervision. Thus direction in the form of supervision ensures effective control over subordinates.

12. **Effective Leadership:**
    Leadership enables the superiors to exercise influence over their subordinates. There are three different styles of leadership namely autocratic, democratic and laissez faire. Leaders use appropriate leadership style suited to the nature of employees and the organizational climate in each organization.
    Though all the styles yield results, the leader chooses a leadership style depending on his personality traits, nature of the subordinates, situation prevailing in the organization and so on. Without leadership employees cannot be directed towards the goal. Direction provides orders, advice, counselling, mentoring, guidance, etc., to enable the employees to march ahead towards the goal posts.

13. **Improving Morale:**

Directing helps the organization in maintaining high morale. Implementation of wellbeing measures, recognition of talents through right motivators, choice of appropriate leadership styles, providing career progression opportunities, providing freedom to innovate etc., build a positive climate in the organization. All these initiatives build up high morale among the employees.

SUPERVISION
Supervision can be a place where a living profession breathes and learns.
-Hawkins and Shohet

INTRODUCTION AND DEFINITIONS

Supervision is a Latin Word. 'Supervision' comprises two words, namely 'super', that is, superior or extra, and 'vision', that is, sight or perspective. The literal meaning of the term 'supervision' is to 'oversee' or 'to inspect the work of other persons'. Thus, 'supervision' refers to an act by which any person inspects or supervises the work of other people, that is, whether they are working properly or not.

According to the Toft Hartley Act, 1947 (USA), 'Supervisors are those having authority to exercise independent judgement in hiring, discharging, disciplining, rewarding and taking other actions of a similar nature with respect to employees'.
According to Vitiates – "Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their task."

Thus, the supervision is concerned with three main functions of management, i.e., direction, immediate guidance and control with a view —

(1) To see, they are working, according to plans, policies, programs, instructions and the time schedule,

(2) To guide them at the work if they are doing something inconsistent to directions given and need help so as to let them able to accomplish their assigned task, and

(3) To give them directions to get the work done, if necessary.

ROLES OF SUPERVISOR

Supervisor has got an important role to play in factory management. Supervision means overseeing the subordinates at work at the factory level. The supervisor is a part of the management team and he holds the designation of first line managers. He is a person who has to perform many functions which helps in achieving productivity. Therefore, supervisor can be called as the only manager who has an important role at execution level. There are certain philosophers who call supervisors

as workers. There are yet some more philosophers who call them as managers. But actually he should be called as a manager or operative manager. His primary job is to manage the workers at operative level of management.

A supervisor plays diverse roles at one time like -

1. **As a Planner -** A supervisor has to plan the daily work schedules in the factory. At the same time he has to divide the work to various workers according to their abilities.

2. **As a Manager -** It is righty said that a supervisor is a part of the management team of an enterprise. He is in fact, an operative manager.

3. **As a Guide and Leader -** A factory supervisor leads the workers by guiding them the way of perform their daily tasks. In fact, he plays a role of an inspirer by telling them.

4. **As a Mediator -** A Supervisor is called a linking pin between management and workers. He is the spokesperson of management as well as worker.

5. **As an Inspector -** An important role of supervisor is to enforce discipline in the factory. For this, the work includes checking progress of work against the time schedule, recording the work performances at regular intervals and reporting the deviations if any from those. He can also frame rules and regulations which have to be followed by workers during their work.

6. **As a Counselor -** A supervisor plays the role of a counselor to the worker's problem. He has to perform this role in order to build good relations and co-operation from workers. This can be done not only by listening to the grievances but also handling the grievances and satisfying the workers.

Therefore, we can say that effective and efficient supervision helps in serving better work performance, building good human relations, creating a congenial and co-operative environment. This all helps in increasing productivity.

<u>FUNCTIONS OF A SUPERVISOR</u>

Supervisor, being the manager in a direct contact with the operatives, has got multifarious function to perform. The objective behind performance of these functions is to bring stability and soundness in the organization which can be secured through increase in profits which is an end result of higher productivity. Therefore, a supervisor should be concerned with performing the following functions -

1. **Planning and Organizing -** Supervisor's basic role is to plan the daily work schedule of the workers by guiding them the nature of their work and also dividing the work amongst the workers according to their interests, aptitudes, skills and interests.

2. **Provision of working conditions -** A supervisor plays an important role in the physical setting of the factory and in arranging the physical resources at right place. This involves providing proper sitting place, ventilation, lighting, water facilities etc. to workers. His main responsibility is here to provide healthy and hygienic condition to the workers.

3. **Leadership and Guidance -** A supervisor is the leader of workers under him. He leads the workers and influences them to work their best. He also guides the workers by fixing production targets and by providing them instruction and guidelines to achieve those targets.

4. **Motivation -** A supervisor plays an important role by providing different incentives to workers to perform better. There are different monetary and non-monetary incentives which can inspire the workers to work better.

5. **Controlling -** Controlling is an important function performed by supervisor. This will involve
   i. Recording the actual performance against the time schedule.
   ii. Checking of progress of work.
   iii. Finding out deviations if any and making solutions
   iv. If not independently solved, reporting it to top management.

6. **Linking Pin -** A supervisor proves to be a linking pin between management and workers. He communicates the policies of management to workers also passes instructions to them on behalf of management. On the other hand, he has a close contact with the workers and therefore can interact the problems, complaints, suggestions, etc to the management. In this way, he communicates workers problems and brings it to the notice of management.

7. **Grievance Handling -** The supervisor can handle the grievances of the workers effectively for this he has to do the following things :-
    i. He can be in direct touch with workers.
    ii. By winning the confidence of the workers by solving their problems.
    iii. By taking worker problems on humanitarian grounds.
    iv. If he cannot tackle it independently, he can take the help and advice of management to solve it.

8. **Reporting -** A supervisor has got an important role to report about the cost, quality and any such output which can be responsible for increasing productivity. Factors like cost, output, performance, quality, etc can be reported continually to the management.

9. **Introducing new work methods -** The supervisor here has to be conscious about the environment of market and competition present. Therefore he can innovate the techniques of production. He can shift the workers into fresh schedules whenever possible. He can also try this best to keep on changing and improving to the physical environment around the workers. This will result in
    i. Higher productivity,
    ii. High Morale of Workers,
    iii. Satisfying working condition,
    iv. Improving human relations,
    v. Higher Profits, and
    vi. High Stability

10. **Enforcing Discipline -** A supervisor can undertake many steps to maintain discipline in the concern by regulating checks and measures, strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the indiscipline workers. All these above steps help in improving the overall discipline of the factory.

12.8.1 SELF HELP EXERCISE:

a) Define communication.

b) Define motivation.

c) Define leadership.

QUALITIES/SKILLS OF A GOOD SUPERVISOR

With the essential skills, managers can effectively solve any supervisory issues they may encounter, and prepare for future situations that require the oversight of a knowledgeable and dedicated supervisor.

1. **Excellent Communication**
   Communication skills are one of the most important assets a good supervisor should have. They need to assign projects clearly and communicate important information to staff regularly. Transparency is important, and supervisors should strive to keep an open door for employees to approach them with their needs or issues.

2. **Conflict Resolution**
   Conflict can happen in the workplace. A good manager recognizes this and creates an effective method of minimizing conflict and dealing with it when it takes place. Being a good listener and mediator is also important in tricky situations.

3. **Strong Leadership**
   The supervisor should serve as an example to their staff. They must assert leadership and make their employees want to follow them as they take their organization through normal business changes. A strong leader will encourage their team and lead the way to success.

4. **Critical Thinking**
   There are many tasks that a supervisor needs to deal with that require excellent critical thinking skills. With a high-level position comes more responsibilities, and more decisions to be made. Critical thinking skills make the decision process easier.

5. **Time Management**
   Time management is essential in a business with deadlines and deliverables. Being able to juggle timelines and meet goals regularly means supervisors must have both the awareness of when things need to be complete and how much time it takes to do them – plus getting their team to work on the same timeline as well.

6. **Priority Management**
   Managers must also be able to structure the workload to ensure all projects are given the correct amount of priority, and that high priority projects are finished first. They need to be familiar with all company goals in order to determine which projects are the most important.

7. **Diversity Awareness**
   Diversity is extremely important in organizations today. A great manager recognizes this and encourages their company to continue working on company diversity and inclusion (D&I). The supervisor may even decide to join the team that works on D&I in order to help with the initiative more.

8. **Problem Solving**

When issues in the workplace arise, supervisors should use their skills to handle them. Great problem solving skills help a manager assess the situation at hand and develop an effective plan on how to tackle it.

9. **Guiding Workloads**

Supervisors need to guide the overall work of their employees. Their view of work must be broader than that of their employees. Being an effective supervisor means understanding the bigger picture, and adjusting work to accommodate that. They must give direction, carry it out purposefully, plan the workflow and give active direction to staff members.

10. **Workload Organization**

Constantly changing priorities in the office mean that a supervisor needs to regularly organize the work. They needs to take into account the demands placed on the employees when they are organizing the workload. They should also recognize the employees' needs and listen to feedback when making work and organizational decisions.

11. **Staff Development**

A large role of a supervisor is developing personnel. Thorough and strategic employee development is essential for a happy and satisfied staff, so supervisors should get to know their subordinates' strengths and ambitions so they can help them grow as a valuable asset within the company. They should have a plan for the employee's development, and set goals for how they can work on their weaknesses and contribute to projects where they are likely to succeed.

12. **Managing Performance**

The supervisor is responsible for managing employee performance. They should continually coach direct reports on how to achieve their individual potential and set appropriate expectations. Managers should look at future projects and determine how well the employee should perform, and manage them accordingly. On occasion, there may be performance problems with a member of the team. In this situation, the supervisor must calmly approach the issue and discuss a plan to overcome it.

13. **Interpersonal Skills**

Developing and maintaining good relationships with other departments is also vital. The supervisor wants to ensure both their employees and the organization meet their goals, so they should recognize the importance of working together cohesively.

14. **Openness to Advice**

The supervisor should look to their peers for advice and guidance when they are faced with a problem that is outside of their expertise. Issues can be assuaged successfully when they have a mentor in their organization or field who is willing to offer advice when requested.

15. **Willingness to Learn**

A last trait that supervisors should have is the willingness to learn and grow. While their team is learning, they too should be developing themselves in their careers and trying to

learn as much as they can about both their subject matter and about supervising their employees in the best way possible.

TYPES OF DIRECTING AND SUPERVISORY TECHNIQUES

These are the way a managerial director applies his influence in getting work done through his subordinates in order to achieve the organizational objectives. The behavior adopted by a director in the process of supervision of a subordinate is known as style. The main attitude or belief that influence these techniques is the perceived role of the manager verses the role of the subordinates. It depends upon the role of the director whether he likes to work more of a colleague, facilitators and decision makers and on the other hand the response of the subordinates would determine the particular style to be in application.

The four basic types of Directing techniques are :

TECHNIQUES

OF DIRECTING

| AUTOCRATIC | DEMOCRATIC | LAISSEZ FAIRE | PATERNALISTIC |
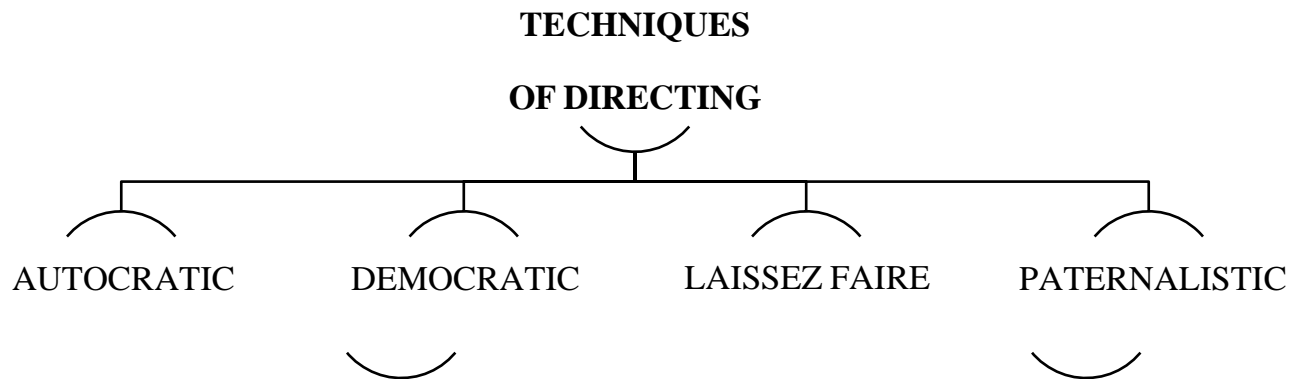
1. AUTOCRATIC
In this style, the entire authority is focused in the hands of the director. Here the superior clearly sets the directions and gives precise orders to the subordinates to accomplish a predetermined goal. He does not take the suggestions or viewpoints of the subordinates. He creates the work situation for the subordinates and the later have to execute what they are told. Autocratic director possess all the authority and assumes complete responsibility for the task entrusted.

Features of Autocratic Style:
    a) Formal relations between leader and followers.
    b) Centralized authority.
    c) Negative motivation.
    d) Based on theory X assumptions.
    e) Downward communication only.
    f) Close supervision and control.

Advantages from Autocratic Style:
    a) Faster decision-making

b) Strong motivation to the leader
c) Suitability.
d) Speedy performance of tasks.
e) Suitable for illiterate/less educated people.

Disadvantages from Autocratic Style:
a) No role in decision-making
b) Exploitation of employees
c) No opportunity for creativity
d) Frustration
e) No development of leadership skill
f) Slavery attitude
g) Lack of motivation in subordinates.
h) Decrease in morale.
i) Trade unions may gather up against organization.
j) Less productivity.
k) Partiality.

2. DEMOCRATIC

Under this technique, superior, though vested with powers to take decision independently, does not take decision without consulting with his subordinates. It values the input of team members and peers, but the responsibility of making the final decision rests with the participative director. The superior wins the cooperation of all the subordinates by taking their inputs into his decisions. Thus subordinates feel committed and motivated to carry out such decisions made out of their viewpoints.

Features of Democratic Style:
a) Positive motivation.
b) Feeling of belongingness among employees.
c) Upward and downward communication.
d) Group decision making.
e) No tight control.

Merits of Democratic Style of Leadership:
a) Favorable inclination towards job
b) Creative urge
c) Improved morale
d) Nurturing leadership skill
e) Attrition checked
f) Reduced resistance to change.

Demerits of Democratic Style of Leadership:
a) Delayed decision-making
b) Secrecy maintenance difficult
c) Indiscipline
d) Exploitation of employees 6
e) No accountability possible

3. LAISSEZ FAIRE

'Free rein' means granting complete authority or devolution of entire authority to the subordinates. Under this technique, subordinates are empowered to take decisions independently. The superior limits himself to issuing guidelines. He/she concerns himself with the result. The execution of the entire task is left to subordinates. The subordinates are held accountable for the results. This type of direction can be practiced only when subordinates are highly educated, experienced, capable and competent. It is self-direction by subordinates. The directors have no authority and responsibility under this style, so the followers themselves take decisions for which they get authority. This style is employee-centered. Employees (Followers) are free to establish their own goals and chart out the course of action. The employees train themselves and they are self-motivated. The director acts as a liaison officer between the employees and the outside world. He brings the information which is needed to the employees. The information is utilized by the employees to do their job. Here, the director fails to motivate his followers (Employees).

Features of Free-Rein Style of leadership:
 a) Full faith in subordinates.
 b) Independent decision making.
 c) Motivates the subordinates.
 d) Two way communication.
 e) Self-control.
 f) Sense of responsibility in employees.

Advantages of Free-Rein Style of leadership:
 a) Morale and job satisfaction of the followers are increased to some extent.
 b) The talent of the followers is properly utilized.
 c) The followers get full opportunity to develop their talents.

Disadvantages of Free-Rein Style of leadership:
 a) The leader does not care to motivate his followers.
 b) The contribution of a leader is nothing.
 c) The leader does not support the follower and no guidance is available to the former.

4. PATERNALISTIC

Paternalistic director functions as if he were a parent and his subordinates are his family members. He plays a fatherly role, providing good work environment to subordinates, guidance, motivation, benefits and welfare benefits. This style creates inseparable bond between members and subordinates. This breeds group cohesiveness. This type of technique is practiced in Japan.

Advantages of paternalistic style are:
 a) Nurturing love and affection – It nurtures love and affection and the consequent cooperation from the employees.

b) No misunderstanding – There is no room for misunderstanding, apathy, discrimination, enmity among the employees as all these negative things are nipped in the bud by the paternalistic leader.

Disadvantages of paternalistic style are:
a) No opportunity to grow – There is a little scope for employees to exercise his/her own initiative to grow and realize his/her full potential.

b) Limited applicability – Success of this style is contingent on the culture prevailing in a given country. It has no universal applicability.

QUESTIONS FOR PRACTICE
1. What do you understand by directing and explain its importance for any organization.

2. Define different styles of leadership.

3. What are the various principles on which directing function in an organization works?

4. Explain various sskills, which an effective supervisor must possess.

5. Write down necessary elements of directing function.
6. What are the various roles which supervisor undertake for managing any organization effectively.

ANSWERS TO SELF HELP EXERCISE:
SELF HELP EXERCISE:
1) Define directing.

Ans. Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.

2) What are the elements of directing?
Ans.a) Communication
b)Supervision
c) Motivation

d) Leadership

SELF HELP EXERCISE:

a) Define communication.

Ans. It is the process by which a piece of information is transferred from one person to another in an organization.

b)Define motivation.

Ans. Motivation is a force that makes an individual perform to the best of his abilities in order to complete a set of tasks or instructions.

c) Define leadership.

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