

# **KCA103: Principles of Management and Communication**

## **Unit-1 Management**

### **Meaning of Management**

Management is a term derived from the Italian word “Managgiare” which literally meaning is to handle. Management is a set of principles relating to the functions of planning, organizing, directing and controlling and the practical application of these principles while managing resources of the company including human resources.

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

Management is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose.

### **Definition of Management**

According to *Harold Koontz*, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

According to *F.W. Taylor*, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

### **Management as a Process**

As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts.

**According to George R. Terry**, “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources”. As a process, management consists of three aspects:

**Management is a social process** - Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.

**Management is an integrating process** - Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.

### **Management as an Activity**

Like various other activities performed by human beings such as writing, playing, eating, cooking etc, management is also an activity because a manager is one who accomplishes the objectives by directing the efforts of others. According to Koontz, “Management is what a manager does”.

*Management as an activity includes:*

1. **Informational activities** - In the functioning of business enterprise, the manager constantly has to receive and give information orally or in written. A communication link has to be maintained with subordinates as well as superiors for effective functioning of an enterprise.
2. **Decisional activities** - Practically all types of managerial activities are based on one or the other types of decisions. Therefore, managers are continuously involved in decisions of different kinds since the decision made by one manager becomes the basis of action to be taken by other managers. (E.g. Sales Manager is deciding the media & content of advertising).
3. **Inter-personal activities** - Management involves achieving goals through people. Therefore, managers have to interact with superiors as well as the sub-ordinates. They must maintain good relations with them. The inter-personal activities include with the sub-ordinates and taking care of the problem. (E.g. Bonuses to be given to the sub-ordinates).

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### **Management as a Discipline**

Management as a discipline refers to that branch of knowledge which is connected to study of principles & practices of basic administration. It specifies certain code of conduct to be followed by the manager & also various methods for managing resources efficiently.

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Management as a discipline specifies certain code of conduct for managers & indicates various methods of managing an enterprise.

Management is a course of study which is now formally being taught in the institutes and universities after completing a prescribed course or by obtaining degree or diploma in management, a person can get employment as a manager.

Any branch of knowledge that fulfils following two requirements is known as discipline:

1. There must be scholars & thinkers who communicate relevant knowledge through research and publications.
2. The knowledge should be formally imparted by education and training programmes.

Since management satisfies both these problems, therefore it qualifies to be a discipline. Though it is comparatively a new discipline but it is growing at a faster pace.

### **Management as a Science**

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

1. **Universally acceptance principles** - Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. E.g. - law of gravitation which can be applied in all countries irrespective of the time.

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Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non-business.

2. **Experimentation & Observation** - Scientific principles are derived through scientific investigation & researching i.e. they are based on logic. E.g. the principle that earth goes round the sun has been scientifically proved.

Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers. E.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

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3. **Cause & Effect Relationship** - Principles of science lay down cause and effect relationship between various variables. E.g. when metals are heated, they are expanded. The cause is heating & result is expansion.
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## Features of Management

Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as: -

1. **Management is Goal-Oriented:** The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity.

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It is a tool which helps use of human & physical resources to fulfill the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.

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2. **Management integrates Human, Physical and Financial Resources:** In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.
3. **Management is Continuous:** Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. E.g. the target of a company is maximum production. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.
4. **Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. When ever more than one person is engaged in working for a common goal, management is necessary.

Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

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5. **Management is a Group Activity:** Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise.

## Process of Management

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Management is exercised by planning, finalizing the strategies, making policies, taking managerial decisions for different situations and options, so as to achieve the objectives of the organisation. Management action is taken to utilize the resources of men, machines, money and materials pertaining to the organisation, effectively, economically and efficiently.

All the activities of an organisation are managed with these management principles. Therefore, success of the business organisations will depend very much on the prudent applications and uses of these fundamentals.

**Planning:** When you think of planning in a management role, think about it as the process of choosing appropriate goals and actions to pursue and then determining what strategies to use, what actions to take, and deciding what resources are needed to achieve the goals.

**Organizing:** This process of establishing worker relationships allows workers to work together to achieve their organizational goals.

**Leading:** This function involves articulating a vision, energizing employees, inspiring and motivating people using vision, influence, persuasion, and effective communication skills.

**Staffing:** Recruiting and selecting employees for positions within the company (within teams and departments).

**Controlling:** Evaluate how well you are achieving your goals, improving performance, taking actions. Put processes in place to help you establish standards, so you can measure, compare, and make decisions.

## Management Practices from past to present

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## **Contribution of Taylor**

Scientific management theory was developed in the early 20th century by Frederick W. Taylor. The primary principles of scientific management are:

### **1. Development of Science for each part of men's job (replacement of rule of thumb)**

- a. This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it.
- b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
- c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

### **2. Scientific Selection, Training & Development of Workers**

- a. There should be scientifically designed procedure for the selection of workers.
- b. Physical, mental & other requirement should be specified for each and every job.
- c. Workers should be selected & trained to make them fit for the job.
- d. The management has to provide opportunities for development of workers having better capabilities.
- e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

### **3. Co-operation between Management & workers or Harmony not discord**

- a. Taylor believed in co-operation and not individualism.
- b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
- c. There should be no conflict between managers & workers.
- d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

### **4. Division of Responsibility**

- a. This principle determines the concrete nature of roles to be played by different level of managers & workers.
- b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.

- c. Thus planning is to be separated from execution.

## **5. Mental Revolution**

- a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.
- b. It requires that management should create suitable working condition and solve all problems scientifically.
- c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
- d. Handsome remuneration should be provided to workers to boost up their moral.
- e. It will create a sense of belongingness among worker.
- f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
- g. There will be more production and economical growth at a faster rate.

## **6. Maximum Prosperity for Employer & Employees**

- a. The aim of scientific management is to see maximum prosperity for employer and employees.
- b. It is important only when there is opportunity for each worker to attain his highest efficiency.
- c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
- d. There should be maximum output in place of restricted output.
- e. Both managers & workers should be paid handsomely.

## **Techniques of Scientific Management**

### **Time Study**

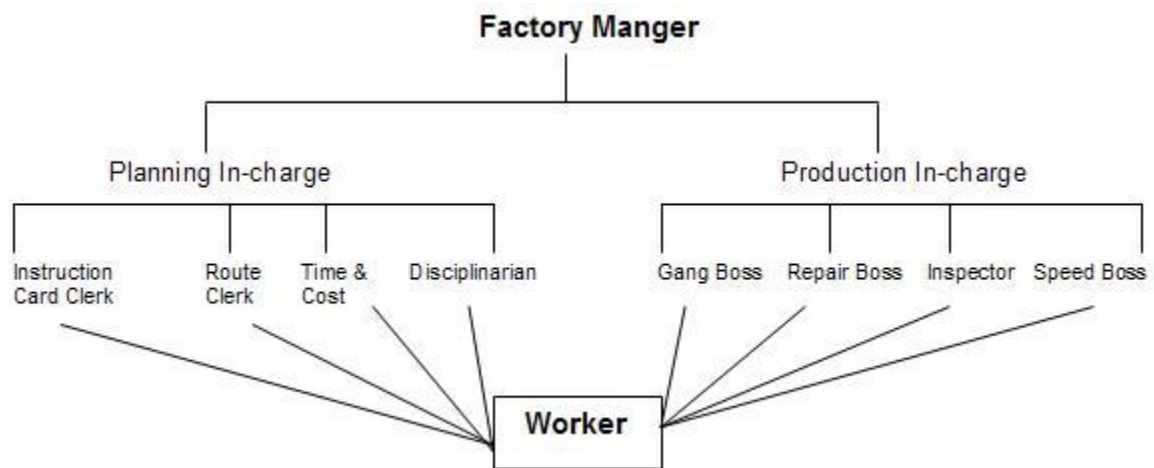
- a. It is a technique which enables the manager to ascertain standard time taken for performing a specified job.
- b. Every job or every part of it is studied in detail.
- c. This technique is based on the study of an average worker having reasonable skill and ability.
- d. Average worker is selected and assigned the job and then with the help of a stop watch, time is ascertained for performing that particular job.
- e. Taylor maintained that Fair day's work should be determined through observations, experiment and analysis by keeping in view an average worker.

$$\text{Standard Time} \times \text{Working Hours} = \text{Fair Day's Work}$$

## Motion Study

- In this study, movement of body and limbs required to perform a job are closely observed.
- In other words, it refers to the study of movement of an operator on machine involved in a particular task.
- The purpose of motion study is to eliminate useless motions and determine the best way of doing the job.
- By undertaking motion study an attempt is made to know whether some elements of a job can be eliminated combined or their sequence can be changed to achieve necessary rhythm.
- Motion study increases the efficiency and productivity of workers by cutting down all wasteful motions.

## Functional Foremanship



- Taylor advocated functional foremanship for achieving ultimate specification.
- This technique was developed to improve the quality of work as single supervisor may not be an expert in all the aspects of the work.
- Therefore workers are to be supervised by specialist foreman.
- The scheme of functional foremanship is an extension of principle of specialization at the supervisory level.



- j. Taylor advocated appointment of 8 foremen, 4 at the planning level & other 4 at implementation level.
- k. The names & function of these specialist foremen are: -
- Instruction card clerk concerned with tagging down of instructions according to which workers are required to perform their job
  - Time & cost clerk is concerned with setting a time table for doing a job & specifying the material and labor cost involved in it.
  - Route clerk determines the route through which raw materials has to be passed.
  - Shop Disciplinarians are concerned with making rules and regulations to ensure discipline in the organization.
  - Gang boss makes the arrangement of workers, machines, tools, workers etc.
  - Speed boss concerned with maintaining the speed and to remove delays in the production process.
  - Repair boss concerned with maintenance of machine, tools and equipments.
  - Inspector is concerned with maintaining the quality of product.

### **Standardization**

- It implies the physical attribute of products should be such that it meets the requirements & needs of customers.
- Taylor advocated that tools & equipments as well as working conditions should be standardized to achieve standard output from workers.
- Standardization is a means of achieving economics of production.
- It seems to ensure –
- The line of product is restricted to predetermined type, form, design, size, weight, quality. Etc
- There is manufacture of identical parts and components.
- Quality & standards have been maintained.
- Standard of performance are established for workers at all levels.

### **Differential Piece Wage Plan**

- This type of wage payment is based on efficiency of worker.
- The efficient workers are paid more wages than inefficient one.

- On the other hand, those workers who produce less than standard no. of pieces are paid wages at lower rate than prevailing rate i.e. worker is penalized for his inefficiency.
- This system is a source of incentive to workers who improving their efficiency in order to get more wages.
- It also encourages inefficient workers to improve their performance and achieve their standards.
- It leads to mass production which minimizes cost and maximizes profits.

### **Other Techniques**

- Various other techniques have been developed to create ordeal relationship between management and workers and also to create better understanding on part of works.
- Those includes use of instruction cards, strict rules & regulations, graphs, slides, charts etc, so as to increase efficiency of workers.

### **Criticism of Scientific Management**

Although it is accepted that the scientific management enables the management to put resources to its best possible use and manner, yet it has not been spared of severe criticism.

### **Workers Viewpoint**

1. **Unemployment** - Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.
2. **Exploitation** - Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity. Wages do not rise in proportion as rise in production. Wage payment creates uncertainty & insecurity (beyond a standard output, there is no increase in wage rate).

3. **Monotony** - Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in wheel. Jobs become dull. Workers loose interest in jobs and derive little pleasure from work.
4. **Weakening of Trade Union** - To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc. This further weakens trade unions, creates a rift between efficient & in efficient workers according to their wages.
5. **Over speeding** - the scientific management lays standard output, time so they have to rush up and finish the work in time. These have adverse effect on health of workers. The workers speed up to that standard output, so scientific management drives the workers to rush towards output and finish work in standard time.

### **Employer's Viewpoint**

1. **Expensive** - Scientific management is a costly system and a huge investment is required in establishment of planning dept., standardization, work study, training of workers. It may be beyond reach of small firms. Heavy fixed investment leads to increase in overhead costs.
2. **Time Consuming** - Scientific management requires mental revision and complete reorganizing of organization. A lot of time is required for work, study, standardization & specialization. During this overhauling of organization, the work suffers.

### **Contribution of Henry Fayol**

Henry Fayol was born in 1841 at Constantinople in France. Henry Fayol is considered the father of 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, organisation, command, co-ordination and control. These six functions had to be performed to operate successfully any kind of business. He, however, pointed

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out that the last function i.e., ability to manage, was the most important for upper levels of managers. The process of management as an ongoing managerial cycle involving planning, organising, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice. Even today, 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 labour 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, the policies and procedures must be honoured by each member of an organisation. 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 organisation 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 organisation must receive orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organisation 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 co-operation. 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. 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 organisation 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 organisation and efficient management.

11. **Equity:** An organisation consists of a group of people involved in 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 pre-requisite of sound organisation and management.

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

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

## **Human Relation Theory**

### **Hawthorne Experiment**

The Hawthorne plant of Western Electric was located in Chicago. It had some 29,000 employees and manufactured telephones and telephone equipment, principally for AT & T.

Some of the major phases of Hawthorne experiments are as follows: 1. Illumination Experiments 2. Relay Assembly Test Room Experiments 3. Mass Interviewing Programme 4. Bank Wiring Observation Room Experiment.

1. Experiments to determine the effects of changes in illumination on productivity, illumination experiments, 1924-27.

2. Experiments to determine the effects of changes in hours and other working conditions on productivity, relay assembly test room experiments, 1927-28;

3. Conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme, 1928-30; and

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4. Determination and analysis of social organisation at work, bank wiring observation room experiments, 1931-32.

### ***1. Illumination Experiments:***

Illumination experiments were undertaken to find out how varying levels of illumination (amount of light at the workplace, a physical factor) affected the productivity. The hypothesis was that with higher illumination, productivity will increase. In the first series of experiments, a group of workers was chosen and placed in two separate groups. One group was exposed to varying intensities of illumination.

Since this group was subjected to experimental changes, it was termed as experimental group. Another group, called as control group, continued to work under constant intensities of illumination. The researchers found that as they increased the illumination in the experimental group, both groups increased production. When the intensity of illumination decreased, the production continued to increase in both the groups.

The production in the experimental group decreased only when the illumination was decreased to the level of moonlight. The decrease was due to light falling much below the normal level.

Thus, it was concluded that illumination did not have any effect on productivity but something else was interfering with the productivity. At that time, it was concluded that human factor was important in determining productivity but which aspect was affecting, it was not sure. Therefore, another phase of experiments was undertaken.

### ***2. Relay Assembly Test Room Experiments:***

Relay assembly test room experiments were designed to determine the effect of changes in various job conditions on group productivity as the illumination experiments could not establish relationship between intensity of illumination and production. For this purpose, the researchers set up a relay assembly test room two girls were chosen.

These girls were asked to choose for more girls as co-workers. The work related to the assembly of telephone relays. Each relay consisted of a number of parts which girls assembled into finished products. Output depended on the speed and continuity with which girls worked. The experiments started with introducing numerous changes in sequence with duration of each change ranging from four to twelve weeks.

An observer was associated with girls to supervise their work. Before each change was introduced, the girls were consulted. They were given opportunity to express their viewpoints and concerns to the supervisor. In some cases, they were allowed to take decisions on matters concerning them.

**Following were the changes and resultant outcomes:**

1. The incentive system was changed so that each girl's extra pay was based on the other five rather than output of larger group, say, 100 workers or so. The productivity increase as compared to before.
2. Two five- minute rests one in the morning session and other in evening session were introduced which were increased to ten minutes. The productivity increased.
3. The rest period was reduced to five minutes but frequency was increased. The productivity decreased slightly and the girls complained that frequent rest intervals affected the rhythm of the work.
4. The number of rest was reduced to two of ten minutes of each, but in the morning, coffee or soup was served along with the sandwich and in the evening, snack was provided. The productivity increased.
5. Changes in working hours and workday were introduced, such as cutting an hour off the end of the day and eliminating Saturday work. The girls were allowed to leave at 4.30 p.m. instead of usual 5.00 p.m. and later at 4.00 p.m. productivity increased

As each change was introduced, absenteeism decreased, morale increased, and less supervision was required. It was assumed that these positive factors were there because of the various factors being adjusted and making them more positive. At this time, the researchers decided to revert back to original position, that is, no rest and other benefits. Surprisingly, productivity increased further instead of going down.

This development caused a considerable amount of redirection in thinking and the result implied that productivity increased not because of positive changes in physical factors but because of the change in girls' attitudes towards work and their work group.

They developed a feeling of stability and a sense of belongings. Since there was more freedom of work, they developed a sense of responsibility and self-discipline. The relationship between supervisor and workers became close and friendly.

### ***3. Mass Interviewing Programme:***

During the course of experiments, about 20,000 interviews were conducted between 1928 and 1930 to determine employees' attitudes towards company, supervision, insurance plans, promotion and wages. Initially, these interviews were conducted by means of direct questioning such as "do you like your supervisor?" or "is he in your opinion fair or does he have favorites?" etc.

this method has disadvantage of stimulating antagonism or the oversimplified 'yes' or 'no' responses which could not get to the root of the problem, the method was changed to non- directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The interview programme gave valuable insights about the human behaviour in the company.

#### **Some of the major findings of the programme were as follows:**

1. A complaint is not necessarily an objective recital of facts; it is a symptom of personal disturbance the cause of which may be deep seated.
2. Objects, persons or events are carriers of social meanings. They become related to employee satisfaction or dissatisfaction only as the employee comes to view them from his personal situation.
3. The personal situation of the worker is a configuration, composed of a personal preference involving sentiments, desires and interests of the person and the social reference constituting the person's social past and his present interpersonal relations.
4. The position or status of worker in the company is a reference from which the worker assigns meaning and value to the events, objects and features of his environment such as hours of work, wages, etc.
5. The social organisation of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.
6. The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.



During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour. However, this conclusion was not very satisfactory and, therefore, researches decided to conduct another series of experiments. As such, the detailed study of a shop situation was started to find out the behaviour of workers in small groups.

#### ***4. Bank Wiring Observation Room Experiment:***

These experiments were conducted to find out the impact of small groups on the individuals. In this experiment, a group of 14 male workers were formed into a small work group. The men were engaged in the assembly of terminal banks for the use in telephone exchanges.

The work involved attaching wire with switches for certain equipment used in telephone exchanges. Hourly wage for each worker was fixed on the basis of average output of each worker. Bonus was also payable on the basis of group effort.

It was expected that highly efficient workers would bring pressure on less efficient workers to increase output and take advantage of group incentive plan. However, the strategy did not work and workers established their own standard of output and this was enforced vigorously by various methods of social pressure. The workers cited various reasons for this behaviour viz. fear of unemployment, fear of increase in output, desire to protect slow workers etc.

The Hawthorne experiments clearly showed that a man at work is motivated by more than the satisfaction of economic needs. Management should recognise that people are essentially social beings and not merely economic beings. As a social being, they are members of a group and the management should try to understand group attitudes and group psychology.

**The following were the main conclusions drawn by Prof. Mayo on the basis of Hawthorne studies:**

##### **1. Social Unit:**

A factory is not only a techno-economic unit, but also a social unit. Men are social beings. This social characteristic at work plays an important role in motivating people. The output increased in Relay Room due to effectively functioning of a social group with a warm relationship with its supervisors.

##### **2. Group Influence:**

The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation. Their behaviour is influenced by these groups. Pressure of a group, rather

than management demands, frequently has the strongest influence on how productive workers would be.

### **3. Group Behaviour:**

Management must understand that a typical group behaviour can dominate or even supersede individual propensities.

### **4. Motivation:**

Human and social motivation can play even a greater role than mere monetary incentives in moving or motivating and managing employee group.

### **5. Supervision:**

The style of supervision affects worker's attitude to work and his productivity. A supervisor who is friendly with his workers and takes interest in their social problems can get co-operation and better results from the subordinates.

### **6. Working Conditions:**

Productivity increases as a result of improved working conditions in the organisation.

### **7. Employee Morale:**

Mayo pointed out that workers were not simply cogs, in the machinery, instead the employee morale (both individual and in groups) can have profound effects on productivity.

### **8. Communication:**

Experiments have shown that the output increases when workers are explained the logic behind various decisions and their participation in decision making brings better results.

### **9. Balanced Approach:**

The problems of workers could not be solved by taking one factor i.e. management could not achieve the results by emphasizing one aspect. All the things should be discussed and decision be taken for improving the whole situation. A balanced approach to the whole situation can show better results.

## **Different Levels of Management**

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

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

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



## **LEVELS OF MANAGEMENT**

### **1. Top Level of Management**

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

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

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.

- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

## **2. Middle Level of Management**

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

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.
- h. They are also responsible for inspiring lower level managers towards better performance.

## **3. Lower Level of Management**

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

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.

- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.
- m. They are the image builders of the enterprise because they are in direct contact with the workers.

### **Who is a Manager?**

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career. Managers may direct workers directly or they may direct several supervisors who direct the workers. They are the individuals charged with examining the workflow, coordinating efforts, meeting goals and providing leadership. Thus a manager must be familiar with the work of all the groups he/she supervises, but need not be the best in any or all of the areas. It is more important for a manager to know how to manage the workers than to know how to do their work well.

### **Roles of a Manager**

To achieve results, they shift gears and restructure and reorganise things continually. The diverse roles played by managers in discharging their duties have been summarised by Henry Mintzberg in the late 1960s, under three broad headings: interpersonal roles, informational roles and decisional roles. Let us understand them one by one.

1. **Interpersonal roles:** Three interpersonal roles help the manager keep the organisation running smoothly. Managers play the figurehead role when they perform duties that are ceremonial and

symbolic in nature. These include greeting the visitors, attending social functions involving their subordinates (like weddings, funerals), handing out merit certificates to workers showing promise etc. The leadership role includes hiring, training, motivating and disciplining employees. Managers play the liaison role when they serve as a connecting link between their organisation and others or between their units and other organisational units. Mintzberg described this activity as contacting outsiders who provide the manager with information. Such activities like acknowledgements of mail, external board work, etc., are included in this category.

**2. Informational roles:** Mintzberg mentioned that receiving and communicating information are perhaps the most important aspects of a manager's job. In order to make the right decisions, managers need information from various sources. Typically, this activity is done through reading magazines and talking with others to learn about changes in the customers' tastes, competitors' moves and the like. Mintzberg called this the monitor role. In the disseminator role, the manager distributes important information to subordinates that would otherwise be inaccessible to them. Managers also perform the spokesperson role when they represent the organisation to outsiders.

**3. Decisional roles:** There are four decision roles that the manager adopts. In the role of entrepreneur, the manager tries to improve the unit. He initiates planned changes to adapt to environmental challenges. As disturbance handlers, managers respond to situations that are beyond their control such as strikes, shortages of materials, complaints, grievances, etc. In the role of a resource allocator, managers are responsible for allocating human, physical and monetary resources. As negotiators, managers not only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

### **Functions of a Manager**

As we have seen above, there are many management functions in business and, therefore, many manager titles. Regardless of title, the manager is responsible for planning, directing, monitoring and controlling the people and their work.

1. An Operations Manager is responsible for the operations of the company.
2. A Night Manager is responsible for the activities that take place at night.

According to Reitz, Managers generally work for long hours, their days are broken up into a large number of brief and varied activities, they interact with large number of different people, they do little reflective planning and spend most of their time engaged in oral communication. They spend

a lot of time getting, giving and processing information. According to Stoner, managerial work is characterised by the following things:

1. **Managers work with and through other people:** Managers work with internal (subordinates, supervisors, peers) as well as external groups (customers, clients, suppliers, union representatives etc.) in order to achieve corporate goals. They integrate individual efforts into teamwork. They plan things, create a structure, motivate people and achieve goals.

2. **Managers are mediators:** People working in an organisation do not always agree on certain things, say, the establishment of goals and the means to achieve them. At the corporate headquarters of a large bank, managers may think about expanding into merchant banking, leasing, credit card business, whereas at the branch level, people may focus on expanding deposits by venturing deep into rural areas. Unless such differences are resolved quickly, employees find it difficult to think and act like a well-knit group. Their morale, too, may suffer. Managers often step in to put things in order, clear the paths to goals, clarify things to people, put out fires and meet goals.

3. **Managers are politicians:** Managers must develop healthy relationships with various groups in order to achieve the goals smoothly. They may have to nurture groups and join certain coalitions within a company. They often draw upon such relationships to win support for their proposals and decisions.

4. **Managers are diplomats:** Managers serve as official representatives of their work units at organisational meetings. They may represent the entire organisation as well as a particular unit in dealing with external groups (clients, customers, government officials, etc.).

5. **Managers are symbols:** Managers are symbols of corporate success or failure. They get applause when they succeed and get depreciated and attacked when they fail. In short, they represent corporate as well as employee aspirations. They are shown the door when these aspirations do not materialise.

Managers, obviously, are there to utilise corporate resources in the best possible way. More popular and widely accepted is the classification given by Henry Fayol. According to him, the managerial functions may be broadly classified into five categories: planning, organising, directing, staffing and controlling. Managers perform these functions within the limits established by the external environment and must consider the interests of such diverse groups as government, employees, unions, customers, shareholders, competitors and the public. For theoretical purposes,

it may be convenient to separate the management functions and study them independently but practically speaking, they defy such categorisations. They are highly inseparable. Each function blends into the other and each can be performed in any order or sequence, not necessarily in the order shown above, but tend to be performed (normally) in the planning, organising, leading and controlling sequence. A brief discussion of the five basic functions is presented under:

1. **Planning:** Planning is the process of making decisions about future. It is the process of determining enterprise objectives and selecting future courses of actions necessary for their accomplishment. It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom. Planning provides direction to enterprise activities. It helps managers cope with change. It enables managers to measure progress toward the objectives so that corrective action can be taken if progress is not satisfactory. Planning is a fundamental function of management and all other functions of management are influenced by the planning process.

2. **Organising:** Organising is concerned with the arrangement of an organisation's resources – people, materials, technology and finance in order to achieve enterprise objectives. It involves decisions about the division of work, allocation of authority and responsibility and the coordination of tasks. The function increases in importance as a firm grows. A structure is created to cope with problems created by growth. Through this formal structure, the various work activities are defined, classified, arranged and coordinated. Thus, organising refers to certain dynamic aspects: What tasks are to be done? Who is to do them? How the tasks are to be grouped? Who is to report to whom? Where the decisions have to be made?

3. **Staffing:** Staffing is the function of employing suitable persons for the enterprise. It may be defined as an activity where people are recruited, selected, trained, developed, motivated and compensated for manning various positions. It includes not only the movement of individuals into an organisation, but also their movement through (promotion, job rotation, transfer) and out (termination, retirement) of the organisation.

4. **Directing:** The function of guiding and supervising the activities of the subordinates is known as directing. Acquiring physical and human assets and suitably placing them on jobs does not suffice; what is more important is that people must be directed towards organisational goals. This work involves four important elements:



(a) **Leadership:** Leadership is the process of influencing the actions of a person or a group to attain desired objectives. A manager has to get the work done with and through people. The success of an organisation depends upon the quality of leadership shown by its managers.

(b) **Motivation:** Motivation is the work a manager performs to inspire, encourage and impel people to take required action. It is the process of stimulating people to take desired courses of action. In order to motivate employees, manager must provide a congenial working atmosphere coupled with attractive incentives.

(c) **Communication:** Communication is the transfer of information and understanding from one person to another. It is a way of reaching others with ideas, facts, and thoughts. Significantly, communication always involves two people: a sender and a receiver. Effective communication is important in organisations because managers can accomplish very little without it.

(d) **Supervision:** In getting the work done it is not enough for managers to tell the subordinates what they are required to do. They have also to watch and control the activities of the subordinates. Supervision is seeing that subordinates do their work and do it as directed. It involves overseeing employees at work.

**5. Controlling:** The objective of controlling is to ensure that actions contribute to goal accomplishment. It helps in keeping the organisational activities on the right path and aligned with plans and goals. In controlling, performances are observed, measured and compared with what had been planned. If the measured performance is found wanting, the manager must find reasons and take corrective actions. If the performance is not found wanting, some planning decisions must be made, altering the original plans. If the controlling function is to be effective, it must be preceded by proper planning. Thus, controlling includes four things: (a) setting standards of performance, (b) measuring actual performance, (c) comparing actual performance against the standard and (d) taking corrective actions to ensure goal accomplishment. Successful management involves active participation by managers in the above basic managerial functions. These functions are interrelated and most managers use a combination of the all of them simultaneously to solve the problems facing their companies.

### **Skills of an Effective Manager**

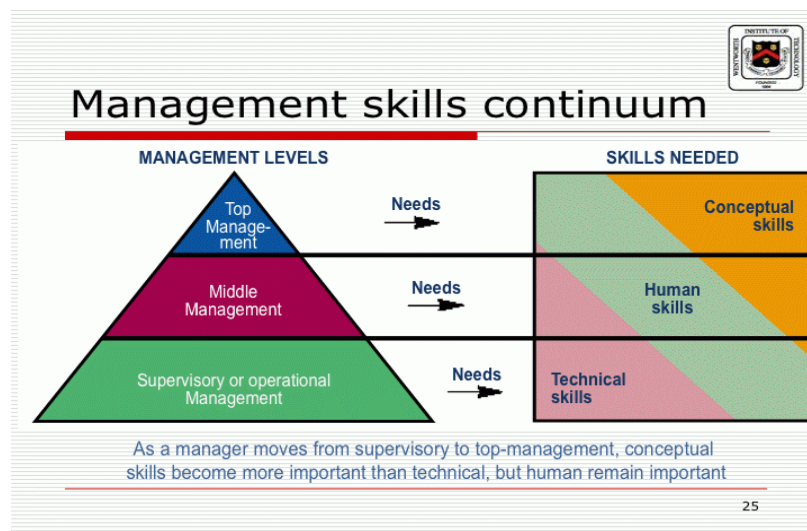
An effective manager must possess certain skills in the areas of planning, organising, leading, controlling and decision-making in order to process activities that are presented to him from time to time. In order to be effective, a manager must possess and continuously develop several essential

skills. Robert L. Katz has identified three basic types of skills - technical, human and conceptual - which he says are needed by all managers.

1. **Technical skill:** It is the ability to use the tools, procedures or techniques of a specialized field. Technical skill is considered to be very crucial to the effectiveness of lower level managers because they are in direct contact with employees performing work activities within the firm. For instance, the success of a drilling supervisor of an oil rig depends a great deal on his technical knowledge of drilling. However, as one moves to higher levels of management within the organization, the importance of technical skill diminishes because the manager has less direct contact with day-to-day problems and activities. Thus, the president of an oil company does not need to know much of the technical details of drilling for oil or how to refine it. Technical skill is the most important at the lower levels of management; it becomes less important as we move up the chain of a command.

2. **Human skill:** It is the ability to work with, understand and motivate other people. This skill is essential at every level of management within the organization, but it is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.

3. **Conceptual skill:** It is the mental ability to coordinate and integrate the organization's interests and activities. It refers to the ability to see the 'big picture', to understand how a change in any given part can affect the whole organization. The relationship between management levels and managerial skills is shown in Figure.



## **Qualities of Efficient Management**

**Effective management** is one which is successful in achieving the short as well as long-term goal of an organization while running right towards the vision of the organization.



### **Innovativeness**

The organizations at the top are characterized by their keenness for innovations. They do not mind spending or instead investing in research and development for the sake of innovations. Especially when they know that there is no guarantee of results, they keep coming up with new and innovative ideas to serve their customers and stakeholders better.

### **Quality of Management / Effective Management Skills**

Quality of management should be construed as the quality of the board of directors and the top management team. The team should be highly qualified and have extensive experience in their core field and overall management of their respective responsibilities. The management should possess the effective management skills to conduct effective management meetings that take the decisions that directly contribute to the achievement of the company's goals.

### **Long-Term Investment Value**

Effectively managed companies look at the very long-term value of their investments. They do not sacrifice or compromise on their long-term goals for the sake of short-term benefits. The company's policies are designed in a manner that encourages long-term thinking.

### **Social Responsibility**

Development is not a one-time need, and therefore it is of utmost importance to focus on the concept of sustainable development. Society is also one of the stakeholders of a company. The brand image that a company wishes is nowhere but in the mind of the society it is serving.

### **Employee Talent**

An organization or a company is not a living thing. Behind the scene are the management and employees. They are the most important asset of an organization, and appropriate skill and talent can only produce world-class products and services.

### **Quality of Products and Services**

The quality of a company's products and services greatly contributes to achieving its financial and other goals. There are two important channels of increasing sales, i.e., through referred customers and repeat customers. A company can generate sales through marketing and advertisement, but it cannot sustain itself in the long run if the quality of products or services is not sufficient. To outperform the competitors, the first quality of the product should outperform the other products in the market. This does not mean that the cost of these could be anything. The overall value proposition should be customer-oriented.

### **Financial Soundness**

Most of the biggest companies have started from proprietorship to partnerships with corporations. As the company reaches an opportunity to grow, it needs additional funds/capital and sources of funds to grasp that opportunity. Financial soundness can also be understood as the optimized capital structure or effective working capital management, or readiness to bear temporary losses.

## UNIT-2 Planning and Organizing

### **DEFINITION**

According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

### **NATURE AND PURPOSE OF PLANNING**

#### **Nature of Planning**

1. **Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
2. **Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
3. **Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
4. **Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
5. **Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
6. **Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
7. **Flexibility:** The process of planning should be adaptable to changing environmental conditions.
8. **Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.

## Purpose of Planning

As a managerial function planning is important due to the following reasons:-

1. **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
2. **To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
3. **To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
4. **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
5. **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
6. **To increase organizational effectiveness:** Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

## Features of Planning

- It is primary function of management.
- It is an intellectual process.
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process
- It is a pervasive function
- **PLANNING PROCESS**
- The various steps involved in planning are given below



## Planning Process

**a) Perception of Opportunities:** Although preceding actual planning and therefore not strictly a part of the planning process, awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain. Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity situation.

**b) Establishing Objectives:** The first step in planning itself is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected 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 network of strategies, policies, procedures, rules, budgets and programs. Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser departments will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals and if they are given an opportunity to contribute their ideas to them and to the setting of their own goals.

- **c) Considering the Planning Premises:**
- Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable basic



policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning.

- The more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be.
- Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters.
- Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.
- Since agreement to utilize a given set of premises is important to coordinate planning, it becomes a major responsibility of managers, starting with those at the top, to make sure that subordinate managers understand the premises upon which they are expected to plan. It is not unusual for chief executives in well- managed companies to force top managers with differing views, through group deliberation, to arrive at a set of major premises that all can accept.

**d) Identification of alternatives:** Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives. The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best. The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating, through the process of approximation, the least promising ones.

**e) Evaluation of alternatives:** Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company in long-range objectives. If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this

evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

**f) Choice of alternative plans:** An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

**g) Formulating of Supporting Plans:** After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance– sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget. If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

**h) Establishing sequence of activities:** Once plans that furnish the organization with both long-range and short-range direction have been developed, they must be implemented. Obviously, the organization can not directly benefit from planning process until this step is performed.

## **DECISION MAKING**

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable.

In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

### **Characteristics of Decision Making**

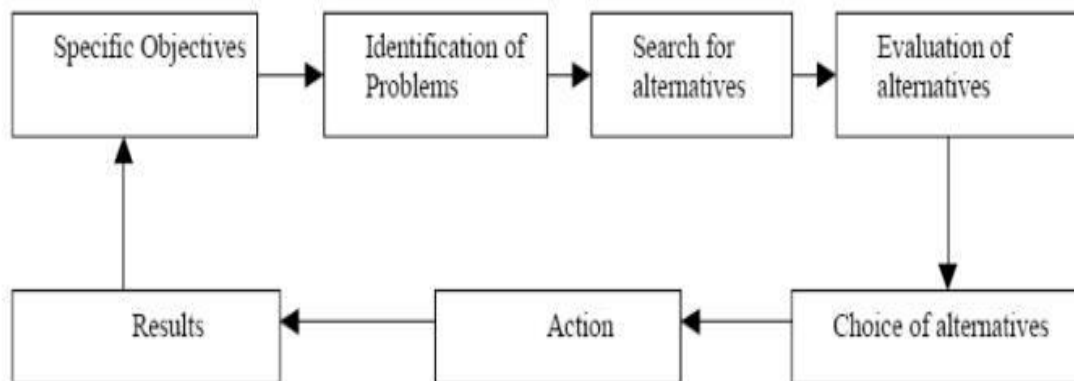
Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.

**Notes Prepared By: Dr. Muskan Khan**

- The decision-maker has freedom to choose an alternative.
- Decision-making may not be completely rational but may be judgmental and emotional.
- Decision-making is goal-oriented.
- Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- A decision may be expressed in words or may be implied from behavior.
- Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.
- Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

## **DECISION MAKING PROCESS**

The decision making process is presented in the figure below:



**Specific Objective:** The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the **determination of whether a decision needs to be made.**

**Problem Identification:** A problem is a felt need, a question which needs a solution. In the words of Joseph L Massie "**A good decision is dependent upon the recognition of the right problem**". The objective of problem identification is that if the problem is precisely and specifically identifies, it

will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

**Diagnosis:** Diagnosis is the process of identifying a problem from its signs and symptoms. A symptom is a condition or set of conditions that indicates the existence of a problem. Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

**Analysis:** Diagnosis gives rise to analysis. Analysis of a problem requires:

- Who would make decision?
- What information would be needed?
- From where the information is available?
- Analysis helps managers to gain an insight into the problem.

3. **Search for Alternatives:** A problem can be solved in several ways; however, all the ways cannot be equally satisfying. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:

- His own past experiences
- Practices followed by others and
- Using creative techniques.

**Evaluation of Alternatives:** After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. /the decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.

**Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.

**Action:** Once the alternative is selected, it is put into action. The actual process of decision making ends with the choice of an alternative through which the objectives can be achieved.

**Results:** When the decision is put into action, it brings certain results. These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus, results provide indication whether decision making and its implementation is proper.

### **Characteristics of Effective Decisions**

An effective decision is one which should contain three aspects. These aspects are given below:

**Action Orientation:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions should ultimately find their utility in implementation.

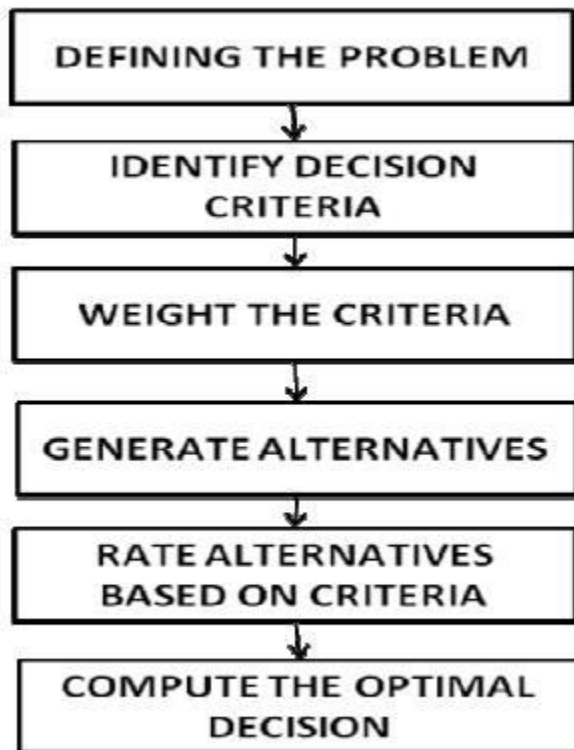
**Goal Direction:** Decision making should be goal-directed to enable the organization to meet its objectives.

**Effective in Implementation:** Decision making should take into account all the possible factors not only in terms of external context but also in internal context so that a decision can be implemented properly.

### **RATIONAL DECISION MAKING MODEL**

The Rational Decision Making Model is a model which emerges from Organizational Behavior. The process is one that is logical and follows the orderly path from problem identification through solution. It provides a structured and sequenced approach to decision making. Using such an approach can help to ensure discipline and consistency is built into your decision making process.

## The Six-Step Rational Decision-Making Model



### 1) Defining the problem

This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.

### 2) Identify decision criteria

Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision.

This step brings the decision maker's interests, values, and personal preferences into the process.

Identifying criteria is important because what one person thinks is relevant, another may not. Also keep in mind that any factors not identified in this step are considered as irrelevant to the decision maker.

### **3) Weight the criteria**

The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.

### **4) Generate alternatives**

The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

### **5) Rate each alternative on each criterion**

The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.

### **6) Compute the optimal decision**

Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

## **Organizing**

**Organizing** is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

**According to Chester Barnard**, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A manager performs organizing function with the help of following steps:-

1. **Identification of activities** - All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record

keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.

2. **Departmentally organizing the activities** - In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.
3. **Classifying the authority** - Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority help in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.
4. **Co-ordination between authority and responsibility** - Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

## **Process of Organizing**

**The process of organising involves the following steps:**

### **1. Identification and enumeration of activities:**

At the first stage of organising process, a manager identify and determines those activities that are to be performed for achieving common goals. Those activities are determined on the basis of common goals.

For example, an organisation producing and distributing washing machines has to perform large number of activities that may be related to production, distribution, finance, purchase and personnel, etc.

### **2. Division of activities:**



After determining and enumerating activities, these are to be divided and sub-divided into small components known as jobs and tasks.

### **3. Grouping-up of activities:**

Once the activities have been broken into small elements, these can be easily put into various groups on the basis of their relationship and similarities. For example, each job and task related to production is to be grouped up into production group, and elements that are related to marketing, finance and purchase are to be grouped-up in the respective groups.

### **4. Assignment of group of activities:**

After putting various activities into several groups, these are to be assigned or allotted to the various departments created for this purpose, or to the employees if the activities are limited. At the time of making such assignment, it is ensured that the department has required competence and resources for performing that group of activities.

### **5. Granting necessary rights:**

Assignment of group of activities among various departments is followed by giving them adequate rights so that they can perform assigned work in a satisfactory manner.

The rights are granted through the process of delegation. In this process higher level manager gives away some of his right in favour of other who becomes his subordinate and it continues till the last level of management.

### **6. Coordinating the functioning of various departments:**

In the process of organising, attempts are also made for coordinating working of individual with respective department, and finally to coordinate functioning of various departments towards the achievement of common goals.

## **Need and Importance of Organising**

### **1. Provides framework to perform management functions:**

Organisational structure provides a framework within which various management functions can be performed by the managers more efficiently. It is only through relationship of superior and subordinate, which is created by organising process that the manager plans, directs and controls activities of his subordinates.

### **2. Facilitates coordination:**

Organising process may also be used as a device of maintaining and achieving coordination. In organising, the activities performed by an individual employee are related to the functioning of his department, and then functioning of various departments is harmonised for seeking common goals.

### **3. Leads to specialisation:**

Organising is based on the concept of division of work that ultimately leads to specialisation. Through it, activities are divided, grouped-up and assigned to the concerned department having requisite competence, and resources, and the department develops as a specialised centre for those activities.

### **4. Helps in achieving efficiency:**

Organising process aims at achieving higher efficiency because it helps in making efficient utilisation of both human as well as physical resources.

### **5. Promotes Employee development:**

In a highly decentralised organisational structure, each position is strengthened by delegating required authority. As a result of it, each manager makes decisions, solves problems and tackles the situation that ultimately leads to overall development in his personality.

### **6. Increases clarity of authority and responsibility:**

Division of work and delegation of authority among employees, through the process of organising, gives them a precise idea of what they are expected to perform and within what limits of authority they have to perform. It helps in boosting an employee's morale and he feels comfortable in the work- setting.

## **7. Facilitates adaptation:**

Organisational structure also provides a useful means to cope with changing environment. In the event of change, necessary modification may be made in the organising process, organisational structure and organisational goals, so as to bring them in conformity with the change. It may be done by maintaining flexibility in the structure and making it adaptive to changes.

## **FORMS OF ORGANIZATION**

**Line organization** is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

### **Features of Line Organization**

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

### **Merits of Line Organization**

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.

5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

### **Demerits of Line Organization**

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

### **Line and Staff Organization**

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.

**MANAGING**

**DIRECTOR**



### Features of Line and Staff Organization

1. There are two types of staff :
  - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
  - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
  - a. Line Authority
  - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counselors.

### Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different

matters can be done by the staff specialist and line officers can concentrate on execution of plans.

3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.
4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.
5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.
6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.
7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co-ordination. This relationship automatically ends up the line official to take better and balanced decision.
8. **Unity of action-** Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

### **Demerits of Line and Staff Organization**

1. **Lack of understanding-** In a line and staff organization, there are two authorities flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.
2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provides wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.
3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their

relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.

4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.
5. **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.
6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

**Functional organization** has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.

The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

### **Features of Functional Organization**

1. The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
2. Complex form of administrative organization compared to the other two.
3. Three authorities exist- Line, staff and function.
4. Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
5. Principle of unity of command does not apply to such organization as it is present in line organization.

### **Merits of Functional Organization**

1. **Specialization-** Better division of labour takes place which results in specialization of function and it's consequent benefit.
2. **Effective Control-** Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
3. **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.
4. **Economy-** Specialization compiled with standardization facilitates maximum production and economical costs.
5. **Expansion-** Expert knowledge of functional manager facilitates better control and supervision.

### **Demerits of Functional Organization**

1. **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
2. **Lack of Co-ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
3. **Difficulty in fixing responsibility-** Because of multiple authority, it is difficult to fix responsibility.
4. **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
5. **Costly-** Maintenance of specialist's staff of the highest order is expensive for a concern.

### **AUTHORITY AND RESPONSIBILITY RELATIONSHIPS**

Authority is the right of a superior to give orders and instructions to his subordinates to get things done. Responsibility means the duties assigned to a person at the time of delegation of authority. Responsibility also denotes the obligation of the subordinate to perform the duty to the best of his ability. It arises from the superior-subordinate relationship.

Authority can be delegated, but responsibility cannot be delegated. Authority moves downward. A superior can always share his authority with his subordinates, but he cannot delegate the responsibility or obligation to perform his duty.



Responsibility is owed to one's superior. Therefore, no subordinate can avoid his responsibility by delegating some authority to his subordinate. Accountability always moves upward and so it cannot be delegated. Authority and responsibility are closely related. There should be a parity between the two. A subordinate will be answerable for the authority delegated to him and not beyond that.

### Comparison Chart

<b>BASIS FOR COMPARISON</b>	<b>AUTHORITY</b>	<b>RESPONSIBILITY</b>
Meaning	Authority refers to the power or right, attached to a particular job or designation, to give orders, enforce rules, make decisions and exact compliance.	Responsibility denotes duty or obligation to undertake or accomplish a task successfully, assigned by the senior or established by one's own commitment or circumstances.
What is it?	Legal right to issue orders.	Corollary of authority.
Results from	Formal position in an organization	Superior-subordinate relationship
Task of manager	Delegation of authority	Assumption of responsibility
Requires	Ability to give orders.	Ability to follow orders.
Flow	Downward	Upward
Objective	To make decisions and implement it.	To execute duties, assigned by superior.

BASIS FOR COMPARISON	AUTHORITY	RESPONSIBILITY
Duration	Continues for long period.	Ends, as soon as the task is accomplished.

### Definition of Authority

We define ‘authority’ as the legal and formal right of the manager or supervisor or any of the top level executives, of the organisation to command subordinates, give them orders, instructions and directions, and access obedience. The manager is entitled to make decisions, concerning performance or non-performance of a task in a particular manner, so as to accomplish organisational objectives. It comprises of some permissions and the right to act for the organisation in a particular area.

Authority is derived by virtue of the position of an individual in the organisation, and the degree of authority is maximum at the top level and decreases consequently as we go down the corporate hierarchy. Therefore, it flows from top to bottom, giving authority to superior over the subordinate.

One cannot occupy a superior position in an organisation if he does not have any authority. It is the authority; that distinguishes one position from that of another and vests the power to the concerned individual, to order his subordinates and obtain necessary compliance.

### Types of Authority

- **Official Authority:** The authority which gives the manager, power to command his subordinates, by virtue of his designation in the organisation.
- **Personal Authority:** It indicates the ability by which a person influences the behaviour of other persons in an organisation.

### Definition of Responsibility

Responsibility is the obligation of an individual, whether a manager or any other employee of the organisation to carry out the task or duty assigned to him by the senior. The one who accepts the

task are held responsible for their performance, i.e. when an employee takes the responsibility of an action, at the same time, he becomes responsible for its consequences too.

The obligation is the kernel of responsibility. It is originated from the superior-subordinate relationship, formed in an organisation. Hence, the manager can get the tasks done from his subordinates, by virtue of their relationship, as the subordinate is bound to perform the tasks assigned.

## **Conclusion**

A point to remember in connection with authority and responsibility is that while assigning certain responsibility to an employee, the required amount of authority should also be conferred on him so that he/she can be able to perform it.

Hence, the delegation of authority can only be effective when it matches with the assigned responsibility, i.e. if the authority assigned to a person is greater than the responsibility; it ultimately results in the misuse of authority. Likewise, if the responsibility assigned is greater than the authority, then also the tasks will not be carried out properly due to the lack of necessary authority, thus making it ineffective. So, a balance should be maintained between the authority and responsibility.

## **DECENTRALIZATION**

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

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

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and

they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

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

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

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

### **Implications of Decentralization**

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.

5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

### **UNIT-3 Directing and Controlling**

#### **Motivation**

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be -

- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the [role of a leader](#) is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

#### **Importance of Motivation**

Motivation is a very important for an organization because of the following benefits it provides:

- 1. Puts human resources into action**

Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

## **2. Improves level of efficiency of employees**

The level of a subordinate or an employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

- a. Increase in productivity,
- b. Reducing cost of operations, and
- c. Improving overall efficiency.

## **3. Leads to achievement of organizational goals**

The goals of an enterprise can be achieved only when the following factors take place :-

- a. There is best possible utilization of resources,
- b. There is a co-operative work environment,
- c. The employees are goal-directed and they act in a purposive manner,
- d. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

## **4. Builds friendly relationship**

Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- a. Monetary and non-monetary incentives,
- b. Promotion opportunities for employees,
- c. Disincentives for inefficient employees.

## **5. Leads to stability of work force**

Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

## **Maslow's Need Hierarchy Model**

Human behavior is goal-directed. Motivation cause goal-directed behavior. It is through motivation that needs can be handled and tackled purposely. This can be understood by

understanding the hierarchy of needs by manager. The needs of individual serves as a driving force in human behaviour. Therefore, a manager must understand the “hierarchy of needs”. Maslow has proposed “The Need Hierarchy Model”.

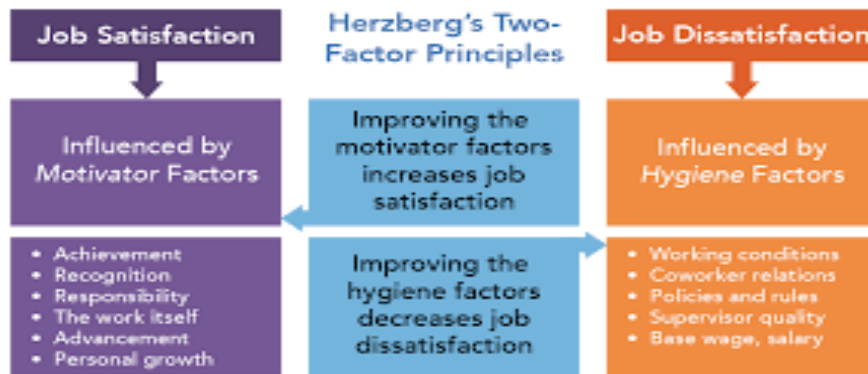


The needs have been classified into the following in order:

1. **Physiological needs-** These are the basic needs of an individual which includes food, clothing, shelter, air, water, etc. These needs relate to the survival and maintenance of human life.
2. **Safety needs-** These needs are also important for human beings. Everybody wants job security, protection against danger, safety of property, etc.
3. **Social needs-** These needs emerge from society. Man is a social animal. These needs become important. For example- love, affection, belongingness, friendship, conversation, etc.
4. **Esteem needs-** These needs relate to desire for self-respect, recognition and respect from others.
5. **Self-actualization needs-** These are the needs of the highest order and these needs are found in those person whose previous four needs are satisfied. This will include need for social service, meditation.

### Herzberg's Two-Factor Theory of Motivation

In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of “Satisfaction” is “No satisfaction” and the opposite of “Dissatisfaction” is “No Dissatisfaction”.



Herzberg classified these job factors into two categories-

- Hygiene factors-** Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as **dissatisfiers or maintenance factors** as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:
  - Pay - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.
  - Company Policies and administrative policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.
  - Fringe benefits - The employees should be offered health care plans (med claim), benefits for the family members, employee help programmes, etc.
  - Physical Working conditions - The working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained.
  - Status - The employees' status within the organization should be familiar and retained.
  - Interpersonal relations - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.
  - Job Security - The organization must provide job security to the employees.
- Motivational factors-** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:



- Recognition - The employees should be praised and recognized for their accomplishments by the managers.
- Sense of achievement - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- Growth and promotional opportunities - There must be growth and advancement opportunities in an organization to motivate the employees to perform well.
- Responsibility - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.
- Meaningfulness of the work - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

### **Limitations of Two-Factor Theory**

The two factor theory is not free from limitations:

1. The two-factor theory overlooks situational variables.
2. Herzberg assumed a correlation between satisfaction and productivity. But the research conducted by Herzberg stressed upon satisfaction and ignored productivity.
3. The theory's reliability is uncertain. Analysis has to be made by the raters. The raters may spoil the findings by analyzing same response in different manner.
4. No comprehensive measure of satisfaction was used. An employee may find his job acceptable despite the fact that he may hate/object part of his job.
5. The two factor theory is not free from bias as it is based on the natural reaction of employees when they are enquired the sources of satisfaction and dissatisfaction at work. They will blame dissatisfaction on the external factors such as salary structure, company policies and peer relationship. Also, the employees will give credit to themselves for the satisfaction factor at work.
6. The theory ignores blue-collar workers. Despite these limitations, Herzberg's Two-Factor theory is acceptable broadly.

### **Implications of Two-Factor Theory**

- ✓ The Two-Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. This theory emphasize upon job-enrichment so as to motivate the employees. The job must utilize the employee's skills and competencies to the maximum. Focusing on the motivational factors can improve work-quality.

Theory X and Theory Y

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behavior at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

### **Assumptions of Theory X**

- An average employee intrinsically does not like work and tries to escape it whenever possible.

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- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

### **Assumptions of Theory Y**

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory Y is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

### **Implications of Theory X and Theory Y**

- ✓ Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.
- ✓ Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction. Employees should be given opportunities to contribute to organizational well-being. Theory Y encourages decentralization of authority, teamwork and participative decision making in an organization. Theory Y searches and discovers the ways in which an employee can make significant contributions in an organization. It harmonizes and matches employees' needs and aspirations with organizational needs and aspirations.

### **Leadership**

**Notes Prepared By: Dr. Muskan Khan**

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.

Leadership is the potential to influence behavior of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, “Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals.”

### **Characteristics of Leadership**

1. It is an inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals.
2. It denotes a few qualities to be present in a person who includes intelligence, maturity and personality.
3. It is a group process. It involves two or more people interacting with each other.
4. A leader is involved in shaping and moulding the behavior of the group towards accomplishment of organizational goals.
5. Leadership is situation bound. There is no best style of leadership. It all depends upon tackling with the situations.

### **Importance of Leadership**

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.

7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

## **Leadership Styles**

All leaders do not possess same attitude or same perspective. As discussed earlier, few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner. Their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

Some of the important leadership styles are as follows:

**Autocratic leadership style:** In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the teams or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

**The Laissez Faire Leadership Style:** Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.

**Democratic/Participative leadership style:** The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.

**Bureaucratic leadership:** Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required. But this leadership style discourages creativity and does not make employees self-contented.

## **Qualities of Effective Leader**

## **1. Optimism**

A positive attitude can set the tone and motivate individuals to be more productive. People who are optimistic about not only themselves and what they're doing, but about other people, are much more likely to inspire others to be, and do their best.

## **2. Ability to Make Difficult Decisions**

The ability to make difficult decisions based on the facts and circumstances of each specific situation is a crucial quality of a great leader and effective leadership. The qualities of a good leader will rely on both reason and intuition. True leaders must also know when to make decisions solely on their own, and when they can, and should, be based on the input of others when working towards a common goal.

## **3. Ability to Delegate**

A strong, confident and effective leader is not afraid to let others handle the workload and can ultimately give credit where credit is due. Strong leaders also get to know the people they're working with well enough to decide who is best suited for the delegation of certain tasks. A person who understands this leadership style is typically a better leader.

## **4. Must be Approachable**

In order to keep the channels of communication open, a true leader must be approachable at all times. You'll know that you have the qualities of a good leader when peers and subordinates feel comfortable bringing both good and bad news to you as the person in charge.

## **5. Integrity**

Neither adults nor children are going to follow an individual that they feel they can't trust. In a culture where people's ethical standards seem to be rapidly deteriorating, a successful leader that embodies integrity will stand out in the crowd and naturally draw in followers.

## **6. Humility**

Humble leaders are good leaders who know that even though they assume the leadership position and are in charge, the contributions of others are very important. It's also necessary for great leaders to understand that admitting mistakes is not a sign of weakness, but of strength, self-awareness, and high emotional intelligence.

## **7. Transparency**

People feel more comfortable when they know exactly what is expected of them and how those in charge expect them to accomplish those goals. In practical terms, this leadership style often entails good communication skills as it calls for communicating face to face instead of by email and delivering important information in a timely manner.

## **8. Authenticity**

Effective leaders will not only be transparent regarding expectations, but about who they are as individuals when they take on a leadership role. Authentic and successful leaders direct with a consistency that is based on their true character, not a contrived style. Eventually, others will see through a facade.

While some individuals are born with leadership traits, nearly everyone can learn and build upon their leadership qualities, both personally and in the workplace. Striving to include these eight characteristics of effective leadership can improve leadership skills and increase effectiveness.

## **Directing**

DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

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. According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

### **Direction has got following characteristics:**

1. **Pervasive Function** - Directing is required at all levels of organization. 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.

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.
4. **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
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. **Delegate 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.

### **Importance of Directing**

Directing or Direction function is said to be the heart of management of process and therefore, is the central point around which accomplishment of goals take place. A few philosophers call Direction as "*Life spark of an enterprise*". It is also called as an actuating function of management because it is through direction that the operation of an enterprise actually starts. Being the central character of enterprise, it provides many benefits to a concern which are as follows:-

1. **It Initiates Actions** - Direction is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.
2. **It Ingrates Efforts** - Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts bring effectiveness and stability in a concern.
3. **Means of Motivation** - Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non - monetary, which serves as a "Morale booster" to the subordinates. Motivation is also

helpful for the subordinates to give the best of their abilities which ultimately helps in growth.

4. **It Provides Stability** - Stability and balance in concern becomes very important for long term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function - judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.
5. **Coping up with the changes** - It is a human behavior that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaption and smooth running of an enterprise. For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanization, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.
6. **Efficient Utilization of Resources** - Direction finance helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. doesn't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

## **Principles of Directing**

**1. Harmony of Objectives:** Harmonizing the individual's objectives with the group objectives is the first principle of directing. Persons join the concern for getting their physiological and psychological needs satisfied. They are expected by the organization to work in such a manner to achieve the organizational goals. Individuals also work well only when they feel that their personal



goals will be satisfied. Thus, directing function must first of all resolve the conflict between the individual's goals and organizational goals.

**2. Unity of Direction:** Another important principle of direction is that the orders should be received by the subordinates from only one superior. In other words, there should not be dual subordination. Dual subordination brings disorder, confusion, chaos and undermines authority and leads to instability. The subordinates should report to only one superior.

**3. Direct Supervision:** It is essential for the managers to have a direct and personal contact with their subordinates because direction involves motivating the subordinates toward work. Direct supervision makes the subordinates happy and boosts their morale. It also ensures quick feedback of necessary information.

**4. Appropriate Leadership Style:** Leadership is a process of influence exercised on group members by the leader in the work environment. There is no one universally acceptable leadership style. No single style is suitable to all situations. The style varies with the situations. Therefore, a manager should exhibit appropriate leadership style i.e., the style that is suitable to a given situation.

**5. Appropriate Direction Techniques:** Direction techniques that are used by the managers should be appropriate i.e., it should be suitable to superiors, subordinates and the situation so as to ensure efficiency of direction.

**6. Use of Informal Organization:** Managers should make use of informal groups so that the formal groups can be strengthened.

**7. Use of Motivation Techniques:** Managers should develop selective motivation techniques such as money, pay, status, promotion, etc., So that the productivity and the quality of the products can be increased. Motivation ensures higher job satisfaction.

**8. Follow Up:** Directing is a never ending process. It involves continuous supervision, advice, counseling and assisting the subordinates in the performance of their jobs. So it requires continuous feedback which is essential to make necessary modifications in the activities of the management.

## **Controlling**

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling

measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

**According to Brech,** “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”

**According to Donnell,** “Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course.”

“Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans”. **Koontz And O'Donnell**

Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

### **Features of Controlling Function**

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in conformities with plans.
2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewal methods; changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. *Planning presupposes controlling and controlling succeeds planning.*

### **Importance of Controlling**

**The significance of the controlling function in an organization is as follows:**

1. **Accomplishing Organizational Goals:** Controlling helps in comparing the actual performance with the predetermined standards, finding out deviation and taking corrective measures to ensure that the activities are performed according to plans. Thus, it helps in achieving organizational goals.
2. **Judging Accuracy of Standards:** An efficient control system helps in judging the accuracy of standards. It further helps in reviewing & revising the standards according to the changes in the organization and the environment.

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**3. Making Efficient Use of Resources:** Controlling checks the working of employees at each and every stage of operations. Hence, it ensures effective and efficient use of all resources in an organization with minimum wastage or spoilage.

**4. Improving Employee Motivation:** Employees know the standards against which their performance will be judged. Systematic evaluation of performance and consequent rewards in the form of increment, bonus, promotion etc. motivate the employees to put in their best efforts.

**5. Ensuring Order and Discipline:** Controlling ensures a close check on the activities of the employees. Hence, it helps in reducing the dishonest behavior of the employees and in creating order and discipline in an organization.

**6. Facilitating Coordination in Action:** Controlling helps in providing a common direction to all the activities of different departments and efforts of individuals for attaining the organizational objectives.

### **Process of Controlling**

Controlling as a management function involves following steps:

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two-
  - a. Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
  - b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
  - a. Attitude of the workers,
  - b. Their morale to work,
  - c. The development in the attitudes regarding the physical environment, and
  - d. Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3. **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here-

extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, “If a manager controls everything, he ends up controlling nothing.” For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

- a. Erroneous planning,
  - b. Co-ordination loosens,
  - c. Implementation of plans is defective, and
  - d. Supervision and communication is ineffective, etc.
4. **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-
- a. Taking corrective measures for deviations which have occurred; and
  - b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

## **Different Control Techniques**

Management theorists and experts have devised several techniques over the years. They often divide these techniques into two categories: traditional and modern. Traditional types of techniques generally focus on non-scientific methods. On the other hand, modern techniques find their sources in scientific methods which can be more accurate.

### **Traditional Types of Control Techniques in Management**

#### **Budgetary Control**

#### **Standard Costing**

#### **Financial Ratio Analysis**

#### **Internal Audit**

#### **Break-Even Analysis**

#### **Statistical Control**

## **Budgetary Control**

Budgeting simply means showcasing plans and expected results using numerical information. As a corollary to this, budgetary control means controlling regular operations of an organization for executing budgets. A budget basically helps in understanding and expressing expected results of projects and tasks in numerical form. For example, the amounts of sales, production output, machine hours, etc. can be seen in budgets. There can be several types of budgets depending on the kind of data they aim to project. For example, a sale budget explains selling and distribution targets. Similarly, there can also be budgets for purchase, production, capital expenditure, cash, etc. The main aim of budgetary control is to regulate the activity of an organization using budgeting. This process firstly requires managers to determine what objectives they wish to achieve from a particular activity. After that, they have to lay down the exact course of action that they will follow for weeks and months. Next, they will translate these expected results into monetary and numerical terms, i.e. under a budget. Finally, managers will compare actual performances with their budgets and take corrective measures if necessary. This is exactly how the process of budgetary control works.

**Standard Costing:** Standard costing is similar to budgeting in the way that it relies on numerical figures. The difference between the two, however, is that standard costing relies on standard and regular/recurring costs. Under this technique, managers record their costs and expenses for every activity and compare them with standard costs. This controlling technique basically helps in realizing which activity is profitable and which one is not.

**Financial Ratio Analysis:** Every business organization has to depict its financial performances using reports like balance sheets and profit & loss statements. Financial ratio analysis basically compares these financial reports to show the financial performance of a business in numerical terms. Comparative studies of financial statements showcase standards like changes in assets, liabilities, capital, profits, etc. Financial ratio analysis also helps in understanding the liquidity and solvency status of a business.

**Internal Audit:** Another popular traditional type of control technique is internal auditing. This process requires internal auditors to appraise themselves of the operations of an organization. Generally, the scope of an internal audit is narrow and it relates to financial and accounting activities. In modern times, however, managers use it to regulate several other tasks. For example,

it can also cover policies, procedures, methods, and management of an organization. Results of such audits can, consequently, help managers take corrective action for controlling.

**Break-Even Analysis:** Break-even analysis shows the point at which a business neither earns profits nor incurs losses. This can be in the form of sale output, production volume, the price of products, etc. Managers often use break-even analysis to determine the minimum level of results they must achieve for an activity. Any number that goes below the break-even point triggers corrective measures for control.

**Statistical Control:** The use of statistical tools is a great way to understand an organization's tasks effectively and efficiently. They help in showing averages, percentages, and ratios using comprehensible graphs and charts. Managers often use pie charts and graphs to depict their sales, production, profits, productivity, etc. Such tools have always been popular traditional control techniques.

## **Modern Control Techniques**

**Zero-Base Budgeting:** American business executive and management expert Peter Phyrre first introduced zero-base budgeting in the 1970s. This process requires a manager to prepare and justify his budget from scratch (hence the name zero-base). The burden of proving the importance of each facet of budgeting lies on managers here.

Under this process, managers first have to define the objectives of each activity they propose to supervise. Next, they should prepare alternative spending plans relating to smaller facets of each activity. These plans relate to minimum expenditure levels, the requirement of resources, targets achievable with additional expenditure, etc. After preparing these alternative plans, managers have to rank them in priorities. Furthermore, they need to keep evaluating these plans routinely after implementing them. This technique of controlling allows effective budgeting as well as sound planning.

**Network Analysis:** A network is basically a system of interconnected things and plans. Network analysis, thus, is a technique of planning and controlling complex relationships between business activities. These network techniques may be of the following two types:

### **1. Critical path method**

Under this technique, managers break down tasks into smaller factions and define the relationships between them. Next, they mark these relationships on a “network diagram” using flowcharts and mapping techniques. Changes in one faction, in turn, helps them determine how other factions will change as well. This process, thus, makes controlling and planning easier and effective.

## **2. Programme evaluation and review technique**

Managers generally deploy this technique for planning and controlling individual projects. It basically includes tasks like planning schedules, budgeting, forecasting requirement of resources and developing alternative plans.

Furthermore, this technique uses probability and linear programming to assist in control management. Probability estimates the chances of success and failure of each part of a project. On the other hand, linear programming helps in maximizing the objectives of each individual action.

**Management Audit:** A management audit is nothing but a systematic evaluation of an organization’s management and its overall performances. It comprises of a systematic and comprehensive appraisal of each individual managerial function.

Management audit differs from a statutory or financial audit in terms of its scope and objectives. While accounting audits study financial performances, management audits deal with managerial activities. This can be very difficult because such functions do not depend on numerical and scientific metrics. Hence, a management audit often relies on subjective factors like ethics, integrity, skills, etc.