

I UNIT

Introduction to management: A business develops in course of time with complexities. With the increasing of complexities managing the business concern becomes a difficult one. The need of existence of management has increased tremendously. Management is not only essential to business concerns but also essential to bank, colleges, hospitals, hotels, religious bodies and etc. every business unit has its own objective. These objectives can be achieved with the co-operative efforts of several personnel.

Meaning of Management: Management is the art of getting things done by a group of people with the effective utilization of available resources. An individual cannot be treated as a managing body running any organization. A minimum of two persons are essential to form a management. These persons perform the functions in order to achieve the objectives of an organization.

Definition of management: Peter F. Drucker defines, "Management is an organs can be described and defined only through their functions."

Henry Fayol, "To manage is to forecast and plan, to organize, to compound, to coordinate and to control."

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

Nature / Features or Characteristics of management:

1Art as well as science: Management is both an art and a science. It is an art in the sense of possessing of managing skill by a person. In another sense management is the science because of developing certain principles which are applicable in a place where a group of activities are co-ordinated

2Management is an activity: Management is the process of activity relating to the effective utilization of available resources for production.

3Management is a continuous process: the process of management mainly consists of planning, directing and controlling the resources. So, management is a continuous process.

4Management achieving pre-determined objectives: The objectives of an organization are clearly laid down. Every managerial activity results in the achievement of objectives fixed well in advance.

5Organized activities: Management is a group of organized activities.

6Management is a factor of production: The factors of production include land, labour, material, capital and enterprises. These could not realize the organizations goals. The organization goals are achieved only when these are effectively co-ordinated by the entrepreneur.

7Management as a system of activity: A system may be defined as a set of component parts working as a whole.

8Management is a discipline: The boundaries of management are not exact as those of any other physical sciences. It may be increased by the continuous discovery of many more aspects of business enterprises.

9Decision making: There are a number of decisions taken by the management every day. The success or failure of an organization depends upon the degree of right decision taken by the manager.

10 Leadership Quality: Leadership quality is developed in the persons who are working in the top level management. According to R.C.davis Management is the function of executive leadership everywhere.

Importance of Management: Management is must for every enterprise. The existence of management ensures proper functioning and running of an enterprise.

1) Management meets the challenge of change: In the modern business world there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.

2) Accomplishment of group goals: The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.

3) Effective utilization of business: There are eight “M” in business. These are said to be man, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other ‘M’s. Management has control over other remaining ‘M’s.

4) Effective function of business: Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective function of business. Management coordinating these all.

5) Resource development: Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management.

6) Sound organization structure: Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship.

7) Management directs the organization: The human mind directs and controls the functioning of human body similarly the management directs and controls the functioning of an organization.

8) Integrates various interests: Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization.

9) Stability: The fluctuations of business are stabilized by the management.

10) Innovation: New ideas are developed by the management and implemented in the organization. Better performance is achieved through new ideas.

11) Co-ordination and team spirit: All the activities of business are grouped department wise. Management coordinates the activities of different departments and established team spirit to achieve the objectives.

12) Tackling problems: Good management act as a friend of workers while tackling problems.

13) A tool for personality development: Management gives direction to workers for effective performance of a job. Besides new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

Functions of management:

Scholars in the field of management have their own classification functions of management. Some scholars add few functions and delete some other functions. The important functions of management are briefly discussed below

1) Planning: Planning is the primary function of management. Nothing can be performed without planning. In short planning refers to deciding in advance that which will be done in the near future in the business world the organization should achieve the objectives. In order to achieve objectives the organization plans what is to be done, when it is to be done, how it is to be done and by whom it is to be done.

2) Organizing: Organizing is the distribution of work in group wise for effective performance. Organization provides all facilities which are necessary to perform the work. According to Henry Fayol Organization of two kinds i.e., Organization of human factor and organization of the material factor.

3) Staffing: Staffing function comprises the activities of selection and placement of competent personnel. In other words staffing refers to placement of right persons in the right jobs.

4) Directing: The actual performance of a work starts with the function of the direction. The direction deals with making the workers learn techniques to perform the jobs assigned to them. Direction includes guidance, supervision and motivation of employees.

5) Co-ordinating: All the activities are divided into group wise under organizing function. Now such grouped activities are coordinated towards the accomplishment of objectives of organization. The difficulty of coordination depends upon the size of organization.

6) Motivating or actuating: The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing willingness on the part of workers. This is done by resourceful leader.

7) Controlling: Controlling function ensures that the achieved objectives conform to pre-planned objectives. Necessary corrective action may be taken if there is any deviation. The control is very easy whenever the organization has a fixed standard.

8) Innovation: Innovation is refers to the preparation of personal and organization to face the changes made in the business world. Continuous changes are being made in the business.

9) Representation: A manager has to act as a representative of a company. He has dealings with customers, suppliers, Govt. officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relations with others.

10) Decision making: Every employee of an organization has to take a number of decisions every day. Decision making helps in the smooth functioning of an organization.

11) Communication: Communication is the transmission of human thoughts and views or opinions from one person to another person.

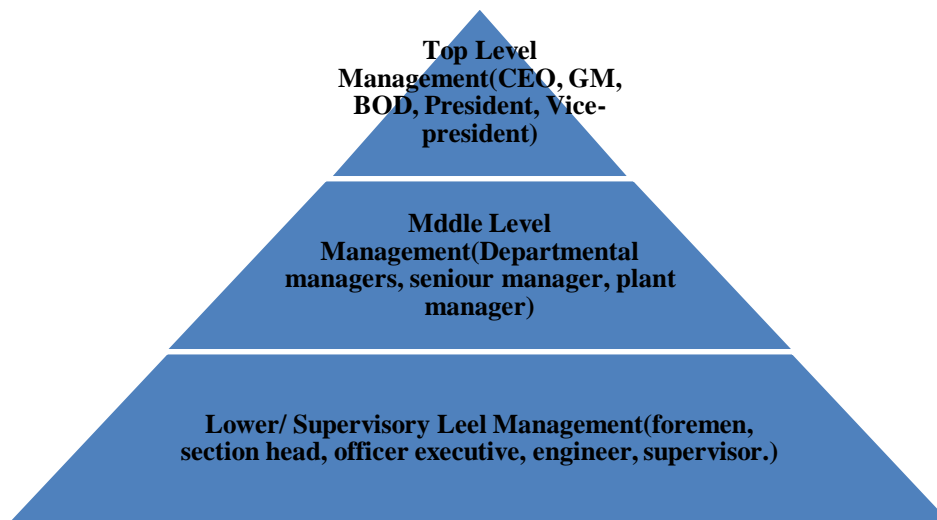
Henry Fayol classifies the functions of management as forecasting, planning, organizing, commanding, coordinating and controlling.

Luther Gullick classifies the functions of management as: **POSDCoRB**

Levels of Management: Level of management refers to the arrangement of managerial positions in an organization. There is fixed number of management levels for a particular organization. It all depends upon the size, technology and the range of production of the organization. If the management levels are increased to an unlimited extent, three main problems to be faced by the organization are:

- It makes Coordination and Control difficult.
- It increases the gap between top management and the rank and the subordinates.
- It complicates the communication problem.

Management levels determine the authority relationship in an organization. There are three levels of management in view of authority and responsibility relationship. They are



Top Level Management: Top Management is the head of an organization. It consists of Board of Directors and the Chief executive or the Managing Director. In the operation of an organization, top management is the final source of authority. At this level, mission goals, corporate strategies, Policies, Plans and Objectives are formulated. The performance of middle management is evaluated and controlled by the top management.

Functions of top level management:-

- a. To analyze and interpret changes in the external environment of the company.
- b. To design long term corporate plans for the entire organization covering all areas of operation
- c. To formulate and approve the master budget and departmental budgets.
- d. To design broad organization structure
- e. To select chief executives and key officials of the company.
- f. To provide overall direction and leadership to the company.
- g. To co-ordinate and integrate the activities of different departments and divisions of the company.
- h. To exercise overall review and control of the functional and operating results of the company.
- i. To make decisions regarding distribution of profits.

Middle Level Management: Middle Management generally consists of Heads of functional departments. It consists of departmental managers, such as production manager, finance manager, marketing manager, foremen, and others. It acts as a link between the top management and the lower level management. Here, the managers plan, organize, direct, and control for the activities within their respective departments only.

Functions of middle level management:-

- a. To interpret and explain the plans and policies formulated by the top level management to lower level management.
- b. Selecting suitable operative and supervisory Personnel.
- c. Assigning duties and responsibilities for timely execution of plans.
- d. To establish departmental goals and decide various ways and means for achieving these goals.
- e. Achieving coordination between different departments.
- f. To train and Motivating personnel to achieve higher productivity.
- g. To make recommendations to top management for better implementation of plans and policies.

Lower Level Management: Lower level / Supervisory management is the lowest level in the hierarchy of management. It consists of Supervisors, Foremen, Accounts officers, and Sales officers and so on. They are directly touched with “core group” of workers such as operators, assemblers, mechanics, salesmen and clerk. They educate the core group about the method of doing work. They assign specific jobs to the workers, supervise their activities, and evaluate their performance and report to the middle management.

Functions of lower level management:-

- a. To get the things done by the “core group” workers.
- b. To issue orders and instructions to the workers regarding the being performed by them.
- c. To prepare the plan for their activities, called “scheduling”. Scheduling lays down, what is to be one, by whom it will be done, and how and when it will be done.
- d. To assign the work to the workers and seek its completion with the given period of time and quality specifications.
- e. To guide, assist and help to the workers by explaining work procedures and solving their problems.
- f. To motivate the workers, to maintain team spirit and discipline.
- g. To send periodical performance reports to the middle management.

EVALUATION OF MANAGEMENT THOUGHT:

This evolution of management thought can be studied in the following stages:

- A. The Classical Theory of Management (Classical Approach): It includes the following three streams of thought: (i) Bureaucracy, (ii) Scientific Management; and (iii) Administrative Management
- B. The Neo-classical theory of Management: It includes the following two streams: (i) Human Relations Approach and (ii) Behavioral Sciences Approach.
- C. The Modern Theory of Management: It includes the following three streams of thought: (i) Quantitative Approach to Management (Operations Research); (ii) Systems Approach to Management and (iii) Contingency Approach to Management.

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

F.W.Taylor's Scientific Management theory: According to F.W.Taylor scientific management consists of a certain philosophy of scientific selection and training of right workers for the right job, providing adequate working conditions, providing a system of monetary incentives to efficient workers and assumption of responsibilities by managers and supervisors.

Principles of scientific management:

F.W.Taylor has given the principles of scientific management. They are

- 1) Science is not rule of thumb:** It means the replacement of old method of doing work scientifically. The nature of work performed by each worker should be clearly determined. It includes the allotment of fair work to each worker, standardization in work, adoption of differential piece rate of payment system and the like.
- 2) Harmony in group action:** Dissatisfaction of any worker is to be avoided in group action. The dissatisfaction is eliminated through scientific selection, training and strategic placing of workers
- 3) Co-operation:** There should be better cooperation between management and workers and vice versa. Workers should help the management to get larger profits, better quality products and lower cost of production. Management should give fair wages to workers recognize the performance of work and acknowledge the indispensability of workers in raising productivity.
- 4) Maximum output:** Maximum output is achieved through division of work and assumption of responsibility by the management and workers jointly. Maximum output results in increasing profit to the management and wages and bonus to the workers.
- 5) Improvement of workers:** Under scientific management all the workers should be given opportunity to improve to the fullest extent possible. It is necessary for the development of the company.

Elements or features of scientific management: F.W.Taylor had conducted many experiments to find out how the workers could be made more efficient. Scientific management has following features

1)Separation of planning from executive function: F.W.Taylor separated the planning function from the executive function

2)Scientific task setting: It means allotment of work to each worker on the basis of the capacity of an average worker functioning in normal working conditions. He should be able to complete work in a working day. Taylor called it as a fair days work.

3)Functional foremanship: Taylor had found out the concept of functional foremanship. This is based on the specialization of functions performed at supervision level. Under the this system there are 8 persons, out of 8 persons 4 persons are concerned with planning they are route clerk, instruction card clerk, time and cost clerk and disciplinarian. The remaining 4 persons are concerned with the executive function. They are speed boss, inspector, and maintenance foreman and gang boss

4)Work study: Work study refers to the systematic critical assessment of efficiency required to the job. It varies from one job to another job.

5)Methods study: the entire process of production is taken into account under this method.

6)Motion duty: A study relating to the movement of the machine operator and his machine while performing the job is called motion study. The very purpose of conducting this study is elimination of unnecessary movements of machine operator and machine.

7)Time study: Time study refers to the act of measuring the time required to perform a particular job. A standard time fixed by conducting the time study.

8)Fatigue study: A study relating to the fixing of the working hours with rest periods to enable the workers to recoup the energy lost while performing the job is called fatigue study. The fatigue may be mental or physical.

9)Rate setting: F.W.Taylor emphasized upon fair wages to workers and had recommended differential piece rate wage system. The reason is that it's may act as an incentive to lazy and less efficient workers.

10)Standardization: Standardization is made in respect of tools and instrumentations, working hours, volume of work, working conditions, cost of production etc. these are fixed on the basis of job analysis.

11)Scientific selection and planning: The workers should be selected scientifically and adequate training should be given to new as well as existing workers in order to update their knowledge.

12)Financial incentives: financial incentives can motivate the workers to show their efficiency.

13)Mental revolution: Mental revolution refers to change in thinking both on the part of the management and the worker. If not, all the measures suggested in scientific management system would be useless.

14)Economy: The techniques of cost estimates and control should be considered in order to obtain economy.

Classification of business activities: Henry Fayol classified all the business activities into 6 functions. They are

- 1) Technical activities relating to production
- 2) Commercial activities relating to purchase and selling
- 3) Financial activities relating to identification and utilization of available funds
- 4) Accounting activities
- 5) Security activities relating to the steps taken to protect the property of enterprise and persons
- 6) Managerial activities relating to planning, organizing, commanding, coordinating and controlling

Henry Fayol 14 principles of management: Henry Fayol was a French industrialist. The observation of Henry Fayol on the principles of management was brought in French language in 1916. He joined as an engineer in 1860 a mining company and became the chief managing director of the same company because of his outstanding abilities. In the year 1918, he retired from the company. From 1918 to 1926, Henry Fayol worked hard to popularize his principles of management, besides he delivered two lectures in 1900 and 1908 on management.

Elements: Henry Fayol made a difference between principles of management and elements or functions of management. According to him the following are the elements of management.

Planning, Organizing, Commanding, Co-ordination & Control.

Principles of Management:

1) Division of work: Division of work makes a man a specialist. This activity increases the output with perfection. Besides it avoids waste of time. According to Henry Fayol division of work is applied to both technical and managerial kinds of work.

2) Authority and Responsibility: Management getting things done by others. A superior gives direction to his sub ordinates to perform the job. Then the supervisor may exercise his authority. Authority closely connected with responsibility. Responsibility is shouldered whenever authority is exercised

3) Discipline: According to Koontz and O'donell, Discipline is the respect for agreements. According to Henry Fayol, discipline is essential to all levels of management people. Discipline is obtained through judicial application of penalties

4) Unity of command: A sub ordinate has only one superior. If not so, the sub ordinate does not perform any job perfectly.

5) Unity of direction: the business activities are grouped on anyone of the bases. Normally on functional bases. The activities of a group are assigned to a person who is said to a manager.

6)Subordination of individual interest to group interest: An individual has his own interest. At the same time the organization has its own interest. Here the interest of the organization is called as group interest. Henry Fayol expected the reconcile action of the individual interest with group interest.

7)Remuneration of personnel: According to Henry Fayol employees should be given fair and reliable remuneration. Employee should get satisfaction out of their salaries.

8)Centralization: Everything increases the importance of superior's role in centralization, while everything decreases the importance of superior's role in decentralization. In small firms authority is centralized, in large firms authority is decentralized. But the centralization or decentralization of authority depends upon the personal character of the superior.

9)Scalar chain: According to Henry Fayol scalar chain is the chain of superiors ranging from the ultimate authority to the lowest rank. The communication flows from top to bottom.

10)Order: The principle of right place for everything and for everyone should be followed by the management. It is applied to both material and man. The material should be kept in order in the place where it is necessary. The personnel are selected scientifically and assigned duties according to their qualifications and abilities.

11)Equity:Equity refers to a combination of fairness, kindness and justice. All the employees of the organization are treated equally by the managers. The application of equity requires goodness and experience of managers. Besides it requires loyalty and devotion from subordinates.

12)Stability of tenure of personnel: The security of job is an essential one. Insecurity of job results in the higher labour turnover. It increases administration expenses.

13)Initiative:a manager should have conceiving and executing initiative. It will have psychological effect over the subordinates. The subordinates are free to express their views in the execution of the work. Henry Fayol suggests that managers can take decisions after getting suggestions from the subordinates. Initiative is the keenest satisfaction of an intelligent man with experience.

14)Esprit De Corps: This means union is strength or team spirit. All the employees of the organization are put together as a team in order to achieve the objectives of the organization. If there is any misunderstanding on other employees the management should have take corrective steps to remove them. The management should not follow the policy of divide and rule.

Criticism to Scientific Management

1. Fails to appreciate the social context of work and higher needs of workers.
2. Managers called it unwarranted interference in managerial prerogatives.
3. Workers resisted it. In Taylor's testimony in 1912, he said that unions are really not needed.
4. Fails to acknowledge the variance among individuals.
5. Fails to recognize the ideas and suggestions of workers.

Theories of motivation: Management is the art of getting things done by others. Getting work done is a difficult task. It is related to human behavior. The success of any organization is depends upon the behavior and interest of the employees. The organizational goals are achieved through the right direction of human behavior in a desired manner. Before guiding or directing the employees, the reasons for such behavior should be identified. The management can strategically motivate the employees based on such reasons.

Definition: Beach defines “Motivation as a willingness to expend energy to achieve a goal or a reward.”

Scott defines “Motivation means a process of stimulating people to action to accomplish desired goals.”

Theories of motivation:

(1) Pro. Douglas McGregor has introduced two theories in his famous book “the human side of enterprise” they are called ‘X’ theory and ‘Y’ theory.

(A) X – Theory: This theory based on ‘papa knows best’. In other words a manager has through knowledge and excludes workers from decision process. A manager has authority to take decision the workers should follow the decision taken by the manager.

Assumptions of theory

- Workers have an aversion to work inherently
- Workers may find a way to postpone the work completion in laziness
- Workers may do the job half heartedly
- Fear of punishment can motivate the workers into action
- The worker may know the hazards of non-performance of work
- No worker is ready to accept any responsibility
- Workers are not interested in achievement
- A worker prefers to be directed by others
- Workers hate to improve their efficiency

(B) Y-Theory: Y- Theory is just opposite to X – theory. So X-theory is considered as traditional theory and Y- theory is considered as modern theory. Y-theory emphasizes the importance of workers in the accomplishment of enterprise objectives.

Assumptions of Y-Theory:

1. The average human being has the tendency to work. A job is as natural just like a play
2. Once the worker understands the purpose of job, he may extend his cooperation for job completion
3. Worker can put in his best efforts for the accomplishment of enterprise objectives early

4. Worker has self-direction, self-motivation, self-discipline and self-control
5. If right motivation scheme is prepared by the management the worker is ready to accept extra responsibility
6. The existing worker has competence to work and can take right decisions
7. A worker expects recognition of the successful accomplishment of task
8. The potentialities of human beings are not fully utilized by any industry

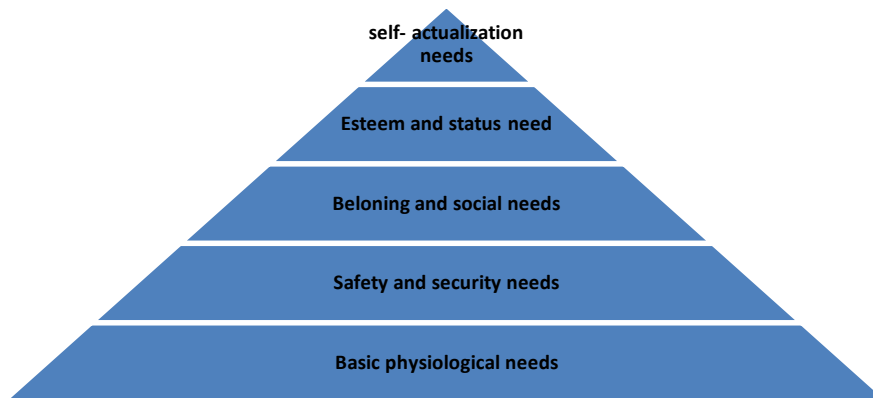
According to Y-Theory a worker has integrity and readiness to work hard. He is willing to participate in the decision making process and shows a sense of creativity and imagination. So X-theory may be said to be a negative and pessimistic one and Y-Theory may be said to be positive and optimistic.

Differences of X and Y Theories:

Theory X	Theory Y
1. Workers dislike to work by themselves	1. Workers feel that work is as natural as play
2. Workers are not ready to accept responsibility	2. Workers are ready to accept responsibility if proper motivation is available them
3. Workers prefer to be directed by others	3. Workers are directed by them selves
4. Workers are un-ambitious	4. Workers are ambitious
5. Workers by nature resist changes and want security	5. workers have a high degree of creativity and succeed in solving organizational problems
6. Workers lack creativity and fail to solve organizational problems	6. Workers have a high of creativity and succeed in solving organizational problems
7. It focuses the lower level needs of workers i.e. physiological and safety	7. It focuses not only the lower level needs but also higher level needs i.e. social, esteem and self-actualization of workers
8. Strict control is necessary to achieve organizational objectives	8. workers exercise self-control and self-direction to achieve organizational objectives
9. Authority is not delegated	9. Authority is delegated
10. Autocratic leadership is followed	10. Democratic leadership is followed

(2) Maslow's hierarchy of needs theory:

Basically needs are classified into two classes i.e. primary needs and secondary needs. The primary needs are necessary to survive and for preservation of life. E.g. food, water, air, sex, shelter etc. secondary needs are concerned with mind and spirit, e.g., recognition, love, affection etc. Dr. Abraham Maslow classified the various needs of human beings in a definite order. This order is widely accepted. In this way Dr. Maslow was the pioneer in the proper classification of human needs. According to Maslow human wants are innumerable and never ending



Maslow's Hierarchy of needs:

1Basic physiological need: The basic physiological needs are concerned with breeding, shelter, sexual gratification, clothing etc. these needs are inherent in nature. If these needs are not satisfied other needs will not emerge. These needs are a powerful motivating force than others.

2Safety and security need: Safety and security needs emerge only when the basic needs are satisfied. Safety needs are concerned with physical danger or loss of existing basic physiological needs. Security needs are concerned with loss of job, support, illness and the like

3Belonging and social needs: Man is a social animal. He wants to love and be loved in a society or in a family. Exchange of feelings and grievances, love, sociability, recognition. Conversation and belongingness are some of the examples of social needs.

4Esteem and status needs: Esteem and status needs are otherwise called ego needs or egoistic needs. Self-confidence, independence, achievement, competence, knowledge, status and appreciation are some of the examples of esteem and status needs.

5Self-actualization:Self-actualization needs are otherwise called self-realization needs. Self-actualization refers to the desire to become everything that one is capable of becoming. For example a doctor thinks that he is capable of saving the life of a patient.

Weaknesses in Maslow hierarchy of needs theory:

1. This needs is not applicable at all times, in all places and in all circumstances
2. Some people do not require social needs because they might have lost love during their childhood
3. The levels of needs of different people are not equal.
4. The perceptions, expectations and experience of an individual are responsible for his behavior. These do not result in the needs classified by Maslow
5. A single need cannot motivate any individual.
6. Some needs do not motivate all the workers. A need may motivate one worker.

(3) Herzberg's theory of needs:

In the late 1950s, Herzberg had conducted a study on motivation. The study has developed a theory of work motivation. This theory has broad implications for management in the effective utilization of human resources. So this theory is known as Herzberg motivation theory of needs. It is otherwise called maintenance theory of motivation. Hygiene theory or two factor theory of motivation. The study reveals that the factors responsible for job satisfaction are quite different from those responsible for job dissatisfaction. These two feeling does not observe of each other.

If a factor is responsible for job satisfaction, the absence of such a factor would not mean job dissatisfaction but it might be called the job satisfaction. This type of factors called motivation factors. Herzberg identified some motivational factors as I) achievement II) recognition III) advancement IV) work itself V) possibility of growth and VI) responsibility

Similarly a factor is responsible for job dissatisfaction. The absence of such a factor would not mean job satisfaction but it might be called no job satisfaction. Herzberg called these factors as maintenance of hygiene factors. They are I) company policy and administration II) technical supervision III) inter personal relations with sub-ordinates IV) salary V) job security VI) personal life VII) working Conditions VIII) status IX) inter personal relations with supervisors and X) inter personal relations with peers.

According to Herzberg motivational factors are responsible for job satisfaction. Hygiene or maintenance factors are responsible for job dissatisfaction. Intrinsic factors are internal rewards which are available at the time of performance of work. So the workers are directly motivated and they have self-motivation. Extrinsic factors are external rewards which are available only after the performance of job. He came to conclusion from his studies; the workers may be motivated;

1. If job is challenging
2. If there is a possibility of the growth
3. If there is a possibility of achievement
4. If the workers have enough authority and responsibility
5. If the workers receive recognition
6. If the workers are able to advance in the profession

LEADERSHIP AND LEADERSHIP STYLES:

Leader:

- One who leads a given group or team of people is called leader. If you can influence people to perform better in a given organizational setting, that means you are a leader.
- Leadership is ability to influence people to achieve the given goals in an organization.
- A true leader is one who shares success with followers and absorbs all failures.
- A manager has to be a mini-leader (he has to inspire subordinates and get work done) and leader to be a mega-leader (otherwise he does not understand the ground realities of functioning)

Leadership Styles: Leader has to ensure that people under his guidance are comfortable and their good work is recognized.

A good leader has to adopt such a style of working that takes care of people around him. There are also some leaders who do not care for people and who care more for the task completion.

Types:

Autocratic leadership: Here, leader commands the followers and expects compliance from them for all the instructions given, leaders are more dogmatic and positive. They lead by his ability to withhold or give rewards or punishments. Here, no suggestions from the followers are entertained and almost top-down approach is seen. They direct others. They do not allow any participation.

Democratic leadership: Here leaders consult subordinates and involve them in decision making. They encourage discussion with the group leaders believe in two-way communication. They listen to followers; try to facilitate the decision making.

Free – Rein leadership: Free – Rein leaders exercise little authority and give maximum freedom to subordinates while making decisions. It is a bottom-up approach. Suggestions from the followers are encouraged and rewarded. They give high degree of independence to subordinates in their operations.

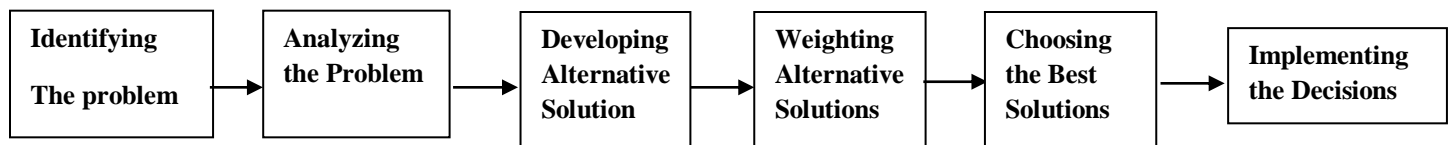
DECISION MAKING: Decision making is an important job of every manager. Everyday a manager has to decide to work or not work. A decision is nothing but selecting the best alternatives from the available alternatives. So, a decision represents a course of behavior chosen from a number of possible alternatives. It is also known as the selection based on criteria from two and more possible alternatives. It is also known as the selection based on criteria from two or more possible alternatives.

Definition: “Decision making is a conscious and human process involving both individual and social phenomenon based on factual and valued premises which concludes with a choice of one behavioral activity among more alternatives”.

Characteristics of Decision Making:

- Decision making based on rational thinking.
- It is a process of selecting the best alternative from the available alternative
- Decision making is aimed to achieve organization goals.
- A decision may be positive or negative. It may direct others to do or not to do.
- Decision making involves certain commitments like policies, plan and objectives of the organization.
- Decision making is a dynamic process.

Decision Making Process:



IDENTIFYING THE PROBLEM: This is the most important steps in decision making as all the other steps in the process depend on the nature of problem, it depends on the nature of the problem.

ANALYZING THE PROBLEM: Once the problem has been correctly diagnosed, the next logical step in decision making process is analyzing it. The most important aspects of problem analysis are to find the limiting factor or the critical factor.

DEVELOPING ALTERNATIVE SOLUTIONS: This is also an aspect of search process involved in decision making. There is not a single problem which can not be solved in more then one way.

WEIGHING ALTERNATIVE SOLUTIONS: The various consequences associated with each available alternative solution should be analyzed and then various alternatives compares against one another or against a decision criterion, such as a desired rate of return, sales volume etc.

CHOOSING THE BEST ALTERNATIVE: After the evaluation of available alternative solutions to the problem, the next step in the process of decision making is the selection of the best solution.

Drucker suggested four criteria for selecting the best alternative

- a) **Risk-** degree of risks involved in each alternative.
- b) **Economy of effort-** cast, time and effort involved in each alternative.
- c) **Timing-** whether the problem is urgent.
- d) **Limitation of resource-** physical, financial and human resources available with the organization.

IMPLEMENTING AND VERIFYING THE DECISIONS: Effectiveness of decision in achieving the desired goal depends on its implementation. Best decisions are futile if not implemented effectively.

PRINCIPLES OF ORGANIZATION:

Meaning of organization: Organization is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner.

Definition: Haney defines “Organization is a harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes.”

Principles of organization: The worker can be completed in time whenever a technique or a principle is adopted. So the success or failure of an organization depends upon the principles to be followed in the organization. The following are the some of the important principles of the organization.

- 1. Principle of definition:** It is necessary to define and fix the duties, responsibilities and authority of each worker.
- 2. Principle of objective:** The activities at all levels of organization structure should be geared to achieve the main objectives of the organization.
- 3. Principle of specialization or division of work:** Division of work means that the entire activities of the organization are suitably grouped into departments or sections. This will help to fix up the right man to the right job and reduce wastage and resources.
- 4. Principle of co-ordination:** the objectives of the organization may be achieved quickly whenever coordinating is exists among the workers. The final objective of all organizations is to get smooth and effective co-ordination.
- 5. Principle of authority:** When many persons are working together in one place there will be a difference of power and authority. Of these persons some will rule and others will be ruled. Senior members should delegate their authorities to their subordinates on the basis of their ability.
- 6. Principle of responsibility:** Each person is responsible for the work completed by him. Authority is delegated from the top level to the bottom level of the organization. But the responsibility can be delegated to some extent.
- 7. Principle of unity of command:** This is also sometimes called the principle of responsibility. The organizational setup should be arranged in such way that a subordinate should receive the instruction or direction from one authority or boss.
- 8. Principle of continuity:** It is essential that there should be a re -operation of objectives, re-adjustment of plants and provision of opportunities for the development of future management. This process is taken over by every organization periodically.
- 9. Principle of span of control:** Span of control refers to the maximum number of members effectively supervised by a single individual. The number of members may be increased or decreased according to the nature of work done by the subordinate or the ability of the supervisor.

10. Principle of leadership facilitation: The organizational set up may be arranged in such a way that the persons with leadership qualities are appointed in key positions. The leadership qualities are honesty, devotion, enthusiasm and inspiration.

11. Principle of flexibility: The organizational setup should be flexible to adjust to the changing environment of business.

12. Principle of simplicity and homogeneity: the organization structure should be simple. It is necessary to understand a person who is working in the same organization. The simplicity of the organizational structure enables the staff members to maintain equality and homogeneity.

Design of Organization structure: The main objective of an organization structure is to ensure that efforts of all the people working in various sections are co-ordinate and integrated for achieving the task in the most efficient effective way with minimum consumption of resources i.e. economical ways

- 1) Formal organization structure 2) Informal organization structure

Formal organization structure: An organization is formal when the activities of two or more persons are consciously coordinated towards common objectives.

Informal organization: Informal organization arises spontaneously based on friendship or some common interest and not based on rules, regulation and procedures. It is developed by the employees themselves and not by the formal authority.

Definition: Informal organization brings cohesiveness to a formal organization; it brings to the members of formal organization a feeling of belonging of status, of self-respect and of gregarious satisfaction.

Comparison between formal and informal organization:

Basis of comparison	Formal	Informal
Formation	Planned & deliberated	Spontaneous
Purpose	Well-set goals	Social interaction
Structure	Well structured	Un structured
Focus	Positions	Persons
Nature	Official	Unofficial
Leadership	Superior	Any one
Source of power	Delegated	Given by group
Guidelines for behavior	Rules procedures	Group norms
Source of control	Rewards/Punishment	Sanctions

Types of organization structure: An organization can be classified on the basis of authority relationships or on the basis of its departments. The types of organization based on authority relationships are (a) line organization (b) Line and Staff organization (c) Functional organization (d) Committee organization (e) Matrix organization

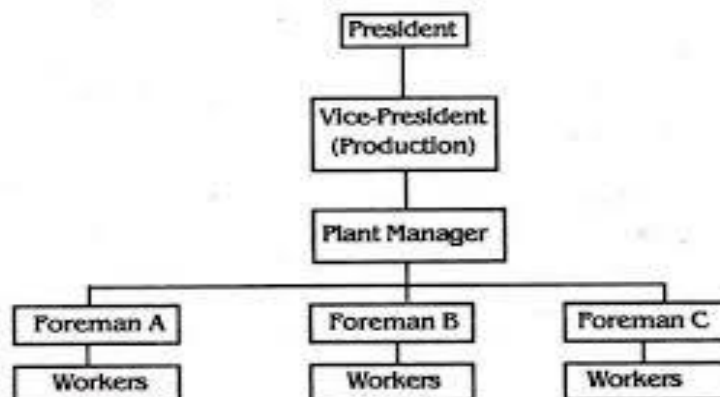
The types of organization based on its activities or departments (f) Product organization (g) regional or geographical organization (h) Customer organization

Line organization:

a) Line Organization (also called Military/Scalar Organization) is the oldest and the simplest form of internal Organization structure. It was first developed by the Roman army and later adopted by armies all over the world. Factory owners also used line Organization structure in its purest form in the nineteenth century in England.

In the line Organization, the line of authority moves directly from the top level to the lowest level in a step-by-step manner. It is straight and vertical. The top-level management takes all major decisions and issues directions for actual execution. The general manager, for example, issues order to various departmental managers. Thereafter, the departmental manager issues instructions to works manager. The works manager will issue instructions to foreman. In this manner, the orders and instructions will be issued to the workers working at the lowest level. Thus authority moves downward and also step-by-step. The responsibility, on the other hand, moves in the upward direction.

Line Organization structure is given in the following chart:

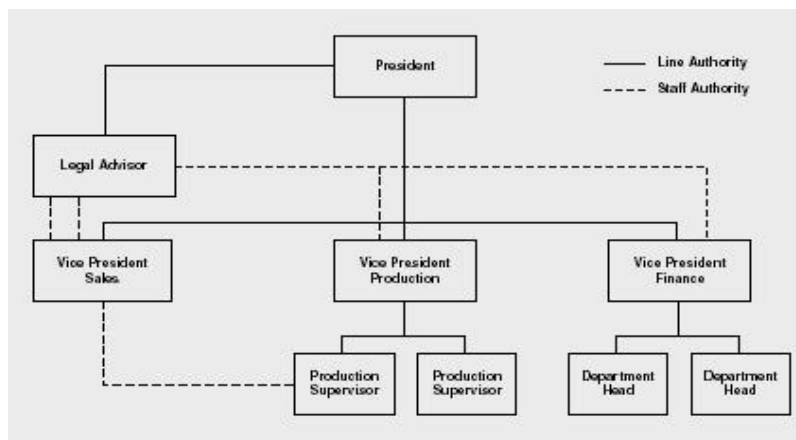


Merits and demerits of the line organization

Merits	Demerits
a. It sets clearly the direct lines of authority and responsibility of a line manager	a. It is likely that the line manager is overburdened with all tasks relating to a particular section
b. It is simple to understand	b. There is no scope for specialization
c. Each department treated as a unit for control purposes	c. There is more scope for favoritism and nepotism
d. It is flexible	d. It may lead to low morale in the organization
e. It facilitates quick decisions and prompt actions	e. Instability is likely, due to lack of continuity

b) Line and Staff organization Structure: In the line and staff organization, line executives and staff (specialists) are combined together. The line executives are 'doers' whereas staff refers to experts and act as 'thinkers'.

The following chart shows line and staff organization structure:



The line executives are concerned with the execution of plans and Policies. They do their best to achieve the organizational objectives. The staff concentrates their attention on research and planning activities. They are experts and conduct advisory functions. Staff specialists are regarded as 'thinkers' while execution function is given to line executives who are "doers". The staff is supportive to line. The staff specialists offer guidance and cooperation to line executives for achieving organizational objectives. In short, the line and staff functions are different but are supportive and can give positive results if adjusted properly i.e. by avoiding the conflicts. They suggest/recommend but have no power to command the line executive. However, their advice is normally accepted because of their status in the organization.

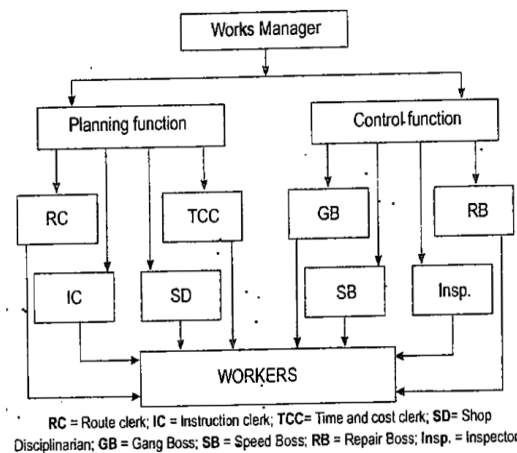
According to Louis Allen, "Line refers to those positions and elements of the Organisation, which have the responsibility and authority and are accountable for accomplishment of primary objectives. Staff elements are those which have responsibility and authority for providing advice and service to the line in attainment of objectives".

Merits and demerits of line and staff organization

Merits	Demerits
a. It enhances the quality of decisions	a. It may create more friction between line and staff
b. There is greater scope for advancement	b Staff suggestions are seldom implemented
c. It relieves the line managers	c It is expensive to have both staff and line managers
d. It is mostly beneficial where there is a line of command within staff departments, as in the case of the armed forces.	

c) Functional organization: FW Taylor suggested functional organization in his history of scientific management in support of his 'one best way' of doing things. Taylor observed that one single foreman was overburdened with all the operations such as task setting, time recording, quality inspection, disciplinary jobs and soon. He divide this job into eight functional foremen- four dealing with planning task and four dealing with the implementation task.

The functional Organisation structure is given in the following chart:-



Merits and Demerits of functional organization

Merits	Demerits
a. Planned specialization	a. Ineffective controls as workers have more than one boss
b. Separates activities related to planning & control	b. Very costly
c. Facilitate large scale production through standards	c. Calls for more coordination
d. The disciplinary controls are well defined	d. Less appropriate when an organization diversifies
e. Appropriate when there is single product or service	e. No clear line of authority
f. Offers clear career paths for functional specialists	

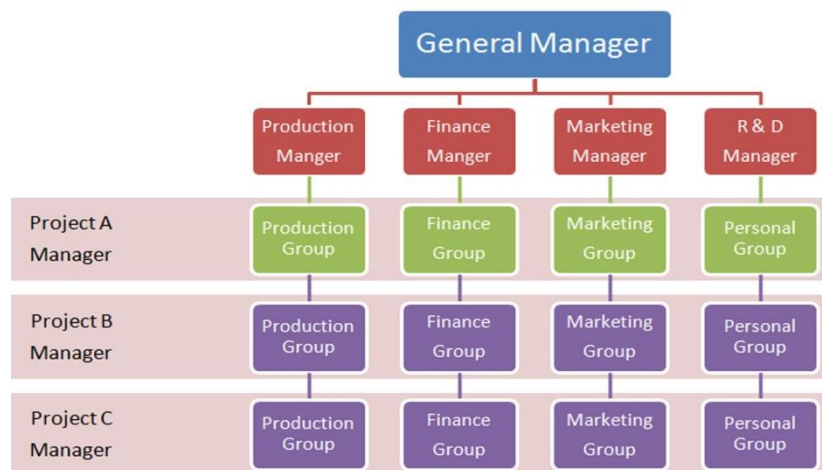
Committee Organization: Committee is another form of formal group and can be defined as a body of persons appointed to meet on an organized basis for the discussion and dealing of matter brought before it. Committee may be temporary or permanent in nature. They may be named ad hoc committees or special committees. They may be nested with line authority or staff authority and they may be created for a special purpose. A committee is formed when two or more persons are appointed to work as a team to arrive at a decision on the matters referred to it. It is instead to utilize the knowledge, skills, and experience of all the concerned parties. Particularly in large organizations problems are too big to be handled by one single expert.

Types of committees: Executive, Standing, Ad hoc, joint, office

Merits and Demerits of the committee organization

Merits	Demerits
A It pools up the organizational resources in terms of knowledge skills and experience	A Responsibility for decisions cannot be fixed on a particular persons
B It presents all interested groups and thus facilitates group decision	B It calls for high degree of co ordination
C It yields good result if the committees are headed by taskmaster like chairman and time bound in terms decision making	C It involves high cost in terms of time and money
D It minimizes the fear of too much authority vested in one person	

Matrix Organization: This is also called project organization. It is a combination of all relationships in the organization, vertical, horizontal and diagonal. It is mostly used in complex projects. It provides a high degree of operational freedom, flexibility and adaptability for the both the line and staff managers in performing their respective roles. The main objective of matrix organization is to secure a higher degree of coordination than what is possible from the conventional organizational structures such as the line and staff.



Merits and Demerits of the matrix organization

Merits	Demerits
A It offers operational freedom and flexibility	A It calls for greater degree of coordination
B It seeks to optimize the utilization of resources	B It violates unity of command principle
C It focuses on end results	C It may be difficult to define authority and responsibility precisely
D It maintain professional identity	D Employees may find it frustrating to work with two bosses
E It holds an employee responsible for management of resources	

Product organization: Here the departments are based on the products manufactured or services rendered. It is common in case of organizations specializing in different products or services such as manufacturing, financing, wholesaling and the like. Product based organizations emerged from the limitations of the functional organizations. With phenomenal growth in the activities, the organizations also grew in size and as a result, the functional organizations could not adopt to the changing requirements of the management.

Merits and Demerits of product organizations

Merits	Demerits
A It strengthens the manufacturing facilities product wise or process wise	A Adequate number of qualified and professional managers may not be available
B It provides for growth and diversification	B Marinating central services may not be cost effective
C It ensures better customer care	C It tends to increase the problems of control for top management
D All facilities are available under one roof	D The organization may get disintegrated with increasing focus on departments
E Responsibility can be fixed for sales and profits for each product or service	
F Managers can be trained for senior positions	

Customer organization: Here all the activities of the enterprise are grouped on the basis of the profile of its customers. Each group is managed by one department head. This type of organization caters to the differing characteristics and needs of its customers. This type of organizations is designed to cater to the requirements of clearly defined customer groups.

Merits and Demerits of customer organization

Merits	Demerits
A It focuses on the specific needs of individual customers	A It calls for focused training programs to cater to the specific customer needs
B It ensures better customer care	B It may be very costly
C It develops a competitive advantage through core competence	C Frequent changes in the market conditions may render underutilization of services
D It is based on growing and diversified needs of customers	D it may be difficult to specialize in the customer problems if the customer group is small
	E The customer requirements keep changing and so also the customer groups

Geographical, regional or territorial organization: This is a further specialized type of organization, which is used to operate over wide geographic areas. Here organization is divided into territories commonly used for the decentralization of responsibility over certain areas. This method is popularly used in sales and production functions.

Merits and Demerits of the geographical organization

Merits	Demerits
A Responsibility is fixed at the territory level	A It may be difficult to the top management to monitor and control the territory level operations
B Local facilities can be well utilized	B It may involve duplication of costs
C Managers at lower levels can be made more responsible	C It may be difficult to find competent managers to head different locations
D It enhances the competitive edge in terms of lower delivery times and lower labour cost	
E It trains managers for senior management positions	

MODERN TRENDSIN ORGANISATIONAL STRUCTURE DESIGNS:

Organizations in the recent times have been gearing themselves to suit to the growing demands from their stakeholders in terms of responsiveness, flexibility, agility, adaptability etc. In this process, they are following organic structure, which are more agile, flexible and adaptable to the changing circumstances.

Virtual Organization: Virtual organizations facilitate competitiveness particularly when these organizations are part of the global economy. Here, there can be alliances and partnerships with other organizations almost all over world. It is a flexible organization structures that removes the traditional boundaries. It allows easy reassignment and reallocation of resources to take quick advantage of shifting opportunities in global markets. To avoid disintegration and to attain the effective needed focus, the lea virtual organizations must have a shared vision, strong brand and high trust culture.

The virtual organization is a temporary network of companies that come together quickly to exploit fast changing opportunities. As virtual organizing required a strong information technology (IT) platform, The boundaries that traditionally separate a firm from its suppliers, customers and even competitors are largely eliminated, temporarily and in respect to a given transaction or business purpose.

Cellular Organization: Organizations structured around the units/cells that complete the entire assembly process are called cellular organizations. In the modern organizations, cellular organizations have been replacing the continuous line or linear production process system. In cellular organizations, workers manufacture total product or sub-assemblies in teams (cells). Every team cell of workers has the responsibility to improve or maintain the quality and quantity of its products. Each team is free to recognize itself to improve performance and product quality. These cells comprise self-managed teams. They monitor themselves and also correct where necessary on their own. Cellular organizations are characterized by much smaller staff all over the organization with middle management positions reduced and lean management members at the top. It is both a lean and flat structure.

Team Structure: A structure in which the entire organization is made up of work groups or teams is known as team structure. Team structures are both permanent and temporary in nature as situation demands. Traditional organizations are characterized by vertical structures and modern organizations are identified by the horizontal i.e., team structures. ‘We export to each other’ is the main feature of team structure.

Boundary less Organization: At the name indicates, a boundary less organization eliminates internal boundaries among subsystems and external boundaries with external environment. It is a combination of team and network structures with the addition of temporariness. It is a dynamic organization structure wherein organizational needs are met through a judicious mix of outsourcing contracts and alliances as and when needed. The key features of boundary less organization include knowledge-sharing, absence of hierarchy and bureaucracy, empowerment voluntary participation of expert members, technology utilization and temporariness.

Inverted Pyramid: This is an alternative to the traditional chain of command. This is a structure, which is narrow at the top and wide at the base. It includes a few levels of management. For instant, sales people and sales support staffs sit on the top as the key decision makers for all the issues related to sales and dealing with the customers. Since the sales staffs are in touch with the customer and aware of the requirements of the customers, they are given all the freedom to follow their own best judgment at all levels.