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# **PRINCIPLES OF MANAGEMENT**

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# PRINCIPLES OF MANAGEMENT

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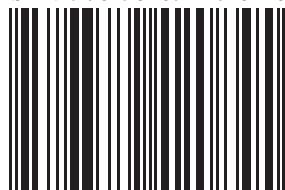
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# PREFACE

The importance of **Principles of Management** is well known in various engineering fields. Overwhelming response to our books on various subjects inspired us to write this book. The book is structured to cover the key aspects of the subject **Principles of Management**.

The book uses plain, lucid language to explain fundamentals of this subject. The book provides logical method of explaining various complicated concepts and stepwise methods to explain the important topics. Each chapter is well supported with necessary illustrations, practical examples and solved problems. All the chapters in the book are arranged in a proper sequence that permits each topic to build upon earlier studies. All care has been taken to make students comfortable in understanding the basic concepts of the subject.

Representative questions have been added at the end of each section to help the students in picking important points from that section.

The book not only covers the entire scope of the subject but explains the philosophy of the subject. This makes the understanding of this subject more clear and makes it more interesting. The book will be very useful not only to the students but also to the subject teachers. The students have to omit nothing and possibly have to cover nothing more.

We wish to express our profound thanks to all those who helped in making this book a reality. Much needed moral support and encouragement is provided on numerous occasions by our whole family. We wish to thank the **Publisher** and the entire team of **Technical Publications** who have taken immense pain to get this book in time with quality printing.

Any suggestion for the improvement of the book will be acknowledged and well appreciated.

*Authors*

*V. S. Bagad  
Anjali Bagad*

*Dedicated to God*

# **SYLLABUS**

## **Principles of Management - MG8591**

### **UNIT I INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS**

Definition of Management – Science or Art – Manager Vs Entrepreneur – types of managers –managerial roles and skills – Evolution of Management – Scientific, human relations , system and contingency approaches – Types of Business organization – Sole proprietorship, partnership, company-public and private sector enterprises – Organization culture and Environment – Current trends and issues in Management. **(Chapter - 1)**

### **UNIT II PLANNING**

Nature and purpose of planning – planning process – types of planning – objectives – setting objectives – policies – Planning premises – Strategic Management – Planning Tools and Techniques – Decision making steps and process. **(Chapter - 2)**

### **UNIT III ORGANISING**

Nature and purpose – Formal and informal organization – organization chart – organization structure – types – Line and staff authority – departmentalization – delegation of authority – centralization and decentralization – Job Design – Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management , Career planning and management. **(Chapter - 3)**

### **UNIT IV DIRECTING**

Foundations of individual and group behaviour – motivation – motivation theories – motivational techniques – job satisfaction – job enrichment – leadership – types and theories of leadership –communication – process of communication – barrier in communication – effective communication –communication and IT. **(Chapter - 4)**

### **UNIT V CONTROLLING**

System and process of controlling – budgetary and non-budgetary control techniques – use of computers and IT in Management control – Productivity problems and management – control and performance – direct and preventive control – reporting. **(Chapter - 5)**

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## **UNIT - I**

# **1**

# **Introduction to Management and Organizations**

### **Syllabus**

*Definition of Management - Science or Art - Manager Vs Entrepreneur - types of managers-managerial roles and skills - Evolution of Management - Scientific, human relations, system and contingency approaches - Types of Business organization - Sole proprietorship, partnership, company-public and private sector enterprises - Organization culture and Environment - Current trends and issues in Management.*

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1.1	<i>Introduction</i>	
1.2	<i>Definitions of Management</i>	<i>Dec.-04, 09, 11, 12, May-11,</i> Marks 8
1.3	<i>Management as an Art, Science and Profession</i>	<i>Dec.-12, 06, 07, 08, 18, May-07, 16, 19,</i> Marks 8
1.4	<i>Entrepreneurship</i>	
1.5	<i>Management Functions</i>	<i>Dec.-11, 05, 09, 07,</i> <i>May-12, 07, 06, 05, 14, 17,</i> Marks 16
1.6	<i>Management Levels</i>	<i>Dec.-11, May-15,</i> Marks 8
1.7	<i>Managerial Skills</i>	<i>May-08,</i> Marks 2
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1.9	<i>Evolution of Management</i>	<i>Dec.-07, 06, 09, 11, 13, 14, 16, 17, 18,</i> <i>May-07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17, 18</i> Marks 16
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1.11	<i>Business</i>	<i>Dec.-09, May-08, 19,</i> Marks 13
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1.16	<i>Public Sector Enterprise / State Ownership</i>	<i>May-10, 08, 07, 17, Dec.-16,</i> Marks 16
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1.20	<i>Current Trends and Issues in Management</i>	<i>Dec.-12, 17</i> Marks 8

Two Marks Questions with Answers

## 1.1 Introduction

- As we move into the twenty-first century, management is at one of its most significant stages in history. Global competition has become a way of life.
- Change in technology, international affairs, business practices are causing managers to re-examine their methods and goals. Some basic principles of management are also applicable in today's rapidly changing environment.
- Few reasons which made the management so important are discussed here.

### 1. Management in the economic growth of a country

- By bringing together the four factors of production i.e. men, money, material and machines, management enables a country to experience a substantial level of economic development.

### 2. Management is important in organized effort

- When many people are working to achieve a common objective of the concern, it is management which decides the direction and correct way of doing the work.

### 3. Management is dynamic

- According to the need and environment of society, management decides suitable course of action.

## 1.2 Definitions of Management

AU : Dec.-12, 11, 09, 04, May-11

- Many definitions are given for **management**, important definitions are as under-

**1. E.F.L. Brech** in his principles and practices of management defined management as -

*"A social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise, in fulfilment of a given purpose or task, such responsibility involving".*

a) Judgement and decision in determining plans and in using data to control performance.

b) The guidance, integration, motivation and supervision of personnel.

**2. Harold Koontz** in his book "Towards a Unified Theory of Management" offered a simpler definition of management as -

*"Management is an art of getting things done through and with people in formally organized groups".*

**3. Henry Fayol** has quoted management as-

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

**4. Peter Drucker** in the Practice of management has defined management as-

*"Management is a multipurpose organ that manages a business and manages manager, and manages worker and work".*

**5. F.W. Taylor** defined management as -

*"Management is knowing exactly what you want men do, and then seeing that they do it in the best and cheapest way."*

- Considering various aspects of **management** it can be defined as :

*Management is the process of achieving organizational goals by engaging in the four major functions of planning, organizing, leading and controlling by co-ordination of human, material, technological and financial resources.*

- Management is concerned with planning, organizing, leading and controlling, from this it is clear that the management is an on going activity which efficiently achieves the predecided goals of the firm.
- The main object of any business organization is to convert the available resources into desirable products or services. This requires the effective and efficient use of resources to get the maximum productivity.
- To achieve maximum productivity it requires ability to plan, effective organizing, leadership qualities and administrative or controlling skills.

### **1.2.1 Nature of Management**

- Management is concerned with the deployment of material, human and financial resources, with the design of organizations, their structure and development the specification of objectives and the choice of criteria for evaluating organizational efficiency.
- Management sets standards, imposes budgets, plans, controls, co-ordinates, leads and motivates staff and takes decisions. It monitors performance and initiates remedial action when plans are not achieved.

### **1.2.2 Characteristics of Management**

- Management is concerned with the deployment of material, human and financial resources, with the design of organizations, their structure and development the specification of objectives and the choice of criteria for evaluating organizational efficiency.
- Management sets standards, imposes budgets, plans, controls, co-ordinates, leads and motivates staff and takes decisions. It monitors performance and initiates remedial action when plans are not achieved.

1. Management is a group activity.
2. Management is a dynamic function.
3. Management is goal oriented.
4. Management is an economic resource.
5. Management is universal in character.
6. Management is a distinct process.
7. Management is a system of authority.
8. Management is a social process.
9. Management is multidisciplinary.
10. Management is situational in nature.

### **1.2.3 Features of Management**

1. Management organizes activities.
2. Management has an objective.
3. Management is people oriented.
4. Proper utilization of resources.
5. Decision making capability.
6. Required at all levels.

### **1.2.4 Importance of Management**

1. Management meets the challenge of changes.
2. Accomplishes group goals.
3. Effective utilization of business.
4. Management performs effective functioning of business.
5. Identifying and developing resources.
6. Management is foundation for sound organization structure.
7. To direct and controls the functioning of organization.
8. To integrate interests of various groups.
9. Developing new ideas.

### **1.2.5 Objectives of Management**

- The primary objectives of management is to run the enterprise smoothly. The profit making objective of a business is also to be kept in mind while organisation of various functions is taken under consideration.

- Following are the broad objectives of management.

### 1. Proper utilisation of resources

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

### 2. Improving performance

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

### 3. Mobilising best talent

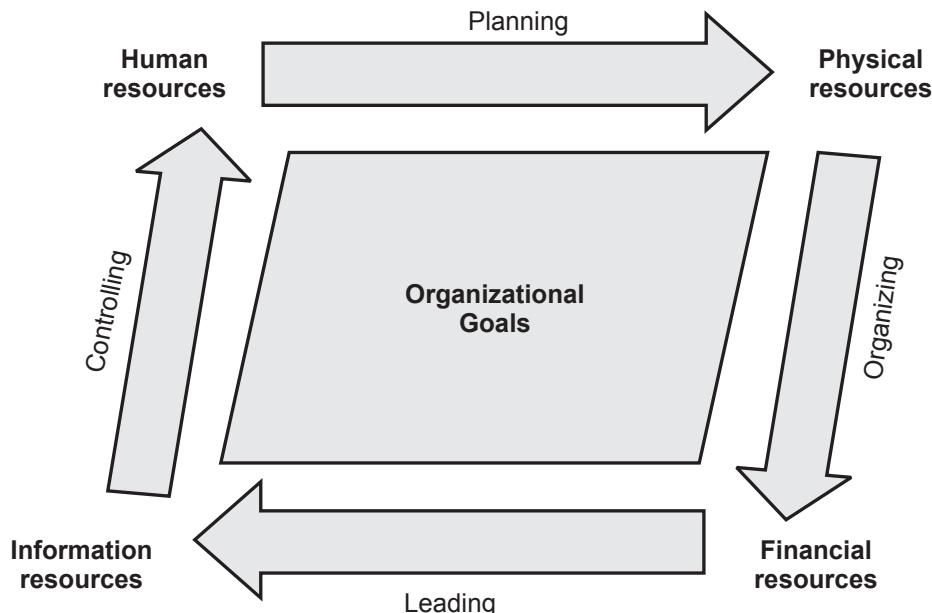
- The management should try to employ persons in various fields so that better results are obtainable. The employment of specialists in various fields and at different levels will be increasing the efficiency at various factors of production.
- There should be a proper working environment which should encourage good persons to join the enterprise. The better pay scales, proper amenities, future growth prospectus will attract more people in joining a concern or unit.

### 4. Planning for future

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

## 1.2.6 Management Process

- The four important and interrelated functions of management constitute the basics of the **managerial process**. These are-planning, organizing, leading and controlling.
- On the basis of review of major studies on managerial work a model of the management process is drawn as shown in Fig. 1.2.1.
- Management is a distinct process, a set of ongoing coordinated activities that managers exercise to achieve the organizational goals.



**Fig. 1.2.1 The management process**

- During the management process the managers are exposed to different challenges and call on various resources such that physical, financial, human and information.
- Actually there is no clear cut demarcation amongst the managerial functions planning, organizing, leading and controlling.
- Depending on the situation and resources, managers stress one or another of four management functions to accomplish their goals.
- The work methods and **managerial roles** as well as **work agendas** feed into the core management functions. A manager's knowledge base and key **management skills** are other important factors that contribute to goal achievement.

### University Questions

**Q.1** Define management.

**AU : Dec.-04, 09, 11, May-11, Marks 2,**

**Q.2** Discuss the scope and nature of management.

**AU : Dec.-12, Marks 8**

## 1.3 Management as an Art, Science and Profession

**AU : Dec.-12, 06, 18, May-07, 16, 19**

### 1.3.1 Management as an Art

- Harold Koontz has defined management "as the art of getting things done through people".

- Art is an in born talent and refers to creative skills and talents which people require to conduct certain activities in order to accomplish certain goals.
- Management is an art because of its following feature.

### 1. Creative

Managers have to come with creative ideas or solutions to handle unique business problems.

### 2. Individual approach

Every manager need to adopt his individual approach of managing to handle situations.

### 3. Application and dedication

Management requires not only skills and knowledge but there is also a need for discipline, dedication and commitment.

### 4. Initiative

Managers are like artists take the initiative in doing the right things at right time. This helps to accomplish objectives more effectively and efficiently.

### 5. Intelligence

Managers should possess mental intelligence, social intelligence, interpersonal intelligence and emotional intelligence.

## 1.3.2 Management as a Science

- Father of scientific management F.W. Taylor has declared "management has to be scientific".
- Management is a social science because it deals with human beings.
- Following features of management states that it is a social science.

### 1. Systematic decision making

- Management starts with the process of systematic decisions. Before taking any decisions right information from right source and at right time is to be collected. This process has to be followed systematically.

### 2. Situational output

- The output of management process may vary without change in input. This is possible by providing some resources, tools, incentive and by motivation.

### 3. Universal management process

- In all management organizations whether large or small, and at all levels, follows the same management process. The management process includes - planning, organizing, directing and controlling activities.

#### 4. Universally accepted management principles

- Like science, the principles of management are universally accepted. These principles are accepted by all successful organizations.
- Management principles include - division of work, unity of command, discipline, scalar chain etc.

#### Conclusions

- Therefore it can be concluded that management is an art as well as science.
- Managers need to be scientific artists in order to accomplish the objectives. For this purpose, they need to be innovative and systematic. It is the science that discovers and the art that develops.

### 1.3.3 Management as a Profession

- **Profession** - Profession is an occupation. Profession is carried by professional people like doctor, engineer, lawyer, architects etc.
- Profession involves application of expert knowledge to solve specific problems or to handle specific tasks.

#### Criteria of a profession

- The basic criterias of a profession are mentioned here -

##### 1. Systematic knowledge

- A profession involves intellectual activity which calls for a prescribed training program from a recognized institution.

For example, a lawyer needs to have a degree in law from a recognized university.

##### 2. Experimental attitude

- A profession searches for new ideas with research a critical element.

##### 3. Code of ethics

- A profession is built on an ethical foundation and clear standards of behavior. It is the association, either at national level or at state level, that lays down certain standards to be followed by the professionals.

##### 4. Service on personal basis

- Financial return is secondary to the performance of a personal service. The financial returns are called as fees and are flexible.

##### 5. Entrance into an association

- Entry to the profession is restricted by standards set by an association in an attempt to assure quality in its members.

## 6. Requirement of license

- Profession requires a license or a permission for practicing. For example, a doctor requires a license to practice as a medical practitioner.

### • Does management have all these features

Let us analyze it -

1. Not necessary to have systematic knowledge.
2. There is no compulsory code of ethics to be followed by managers.
3. Managers are paid by companies and managers are not compromising on their salaries and perks.
4. Entry to management is not restricted by minimum academic studies.
5. There is no need for a license or a permission to practice as a managers.

## Conclusion

- At the present time it is clear that the manager group fails to satisfy all the criteria of a profession.

### 1.3.4 Management and Administration

AU : Dec.-08, 07, 06, May-07,

- The word management and administration are used alternately but their scope and functions are different.

#### 1. Definition

- **Management** is a distinct process consisting of planning, organizing, activating and controlling to determine and accomplish the objectives by the use of people and resources. While **administration** is directing the way in which work is to be done means it is a determinative or thinking function.

#### 2. Nature

- Management is the doing or execution function, the policies and decisions implemented being those laid down by administration. It involves employees of the organization. While administration is concerned with determining major policies and objectives of the enterprise. Administrators are the owners of the enterprise.

#### 3. Function

- The main functions of management are leading and organizing, the scope for decision making is limited. While the main function of administration are planning and controlling, decision making is mainly influenced by public opinion and government policies.

#### 4. Level

- Managerial work is delegated to the middle and lower level executives. Administrative work is reserved for top level executives. Top level management is interface between administrators and middle level management.

### 1.3.5 Comparison of Management, Administration and Organization

**AU : Dec.-08, 06, May-07**

		<b>Management</b>	<b>Administration</b>	<b>Organization</b>
1.	<b>Function</b>	Directing human efforts towards common goals.	Determination of goals and policies of enterprise.	Putting together the different parts of an enterprise into working order.
2.	<b>Position</b>	Management is servant of administration.	Controlling management and organization by making policies.	Frame of management.
3.	<b>Technical ability</b>	Requires to function properly.	Does not requires.	Does not requires.
4.	<b>Productive nature</b>	Productive in character.	Non productive in character.	Productive in character.
5	<b>Levels</b>	Three levels of management i.e. top, middle and lower level.	Only relate to the top level.	Exists throughout the enterprise.
6	<b>Role</b>	Management executes the work.	Administration gives proper direction.	Effective machinery for achieving objectives.

#### University Questions

- Q.1** Is management a Science or Art ? Discuss. **AU : Dec.-06, 18, May-19, Marks 8**
- Q.2** Is management an Art, Science or Profession ? Discuss. **AU : May-07, Marks 8**
- Q.3** Discuss the scope and nature of management. **AU : Dec.-12, Marks 8**
- Q.4** Distinguish between management and administration. **AU : Dec.-06, May-07, Marks 2**

**OR**

- Differentiate between management and Administration. **AU : Dec.-08, Marks 2**
- Q.5** Define Administration. **AU : Dec.-07, Marks 2**
- Q.6** Is Management a Science or Art ? Discuss. **AU : May-16, Marks 8**

### 1.4 Entrepreneurship

- An individual who, rather than working as an employee, runs a small business and assumes all the risk and reward of a given business venture, idea or good or service offered for sale is called an **entrepreneur**.
- The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes.

- Entrepreneurship is the act of creating a new and innovative enterprise. Combining of ideas, hard work and adjustment to the changing business market.

### 1.4.1 Functions of Entrepreneur

- Some of the major functions of an entrepreneur are :
  1. **Identifying entrepreneurial opportunity :** There are many opportunities in the world of business. These are based on human needs like food, fashion, education, etc., which are constantly changing.
  2. **Planning of the project :** An entrepreneur is the organizer to conceive the idea of launching the project and to program the structure of business.
  3. **Turning ideas into action :** An entrepreneur should be capable of turning his ideas into reality. He collects information regarding the ideas, products, practices to suit the demand in the market. Further steps are taken to achieve the goals in the light of the information collected.
  4. **To face risks :** An entrepreneur faces uncertainty and risks in his business. He also faces the risk of other producers may enter the market.
  5. **Distribution of rewards :** An entrepreneur is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself.
  6. **Feasibility study :** The entrepreneur conducts studies to assess the market feasibility of the proposed product or services. He anticipates problems and assesses quantity, quality, cost and sources of inputs required to run the enterprise. Such a blue print of all the activities is termed as a 'business plan' or a 'project report'.
  7. **Resourcing :** The entrepreneur needs various resources in terms of money, machine, material and men to running the enterprise successfully. An essential function of an entrepreneur is to ensure the availability of all these resources.
  8. **Setting up of the enterprise :** For setting up an enterprise the entrepreneur may need to fulfill some legal formalities. He also tries to find out a suitable location, design the premises, install machinery and do many other things required to produce.
  9. **Managing the enterprise :** One of the important function of an entrepreneur is to run the enterprise. He has to manage men, material, finance and organize production of goods and services. He has to market each product and service,

after ensuring appropriate returns (profits) of the investment. Only a properly managed organization yields desired results.

- 10. Sale of products :** An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.
- 11. Scale of production :** An entrepreneur decides the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.
- 12. Growth and development :** Once the enterprise achieves its desired results, the entrepreneur has to explore another higher goal for its proper growth and development. The entrepreneur is not satisfied only with achieving a set goal but constantly strives for achieving excellence.

## 1.4.2 Entrepreneur Versus Manager

Sr. No.	Characteristic	Entrepreneur	Manager
1.	Motive	To start an enterprise	To render services to enterprise
2.	Management style	One man show	Management team
3.	Status	An entrepreneur is the owner of enterprise	A manager is the servant in enterprise owned by entrepreneur
4.	Behavior characterized by	Desire for control	Delegation of authority
5.	Attitude to Risk	Calculated risks	Avoidance of risk
6.	Organizational structure	Informal and flexible	Organized
7.	Organizational culture	Entrepreneurial culture	Management culture
8.	Decision making	Intuitive	Based on information and advice
9.	Qualifications	An entrepreneur needs to possess qualities and qualifications like - high achievement motive, - originality in thinking - foresight - risk bearing ability	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

## 1.5 Management Functions

AU : Dec.-11, 09, 07, May-12, 07, 06, 05, 14, 17

- The important management functions can be categorised into four major functions. These are-planning, organizing, leading and controlling as shown in Fig. 1.5.1.

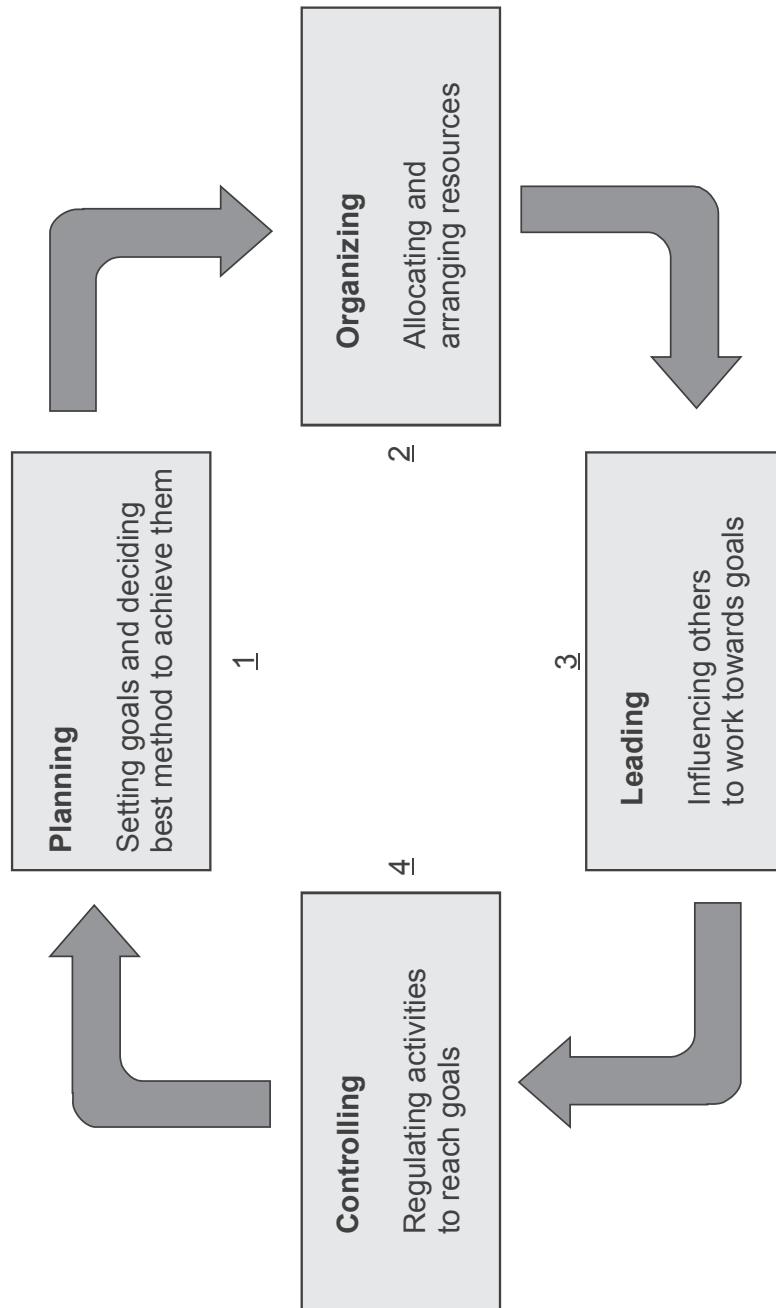


Fig. 1.5.1 Functions of management

### 1.5.1 Planning

- **Planning** is the management function that involves setting of goals and deciding the best method to achieve them.
- Planning is most important and basic activity of management. The function also includes considering what must be done to encourage necessary levels of change and innovation.
- Planning provides a basis for the other major functions of management : organizing, leading and controlling.
- Manager with his subordinates sets the required goals, establishes the policies, standard methods, develops program strategies and schedules to achieve the goals.
- The plan must be flexible so that it can be modified due to change in working environment and new information.
- Based on function there exists two types of planning
  - a) Strategic planning
  - b) Operational planning
- **Strategic planning** which addresses long range goals and the broad approaches for achieving them.
- **Operational planning** which focuses on short range objectives and the specific means used to obtain them and on the related managerial activity of decision making.

### 1.5.2 Organizing

- **Organizing** is the management function that focusses on allocating and arranging human and non-human resources so that plans can be carried out successfully. Different tasks must be assigned to different people and their efforts must be co-ordinated.
- This involves co-ordination of tasks and the various ways to accomplish it. In management process organizing function provides a valuable tool for promoting innovation and facilitating needed changes.
- Organizing is also concerned with building, developing and maintaining of working relationships.

### 1.5.3 Leading

- **Leading** is the management function that involves influencing others to engage in the work behaviours necessary to reach organizational goals.
- Leading includes communicating with others, providing direction and motivating people. This function also includes encouraging the necessary levels of change and

innovation. In the process of leading, a manager strives to match the need of the people with the objectives of the company.

- A leader must also recognize the need for co-operation and combined efforts for survival and growth of the firm. Hence a leader maintains good balance between individual motivation and co-operative efficiency.

#### 1.5.4 Controlling

- **Controlling** is the management function aimed at regulating organizational activities so that actual performance meets the expected objectives and standards of company.
- For regulating organizational activity manager's need to monitor ongoing activity, compare the results with standards and take the necessary corrective action.

#### University Questions

**Q.1** List important functions of managers.

**AU : May-05, 06, Dec.-09, Marks 2**

**OR**

Mention any two functions of manager.

**AU : Dec.-05, Marks 2**

**OR**

What are the various functions of management ?

**AU : May-07, Dec.-11, Marks 2**

**OR**

Discuss the various functions of management.

**AU : Dec.-07, Marks 16**

**OR**

Describe the important functions of management.

**AU : May-12, Marks 8**

**Q.2**

Discuss the management function as related to trends and challenges in management of global scenario.

**AU : May-14, Marks 16**

**Q.3**

Explain the different roles and functions of a manager.

**AU : May-17, Marks 13**

#### 1.6 Management Levels

**AU : Dec.-11, May-15**

- Managers can be differentiated on the basis of their organizational position and responsibilities. They can be classified as
  - a) Top management level
  - b) Middle management level
  - c) Front line management
- Fig. 1.6.1 shows types of managers by hierarchical level within the organizational pyramid as top management, middle management and first-line management.

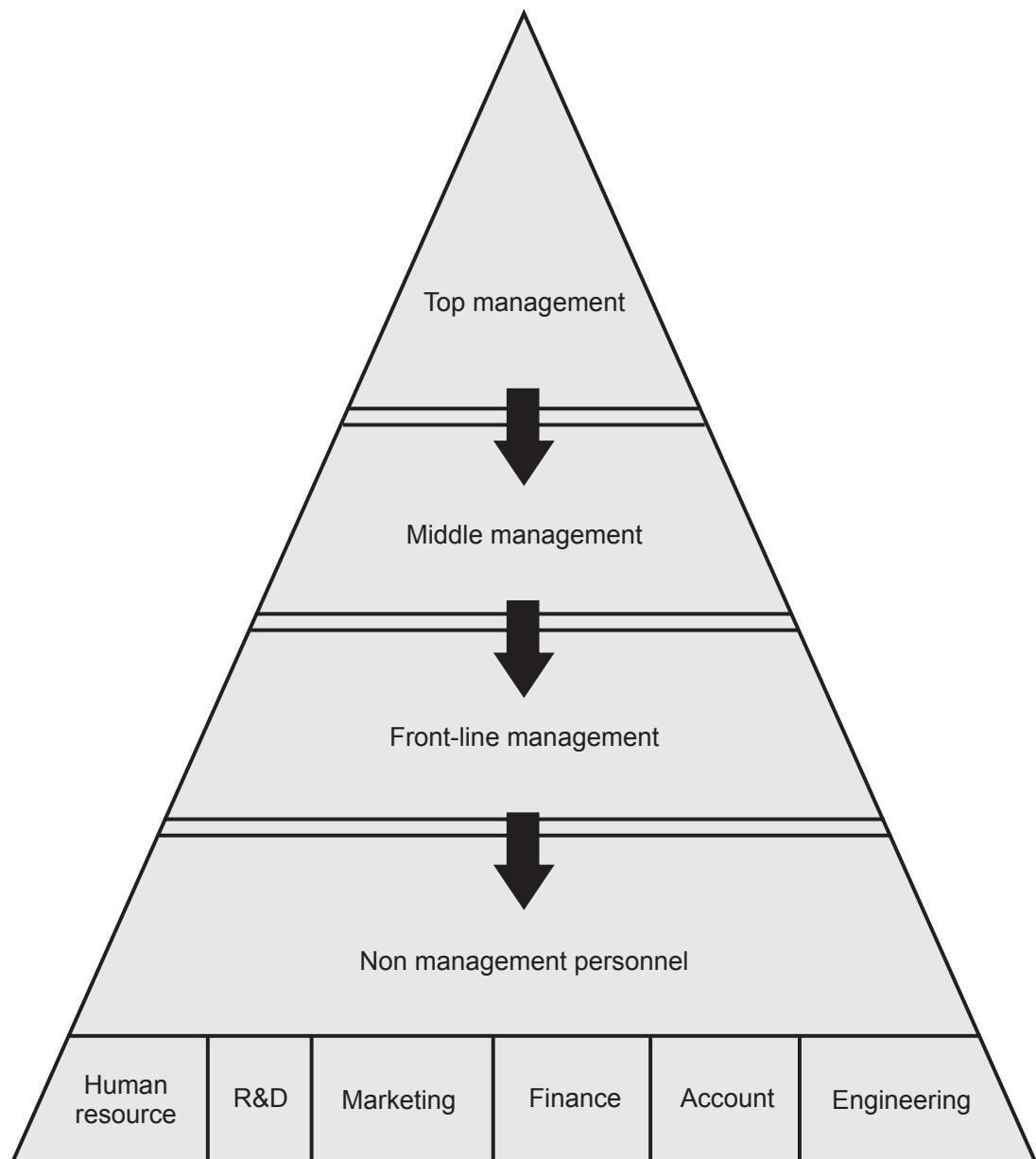


Fig. 1.6.1 Levels of management

### 1.6.1 Top Management

- **Top managers** are managers at the very top levels of the hierarchy who are ultimately responsible for the entire organization. They are very few in numbers and the typical titles of top managers include "chief executive officer (CEO)", "president", "executive vice president", "executive director", "Senior vice president".

- Top managers have direct responsibility for the upper layer of the middle management directly below them in hierarchy or organization.
- Top managers observe the overall planning for the organization and maintain overall control over the progress of the organization.

### 1.6.2 Middle Management

- Managers who execute the strategies established by top management and who supervise and co-ordinate the activities of first-line managers is called the middle managers.
- Many different titles are used for middle managers including "manager", "director" "chief", "departmental head", "division head".
- Middle managers perform a delicate balancing act because they are in the middle between the demands of top managers and the needs of first-line managers.
- Middle managers are mainly responsible for implementing overall organizational plans so that organizational goals are achieved as expected.
- In very large organizations middle management includes more than one levels. Many companies cut the number of managerial levels in an attempt to lower the costs, facilitate communication and to reduce the layers involved in decision making.

### 1.6.3 Front-line Management

- Managers at the lowest level of hierarchy who supervise and co-ordinate the work of operating (non-managerial) employees are **front-line** managers.
- Front-line managers often have titles like "Supervisor", "Manager", or Foreman.
- Front-line managers oversee groups of people who produce the goods or services provided by the organization.
- They are extremely important to the success of an organization because they are involved in the day-to-day operations and are closest to the actual operations of the organizations also they are responsible for smooth functioning of the organization.
- Front-line managers operate at the interface between management and the work force of the organization. They represent management to the workers, and in reverse fashion.
- They represent workers to management frequently. Workers perceive and judge management through their supervisors and upper management gauges the work force primarily through supervisors.

- Front-line managers are responsible for directing the work of subordinates. Their jobs may vary widely, depending on the structure of the organization and their level within the firm.
- The important characteristics of front-line managers are - leader, motivator, decision maker, co-ordinator, counselor, communicator and trainer.

### University Questions

- Q.1** *Describe the relative importance of each type of the skills to lower, middle and upper level managers.* **AU : Dec.-11, Marks 8**
- Q.2** *Discuss the relative importance of each type of the skills to lower middle and upper level managers.* **AU : May-15, Marks 8**

## 1.7 Managerial Skills

**AU : May-08**

- For managers to develop work agendas need a sound knowledge base and key management skills. The management skills are required to carry out various functions of management.
- Three different types of skills are identified.  
1) Technical skills      2) Human skills    3) Conceptual skills

### 1) Technical Skills

- **Technical skills** reflects the proficiency and understanding of a specialized job. Technical skills are the abilities enabling people to use knowledge, techniques and equipments to perform specialized tasks.
- It involves methods, processes and procedures. For example, a manager may have technical skills in accounting, engineering and in manufacturing.
- Managers often develop their technical skills through education or training and then by working in one or more functional areas of an organization such as accounting or marketing.
- First line managers need particularly strong technical skills because they work directly with people who use the tools and techniques of a specific speciality.

### 2) Human Skills

- Human skills is also called as **interpersonal skills**. **Human skill** is associated with a manager's ability to work with others as a team member and as a leader.
- A manager with effective human skills can communicate properly and motivate them to perform well.

- Managers at all levels need good interpersonal or human skills because they depend on people inside and outside the organization for help in achieving their goals.
- Managers with good human skills have the ability to encourage people to freely share their ideas without fear of being criticized. They are also able to motivate others and to understand the needs of others.

### 3) Conceptual Skills

- **Conceptual skills** are related to the ability to visualize the organization as a whole, maintain interrelationships among the departments and in planning, development of organization.
- By conceptual skills manager can recognize the likely consequences of any actions they take. They can recognize which parts of the organization will be affected.
- Conceptual skills also include the ability to analyze a situation, determine the root-cause of any problem and devise an appropriate plan. Managers need to be able to look at both good and bad situations relating to organization.
- Once they assess the situations, correct plan of action can be implemented. The ability to conceptualize is particularly important for top managers who must consider the goals of their organization and plan for the future.

#### 1.7.1 Characteristics of Managers

- The list of desirable characteristics are as following :
  1. **Self confidence** : It is the belief in one's own power to succeed in solving problems and one's own ability to deal effectively with difficult situations.
  2. **Drive** : The urge and enthusiasm to stimulate action, both personal and in other people.
  3. **Initiative** : The ability to lead action without waiting to be prompted and to bring fresh thought to old problems.
  4. **Decisiveness** : The ability to think positively and without vacillation and to act in the same way.
  5. **Willingness to accept responsibility** : This includes the acceptance of accountability for one's decisions and the consequent acts of oneself and one's staff.
  6. Ability to delegate
  7. **Integrity** : This includes trustworthiness and loyalty to one's organisation and one's staff.
  8. **Judgement** : The ability to analyse a situation and formulate appropriate action. This includes choosing between different possible courses of action where choices present themselves.

9. **Adaptability** : The ability to change one's outlook as circumstances change and to alter one's actions in the light of what is necessary in changed circumstances. This is a most valuable characteristic in the modern world which is subject to such rapid change.
  10. Organising ability.
  11. **Stamina** : The ability to work long and hard without undue strain or stress.
  12. **Emotional maturity** : Includes self discipline and self control and the ability to analyse a situation without prejudice.
  13. **Human understanding** : The ability to work with other people with understanding and sympathy, the willingness to listen to staff problems.
  14. **Personality** : This is difficult to define, but the personality required in an effective manager might be said to include the ability to communicate easily at all levels. An open minded approach to problems may be said to be part of personality.
  15. **Being supportive of staff** : Ensuring that all are treated equally fairly, encouraging them and supporting them in their career ambitions.
  16. **Adequate educational standard** : This does not mean, necessarily, the holding of a university degree, but rather a development of the mind that enables one to think positively and without prejudging a situation, and also to communicate effectively.
- This list of attributes is by no means exhaustive, neither are all these qualities likely to be found together in one person.
  - Management skills are on the whole largely practical and virtually any man or woman can be effectively trained for management provided the necessary latent talents are possessed.

### University Question

**Q.1** Mention the various skills to be possessed by an effective manager.

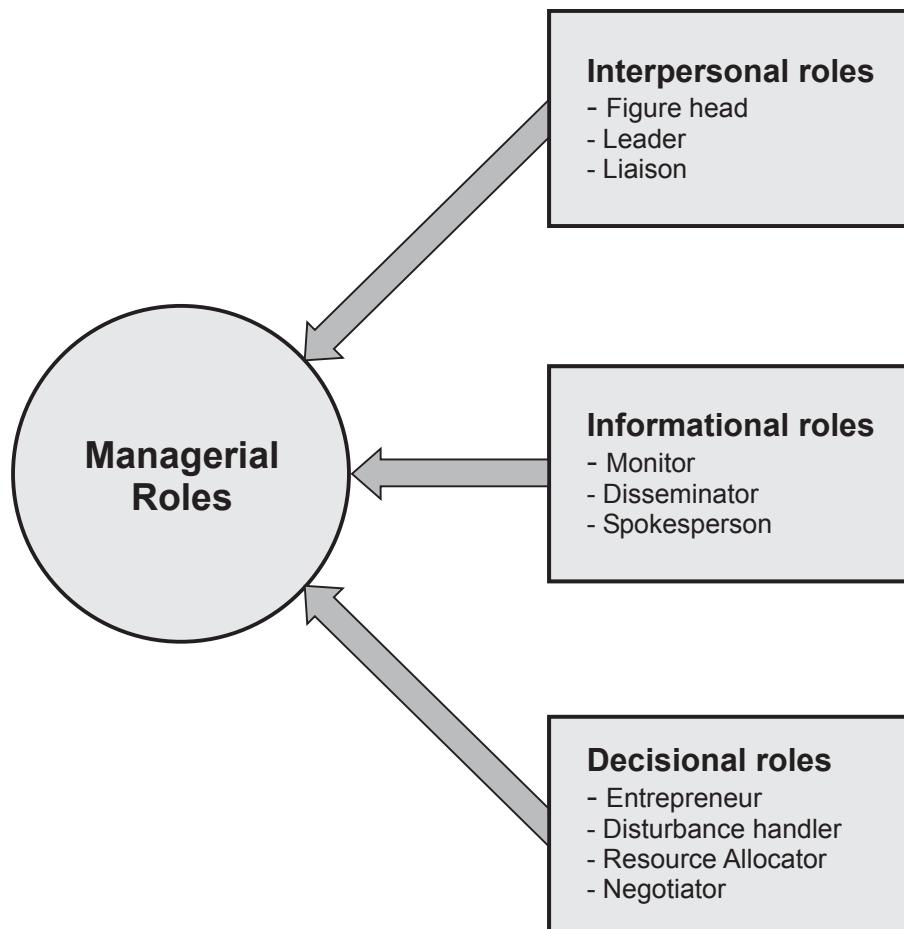
**AU : May-08, Marks 2**

### 1.8 Managerial Roles

**AU : May-12, 11, Dec.-14**

- Henry Mintzberg's study focussed on top-level managers categorized the manager's various activities into roles. Mintzberg's findings are applicable for wide variety of managers.
- A role is an organized set of behaviours associated with a particular position. The positions usually make necessary multiple roles e.g. roles for a sales person position in a general store might include information giver, stock handler and cash collection.

- The three general types of roles that Mintzberg observed are :
  1. Interpersonal roles
  2. Information roles
  3. Decisional roles.



**Fig. 1.8.1 Managerial roles**

- Mintzberg's categorization of managerial activities into role provides some insight into what managers actually do during their work.
- The roles also tell about the types of skills that a manager requires to carry out their work effectively. Fig. 1.9.1 shows various managerial roles.
- Mintzberg's role approach provides some what different view on management than the four management functions. At first glance it might seem that the Mintzberg's findings are incompatible with the view that planning, organizing, leading and controlling are important parts management process.
- Mintzberg study did not consider why managers were engaging in the different roles. When the why is taken into consideration, it becomes clear that the functions of management provide important guidelines to achieve goals.

### 1.8.1 Interpersonal Role

- The **interpersonal role** grows directly out of the authority of a manager's position and involves developing and maintaining positive relationships with others.
- The interpersonal roles of manager include :
  - i) Figurehead role
  - ii) Leader role
  - iii) Liaison role.

#### i) Figurehead Role

- Being managers as head of organization in figurehead role, manager performs symbolic or ceremonial duties of either social or legal nature. This includes greeting job candidates, present awards and entertain dignitaries. Presiding at a farewell reception for a departing employee. Managers spend 10-12 percent of their time in this role.

#### ii) Leader Role

- In leader role, manager builds relationship with subordinates also communicates, motivates and train the employees.

#### iii) Liaison Role

- In liaison role, manager maintains networks of contacts outside work unit who provide help and information.
- These contacts include not only other managers within the organization but also many individuals outside it for example customers, suppliers, government officials and managers from other organizations.
- This role also emphasizes lateral interactions as contrasted with vertical interpersonal interactions of a manager and it highlights the fact that an important part of a manager's job is to serve as a go between his or her own unit and other units or groups.

### 1.8.2 Informational Role

- Informational role pertains to receiving and transmitting information from staff members. Mintzberg observed that a large part of the manager's job is devoted to informational roles, in which the manager acquires, processes and communicates information.
- The informational role includes - monitor role, disseminator role, spokesperson role.

#### i) Monitor Role

- In monitor role, manager monitors or scans the source of information environment. Manager collects internal and external information about issues that can affect organization. They also talk with people they meet in their liaison roles. This information gathering role in the monitor role.

**ii) Disseminator Role**

- In disseminator role, manager passes certain information to peers and subordinates that is obtained from either internal or external sources.

**iii) Spokesperson Role**

- In spokesperson role, manager provides information about the organization to external community such as press, TV, suppliers and to government officials.
- For top managers, this information role is a key part of their regular management duties as they interact with government officials, consumer groups, and other people who have an influence on or interest in the organization.

**1.8.3 Decisional Role**

- In decisional role the managers examine alternatives and then make choices and commitments. These decisions range from minor choices that affect only a few people to major strategic decisions that can affect the entire organization.
- Mintzberg identified four decisional roles : entrepreneur, disturbance handler, resource allocator and negotiator.

**i) Entrepreneur Role**

- In entrepreneur role, manager acts as initiator, designer and encourages change and innovation to improve.
- Managers not only make routine decisions in their jobs but also frequently make decisions that explore new opportunities or start new projects.
- Such entrepreneurial behaviour within an organization often involves a series of small decisions that permit ongoing assessment about whether to continue or abandon new ventures.
- A manager is constantly looking for new ideas or initiates new ideas, and observes multiple activities at any time. This involves new products, new processes or solutions to problems.

**ii) Disturbance Handler Role**

- In disturbance handler role, manager takes corrective action when organization faces important, unexpected difficulties.
- Manager has to settle the disputes which affect the company's functioning. The disputes can be of any type either internal or external. Such as cancellation of order, violation of standards, strikes or any misconception.

**iii) Resource Allocator Role**

- In resource allocator role, manager distributes resources of all types including time, funding, equipment and human resources.

- Manager as a resource allocator has to decide spendings on recruitment, training, development and on advertisements.

#### iv) Negotiator Role

- In negotiator role, manager represents the organization in major negotiations affecting the manager's areas of responsibility.
- Manager as a negotiator can bargain with vendors on behalf of organization and can finalize the deal to the favourable conditions.

Mintzberg's 10 managerial roles are summarized along with their descriptions in Table 1.8.1.

Sr. No.	Role	Description
<b>A) Interpersonal Roles</b>		
1	Figurehead	Performs symbolic or ceremonial duties
2	Leader	Builds and maintains relationships, communicates, motivates subordinates
3	Liaison	Maintains networks of contacts outside the company who provide information and help
<b>B) Informational Roles</b>		
1	Monitor	Monitors the source of information about the issues that can affect the organization
2	Disseminator	Passes certain information to peers and subordinates.
3	Spokesperson	Provides information about the organization to outsiders.
<b>C) Decisional Roles</b>		
1	Entrepreneur	As initiator, designer and encourager of change and innovation.
2	Disturbance Handler	Take corrective action in disputes or malfunctioning
3	Resource Allocator	Distribute resources of all types e.g. Fund, equipment, human resource
4	Negotiator	Negotiates on behalf of company.

**Table 1.8.1 Mintzberg's 10 managerial roles**

#### University Questions

- |            |  |                               |
|------------|--|-------------------------------|
| <b>Q.1</b> | <i>Mention the role of managers (any two).</i>                   | <b>AU : May-11, Marks 2</b>   |
| <b>Q.2</b> | <i>Discuss the role of manager.</i>                              | <b>AU : May-12, Marks 8</b>   |
| <b>Q.3</b> | <i>Explain the roles and social responsibility of a manager.</i> | <b>AU : Dec.-14, Marks 16</b> |

## 1.9 Evolution of Management AU : Dec.-09,14,16,17,18, May-11,14,15,16,17,18

- Management practice has started several thousand years back. For example, the great pyramid of Egypt, were the result of the efforts of numerous architects, engineers, and tens of thousands of labourers working together for fifteen years.
- They were built from thousands of stone blocks, each weighing two to three tons, which were carried from miles away, cut to size within fractions of an inch and transported to the construction site.
- The planning and direction required for these kinds of projects can only be called management and this is only one example.
- Development of management as a field of knowledge is emerged in the recent decades. With the many fold increase in industrialization came the widespread need to co-ordinate the efforts of large numbers of people in the specific direction.
- Several approaches have contributed to the development of management theory. These approaches are - classical viewpoint, behavioral viewpoint, quantitative viewpoint, contemporary viewpoint.
- Classical viewpoint emphasizes on finding ways to manage work and organizations more efficiently. Classical viewpoint covers early works and contributions that are the roots of the management.
- During the first few decades of the twentieth century, four milestone responses emerged as the management.

They were –

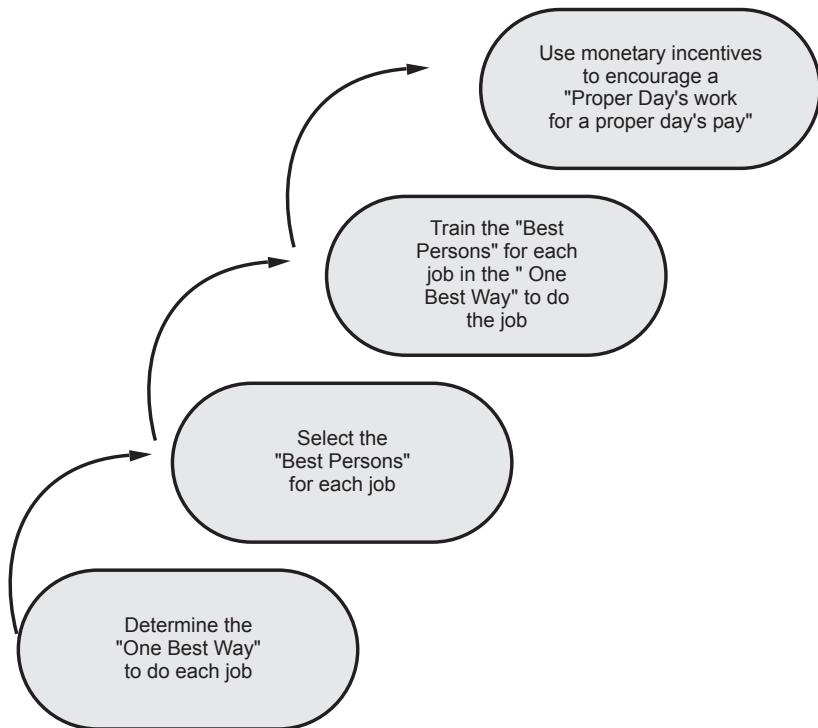
- 1) Scientific management theory by **Frederick Taylor**.
- 2) Administrative theory by **Henry Fayol**.
- 3) Human Relations Theory by **Elton Mayo** and **Henry Gantt**.
- 4) Motion study by **Frank Gilbreth**.

### 1.9.1 Scientific Management Principles

AU : Dec.-07, 06, 13, May-08, 07

- **Scientific management** is an attempt to determine and apply facts and laws of gaining efficiency without leaving anything to chance. All possible efforts are to be made to increase the efficiency of each department.
- **Scientific Management** is an approach within classical management theory that emphasizes the scientific method of work to improve the worker study. Frederick Taylor is the major representative of scientific management.
- Fig. 1.9.1 shows basic elements of scientific management.

**1. Determine the one best way to do each job through precise objective measurement :** Taylor's entire approach was fundamentally based on scientifically



**Fig. 1.9.1 Basic elements of scientific management**

studying and measuring the efforts involved in performing each task and movement that constituted a job and then determining from the data the single best way to carry out the total set of procedures.

2. **Select the "best persons" for the job :** For many of the blue collar jobs Taylor investigated such as loading pig iron, the best person meant the strongest person with the strongest desire to do a good job. For other jobs not involving sheer strength, this meant the person with the most aptitude for a particular set of tasks.
3. **Train the 'best person' in the most efficient methods of performing the task i.e. the one best way :** Taylor stressed that it was management's not the worker's responsibility to study the task and determine scientifically the optimal way to perform it. This might mean retraining workers who has already been performing the task.
4. **Provide sufficient monetary incentive to the workers to perform the task correctly and meet a defined hourly or daily target rate of output :** Taylor believed that it was only fair for workers to share directly in the rewards of higher levels of output that would result when correct methods were used and when the prescribed rate of performance was achieved. These rewards were to be in the form of sharply higher take home wages for individuals who met or exceeded the standards compared with the wages of workers who produced at slower rates and did not meet assigned targets.

### 1.9.1.1 Objectives of Scientific Management

1. To find out the causes and areas of waste and eliminating them.
2. Protecting the interests of both owner and labour.
3. To ensure higher wages with reduction in labour cost.
4. Increasing the purchase power of the consumer.
5. Reducing the cost of production.
6. To minimize labour problems.
7. To increase production without increasing capital investment.
8. To ensure timely delivery of goods.
9. To improve the quality of product.
10. To provide higher reward and incentive to the efficient workers.
11. To improve working conditions of workers for reducing their fatigue.
12. To improve standard of living of workers through increased wages.

### 1.9.2 Frederick Winslow Taylor (1856-1915)

- F.W. Taylor is known as the "father of scientific management". In a company "Midvale steel" he identified the principles defining how the work could be done.
- According to Taylor, once these principles were defined, all the workers could be trained to do the work "the one best way", rather than relying on their own various rules of thumb.
- Taylor found that the workers are deliberately working at less than full capacity called soldiering. Based on his extensive observations, he then experimented with ways to improve the worker's performance, changing everything from how they did their jobs to the tools they used.
- Based on these experiments, Taylor then trained the workers to perform the tasks in the most efficient way. The results of Taylor's scientific approach were impressive.
- In 1911, Taylor published his conclusions from these and other experiments in a book titled "Principle of Scientific Management". The principles suggested are summarized in Table 1.9.1.

1.	Scientifically study each part of worker's task and develop the best method for performing the task, which replaces the old rule of thumb.
2.	Scientifically select the workers and train them to perform the task by using the scientifically developed method.

3.	Co-operate fully with workers to ensure that they use the proper method.
4.	Divide work and responsibility between the management and workers so that the management is responsible for planning work methods using scientific principles and workers are responsible for executing the work accordingly.

**Table 1.9.1 Taylor's 4 principles of scientific management****1.9.2.1 Scientific Management**

- Scientific management emphasizes rationalization and standardization of work through division of labour, time and motion studies, work measurement, and piece-rate wages.
- Scientific management theory seeks to improve an organization's efficiency by systematically improving the efficiency of task completion by utilizing scientific, engineering, and mathematical analysis.
- The goal is to reduce waste, increase the process and methods of production, and create a just distribution of goods. This goal serves the common interests of employers, employees, and society.

**1.9.2.2 Definition of Scientific Management**

1. **Scientific Management** is "knowing exactly what you want people to do and knowing that they do in the best and the cheapest way possible". - **F.W. Taylor**
2. **Scientific Management** is an approach to designing jobs and supervising workers which emphasises the division of labour, the removal of worker discretion and the right of management to make what changes it thinks are necessary for efficient working. - **Burnes**

**1.9.2.3 Features of Scientific Management**

- The broad features of scientific management can be outlined as follows:
1. Scientific Management does not involve a single element but a **combination of varied elements**.
  2. It is concerned with a **group or joint effort** within an organization directed towards a common objective.
  3. The group efforts should be made through certain type of organization and procedures.
  4. The procedures and organization which form part of it must not be either on casual observation or chance factors.
  5. The organization and procedures must be **based on laws and principles** evolved after a careful investigation and analysis of the work situation.

6. The system **must be a dynamic one** and not a static one.

#### **1.9.2.4 Objectives of Scientific Management**

- The broad objectives of Scientific Management can be outlined as follows :
- 1. To increase the rate of production with the help of standardized tools, equipment and methods.
- 2. To improve the quality of production by effective inspection and quality control through scientific research.
- 3. Systemic planning and regulation of cost control mechanism will **Reduce the cost of production**.
- 4. To eradicate waste of time and resources, and to implement effective methods of production.
- 5. To recruit right person for the job through scientific selection and training which in turn will control employee turnover.
- 6. **Establishing a sound system of wage payment** so that efficiency of output is maximum.
- 7. **Ensuring a steady flow of quality goods** to the consumers at reasonable prices.

#### **1.9.2.5 Elements of Scientific Management**

- The duties of the management clearly reveal the basic elements of scientific management.
- The various elements can be broadly classified into the following heads;
  1. Scientific determination of the task.
  2. Time and motion studies.
  3. Standardization.
  4. Scientific selection and training of the staff.
  5. Modification of the organization
  6. Mental revolution.

#### **1.9.2.6 Time and Motion Study**

- Taylor Pioneered method called **time study**, now it is known as **time and motion study**. In Taylor's scientific management there is a clear difference between performing the tasks, selecting and training the workers and developing incentive systems.
- In separating the planning from the doing, Taylor actually created the need for professional management. In inventing the concept of the manager as professional, Taylor gave management a whole new face.

**1.9.2.7 Differential Payment System and Scientific Training**

- Doing the work is worker's responsibility and the planning of selection, training and incentive systems are the responsibility of management.
- Taylor suggested the use of wage incentive plans. He argued that workers should be paid from 30 to 100 percent higher wages for using the scientifically developed work methods and for attaining daily standards.
- In brief, Taylor's response was both visionary and comprehensive :
  - Separate the planning from doing
  - Design each task scientifically
  - Provide training and incentives for the workers
  - Co-operate with workers
  - Support workers with effective planning
  - Give responsibility for all to the manager.

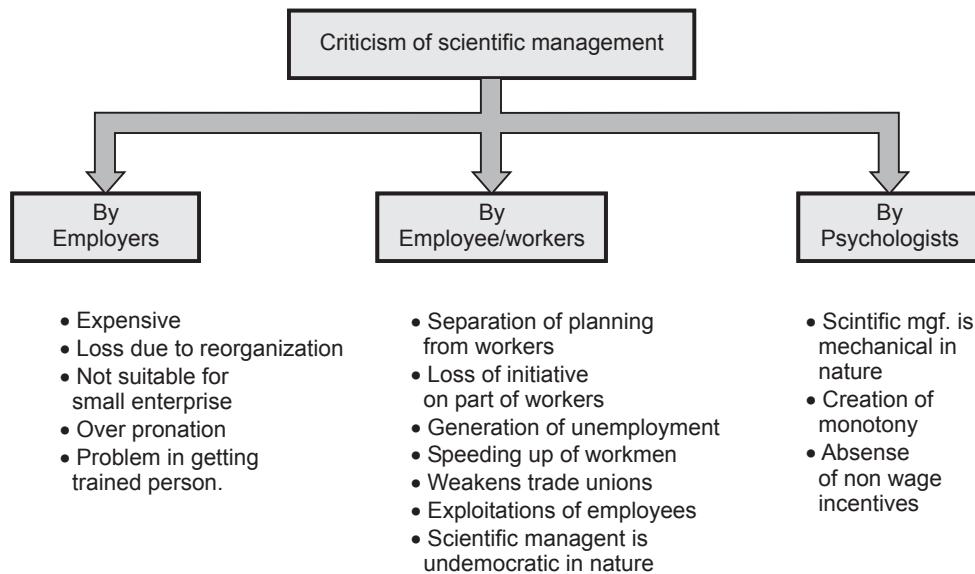
**1.9.2.8 Followers of Taylor**

- Taylor's contemporaries extended and developed the scientific approach. H.L.Gantt (1861-1919), for example, pioneered the use of statistical production control.
- He devised performance charts for operatives, machines and process allowing simultaneous comparison of several activities in terms of costs, idle time, stoppages etc.
- Gantt worked with Taylor on a number of assignments and while subsequently following Taylor's overall approach, he developed and modified Taylor's methods. In particular he suggested that :
  - (a) Outstandingly good or bad work by individuals should be publicly recognised via conspicuous notices on progress charts displayed at the workplace.
  - (b) Supervisors should be paid bonuses based on the output levels of their subordinates, in order to induce supervisors to control and motivate their staff more effectively.
- Frank and Lillian Gilbreth (1868-1924 and 1878-1972) investigated the principles of human body movement in work situations. Following an initial study of the body movements required for bricklaying, they extended the analysis to other types of work until, eventually, they had a complete system for the measurement and classification of all the basic body motions used in manual labour.
- The purpose of their analysis was the identification of the sources of fatigue so that exceptionally tiring movements could be removed or eliminated. They were also interested in methods of staff development suggesting that each employee should simultaneously

- i) Learn more about his or her present job,
- ii) Prepare for a position one step up in the hierarchy,
- iii) Train a subordinate to take over his or her current duties.

### 1.9.2.9 Problems with Scientific Management

- Inspite of various advantages it has been criticized by people.
- Criticisms of the scientific approach include the following :
  - a) Work is dehumanised, application of the division of labour can create boredom and alienation among workers.
  - b) Social and psychological influences on employee behaviour are ignored.
  - c) It is assumed that managers know more about the detail of operatives duties than the operatives themselves, yet managers do not undertake this work personally.
  - d) Simplification of work can result in craft skills being lost forever.
  - e) Certain jobs are extremely difficult to measure and, in any case, the fastest way of completing work is not necessarily the most efficient.
  - f) Managements may lose the loyalty of their employees.
  - g) Since all operational decision taking is devolved upwards, individual executives can become overloaded with technical and operational problems.
- Criticism by various sections are shown in Fig. 1.9.2.



**Fig. 1.9.2**

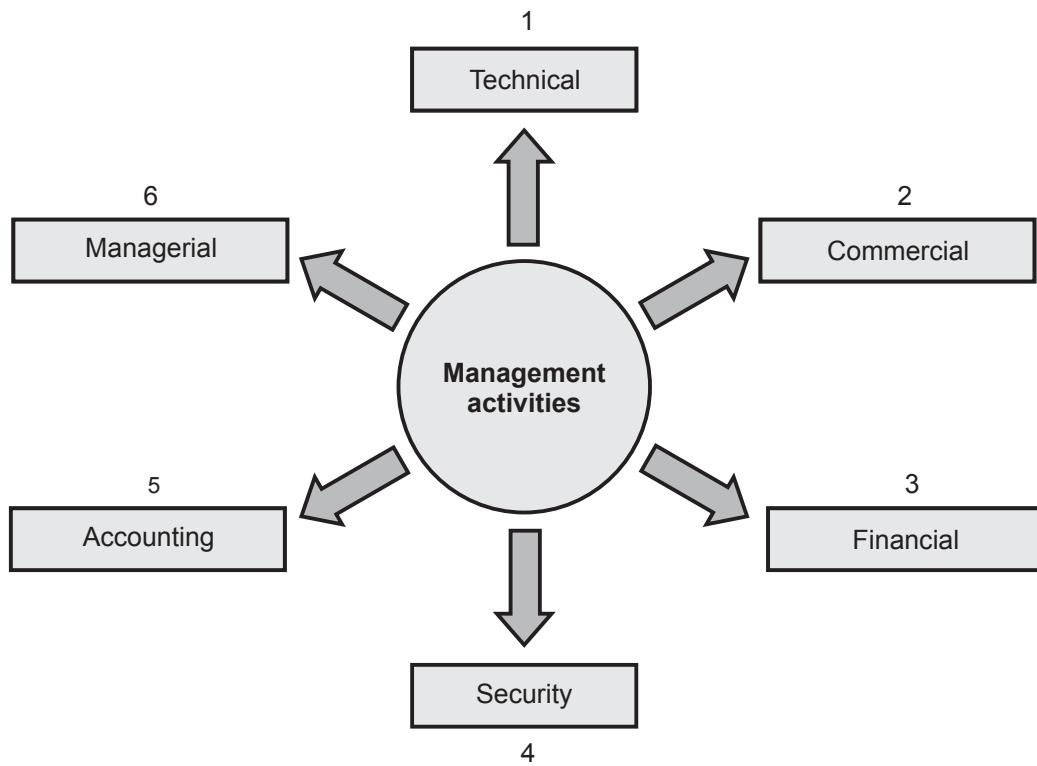
### 1.9.3 Henry Fayol (1841-1925)

AU : Dec.-07,06,11,18, May-05,07,10,11,12,13,16

- Henry Fayol, a French industrialist is known as the "father of modern management theory". Henry Fayol was trained as a mining engineer, he joined a coal-and-iron combine as an apprentice and reached to top position of managing director.

#### 1.9.3.1 Fayol's Management Activities

- On the basis of Fayol's experience as a top-level manager, Henri Fayol realised that it is possible to develop theories about management that could be taught to individuals with administrative responsibilities.
- In 1916, he published a monograph titled "General and Industrial Management". In this book he defined in a comprehensive way the key elements of tasks, responsibilities of management, which are shown in Fig. 1.9.3.



**Fig. 1.9.3 Management activities**

- Fayol has classified industrial and business operations into six distinct activities.

- Management activities and their related functions are -
  - i) **Technical** - Technical activities include production and manufacturing.
  - ii) **Commercial** - Commercial activities include purchasing and selling.
  - iii) **Financial** - Financial activities include use of capital to its optimum use and financing.
  - iv) **Security** - Security includes protection of life and property.
  - v) **Accounting** - Accounting function includes balance sheet, costing, statistics.
  - vi) **Administrative or Managerial** - Managerial or administrative function includes planning, organizing, commanding, co-ordinating, controlling.

### 1.9.3.2 Functions of Manager

- Henry Fayol has identified five distinct managerial functions grouped according to their activities. These functions are -
  - i) **Planning** - Planning involves forecasting of events impacting the organization, the development of an operating program taking all threats into account and the continuous updating of the organization's plans.
  - ii) **Organizing** - Organizing involves the structuring of the organization's tasks and activities and securing and co-ordinating the necessary human, financial and material resources.
  - iii) **Commanding** - Commanding involves setting the organization into motion, setting a good example.
  - iv) **Co-ordinating** - Co-ordinating involves regular meeting between managers and subordinates to ensure the harmony and unity of purpose necessary for effective organizational functioning.
  - v) **Controlling** - Controlling involves a constant monitoring a worker's activities materials and outputs to ensure that each is consistent with standards established in the plan.

### 1.9.3.3 Henry Fayol's Principle of Management

- The other major contribution of Henri Fayol to the development of management thinking is principles of management. Fayol outlined a number of principles that he found useful in running his large organization.
- He added that these principles apply not only to business but also to political, religious, philanthropic, military and other organizations. These principles are in widespread use today. The Fourteen general **principles of management** are given below -

1. Division of work
  2. Authority and Responsibility
  3. Discipline
  4. Unity of command
  5. Unity of direction
  6. Subordination of individual interest to general interest
  7. Remuneration
  8. Centralization
  9. Scalar chain
  10. Order
  11. Equity
  12. Stability of personnel tenure
  13. Initiative
  14. Esprit de corps
- The meaning and explanation of Fourteen principles of management are as under.

### **1. Division of work**

- Division of work or work specialization results in efficient use of resources and increases productivity. This is applicable to both managerial and technical functions.

### **2. Authority and Responsibility**

- Authority means right to give order or command. Responsibility is the obligation to achieve objectives. Responsibility comes with authority.

### **3. Discipline**

- Discipline is absolutely necessary for the smooth running of an organization. Discipline means following rules, regulations, policies and procedures by all employees of organization. There must be clear and fair agreement for observing rules and regulations also punishment for disobedience and indiscipline.

### **4. Unity of command**

- An employee should receive orders from one supervisor only to avoid possible confusion and conflict i.e. any worker should not be under control of more than one supervisors. It avoids mistakes and delays in getting work done.

**5. Unity of direction**

- All the activities must be aimed at one common objective. The activities should be organized such that there should be one plan and one person in charge. This enables directions of efforts towards attainment of one goal.

**6. Subordination of individual interest to general interest**

- The interests of one employee or group should not be given importance over the interests and goals of organization.

**7. Remuneration**

- Compensation and the methods of compensation should be fair to both the employee and the employer. Exploitation of employees of any kind must be avoided.

**8. Centralization**

- The centralization of authority and power to some extent is necessary where it is most feasible otherwise there should be decentralization of authority and power for smooth functioning of the organization. A balance between both must be achieved. The objective is the optimum use of the capabilities of personnel.

**9. Scalar chain**

- A scalar (hierarchical) chain of authority extends from the highest to lowest rank of an organization and defines the communication path. However, horizontal communication is also encouraged as long as the managers in the chain are kept informed.

**10. Order**

- Order is principle of arrangement of things and people. Everything should occupy its proper place i.e. everything should be in order. Due to good organization and selection the right person should be in the right place. Order leads to the creation of sound organization with efficient management. Good organization removes confusion.

**11. Equity**

- Employees are human beings. Employee's loyalty and devotion should be treated with kindness and justice. Organization's run best when managers are fair with their employees.

**12. Stability of personnel tenure**

- Stability of tenure of personnel in the organization increases the efficiency of the employees and is a symbol of sound management. Because time is required to become effective in new jobs, high turnover of employees should be prevented. Instability (high turnover) is a symbol of weak management.

### 13. Initiative

- Managers should encourage and develop the subordinates to take initiative. It is the result of creative thinking and imagination and helps in formulating, planning also its execution.

### 14. Esprit de corps

- Esprit de corps means spirit of cooperation. Since union is strength, harmony and team work are essential. These are prerequisites for better performance and effective organization.

#### 1.9.4 Elton Mayo (1880-1949)

AU : May-12, 11

- Harvard professor Elton Mayo and his team of researchers conducted the experiment at the Hawthorne plant of Western Electric Company in the United States.
- Elton Mayo interviewed more than twenty thousand Western Electric workers during 1924 to 1932 and prepared data.
- According to Mayo, these interviews suggested that the workers viewed the experiments as evidence of increased management concern for conditions in the work place.
- Mayo concluded that the workers increased their productivity in response to this increased attention from management. Whether the experimental conditions improved the work place or not, the workers felt that at least management was trying to do something about working conditions.
- The workers apparently increased their output in response to what they viewed as management's concern for their well-being. The concept that increased attention by management results in increased productivity by the worker is known as **Hawthorne effect**.
- One of the significant contributions of the Hawthorne studies, was the realization that the impact of management was not restricted to planning and task design (Taylor suggested) or to management by principles (Fayol suggested) but it is powerful in human impact too.
- The Hawthorne studies provided the first scientific evidence that management's attention to workers might have a major effect on their performance.
- According to Elton Mayo, an organization is a social concern and therefore individual's knowledge and recognition of informal relationships between workers helps in better management and builds effective organization.

- He stressed the importance of human factor in organization. The productivity or organization depends on several factors such as work atmosphere, management attitude towards employees, man-machine relationships, job satisfaction etc.
- Elton Mayo suggested it is not enough to scientifically analyze and design each task as Taylor suggested, nor to train managers to plan, organize, command, control and coordinate effectively as Fayol prescribed.
- Mayo pointed for the first time to the importance of positive interpersonal relations between management and workers, and among the workers themselves.
- Major outcomes of Elton Mayo studies are as under -
  1. Workers working in a group develop bond of relationships.
  2. Behavior at workplace depends on their mental state, emotions and prejudices.
  3. Emotional factors play an important role in determining.
  4. Human and liberal attitude of supervisor helps in improving performance.
  5. Managerial skills and technical skills are not necessary to be a successful leader.

### 1.9.5 Henry Laurence Gantt (1861 - 1919)

- H.L. Gantt, a pioneer American industrial and management engineer worked as a draftsman and reached to executive positions in industry from 1887 through 1901.
- Gantt was one of the earliest to give major attention to human relations aspects in the industry as distinguished Taylor's primary emphasis on financial incentives.
- At the Midvale Steel co. in Philadelphia (1887-93) he became assistant to the chief engineer (F.W. Taylor) and then superintendent of the casting department. There he made his first original contribution to management with "task and bonus", which works successfully than Taylor's differential piece-rate system. His system was simple, applicable and accepted by all.
- He introduced the **Gantt chart**, which was a revolutionary improvement in the planning and control of production interms of time as well as techniques.
- Gantt was a prolific writer and active speaker. Gantt authored following books.
  1. Work, wages and profits (1910)
  2. Industrial leadership (1916)
  3. Organizing for work (1919)
  4. A bonus scheme of rewarding labour (1902)

#### 1.9.5.1 Gantt Chart

- The Gantt chart is a visual management control device developed by Henery L. Gantt.

- Gantt chart is a linear calendar on which future time is spread horizontally and work to be done is indicated vertically. Any suitable divisions of time can be used months, weeks, days or hours.
- There are two basic chart suggested by H.L. Gantt.
  1. The planning chart
  2. The progress chart

### The Planning Chart

- In planning chart the things to be done are entered in symbols and description of planning under it standard symbols are used.

### The Progress Chart

- The progress chart is used in production control to show cumulative work against time in relation to schedules.
- The use of Gantt chart makes a definite plan for each project necessary.

## 1.9.6 Frank Bunker Gilbreth (1868-1924)

AU : May-09, 08

- F.B. Gilbreth was an American engineer, building contractor and management consultant. He made his most distinctive contribution to scientific management.
- Frank Gilbreth made studies in applying principles of motion economy and is considered to be the originator of motion study.
- His wife, Lillian Gilbreth helped in developing his ideas and also contributed to a new dimension in her writings on the psychology of management.
- Gilbreth took an analytical approach and stressed the importance of giving attention to minute details of work. This approach was to become an important characteristic of all scientific management.
- He felt that if the 'one best way to do work' could be discovered for each and every element in a worker's movements and surroundings, the resulting gains in productivity is significant.
- Gilbreth was the first to apply the motion picture camera to record and analyze the operations. He classified the human motions or '**'threbligs'**' (Gilbreth spelled backward). From this he prepared the laws of motion economy, looking to the systematic elimination of inefficiencies and waste.
- Gilbreth's particular contribution was to develop management as a social science with the human being the centre of interest.

### 1.9.6.1 Gilbreth Principles of Motion Economy

- Gilbreth suggested twenty-two principles of motion economy. These principles are categorized into three major groups. Although not all these principles are applicable for every operation, but they form the basis for improving the efficiency and reducing the fatigue in manual work.

**A) Use of human body**

1. Two hands should begin as well as complete their threbligs at the same instant.
2. The two hands should not be idle at the same instant except during rest period.
3. Motions of arms should be in opposite and symmetrical direction.
4. Hand motions should be at lowest positions.
5. Continuous curved motions are preferred.
6. Momentum should assist in working.
7. Rhythmic movements are faster, easier and accurate.
8. Rhythm is essential for smooth working.

**B) Arrangement of work place**

9. Fixed positions for tools and machinery.
10. Tools and materials should be close to assembly.
11. Materials gravity should be used for assembly.
12. Drop deliveries should be used.
13. Best sequence of threbligs should be followed.
14. Good visual facility and illumination.
15. Proper height of work place.
16. Work chair should be of proper shape and height.

**C) Design of tools and equipment**

17. Use of feet for supporting operation.
18. Proper combination of tools.
19. Tools and materials must be prepositioned.
20. The load should be distributed in accordance with the inherent capacities of fingers.
21. Proper design of handles for the tools.
22. Levers, crossbars and handwheels should be easily approachable.

**1.9.7 Contributors in Management Thinking**

- Milestones in management thinking are :-
  - i) Frederick Winslow Taylor    ii) Henry Fayol
  - iii) Elton Mayo                          iv) Henry Gantt
  - v) Frank Gilbreth

- All above contributors have identified various aspects of improving performance. These aspects are given in Table 1.9.2.

Improve Performance by :	
• <b>Frederick Taylor</b>	Separating the planning from the doing, designing each task scientifically, providing training and incentives for the workers.
• <b>Henry Fayol</b>	Training managers in planning, organizing, commanding, co-ordinating and controlling, teaching them to operate according to the principles of management.
• <b>Elton Mayo</b>	Improving interpersonal relations on the job between managers and workers and among the workers themselves.
• <b>Henry Gantt</b>	Emphasized relation of management and labour. Stressed conditions that have favourable psychological effect on the worker. Developed charting techniques for scheduling.
• <b>Frank Gilbreth</b>	Searched for "the best way". Introduced motion study to industry.

**Table 1.9.2 Management thinking at a glance**

### University Questions

<b>Q.1</b>	<i>Explain various schools of management thought.</i>	<b>AU : Dec.-09, Marks 16</b>
	<b>OR</b>	
	<i>Describe about the evolution of management thought.</i>	<b>AU : May-11, Marks 16</b>
<b>Q.2</b>	<i>Explain the evolution of management through different experts in management.</i>	<b>AU : May-14, Marks 16</b>
<b>Q.3</b>	<i>What is scientific management ?</i>	<b>AU : Dec.-06, Marks 2</b>
	<b>OR</b>	
	<i>Define scientific management.</i>	<b>AU : May-08, Marks 2</b>
<b>Q.4</b>	<i>Who is referred as the father of scientific management ? What is the goal of scientific management ?</i>	<b>AU : May-07, Marks 2</b>
<b>Q.5</b>	<i>Mention the scientific principles of management and also specify the features of scientific management ?</i>	<b>AU : Dec.-07, Marks 16</b>
<b>Q.6</b>	<i>Compare human relations theory and scientific management ?</i>	
<b>Q.7</b>	<i>Explain the salient features of neo-classical theory of management with the human relations approach and behavioral science approach.</i>	<b>AU : Dec.-13, Marks 16</b>
<b>Q.8</b>	<i>Enumerate the Fayol's principles of management ?</i>	<b>AU : May.-05, Marks 6 ; Dec.-06, Marks 16</b>

**OR**

*Explain the fourteen principles of management as stated by Henry Fayol.*

**AU : May-07, Dec.-18, Marks 16**

**OR**

*Explain in detail Henry Fayol's contribution towards classical approach towards management.*

**AU : Dec.-11, Marks 16**

**OR**

*Describe the contribution of Henry Fayol to the development of management thought.*

**AU : Dec.-11, Marks 16**

**Q.9** Define the term "Scalar chain".

**OR**

*What do you mean by scalar chain ?*

**AU : May-10, Marks 2**

**Q.10** Explain unity of direction.

**AU : Dec.-07, Marks 2**

**Q.11** State and explain the important contributions of Taylor and Fayol in the field of management thoughts.

**AU : May-12, Marks 16**

**Q.12** Discuss Henry Fayol's principles of management.

**AU : May-13, Marks 16**

**Q.13** Explain in detail about the human relations approach to management with special reference to the contribution made by Elton Mayo's Hawthrone experiment.

**AU : May-11, Marks 16**

**Q.14** State and explain the important contributions of Taylor and Fayol in the field of management thoughts.

**AU : May-12, Marks 16**

**Q.15** Write an essay about the contributions made by F.W. Taylor, Henri Fayol, H.L. Gantt, Frank and Lilian Gilbreth, Elton Mayo and Others to the field of management.

**AU : May-08, Marks 16**

**Q.16** Explain scientific theories in management.

**AU : May-09, Marks 16**

**Q.17** Enumerate Fayol's principles of management. How are they different from Taylor principles ? Comment on them in brief.

**AU : Dec.-14, Marks 16**

**Q.18** Explain in detail about Henry Fayol's contribution towards classical approach towards management.

**AU : May-15, Marks 16**

**Q.19** Describe the motion study as used by the Gilbreths.

**AU : May-15, Marks 8**

**Q.20** Explain the evolution of management in detail.

**AU : May-16, Dec.-18, Marks 8**

**Q.21** Explain the fourteen principles of management advocated by Henry Fayol.

**AU : May-16, Marks 16**

**Q.22** Discuss in detail about the evolution of management.

**AU : Dec.-16, Marks 16**

**Q.23** Elucidate in detail the various principles of management as advocated by Henry Fayol.

**AU : May-17, Marks 13**

**Q.24** Elucidate the contributions of F.W. Taylor to Management.

**AU : May-18, Marks 13**

## 1.10 System Approach to Management

AU : May-10, Dec.-11, 13

- In 1928, biologist **Ludwig Von Bertalanffy** introduced a theory of general systems suggesting that everything in nature is interrelated.
- According to Bertalanffy, every entity is an integral part of a larger system. He pointed out that in nature nothing is totally independent and self sufficient.
- Every living organism is part of a system and is affected by happening both within and outside that system. In his view the organization is organic and **open system**.

### Systems Theory

- The **systems theory** approach is based on the understanding that organizations can be visualized as systems.

### System

- A **system** is a set of interrelated parts (subsystems) that operate unitedly to achieve a common objective. These subsystems include production, maintenance, managerial etc.
- The function of all these subsystems are inter related and independent. The change in any subsystem will affect other subsystems.
- **Open system** : An **open system** is one that operates in continual interaction with its environment. Through such interaction the system takes in new inputs and learns about how its outputs are received by outside elements.

### Characteristics of Open Systems

- Two major characteristics of open systems are -

#### i) Negative entropy :

- Entropy means the tendency of systems to decay over time.
- **Negative entropy** is the ability of open systems to bring in new energy in the form of input and feedback from environment, to delay entropy.

#### ii) Synergy :

- **Synergy** is the ability of whole system equal to more than the sum of its parts. This means that an organization is able to achieve its goals more efficiently and effectively than the possible outputs when the parts operate separately.
- According to the systems approach, an organizational system has four major components, These are -
  1. Inputs
  2. Transformation processes
  3. Outputs
  4. Feedback
- A systems view of organizations is shown in Fig. 1.10.1.

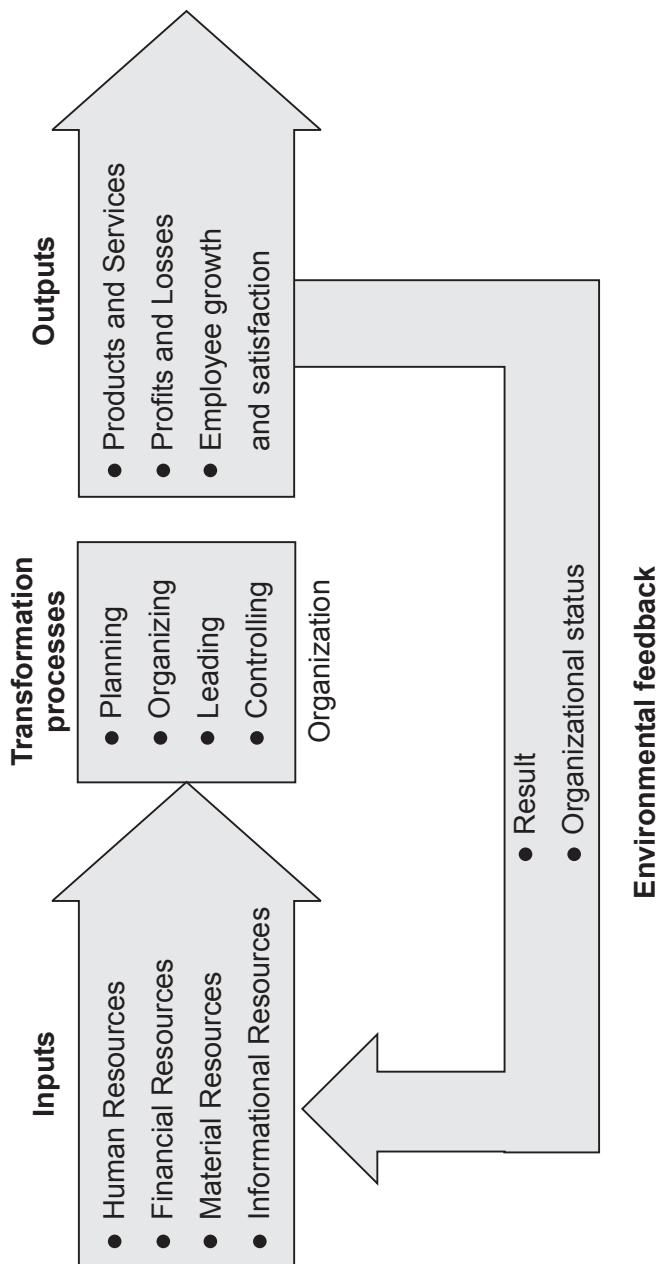


Fig. 1.10.1 System approach of organization

### 1.10.1 Advantages of System Approach

- System approach has number of advantages
  1. System approach can analyze systems at different levels.
  2. System approach provides a framework for assessing how well the various parts of an organization interact to achieve a common purpose.
  3. System approach emphasizes that a change in one part of the system can affect other subsystems.
  4. The system approach considers how an organization interacts with its operations (co-ordinated efforts).
  5. System theory provides valuable concepts such as feedback and synergy.

#### University Questions

- |            |  |                               |
|------------|--|-------------------------------|
| <b>Q.1</b> | <i>What is system approach to management ?</i>   | <b>AU : May-10, Marks 2</b>   |
| <b>Q.2</b> | <i>Explain the system based approach towards the management.</i>                                     | <b>AU : Dec.-11, Marks 8</b>  |
| <b>Q.3</b> | <i>Explain the principles of administrative theory of management with an suitable illustrations.</i> | <b>AU : Dec.-13, Marks 16</b> |

### 1.11 Business

**AU : May-19**

- Business is a continuous process. It is group of people working together to maximize profits. Business involves various functions such as procuring materials, manufacturing/trading, distributing or selling.

#### Definitions of Business

1. Business is a human activity whose objective is to create wealth through purchase and sale of goods and services. **- L.H. Hanney.**
2. Business is an enterprise which makes, distributes or provides an article or service which other members of the community need and are able and willing to pay for it. **- Urwick and Hunt.**

### 1.11.1 Characteristics of Business

#### 1. Entrepreneur

- An entrepreneur is a person who can identify the potential of market for a product or services. The entrepreneur takes initiative in establishing the business by arranging several factors of production.

**2. Economic activities**

- Business involves various economic activities like purchasing of materials, production, distribution etc.

**3. Exchange of goods and services**

- In order to make profits, exchange of goods and services are integral part of a business.

**4. Profit motive**

- Profit motive is the prime concern of a business. The activities which do not lead to profit making is not business.

**5. Risk and uncertainty**

- Business activity involves risk and uncertainty at every stage of its operation. This includes technology variation, raw material, labour problem, market competition etc.

**6. Continuity of transaction**

- Business can be progressed through continuity in transactions.

**7. Creation of utility**

- The product or services must be useful and satisfy the customer requirements.

**8. Organizing**

- Organizing involves the structuring of the organization tasks and activities for securing and co-ordinating the human, financial and material resources.

**9. Financing**

- Financial support is necessary for setting up infrastructure and running business smoothly. No business can be thought of without finance.

**10. Consumer satisfaction**

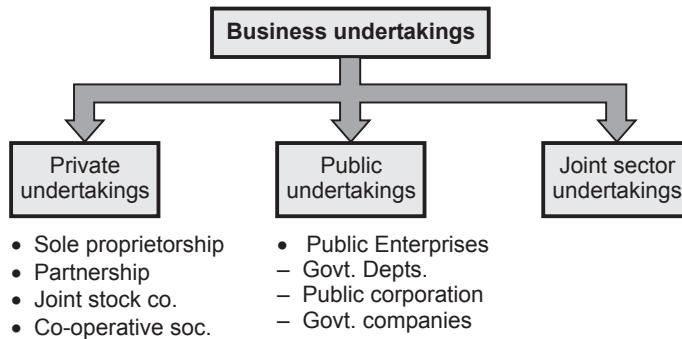
- All business must satisfy customer's demand. If a consumer is not satisfied by the product or services, he may switch to other brand of product.

**1.11.2 Business Organization****AU : Dec.-09, May-08**

- An **organization** is a group of people working together to achieve a common goal. Organization exists to achieve goals that individuals cannot achieve on their own.
- Organization is grouping of activities and putting under different departments according to their functions.
- The organization brings men and material resources together for fulfilling the goals of enterprise.

### 1.11.3 Definitions of Organization

- The management experts have given definition of organization as -
  - **Henri Fayol :** "To organize a business is to provide it with everything useful for its functioning such as raw materials, tools, capital and personnel."
  - **Koontz O'Donnell :** "Organization is the establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the organization structure."
  - **Davis :** "An organization is a group of individuals, large or small that is co-operating under the direction of executive leadership in accomplishment of certain common object."
  - **Johnson-Kast-Rosenworg :** "The organization is an assemblage of people, material, machine and other resources, geared to task accomplishment through a series of interaction and into a social system."
- Different business organizations are established to suit the requirements of capital, scale of production and objectives.
- Broadly there can be three types of business undertakings.
  1. Private undertakings.
  2. Public undertakings.
  3. Joint sector undertakings.



**Fig. 1.11.1 Forms of business undertakings**

### 1.11.4 Types of Business Organization

AU : May-08

- Ownership of business is represented by the right of an individual to acquire legal title to assets and enjoy the gains at profit.
- Following are the various forms of organization ownership.
  1. Sole proprietorship/Individual
  2. Partnership

3. Joint stock company
  - a. Private limited company
  - b. Public limited company
4. Co-operative enterprises
5. Public enterprise/state ownership

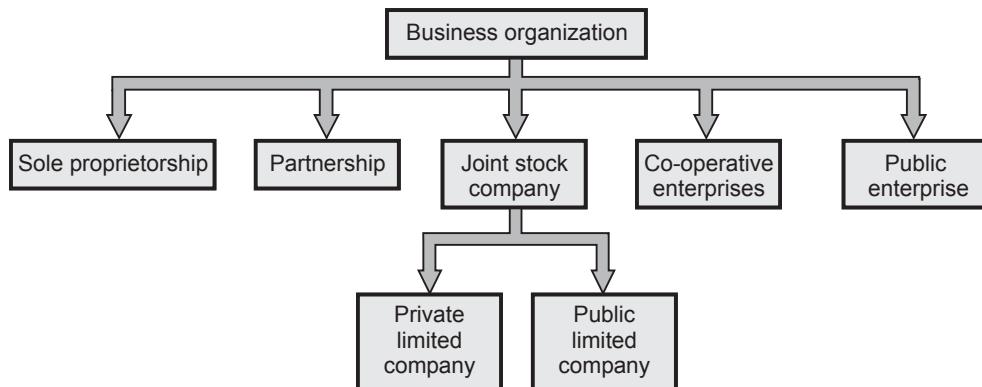


Fig. 1.11.2

**University Questions**

<b>Q.1</b>	<i>What are the types of organization ?</i>	<b>AU : Dec.-09, Marks 2</b>
<b>Q.2</b>	<i>Define organization.</i>	<b>AU : Dec.09, Marks 2</b>
<b>Q.3</b>	<i>Sketch a line diagram depicting the types of business organization on the basis of ownership.</i>	<b>AU : May-08, Marks 4</b>
<b>Q.4</b>	<i>How do you classify the business organisations ? Explain.</i>	<b>AU : May-19, Marks 13</b>

**1.12 Sole Proprietorship / Individual Ownership****AU : May-10, 08, 07**

- Sole proprietorship is the simplest and oldest form of business enterprise. In this form of business organization the individual entrepreneur supplies the entire capital, employs labour and machines.
- Individual uses his own skill in the management of its affairs and is solely responsible for the good or bad result of its operation and working.
- The entire authority and responsibility in the matter of decision making and working belongs to him and all profit and losses are of his own.
- It is owned, managed and controlled by only single man hence it is also known as individual ownership.

- This form of business requires less amount of capital and is easy to control. He invests his capital to start the business and enjoys the benefits (profits) earned from the business.

## Applications

1. For small scale business, where small amount of capital is required.
2. Such form is most suitable where risk involved is not too heavy.
3. In local market where one person can manage the business.

### 1.12.1 Advantages of Proprietorship

#### 1. Simplest form of business

- Sole proprietorship is simple in nature and easy to manage.

#### 2. Least legal complications

- No legal complications are involved in establishing this form of business.

#### 3. Quick decision

- All the decisions are taken by one person, so quick decision is possible and prompt action can be taken.

#### 4. Maximum profit

- Only a person enjoys the profits which he earns from his business.

#### 5. Personal care

- The proprietor can take great care to satisfy the tastes of his customers.

#### 6. Quality product

- Personal attention and supervision of owner leads to quality product.

#### 7. Minimum wastage

- All kinds of wastes can be eliminated or reduced to minimum due to personal supervision and attention.

#### 8. Flexible business

- This type of business is flexible and can quickly adopt to changing conditions.

### 1.12.2 Disadvantages of Proprietorship

- Although there are various advantages of proprietorship organization, it has few disadvantages also -

#### 1. Limited capital

- The source of capital is limited, this prevents expansion of the business and with such a small investment modern factory can not be started.

**2. Limited skill**

- Since the owner can not be master in various fields like sales, accounting and technically, therefore work suffers.

**3. High risks**

- The proprietor has to take all the risk personally, also has to suffer losses alone.

**4. No perpetual existence**

- The business terminates when owner dies.

**1.13 Partnership****AU : May-10, 08, 07**

- In the partnership forms of business, two or more persons come together and start a business with their own funds, the parties agree to share the profits as well as bear the losses in the agreed proportion.
- The formation and management of partnership organisation is governed by the Indian partnership Act, 1932.
- The partnership is defined as "The relation between persons who have agreed to share profits of a business carried on by all any of them acting for all".

**1.13.1 Advantages of Partnership**

1. The partnership organization have larger financial resources compared to sole proprietorship.
2. Greater personal contacts of the partners gives more customer base and benefits.
3. Persons of different skills and abilities can work for betterment of organization.
4. Less expenditure per partner is involved in forming partnership organization.
5. Loss will be divided amongs the partners.

**1.13.2 Disadvantages of Partnership**

1. The partnership organization get dissolved in case of retirement or death of a partner.
2. The existance of partnership is for short duration due to selfish attitude of partners or in case of loss, each partner blames each other.

**1.14 Joint Stock Company****AU : May-10, 08, 07**

- Joint stock organizations are proved to be superior then the sole proprietorship and partnership form of organization. In this form of organization, capital is contributed by a large number of persons in the form of shares of different values.

- Joint stock organization can be classified into two types, these are
  - i. Private limited company
  - ii. Public limited company

### i) Private Limited Company

- A private limited company can be established with two to fifty members. The maximum number of membership is limited to 50. When this type of organization expands beyond certain limit, it can restrict its liability by registering the firm as a limited company.
- The company is registered under Indian company Act, 1956. Such organizations are not required to submit the balance sheet and audited papers to the government.
- The transfer of shares takes place between members only. The public cannot subscribe to the share capital.

### ii) Public Limited Company

- As indicated by its name, the membership of public limited company is open to general public.
- The minimum number of members required are 7 and there is no upper limit. Such companies offer shares to general public.
- Public limited companies are supervised and controlled by the Government ; to protect the interest of share holder public.
- The shares are transferable without any prior approval. The company is governed by an elected body called Board of Directors.
- Such organizations have to submit to the Government an audited account and balance sheet of their business.

#### **1.14.1 Advantages of Joint Stock Company**

1. The shareholders bear no risks as the libability is limited.
2. Large scale business can be undertaken.
3. Joint stock companies can take advantages of economies of scale in production because management can employ specialized labour, can use the latest machinery and thus can achieve large scale production at low cost.
4. This form of organization are not affected by the retirement of any share holder hence the existance of organization is permanent in nature.
5. The management works on democratic principles, which results in economy and efficiency.

### 1.14.2 Disadvantages of Joint Stock Company

1. Shareholders do not have much interest and voice in the management or organization.
2. Some of the directors may exploit investors. For instance they may give false information stating that the company is going into loss. As a result, the value of the company's shares may go down. The directors may then purchase devalued shares for their own benefits.
3. It is difficult to preserve secrets in the joint stock companies.
4. Large formalities are to be observed.
5. Sometimes, the directors undertake risky ventures and quite likely to incur losses to the company.

### 1.14.3 Formation of Joint Stock Company

- Two important documents for formation of Joint Stock Company are -

#### [1] Memorandum of Association (MOA)

- No company can carry business unless it is registered under the Companies Act, 1956 by subscribing the details in "**Memorandum of Association**."
- The memorandum of every company shall state -
  1. The name of company with last words Limited or Private Limited as applicable.
  2. Address of registered office of the company.
  3. The objectives of the company.
  4. List of members with address.
  5. The share capital / number of shares of each member.
- The memorandum must be printed and should be divided into paragraphs numbered consecutively.
- The memorandum of association must be signed by each member in the presence of witness who shall attest the signature.
- A company shall not alter the conditions contained in its memorandum except the provision is made.
- A certificate of incorporation given by the registrar.

#### [2] Articles of Association (AOA)

- In case of Public Limited Company (by shares) or a Private Limited Company (by shares) it is necessary that it should be registered with a memorandum, articles of association signed by the subscribers of memorandum.

- AOA should contain the rules and regulations of company with by-laws relating to day-to-day management of company.
- It should also contain the provisions of share capital and number of subscribers.
- AOA must be printed and divided into paragraphs numbered consecutively and be signed by each subscriber of MOA.
- A company must send the copies of memorandum and articles to the member within 7 days.

## 1.15 Co-operative Enterprise

AU : May-10, 08, 07

- Co-operation is a form of organization where persons irrespective of caste, creed and religion, voluntarily associate together as human beings.
- It is based on the democratic principles and functions for the welfare of the public at large. It protects the interest of consumers as well as that of small producers.

### Features of co-operative organization

1. Voluntary organization
2. Open membership
3. Common purpose/interest
4. Democratic management
5. Not profit oriented.

### Types of co-operative organization

Various types of co-operative organizations are

1. Producer's co-operative society.
2. Consumer's co-operative society.
3. Housing co-operative society.
4. Credit co-operative society.
5. Co-operative farming society.

### 1.15.1 Advantages of Co-operative Enterprises

1. Easy to form co-operative society.
2. Co-operative enterprise is useful to a common man.
3. Profits are equally shared.
4. Due to honorary services of members, the expenses on the management are reduced, therefore it reduces cost of production.
5. Middleman's profit is eliminated since the purchase is directly from producer.

6. The management is democratic. Normally one member, one vote principle is applicable.
7. It sells the goods/products cheaper, as no money is spent on advertisements and publicity etc.
8. The existence is not affected in insolvency or death of its members.

### **1.15.2 Disadvantages of Co-operative Enterprises**

1. This form of organization is not suitable for industries where a huge capital investment is required.
2. In view of limited financial resources, services of highly qualified persons cannot be utilized.
3. Sometimes it is found that management is inexperienced and may incur losses.
4. Persons holding positions of power in the organizations may take undue advantage.
5. Many times co-operatives are exploited by the politicians for their selfish gains.
6. There is a likelihood of conflicts among the members as they have equal rights and equal investments.

## **1.16 Public Sector Enterprise / State Ownership**

**AU : May-10, 08, 07, 17, Dec.-16**

- Public sector enterprise is also called as state owner and control. State ownership works for the benefit of the society at large. State ownership served as means to remove monopolistic tendencies and to take those fields where there is lack of willingness or capital to start the business.
- The profit made by these undertakings go to government. The state government ownership works on the same lines as private enterprises but the capital is provided by the state. The efficiency of state undertakings is below the private enterprises.
- Forms of public sector enterprises (State ownership) are as follows.
  1. Government department
  2. Public corporations
  3. Government company

### **1.16.1 Government Departments**

- Such enterprises in the areas of activities having government monopoly. For example the organisations like Railways, Ports and Telegraphs, Defence production etc are run by the government departments.

## Characteristics of Government Departmental Organizations

1. Financed out of government budget.
2. Revenue go to public exchequer.
3. All rules and regulations of government are applicable.
4. Under direct control of concerned ministry.
5. Employees are treated as government servants.

## Advantages of Government Department

1. Such organizations are suitable for public utility services and defence industries.
2. The economical, social and political objectives of the Government are achieved due to government control.
3. Consumer's interests are properly safeguarded.
4. Complete secrecy is possible like in ordinance factories due to government control.
5. Government can afford to wait long for an enterprise to yield profit. Big organizations like iron and steel works, heavy electricals and defence projects can be started.

## Disadvantages of Government Department

1. Lack of initiative because promotions are on seniority basis rather than merit based.
2. Major modification and innovations are difficult to incorporate as Government officials prefer to work according to certain rules and regulations.
3. Officers are discouraged from taking quick decisions because of red tapism.
4. Because of red tapism (i.e. bureaucratic control) quick decisions are not possible.

### 1.16.2 Public Corporation

- A public corporation is a body created by a law passed in the parliament. There are some of the Public Corporations in India. Those are,
  1. Life insurance corporation,
  2. Indian airlines corporation,
  3. Damodhar valley corporation.
- The public corporations functions are as follows.
  1. Government certifies the methods of their working.
  2. Parliament controls its general policies.
  3. Corporations look after their own day to day affairs.
  4. In financial matters, corporations work independently.

5. They work for the general welfare of the community.
6. They can appoint their own staff.
7. They never work only for making profits.
8. The chief executive or the board of directors are nominated by the government.

### **Advantages of Public Corporation**

1. These are most suitable for managing public utilities at reasonable cost to people in the absence of profit motive.
2. These are supposed to be better managed. These are expected to provide better working conditions to workers and cheaper and better products to consumers.
3. Public corporation can use funds with greater freedom in the absence of audit and accounting by Government.
4. Due to absence of red tapism and bureaucratic control, quick decisions are possible.
5. More flexibility as compared to departmental organizations.

### **Disadvantages of Public Corporation**

1. It is suitable only for the management of very big enterprises.
2. It requires special legislation and hence its formation is elaborate and time consuming.
3. Public corporations possess monopoly and they are not to face competition, so these are not interested in adopting new techniques and making improvements in their working.
4. It is a rigid form of organization as any change in its constitution will require amendment of the special act.
5. The autonomy of such corporations are only on papers. In reality ministers, Government officers and politicians interfere in the working of such corporations.

### **1.16.3 Government Company**

- It is a concern where Government departments take initiative and establish a company under company law.

Examples of such companies in India are -

1. Hindustan Machine Tools Ltd.
2. Bharat Heavy Electricals Ltd.
3. Sindri Fertilizers and Chemicals Ltd.

### **Features**

- The salient features of such organisations are -
  - a. These companies are completely or partially owned by the government.
  - b. The chief organiser is appointed by the government.

## Advantages of Government Company

1. It is easy to form.
2. Government company directors take decisions and are not bound by certain rigid rules and regulations.
3. They try to satisfy their customers because otherwise they might lose to their competitors.

## Disadvantages of Government Company

1. Misuse of excessive freedom cannot be ruled out.
2. Accountability is inadequate.
3. Since the directors are appointed by government, so they spend more time in pleasing their political masters which leads to inefficient management.

### 1.16.4 Role of Public Sector in Developing Indian Economy

- Public sector helps in growth of large industries i.e. which require huge amount of capital.
- Public sector helps in implementing the economic plans and enables them to reach the target of achievement within specified period.
- Public enterprise prevents the concentration of capital in few hands, it distributes the wealth among different sections of the community.
- The public enterprise benefits all community of the nation. Service to the country is the main motive of the public enterprise.
- It is owned and managed by the government and hence the revenue goes to the government.
- Public enterprise leads to economic equality.
- The profits earned are utilized for public welfare. Private investors are allowed to subscribe in raising funds for it.
- Public enterprise is one of major source of revenue to the government.

### University Questions

**Q.1** With suitable example describe various types of business organization.

**AU : May-07, Marks 16**

**OR**

With illustrations from Indian and International context, explain in detail the different types of business organization with suitability.

**AU : May-08, Marks 16**

**OR**

*Explain in detail about the various types of business organization.*

**AU : May-10, Marks 16**

- Q.2** *What do you understand by joint sector companies ? Mention the guidelines for formation of joint sector company. State the advantage of joint sector companies.* **AU : May-08, Marks 8**
- Q.3** *Distinguish between private limited company and public limited company.* **AU : May-08, Marks 4**
- Q.4** *Define joint sector unit.* **AU : May-10, Marks 2**
- Q.5** *Explain in detail about the different types of business organization.* **AU : Dec.-16, Marks 16**
- Q.6** *Explicate the different types of business organizations.* **AU : May-17, Marks 13**

## 1.17 Factors Influencing Choice of Suitable Business Organization

- Choosing a suitable business organization is very important while establishing a business because every business form has certain limitations and advantages.
- Some important factors for choosing an appropriate business form are discussed here.

### 1. Capital requirement

- When scale of operation is large, naturally large amount of capital is required to invest. An individual may not be able to invest huge capital.

### 2. Liability

- Liability should be limited to the extent of amount invested. The overall liability is divided into number of partners or share holders.

### 3. Scope of management

- The scope of management is limited in case of sole proprietor and in partnership. But in case of company it becomes wider.

### 4. Continuity

- The business should not be discontinued because of any production factors, operating environment or due to the death of owner.

### 5. Tax exemption

- To attract more entrepreneurs, government offers certain facilities in the form of exemption in duty, taxes, octroi etc.

### 6. Ease in formation

- Certain formalities are to be fulfilled while forming a business organization.

### 7. Flexibility

- Under changing business environment firm must be flexible in its operation.

## 1.18 Important Comparisons

### 1.18.1 Comparison of Private and Public Sector

	Private Sector	Public Sector
1.	Profit is the main motive. It benefits only owners.	Service to the country is the main motive. It benefits all.
2.	It is owned and managed by an individual or a group of individual or a group of individuals.	It is owned and managed by the Government.
3.	It has to face tough competition in the market.	Generally it is a monopoly concern hence less competition.
4.	Large amount of capital may not be available.	Large amount of capital can be available.
5.	It leads to economic inequality concentration of wealth in the hands of a few.	It leads to economic equality. The profits earned are utilized for public welfare.
6.	Large scale business is generally not possible because of limited resources.	Large scale business is always possible as the government has huge resources.
7.	Private sector dominates in the production of consumer goods.	The public section dominates in the production of producer goods.

### 1.18.2 Comparison of Partnership Business and Joint Stock Company

	Partnership Business	Joint Stock Company
1.	<b>Registration :</b> Not a matter of compulsion but a matter of voluntary decision.	Registration is a matter of compulsion for every company, as per the companies' Act, 1956, provisions.
2.	<b>Basic document :</b> A partnership deed or agreement is the base which helps partners to conduct business.	Memorandum articles of association, prospectus, are the documents which create some base for working of a company.
3.	<b>Continuous survival :</b> In case of a firm with only two partners, natural death, retirement of any one partner may dissolve the business.	This being artificial personality liquidation or dissolution is not an easy process. They enjoy longer life than any other form of business.
4.	<b>Capital resources :</b> Partnership forms are not allowed to issue shares or debentures to the public. They have to rely on the partners ability to invest and borrow from banks.	Public as well as private companies are allowed to tackle many sources of finance i.e. shares, debentures, public deposits, etc. So, they enjoy sound financial position.

5.	<b>No. of persons/members :</b> Minimum 2 persons and maximum 20 persons can be admitted as partners.	Minimum 2 and maximum 50 persons for private company, no limit of maximum members in public companies.
6.	<b>Competition capacity :</b> In case of partnership organisation, capacity is more than sole trader but less than joint stock company.	More capital and use of expert persons increase the capacity to compete with any other forms of business organisation.
7.	<b>Legal restriction :</b> These are very limited for partnership firms. Not required to give any publicity to its accounts.	More legal and other restrictions. Publishing. Annual reports, Accounting statements in a matter of compulsion.
8.	<b>Scope for expansion :</b> In case of firms they have to rely on local markets. Scope of expansion is very limited. Cannot take expert's advice.	More capacity to face competition. Joint stock companies can easily undertake expansion activities. They can even export goods to other countries.

### 1.18.3 Comparison of Individual Proprietorship and Partnership

	Proprietorship	Partnership
1.	Single owner of the firm.	Minimum two or maximum twenty partners.
2.	Easy to form the organization.	Some legal documents are to be prepared.
3.	Success depends on skills of single owner.	Success depends on co-operation, understanding and skills of different partners.
4.	Proprietor enjoys more freedom and profit.	Partner has less freedom and share of profit.
5.	Single proprietor can raise limited capital.	Partners together can collect large capital as compared to a proprietor.
6.	Business risk is totally with single proprietor.	Risk of business is equally divided amongs partners.
7.	Individual proprietor can take decision fast.	Partnership decisions are critical and takes time.
8.	Individual proprietor business is less efficient with less expertise.	Partnership business is more efficient and more expertise can be available from partners.
9.	After the death of proprietor the business may discontinue.	Partners may carry out the business.
10	The business secret can be maintained or confidential.	Business secrecy can not be possible.

### 1.18.4 Comparison of Joint Stock Company and Public Enterprise

	Joint Stock Company	Public Enterprise
1.	Main motive is profit making.	Service to the country is main motive.
2.	Management of company is looked after by the board of directors.	It is owned and managed by the Government.
3.	It has to face competition in market.	Generally it is a monopoly concern.
4.	Easy to form a company.	Legal formalities are to be completed.

### 1.18.5 Comparison of Co-operative and Joint Stock Company

	Co-operative Enterprise	Joint Stock Company
1.	Minimum ten and maximum no limit for members.	There is no maximum limit on membership.
2.	Suitable for medium or small businesses.	Suitable for medium or large businesses.
3.	Liability of members is limited.	Liability is limited to the contribution made by the share holders.
4.	Management by managing committee.	Management of the company is looked after by the board of directors.

### 1.18.6 Comparison of MOA and AOA

Sr. No.	Memorandum of Association (MOA)	Articles of Association (AOA)
1.	MOA defines the object and scope of the business.	AOA defines the rules, regulations and by-laws of the business.
2.	MOA is a mandatory document.	AOA is an optional document.
3.	Any modification in MOA requires consent of government or court.	Modification in AOA requires resolution of share holders.
4.	MOA is regulated by companies act.	AOA is regulated by shareholders.

## 1.19 Organization and Environmental Factors

AU : May-11,18

- All organizations draw input from the environment and after transformation it is sent back to environment.
- The business environment consists of two components
  1. Internal environment and 2. External environment.

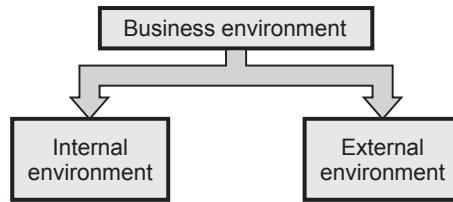


Fig. 1.19.1

### 1.19.1 Internal Environment Factors

- The internal environment refers to inside organization. The internal environment consists of technology, structure, processes and people.
- Some internal factors that affect organization are :
  1. Suppliers
  2. Customers
  3. Competitors

### 1.19.2 External Environment Factors

- The external environment refers to external forces that affects business organization.
- Some external factors that affect organization are :
  1. Technology
  2. Economic conditions
  3. Political factors
  4. Socio-cultural factors.
- Fig. 1.19.2 shows internal and external factors of an organization.

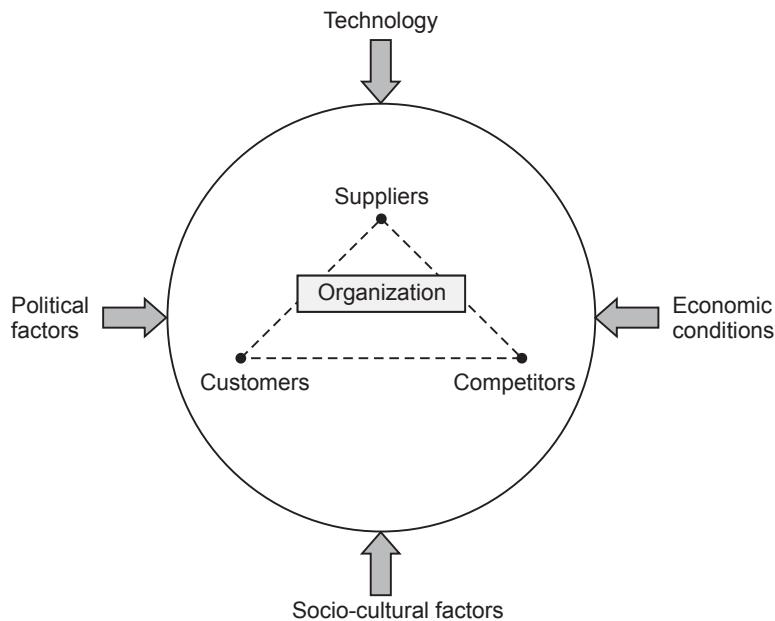


Fig. 1.19.2 Organization and environmental factors

**University Questions**

- Q.1** Discuss the environmental factors of an organization. **AU : May-11, Marks 16**
- Q.2** What are the environmental factors that affect business ? Explain. **AU : Dec.-12, Marks 8**
- Q.3** Enlighten the relevance of environmental factors that affects global business. **AU : May-18, Marks 13**

**1.20 Current Trends and Issues in Management****AU : Dec.-12, 17**

- Rapidly changing socio-economic and political conditions are bound to make changes in organization environment.
- In this fast varying global scenario management must change accordingly and update their knowledge, skills to attain the needs and objectives of organization.
- Various challenges of management in global scenario are :
  1. **Workforce diversity** : Employees from different different culture and values.
  2. **Ever changing employee expectations** : Employee expectations are changing because of different demographics, culture and over expectations.
  3. **International environment** : Standards of international market.
  4. **Building organizational capability** : Evaluating environmental changes and business strategy.
  5. **Job design and organizational structure** : As per task approach and people approach.
  6. **Changing phychosocial system** : Human approach of management.
  7. **Technological advance** : Adoption of latest technology.
  8. **Changes in legal environment** : To meet newly created laws and legislation.
  9. **Globalization** : Integration of national economics into international economics.

**University Questions**

- Q.1** Enumerate the trends and challenges of management in the globalised era. **AU : Dec.-12, Marks 8**
- Q.2** Explain the current trends and issues in Management. **AU : Dec.-17, Marks 13**

**Two Marks Questions with Answers**

- Q.1 Define management.** **AU : Dec.-04, 12, 14, 17, 18, May-16, 17, 19**

**Ans.** : Management is defined as the process of organizational goals by engaging in the four major functions of planning, organizing, leading and controlling by co-ordination of human, material, technological and financial resources.

<b>Q.2</b>	<b>List the important functions of managers.</b>	AU : May-05, 07
<b>OR</b>	<b>Mention any two functions of manager.</b>	AU : Dec.-05
<b>OR</b>	<b>Specify the functions of management.</b>	AU : Dec.-12, May-16
<b>OR</b>	<b>What are the functions of a manager ?</b>	AU : Dec.- 16

**Ans. :** Four important management functions are -

1. Planning
2. Organizing
3. Leading
4. Controlling.

<b>Q.3</b>	<b>Enumerate the Fayol's principles of management.</b>	AU : May-05
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**Ans. :** Fayol stated 14 general principles of management.

1. Division of work.
2. Authority and responsibility.
3. Discipline.
4. Unity of command.
5. Unity of direction.
6. Subordination of individual interest to common interest.
7. Renumeration.
8. Centralization.
9. Scalar-chain.
10. Order.
11. Equity.
12. Stability of personnel tenure.
13. Initiative.
14. Esprit de corps.

<b>Q.4</b>	<b>Distinguish between management and administration.</b>	AU : Dec.-06, 08, 09, May-07, 14
<b>OR</b>		

**Point out any three differences between administration and management.**

AU : Dec.-14, May-15

**Ans. :**

	<b>Management</b>	<b>Administration</b>
1.	It involves lower level functions.	It is higher level function.
2.	Management is execution of decision.	Administration is decision making.
3.	Management refers to the employees.	Administration refers to the organization.
4.	Main functions are leading and organizing.	Main functions are planning and controlling.

<b>Q.5</b>	<b>What is Scientific Management ?</b>	AU : Dec.-06, May-15
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**Ans. :** Scientific management is an attempt to determine and apply facts and laws of gaining efficiency without leaving anything to chance.

<b>Q.6</b>	<b>Name the different levels of management.</b>	AU : May-12
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**Ans. :** Levels of management :

1. Top management level
2. Middle management level
3. Front line management

**Q.7 Who is known as father of modern operations management theory ? AU : May-12**

**Ans. :** Frederick winslow Taylor is known as father of modern operations management theory.

**Q.8 What are the functions performed by a low level manager ? AU : Dec.-13**

**Ans. :** Functions of low-level or front line manager :

1. Operate as interface between management and work force.
2. Directing the work to subordinates
3. Report day to day activity to middle management.

**Q.9 What are the kinds of skills companies look for in managers ? AU : Dec.-13**

**Ans. :** Kinds of skills in managers :

1. Self confidence
2. Willingness to accept responsibility
3. Decisiveness
4. Human understanding
5. Self-motivated
6. Adequate qualification

**Q.10 What are the roles a managers has to perform ? AU : May-14, 15****OR List out the roles played by managers in an organization. AU : May-18**

**Ans. :** Roles of a manager :

1. Interpersonal roles
2. Information roles
3. Decisional roles.

**Q.11 Define "Span of control" AU : May-14**

**Ans. :** Span of control refers to the number of people a manager directly manages.

**Q.12 Define administration. AU : May-13**

**Ans. :** Administration is directing the way in which work is to be done means it is a determinative or thinking function.

**Q.13 Define organization.**

**Ans. :** Organization is a group of people working together to achieve a common goal.

**Q.14 List different forms of organization.**

**Ans. :** Forms of organization

1. Sole-properties
2. Partnership
3. Joint stock company
4. Co-operative enterprise

**Q.15 Define joint sector unit. AU : May-10**

**Ans. :** In joint sector unit, capital is contributed by a large number to persons in the form of shares of different value.

**Q.16 Give the current trends in management. AU : Dec.-16**

**Ans. :** Current trends in managements are :

1. Knowledge management
2. Six-sigma
3. IT-Enabled services
4. Knowledge Process Outsourcing
5. World class manufacturing
6. Corporate Governance
7. Mergers and Acquisitions

**Q.17 Define partnership. AU : Dec.-17**

**Ans. :** The partnership is defined as "The relation between persons who have agreed to share profits of a business carried on by all any of them acting for all".

**Q.18 Distinguish between public and private limited companies.**

AU : May-18

**Ans. :**

	<b>Private Sector</b>	<b>Public Sector</b>
1.	Profit is the main motive. It benefits only owners.	Service to the country is the main motive. It benefits all.
2.	It is owned and managed by an individual or a group of individual or a group of individuals.	It is owned and managed by the Government.
3.	It has to face tough competition in the market.	Generally it is a monopoly concern hence less competition.
4.	Large amount of capital may not be available.	Large amount of capital can be available.

**Q.19 Write the meaning of entrepreneur.**

AU : May-19

**Ans. :** Entrepreneur

- An individual who, rather than working as an employee, runs a small business and assumes all the risk and reward of a given business venture, idea or good or service offered for sale is called an entrepreneur.
- The **entrepreneur** is commonly seen as a business leader and innovator of new ideas and business processes.



**Notes**

## **UNIT - II**

**2**

# **Planning**

### **Syllabus**

*Nature and purpose of planning - planning process - types of planning - objectives - setting objectives - policies - Planning premises - Strategic Management - Planning Tools and Techniques - Decision making steps and process.*

### **Contents**

2.1	<i>Introduction</i>	.....	<b>Dec.-12, 11, 09, 08, 05, 14, 18,</b>	
		.....	<b>May-11, 16,</b>	..... Marks 16
2.2	<i>Planning Process</i>	.....	<b>May-11, 10, 08, 07, 05, 14, 19</b>	
		.....	<b>Dec.-13, 12, 11, 07, 06,</b>	..... Marks 16
2.3	<i>Corporate Business Planning</i>	.....	<b>May-17,</b>	..... Marks 13
2.4	<i>Types of Plans</i>	.....	<b>Dec.-17, 16, 11, 09, 07, 04,</b>	
		.....	<b>May-13, 11, 10, 08, 07, 14, 15, 18</b>	..... Marks 16
2.5	<i>Planning Tools</i>	.....	<b>Dec.-12, 09, 04, 14, 17</b>	
		.....	<b>May-12, 11, 10, 09, 08, 07, 15, 18</b>	..... Marks 16
2.6	<i>Advantages, Limitations and Barriers of Planning</i>	.....	<b>May-11,</b>	..... Marks 8
2.7	<i>Developing Business Strategy</i>	.....	<b>Dec.-12, 05, May-15</b>	..... Marks 10
2.8	<i>Planning Premises</i>	.....	<b>May-07,</b>	..... Marks 2
2.9	<i>Forecasting</i>	.....	<b>Dec.-11, 09, 07,</b>	
		.....	<b>May-10, 07,</b>	..... Marks 16
2.10	<i>Decision Making</i>	.....	<b>Dec.-17, 16, 13, 11, 06, 05, 18,</b>	
		.....	<b>May-13, 12, 11, 08, 07, 05, 14, 15, 16, 17, 19</b>	..... Marks 16
2.11	<i>Case Study</i>	.....	<b>May-19</b>	..... Marks 15

*Two Marks Questions with Answers*

**2.1 Introduction****AU : Dec.-12, 11, 09, 08, 05, 14, 18, May-11, 16**

- Planning is the basic function of management. For an organization to be successful following points are important.
  - Organization's overall mission
  - More specific goals
  - Carefully configured plans
- **Planning** is the management function that involves setting of goals and deciding the best method to achieve them.
- Planning is most important and basic activity of management. The function also includes considering what must be done to encourage necessary levels of change and innovation.
- Planning provides a basis for the other major functions of management : organizing, leading and controlling. Manager with his subordinates sets the required goals, establishes the policies, standard methods, develops program strategies and schedules to achieve the goals.
- The plan must be flexible so that it can be modified due to change in working environment and new information.
- Planning is looking ahead and control is looking back.

**2.1.1 Definitions of Planning****AU : Dec.-09, 08**

- The definition of planning given by various authors are given below :
1. **Koontz and O'Donnell** defined it as - "*Planning is an intellectual process, the conscious determination of course of action.*"
  2. **George Terry** defines it as - "*Planning is the selecting and realizing of facts in the visualization and information of proposed activities believed necessary to achieve desired results.*"
  3. **Louis A. Allen** defines it as - "*Planning involves the development of forecast, objectives, policies, programs, procedures, schedules and budgets.*"

**2.1.2 Objectives of Planning****AU : Dec.-11, 05**

- i) To anticipate future conditions and problems in advance.
- ii) To choose economical alternatives.
- iii) For making efficient and effective management.
- iv) To avoid duplication, overlapping, cross purpose working.
- v) To check and control the overall performance.
- vi) To co-ordinate distinct activities to a common goal.

- vii) To improve productivity.
- viii) Planning provides the basis for other functional activities.

### 2.1.3 Nature of Planning

AU : May-11

- The important natures of planning can be highlighted by studying following aspects :

#### A] Contributing to Mission and Goal

- Every plan must be directed towards the accomplishment of the goal and hence the mission of the enterprise. To improve the performance of enterprise the plans must be effective and integrated.

#### B] Foundation of Management

- The managerial functions-organizing, leading and controlling are also objected to achieve the organization's goal. Planning function of management comes first in all above managerial functions.
- Planning and controlling can not be separated. Any attempt to control without plans has no meaning. Planning provides the standard and degree of control.

#### C] Range of Planning

- Planning is basic management function. Planning varies with authority and policies laid by superiors. All managers from chief executive officer of company to supervisors plan their activities. The planning differs according to the level in the organization.
- Top management planning is called as **strategic planning**. Strategic plans are detailed action steps mapped out to reach strategic goals.
- Middle management plans are called as **tactical plans**. Tactical plans are the means charted to support implementation of the strategic plan.
- First level management plans are called the **operational plans**. Operational plans are the means devised to support implementation of tactical plans and achievement of operational goals.

Fig. 2.1.1 shows nature of planning. (Refer Fig. 2.1.1 on next page).

### 2.1.4 Dimensions of Planning

- Five dimensions of corporate business plan are
  1. Time
  2. Entity
  3. Organization
  4. Elements
  5. Characteristics

**Fig. 2.1.1 Nature of planning****1. Time**

- A business plan may be either short range or long range. A plan may be executed year after year on rolling basis. If needed it can be extended to get the opportunities to correct or revise.

**2. Entity**

- The objective on which the plan is focussed is called entity of plan. The entity can be production quantity or a new product. A plan can have multiple entities and may be related with finance, marketing, research, manpower. The goals or objectives are often stated in terms of these entities.

**3. Organization**

- A plan deals with the company and is divided into functional groups. Functional division of plan helps to fix the responsibility for execution. The corporate plan is a master plan consisting of several functional plans.

**4. Elements**

- A corporate plan consists of several elements. The plan begins with mission and goal of the organization. It provides direction, policy statements, style of functioning, rules, procedures.
- The budgets are prepared for sales, production, stocks, resources. The success and failure of plans are decided by the performance of plans.

## 5. Characteristics

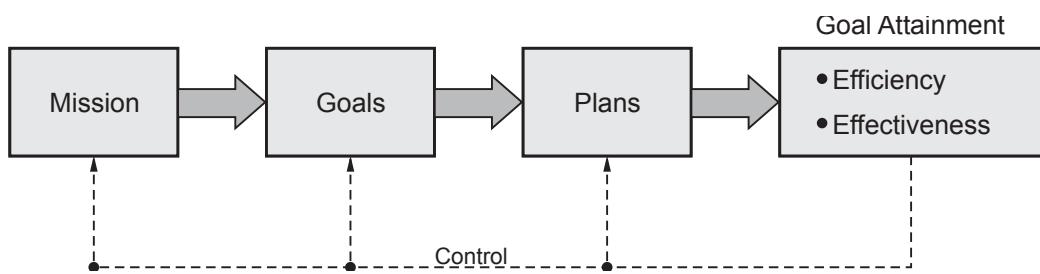
- A corporate plan has no definite characteristics. Characteristics define the convenience, understanding in organization.
- A plan is characterized by quantitative, qualitative, flexible, rational, goals, resources, investments, schedules. The plan is based on some assumptions about the future, strength and weaknesses.

### University Questions

<b>Q.1</b>	<i>Bring out nature and importance of planning.</i>	<b>AU : May-11, Marks 16</b>
<b>Q.2</b>	<i>What is the main purpose of planning ?</i>	<b>AU : Dec.-11, Marks 2</b>
<b>OR</b>		
	<i>What are the objective of planning ?</i>	<b>AU : Dec.-05, 13, Marks 2</b>
<b>Q.3</b>	<i>What is planning ?</i>	<b>AU : Dec.-09, Marks 2</b>
<b>Q.4</b>	<i>Define planning.</i>	<b>AU : Dec.-12, 08, Marks 2</b>
<b>Q.5</b>	<i>What is planning ? Describe the steps involved in planning.</i>	<b>AU : Dec.-14, Marks 16</b>
<b>Q.6</b>	<i>What are the objectives of planning ? Illustrate how you will set objectives for a manufacturing organization.</i>	<b>AU : May-16, Marks 16, Dec.-18, Marks 13</b>

## 2.2 Planning Process **AU : Dec.-13, 12, 11, 07, 06, May-11, 10, 08, 07, 05, 14, 19**

- A plan is defined as the means devised for attempting to reach a goal.
- **Planning** is the management function that involves setting goals, formulating missions and objectives then deciding how best to achieve them.
- Managers make extensive use of decision making skills, various planning and decision aids in carrying out the planning function. Therefore plans provide a reasonable approach for achieving objectives.
- Planning process involves following steps : 1. Mission 2. Goals 3. Plans. 4. Goal Attainment
- An overall view of planning process is shown in Fig. 2.2.1.



**Fig. 2.2.1 Planning process**

**2.2.1 Mission****AU : Dec.-07**

- The **mission** of an organization is organizations purpose or fundamental reason for existence.
- A **mission statement** is a broad declaration of the basic, unique purpose and scope of operations that distinguish the organization from other organizations of its type.

**2.2.2 Goal / Objectives**

- A **goal** is a future target or end result that an organization wishes to achieve.
- A goal is a statement of a specific, desired performance result with a time frame. A well-written goal should state what is to be accomplished and by when. Goal provides the members of organization a vision essential to the organizations success.
- Only clearly defined goals provide people with the focus, direction and understanding they need to perform effectively and contribute to the organization achieving its purpose.
- Consider the following goal statement of a company concerned about customer satisfaction : "To improve customer service". Although this statement seems to describe a goal, it is too vague to be useful. It does not pinpoint how much improvement is desired or by when or what is meant by "customer service".
- A more effective goal statement would be : "To respond to every customer enquiry or problem courteously and complete within two hours". Now the goal is very clear about the performance result it seeks. It defines the focus (effective response to customer inquiries) as well as the time frame (2 hours).

**2.2.2.1 Elements of Effective Goals**

- Goals must be defined clearly and effectively to support organizational performance. **SMART** criteria of effective goal is preferred i.e. to be effective the goal should be **S**pecific, **M**easurable, **A**ccepted, **R**ealistic and **T**ime-framed as illustrated below.
  - Specific enough for focus and feedback
  - Meaningful enough to engage participants
  - Accepted by the participants
  - Realistic but challenging
  - Time-framed

- Effective goals provide all the benefits and advantages to the organization as mentioned below :
  - i) A criteria for decisions.
  - ii) A blue print for performance.
  - iii) A basis for feedback.
  - iv) Focus attention on right agenda.
  - v) A basis for co-operation and team work.

#### **2.2.2 Objectives**

- **Objectives** are the aims, purpose or goals that an organization wants to achieve over a period of time.

#### **Characteristics of objectives**

1. Objectives have a hierarchy.
2. Objectives form a network.
3. An organization may have multiple objectives.
4. Objectives have a time span.
5. Objective may be tangible or intangible.
6. Objectives of an organization must confirm to the general needs of the society.

#### **2.2.3 Developing Plans**

- A **plan** is the means devised for attempting to reach a goal. A manager must plan all his managerial functions effectively. Plans provide the standard and degree of control. Goals and plans are closely related. Goals are desired results and plans are the means to bring about those results.
- Depending on the period or duration the plan can be categorized into three different types :
  - i) Short Range Plans - Upto 1 year
  - ii) Intermediate Range Plans - 1 to 5 years
  - iii) Long Range Plans - Above 5 years

#### **2.2.4 Goals Attainment**

- Setting goals and developing plans will lead to goal attainment ultimately organizational efficiency and effectiveness.
- The **effectiveness** of a plan pertains to the degree to which it achieves the objective.
- The **efficiency** of a plan refers to its contribution to the purpose and objectives. Plans are efficient if they achieve their purpose at a reasonable cost.

- Effectiveness and efficiency of a plan is used to control the overall planning process.

### University Questions

<b>Q.1</b>	<i>What is meant by long-term plan ?</i>	<b>AU : Dec.-11, Marks 2</b>
<b>Q.2</b>	<i>Differentiate between effectiveness and efficiency.</i>	<b>AU : May-08, Marks 2</b>
<b>Q.3</b>	<i>What are the steps in planning ? Explain.</i> <b>AU : May-11, Marks 8, Dec.-07, Marks 16</b>	
<b>OR</b>		
	<i>Elucidate the steps to be followed in planning process.</i>	<b>AU : May-07, Marks 8</b>
	<i>What is planning ? Explain the steps involved in planning.</i>	<b>AU : Dec.-06, Marks 16</b>
<b>OR</b>		
	<i>Give an account of various steps involved in planning.</i>	<b>AU : May-05, Marks 8</b>
<b>OR</b>		
<b>Q.4</b>	<i>What is mission ?</i>	<b>AU : Dec.-07, Marks 2</b>
<b>Q.5</b>	<i>Why planning is regarded as primary function of management ? Discuss important features and steps involved in planning.</i>	<b>AU : May-10, Marks 10</b>
<b>Q.6</b>	<i>Define planning. Explain the steps involved in the planning process.</i>	<b>AU : Dec.-12, Marks 8</b>
<b>Q.7</b>	<i>Explain the steps in the planning process.</i>	<b>AU : Dec.-13, Marks 16</b>
<b>Q.8</b>	<i>Explain the importance of planning and the steps involved in planning process.</i>	<b>AU : May-14, Marks 16</b>
<b>Q.9</b>	<i>Analysis the importance of planning and also explain the steps involved in it.</i>	<b>AU : May-19, Marks 13</b>

### 2.3 Corporate Business Planning

**AU : May-17**

- Corporate business planning is aimed towards business goals and objectives. The nature of business can be manufacturing or service, industry or trade, may operate in a public or private sector or may be national or international business.
- Even though it is planning within business it should be concerned about world trends in business i.e. its universe is beyond the company. Corporate business plan considers the world business trend. Planning is a complex exercise of difficulties and uncertainties.

### University Question

- Q.1** *Explain the general planning process adopted by the business organizations.*

**AU : May-17, Marks 13**

**2.4 Types of Plans****AU : Dec.-17,16,11,09,07,04, May-13,11,10,08,07,14,15,18****2.4.1 Strategic Plans**

- **Strategies** are the large scale action plans for interacting with the environment in order to achieve long term goals.
- Strategic plans focus on the broad future of the organization and incorporate both external environment demands and internal resources into the actions managers need to take to achieve the long term goals of the organization.
- Typically, strategic plans cover the major aspects of the organization, including its products, services, finances, technology and human resources. Although "long-term" has no precise definition, most strategic plans focus on how to achieve goals three to five years into the future.

**Strategic Management of Technology**

- Strategic planning of technology is must to assure future profitability. Technology can be divided into three major categories.
  1. Base Technology
  2. Key Technology
  3. Pacing Technology

**1. Base Technology**

- The technologies that any firm must master for becoming effective competitor in the market. Only enough efforts are invested to maintain competence.

**2. Key Technology**

- The key technology provides competitive advantage. The manufacturer adds unique features or functions into the product to improve the efficiency on priority basis.

**3. Pace Technology**

- The pace technology can be the key technology for tomorrow. A critical balance is needed between key technology and pace technology that is important for sustaining current competitive position and to create future vitality.

**2.4.1.1 Essentiality of Strategic Planning**

- In order to keep business progressive, some factors are to be considered essentially. Those factors are :
  1. Market forces
  2. Technological change
  3. Complex diversity of business
  4. Competition
  5. Environment

## 1. Market forces

- Market forces such as demand, supply, trend of market, consumer behaviour, new product, new technology decides the strategic planning of an organization. The organization must be able to predict these market forces.
- These market forces affects the sales, growth and profitability of the organization, when a problem is arised out of market forces it must be resolved immediately.

## 2. Technological change

- The technological change can cause threats to existing business. It can create opportunities for new business. The technological changes have affected not only the business prospects but the management and operational styles of the organizations.
- The corporate plan must consider the technological change, otherwise it can bring the organization into difficult problems or can pose a threat to its survival.

## 3. Complex diversity of business

- A business has a multiple dimensions i.e. it deals with variety of products, different market segments, different manufacturing methods, different locations, different external factors. Few factors can be controlled when the corporate planning considers it in advance. Many factors are uncontrollable in such diverse situations.
- As business grows expansion, integration, diversification processes are natural issues and should be carefully handled by management.

## 4. Competition

- A business has to compete on number of fronts e.g. technology, quality, prompt service, delivery etc. This is a natural phenomena in a business organization. Management must handle it properly in order to protect business interests by evolving new management strategies (forward thinking and planning).
- Because of competition new products, new markets, new techniques, new technologies are identified also the quality is improved. Hence, competition is important and it should not be underestimated.

## 5. Environment

- Environments like social, business, economic, industrial, technological affects the business. The environmental changes are difficult to predict.
- The environment is beyond the control of management. Many times the management is unaware by the environmental changes. The changing environment is one of the important barrier in planning.

**2.4.1.2 Comparison of Strategy and Policy****AU : May-07**

Sr. No.	Strategy	Policy
1)	Strategies are large scale action plans for interacting with environment in order to achieve long term goals.	Policies are general statements which guides manager's thinking in their decision making function.
2)	Strategies concerns the discretion in which human and material resources will be applied to achieve objectives or goals.	Policies are ensuring that decisions falls within certain boundaries.

**2.4.2 Tactical Plans**

- Tactics are means needed to activate a strategy and make it work.
- Tactical plans translate strategic plans into specific goals for specific parts of the organization. Consequently they tend to have shorter time frames and to be narrower in scope. Instead of focusing on the entire corporation, tactical plans typically affect a single business unit within an organization.

**2.4.3 Operational Plans**

- Operational plans translate tactical plans into specific goals and actions for small units of the organization and focus on the near term, typically 12 months or less.
- These plans are the least complex of the three and rarely have an impact beyond the department or unit for which the plan was developed.

**2.4.4 Comparison of Strategic, Tactical and Operational Plans**

Features	Strategic Plans	Tactical Plans	Operational plans
Time Horizon	Typically 3-5 years.	Often focused on 1-2 years in the future.	Usually focused on the next 12 months or less.
Scope	Broadest : originating with a focus on the entire organization.	Rarely broader than a strategic business unit.	Narrowest : Usually centered on departments of smaller units of the organization.
Complexity	The most complex and general, because of the different industries and business potentially covered.	Somewhat complex but more specific, because of the more limited domain of application.	The least complex, because they usually focus on small, homogenous units.

Impact	Have the potential to dramatically impact, both positively and negatively, the fortunes and survival of the organization.	Can affect specific business but generally not the fortunes or survivability of the entire organization.	Impact is usually restricted to specific department or organization unit.
Interdependence	High interdependence; must take into account the resources and capabilities of the entire organization and its external environments.	Moderate interdependence; must take into account the resources and capabilities of several units within a business.	Low interdependence; the plan may be linked to higher-level tactical and strategic plans but is less interdependent with them.

### University Questions

- Q.1** State different types of plans. **AU : May-11, Marks 2**
- Q.2** Describe in detail the various types of organizational plans. **AU : Dec.-11, Marks 8, May-08, Marks 12**  
**OR**  
*Elaborate the different types of organizational plans.* **AU : May-10, Marks 10**  
**OR**  
*Briefly discuss about strategic planning and operational planning.* **AU : Dec.-09, Marks 10, Dec.-04, Marks 8**
- Q.3** Brief on operational planning. **AU : Dec.-07, Marks 2**
- Q.4** Define strategic planning. **AU : May-08, Marks 8, Dec.-11, May-07, Marks 2**
- Q.5** Distinguish between strategy and policy. **AU : May-07, Marks 2**
- Q.6** What do you mean by policy ? **AU : May-10, Marks 2**
- Q.7** Define strategic planning. What are the steps involved in strategic planning ? **AU : May-13, Marks 16**
- Q.8** Elaborate the different types of organizational plains. **AU : May-15, Marks 10**
- Q.9** Discuss in detail about the classification of planning practices. **AU : Dec.-16, Marks 16**
- Q.10** Explain in detail the various types of Planning. **AU : Dec.-17, Marks 13**
- Q.11** Classify the types of goals organizations might have and the plans they use for accomplishment. **AU : Dec.-17, May-18, Marks 13**

## 2.5 Planning Tools AU : May-12, 11, 10, 09, 08, 07, 15, 18, Dec.-12, 09, 04, 14, 17

- Managers use a variety of planning tools. Two tools that are widely used, budgets and Managements By Objectives (MBO) are based on factors like creativity, system approach, sensitivity, analysis and modelling.

### 2.5.1 Budgets

- Budgets are used to quantify and allocate resource to specific activities. In most organizations, budgets are proposed and set annually. A variety of resources can be quantified in budgets, but money is most commonly used.
- There are several types of budgets. For example, a capital expenditure budget specifies the amount of money to be spent on specific items that have long term use and require significant amounts of money to acquire. These items might include such things as equipment, land or buildings.
- Another common budget is an expense budget typically includes all the primary activities on which the unit or organization plans to spend money and the amount that is allocated for each item. Virtually all profit and nonprofit organizations have expense budgets, both for planning and for control purposes.
- Budgets can be an effective means of integration and quantifying many aspects of the corporate, business and functions plans. Although the budgeting process does not guarantee that managers will make good decisions about integrating and co-ordinating activities about priorities, it does help ensure they will at least be discussed.

### 2.5.2 Management By Objectives (MBO)

AU : May-12, 15, Dec.-12

- The second major planning tool is management by objectives (MBO). MBO is a system in which specific performance goals or objectives for individuals are jointly determined by the individual and his or her immediate boss. Moreover, specific time frames are attached to these objectives, and feedback provided.
- With MBO managers and subordinates jointly agree subordinate's goals (preferably in quantitative terms) and then systematically monitor progress achieved towards their attainment.
- MBO starts at the apex of the organization, the corporate then determines divisional and departmental objectives which are broken down into targets for sections and individuals.
- MBO has four basic components
  1. Specific goals
  2. Participation decision making
  3. Explicit time periods
  4. Feedback on performance.
- MBO specifies the performance goals that an individual hopes to attain within an appropriate length of time. MBO is also referred as **appraisal by results** or performance objectives.

- The objectives that each manager sets are derived from the overall goals and objectives of organization. A guided self-appraisal system driven by MBO is set and implemented. The objectives are future affairs which the organization strives to achieve and are structured into hierarchy.
- The key to MBO is the mutual relationships between the superior and the subordinate in setting realistic objectives for the subordinate.

#### **2.5.2.1 Importance of MBO**

- MBO is employed in almost all large companies in India and it is one of the best tool in minimizing friction between employee and management.
- MBO reduces the conflict between personal and organizational goals, also it provides job satisfaction to the subordinates.
- Since subordinates are also taking part in MBO, such participation leads to commitment towards attainment of objectives.

#### **2.5.2.2 Advantages of MBO**

- Advantages of MBO include the following :
  1. The involvement of subordinates in setting personal objectives encourages their co-operation and motivation towards achieving targets.
  2. Management is forced to clarify its aims and to state the criteria used in their formulation. Superiors and subordinates are obliged to communicate.
  3. The causes of successes achieved in attaining objectives can be identified and analysed.
  4. Employees are compelled to consider their roles and how best to achieve their targets.
  5. Performance appraisal becomes possible.
  6. MBO can be related to training and management development programmes.
  7. Subordinate's personal achievements are recognised.
  8. MBO improves employee commitment towards work and company objective.
  9. MBO improves productivity.
  10. MBO ensures better utilization of resources.
  11. MBO helps in planning and decision making.
  12. MBO results in better team work.
  13. MBO is useful in development of employee performance.
  14. MBO leads to better understanding between superior and subordinate.
  15. MBO helps in co-ordinating departmental work in achieving company objective.

### 2.5.2.3 Disadvantages of MBO

- The disadvantages of MBO are listed below :

  1. Devising MBO programmes is extremely time consuming. A system whereby managers simply impose targets on subordinates without consultation might be more efficient.
  2. Targets might become out of date immediately following their determination.
  3. Certain targets cannot be specified numerically (advisory work, for instance).
  4. Possible overemphasis on the achievement of immediate short-term goals at the expense of long-term objectives.
  5. Difficulties created through subordinates not being given the resources or authority necessary for completion of tasks allocated to them.
  6. MBO increases paper work.
  7. There may be ambiguities in goal setting.
  8. Rewards may not match with efforts.

### 2.5.2.4 Features of MBO

- The important features of MBO are listed below :

  1. MBO is comprehensive planning and control technique.
  2. MBO provides co-ordinated efforts in specific direction by all levels of management hierarchy.
  3. MBO is one of the techniques to stimulate the meaningful action from the employee which leads for better performance.
  4. Employees of all levels are contributing with their best, the overall production of the organization increases.
  5. MBO reduces the conflicts between the management and employees.

### University Questions

**Q.1** What do you understand by MBO ? What are its advantages and limitations.

**AU : May-10, Marks 2**

**Q.2** Discuss the benefits and difficulties of MBO.

**AU : May-09, Dec.-04, Marks 8**

**Q.3** Define MBO.

**AU : Dec.-09, May-07, 11, Marks 2**

**OR**

What is MBO ?

**AU : May-08, Marks 2**

**Q.4** Discuss about advantages and disadvantages of MBO.

**AU : June-08, Marks 6**

**Q.5** With the help of block diagram, explain the process of management by objectives (MBO).

**AU : May-12, Marks 16**

**Q.6** Write short note on management by objectives.

**AU : Dec.-12, Marks 8**

<b>Q.7</b>	<i>Explain in detail about M.B.O.</i>	<b>AU : Dec.-14, Marks 16</b>
<b>Q.8</b>	<i>What do you understand by Management By Objectives (MBO) ? What are its advantages and limitations ?</i>	<b>AU : May-15, Marks 6</b>
<b>Q.9</b>	<i>Define MBO and explain the various steps involved in it.</i>	<b>AU : Dec.-17, Marks 7</b>
<b>Q.10</b>	<i>Define MBO. Explain the process of MBO.</i>	<b>AU : May-18, Marks 13</b>

## 2.6 Advantages, Limitations and Barriers of Planning

**AU : May-11**

### 2.6.1 Advantages of Planning

**AU : May-11**

- Following are the advantages or merits of planning :
  - i) Because of preselected objectives and the direction of co-ordinated efforts achievements of goals becomes easier.
  - ii) Planning enables the enterprise to make adequate adjustment to adopt future changes.
  - iii) Since all the activities are in co-ordinated and in systematic way, the efficiency of enterprise increases.
  - iv) Planning helps management to adopt modern methods and technology to improve quality and to attract customer.
  - v) Planning enables an enterprise (firm) to be competent.
  - vi) Planning provides adequate vision to the management. This eliminates any possibility of mistakes.
  - vii) Planning is the basis of effective control over activities.
  - viii) Planning increases the morals and confidence of managers so as to lead effectively.
  - ix) Planning involves considering other alternatives also and examining them. The suitable and best one is selected to achieve the organizational objectives.
  - x) Planning eliminates wastages and other time consuming processes which arise suddenly. Therefore prior planning is very beneficial for utilizing the available resources (man, machine and materials) to the best of advantage.
  - xi) Planning is a process by which manager can anticipate the future threats and discovers alternative course of action open to him.

### 2.6.2 Limitations of Planning

**AU : May-11**

- Though planning is a basic and essential function for any organization, it has some limitations or demerits. Few limitations are listed below :
  - i) Planning is based on assumptions, it can not predict the future accurately.
  - ii) Planning is a costly function, small organizations can not afford it as it puts financial burden on them.

- iii) It is difficult to accommodate any change once the planning is complete.
- iv) Planning does not provide any immediate solutions if any unavoidable circumstances arises.
- v) Delay in action caused by planning may create confusion or misunderstanding.

### 2.6.3 Barriers in Planning

AU : May-11

- Several potential aspects resist the ability of organizations to develop effective plans. Some aspects are discussed :
  - i) Changing environment is one of the important barriers which makes planning more difficult since long term planning in such condition is not possible. Also according to the changing environment the plans must be altered frequently.
  - ii) Some manager's approach towards planning is negative. They think that planning is unnecessary and time consuming phenomenon.
  - iii) Every day increasing work pressure on managers is another potential barrier in planning. Even when managers believe that planning is beneficial, daily burdens may deviate their attention from planning.
  - iv) Poor preparation of line managers in terms of their planning knowledge and skills.
  - v) Effective planning sometimes fails if any staff dominates the planning process.

### University Question

Q.1 Mention the advantages and limitations of planning.

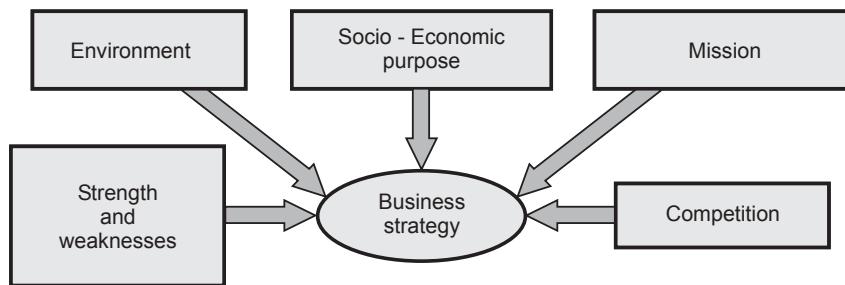
AU : May-11, Marks 8

### 2.7 Developing Business Strategy

AU : Dec.-12, 05, May-15

- Strategic planning involves process and methodology. It starts with deciding social responsibility and then proceeding towards business mission and goals with strategies to achieve them. This must be communicated to all concerns of the organization. The mission decides the scope and boundaries of the organization.
- After deciding the mission or aim the next task is to set the goals in specific and quantitative term. The goals are the reference for the top management in planning and business activities. The next step is to set objectives for the organization.
- The objective should be measurable and monitored. The examples of objective may be profitability, sales, quality, standard etc. The next step is to set periodical targets for various departments of the organization.
- The success in achieving the mission is dependent on the business strategy of the management. The resources must be deployed efficiently to achieve the objectives as well as to face the competition.

- The business strategy also depends on the environmental factors (technology, market, lifestyle, attitude, government policies).
- A sound business strategy may be developed to make organization stable against various forces and to make it strong. Therefore, formulating strategy is an unstructured and complex task also it deals with uncertainty. Fig. 2.7.1 shows the formulation of business strategy considering external factors.



**Fig. 2.7.1 Factors for strategy formulation**

- Development of strategy is a difficult task and it is an exercise of multidisciplinary fields. Formulation of business strategy reflects attitude and philosophy. Strategies are formulated within business policy frame.

## 2.7.1 Types of Strategies

AU : Dec.-12

- A correct strategy makes organization successful in achieving goals and beats competition. Usually a mixed strategy which acts on many fronts is the right strategy. If a strategy acts on a single front it is a pure strategy.
- The strategy can be pure or mixed, it can be classified into four major types
  - Overall Company Strategy
  - Growth Strategy
  - Product Strategy
  - Market Strategy

### 1. Overall Company Strategy

- Overall company strategy is designed for long term business perspective and deals with overall strength of the company. If the strategy is correct it is the most productive strategy. Examples of this strategy is - a two wheeler manufacturing company will have strategy of mass production and aggressive marketing.

### 2. Growth Strategy

- Growth means increase in turnover, expansion or diversion of business. Growth strategy means selecting product having fast growth, acquisition of business of

other firms and opening new markets. Growth strategy has direct, positive impact on the profitability.

### 3. Product Strategy

- Product strategy means choice of product which can result in family of product. For new markets product strategy must be innovated. Examples of product strategy are - a home appliances company may produce - T.V., refrigerator, mixer, cooker, oven, etc.

### 4. Market Strategy

- Market strategy deals with product distribution, services, pricing policy, advertising, packing etc. Examples are - Loan facility to promote sales, same products in different sizes, offering free after sales service.
- The choice of Strategy affects the working and success of organization. The corporate management formulates the strategies and implements them.

#### University Questions

- |            |  |                              |
|------------|--|------------------------------|
| <b>Q.1</b> | <i>Discuss the factors for strategies, policies and planning premises.</i> | <b>AU : Dec.-05, Marks 8</b> |
| <b>Q.2</b> | <i>Write short note on types of strategies.</i>                            | <b>AU : Dec.-12, Marks 8</b> |
| <b>Q.3</b> | <i>Discuss some of the tools for developing organizational strategies.</i> | <b>AU : May-15, Marks 10</b> |

### 2.8 Planning Premises

**AU : May-07**

- Planning premises** are basic planning assumptions regarding future and political environment. It includes assumptions derived from assessments of future trends and possibilities.
- Planning premises are pre-requisites of planning process and makes it more effective.
- Koontz and Wehrich** defined it as -  
"Planning premises are anticipated environment in which plans are expected to operate".

#### Categories of planning premises

1. Tangible and intangible premises.
2. Internal and external premises.
3. Foreseeable and unforeseeable premises.
4. Controllable, uncontrollable and semicontrollable premises.

**University Question****Q.1** Define the term "Planning premises".**AU : May-07, Marks 2****2.9 Forecasting****AU : Dec.-11, 09, 07, May-10, 07**

- Forecasting is a vital function that spread throughout every planning effort. Most managerial decisions at all levels of an organization are based directly or indirectly on some form of forecasting.
- Forecasting is the connecting link between an organization and its environment. For accurate forecasting a stable environment is necessary.
- **Forecasting** is the process of estimating the occurrence of future events or levels of activity and is concerned with timing, magnitude or effects of events.
- Forecasting plays an important role in the management of operations because it can provide rational guidelines for activities in a competitive and uncertain environment.

**2.9.1 Need of Forecasting**

- There are many good reasons for the need of forecasting. i.e.
  - i) The demand for an organization's product/services is variable and uncertain.
  - ii) The response time of organizations (time needed by organizations to respond to changes in the demand for their product/services) is finite.
  - iii) Co-ordination of parallel and associated activities resulting from changed conditions of an organization requires adequate lead time.
  - iv) Orderly changes in organization are possible only when advance estimates allow time phasing of activities.
  - v) The establishment of financial and budgetary control requires an estimate of the future activity levels.

**2.9.2 Objectives of Forecasting**

- The main objective of forecasting is to make use of the best available present information to guide future activities towards the achievement of system objectives, keeping in view the total costs incurred.
- For estimating uncertain demands for end products/services of an organization.
- To facilitate the budgetary planning and control of activities through estimating of future activity levels.

### 2.9.3 Types of Forecasting

- Considering wide dimension of forecasting, forecasting can be classified on the basis of various key issues. Few of them are listed below.
  - A] Based on purpose
  - B] Based on time horizon
  - C] Based on value
  - D] Based on areas.

Classification based on time and value are important and are discussed here.

#### A] Based on Purpose

- Based on purpose behind forecasting it can be classified as demand forecasting, environmental forecasting, technology forecasting.

##### 1. Demand forecasting

- Demand forecasting is mainly concerned with estimating the future demands of the products or services. The demand forecasted is then translated into requirements of raw materials, labour, machinery and power requirements.
- These required things are then used for production, scheduling and control activities.

##### 2. Environmental forecasting

- Environmental forecasting is concerned with social, political and economic states of the environment in which a system operates. Environmental concerns such as pollution control are anticipated.
- Economic forecasting may provide useful information on consumer prices, unemployment, import/exports, foreign exchange levels, corporate profits etc.

##### 3. Technology forecasting

- Technology forecasting is concerned with new developments in existing technology as well as development of new technologies.
- Technology forecasting is very important in area of automation, computers and in nuclear industries.

#### B] Based on Time Horizon

- Based on the period of forecasting it can be classified as long-range forecasting, medium-range forecasting and short-range forecasting.

##### 1. Long-Range forecasting

- Long-range forecasting is spanning from five to ten years and is needed for strategic decisions such as selection of product/services, location of plant, process and technologies to adopt etc.

## 2. Medium-Range forecasting

- Medium-range forecasting covers time period of two years and is needed for tactical decisions.
- Medium-range forecasting helps in deciding size of work force to be employed, types of inventories to be maintained, amount of subcontracting, required overtimes.

## 3. Short-Range forecasting

- Short-range forecasting covers period of less than a year. Such forecasting is needed for guiding current operations such as assignment of orders, dispatching and delivery schedules etc.

### 2.9.4 Comparison of Planning and Forecasting

	Planning	Forecasting
1.	Planning is more comprehensive, it involves many subprocesses and elements in order to arrive at decision.	Forecasting is the estimate of future events and provides parameters to the planning.
2.	Planning requires several decision making.	Forecasting does not involve decision making.
3.	For planning top management level is involved.	Forecasting is usually carried by middle or lower level management.
4.	Commitment of action is the basic motive of planning.	Forecasting does not require any commitment but helps planning for future actions.

### 2.9.5 Forecasting Techniques

- Forecasting methods are usually classified into three categories :
  1. Subjective forecasting methods
  2. Time series methods
  3. Causal forecasting methods.

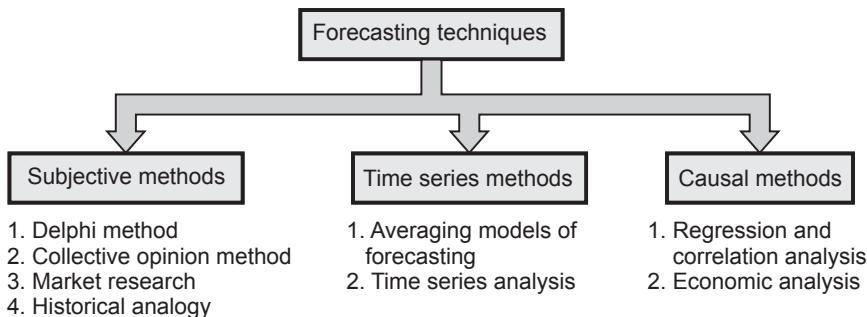


Fig. 2.9.1 Forecasting technique

- 1. Delphi method :** A group process intended to achieve a consensus forecast.
- 2. Collective opinion method :** Experience, knowledge and intuition of persons working at various levels is used to develop a realistic estimate of future.
- 3. Market research :** A systematic, formal and conscious procedure about consumer behaviour.
- 4. Historical analogy :** Comparative analysis of various stages in life cycle of similar products.
- 5. Averaging methods of forecasting :** Historical data to calculate an average of past demand. Different methods of calculating average are used.
- 6. Time series analysis :** From historical data, graph is plotted, an equation is formed then trend is projected.
- 7. Regression and correlation analysis :** Examination of degree of relationship between two variables.
- 8. Economic analysis :** It uses empirical data, economic theory, mathematics and statistics to measure changes in economic relationships.

### University Questions

<b>Q.1</b>	<i>Describe different forecasting techniques.</i>	<b>AU : Dec.-11, Marks 16</b>
<b>Q.2</b>	<i>What are the elements of business forecasting ?</i>	<b>AU : May-10, Marks 2</b>
<b>Q.3</b>	<i>Explain briefly forecasting techniques.</i>	<b>AU : Dec.-09, Marks 14</b>
<b>OR</b>		
<i>Discuss various forecasting techniques normally adopted.</i>		<b>AU : Dec.-07, Marks 16</b>
<b>OR</b>		
<i>Define forecasting. Explain various forecasting techniques.</i>		<b>AU : May-07, Marks 16</b>
<b>Q.4</b>	<i>What are different types of forecasting ?</i>	<b>AU : Dec.-09, Marks 2</b>

### 2.10 Decision Making

**AU : Dec.-17,16,13,11,06,05, May-13,12,11,08,07,05,14,15,16,17,19**

- **Decision** is a choice whereby a decision maker comes to a conclusion about a decision. It represents a course of behaviour, action about what must or must not be done.
- **Decision making** is a basic function of management. In any organization decision making is necessary at every level and in every function of an organization.
- Managerial decisions are based on the flow of information. Decisions help in translating management plans, policies and objectives into concrete actions.
- Decision making is essential for all managerial functions – Planning, organizing, directing and controlling.

## Defining Decision Making

- One of the critical management task is decision making. Decision making is the principal responsibility of management. One decision is followed by a number of decisions.
- **Decision making** is the process through which managers identify organizational problems and attempt to resolve them.
- **Decision making** is the process of selecting and implementing alternatives consistent with a goal. It is a series of activities that begins with defining the purpose or goal of the deicson and involves developing and evaluating alternatives, selecting and implementing the alternative.
- Also monitoring the results to ensure that the decision goals are achieved. This entire process, from setting the decision goal to making sure the goal has been achieved is called **decision making**.
- Decisions are taken for future actions hence decision making is a risky and challenging task for a manager. Managers may not always make the right decision, but they can use their knowledge of appropriate decision making processes. Manager's performance is judged on his decision making capability.

### 2.10.1 Steps in Decision Making Process

AU : Dec.-11, 18, May-15

- An effective decision making process generally includes the four steps shown in Fig. 2.10.1.

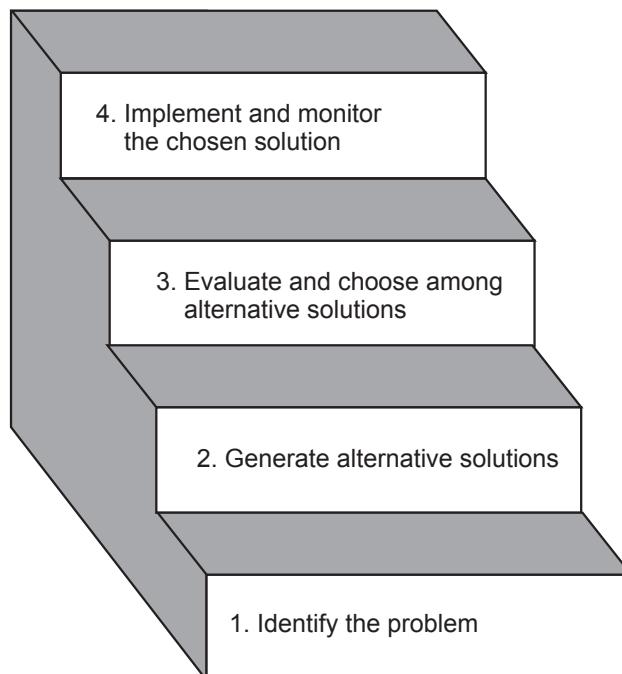


Fig. 2.10.1 Steps in decision making process

## 1. Identify the Problem

- The first step in the decision making process is identifying the problem. Problem can not be identified without a search. Organizational problems are the difference between expected results and actual situation. Identifying the problem involves three main activities.
  - i) **Scanning** : Monitoring the work condition for changing circumstances that can indicate the emergence of problem.
  - ii) **Categorize** : Attempts to categorize the situation as a problem or non-problem.
  - iii) **Diagnose** : Gathering additional information and diagnose the problem's nature and causes.

## 2. Generate Alternative Solution

- The second step in decision making process is developing alternatives. A problem can be solved by different alternative solutions. Manager has to develop alternative solutions. Before selecting any specific solution a manager has to think on all the alternative possible solutions.
- In this era of accelerating change and global competition the traditional solutions to organizational problems have become ineffective. Innovative alternatives need to be generated, for this, techniques of enhancing creativity is employed.
- The most familiar technique of enhancing creativity is brainstorming. **Brainstorming** is a technique that encourages group members to generate as many ideas as possible on a given topic without evaluating them.

## 3. Evaluating and Choosing an Alternative

- When all the possible and realistic alternatives have been identified, the focus of decision process shifts to evaluating those alternatives, to identifying the strengths and weaknesses of each option.
- Each alternative should be evaluated systematically according to general criterias like feasibility, quality, acceptability, costs, ethics etc.
  - 1) **Feasibility** refers to the extent to which an alternative can be accomplished with given related organizational constraints e.g. - time, technology, budget.
  - 2) **Quality** refers to how effectively an alternative solves the problem under consideration.
  - 3) **Acceptability** is the degree to which concerned people will be affected by implementing the alternative and people willing to support alternative.
  - 4) **Costs** are the monetary expenditures and other resources required to implement any alternative.
  - 5) **Ethics** refers to the compatibility of an alternative with the social and moral responsibility.

- Either quantitative or qualitative approaches can be used to evaluate and choose an alternative. **Quantitative approach** uses mathematical and statistical techniques to analyze the decision alternatives.
- Quantitative approaches are linear programming, break even analysis, decision tree analysis. **Qualitative approach** uses comparison of characteristics of alternatives and take relevant decision. A typical qualitative approach is T-chart.

#### 4. Implement and Monitor the Chosen Solution

- A decision is just a choice until it is implemented and monitored. Implementation of decision reveals its effectiveness and significance in achieving the desired goals.
- Successful implementation usually depends on careful planning and sensitivity to those involved in the implementation or affected by it.
- Even effective implementation does not complete the action phase of the decision making process. Once it is implemented, the decision must be monitored to ensure that the alternative put into action is moving the organization closer to its goals. It is only monitoring phase that confirms that the organization goals have been achieved.
- The steps in decision making process and important activities associated with it are shown in Table 2.10.1.

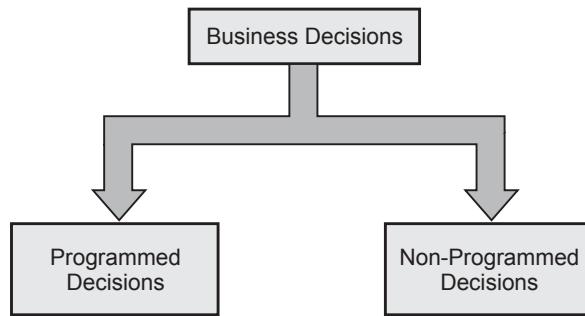
Sr.No.	Steps	Activities
1.	<b>Identify the problem</b>	<ul style="list-style-type: none"> <li>Scan the environment for changing circumstances.</li> <li>Categorize the situation</li> <li>Diagnose the problem and its causes.</li> </ul>
2.	<b>Generate the alternative solution</b>	<ul style="list-style-type: none"> <li>Search for innovative ideas and alternatives</li> </ul>
3.	<b>Evaluate and choose an alternative</b>	<ul style="list-style-type: none"> <li>Evaluate feasibility, quality, acceptability, costs and ethics by quantitative or qualitative approach.</li> </ul>
4.	<b>Implement and monitor the chosen solution</b>	<ul style="list-style-type: none"> <li>Implement the solution</li> <li>Monitor its effectiveness</li> <li>Measure goal achievement</li> </ul>

**Table 2.10.1 Steps and activities in decision making**

#### 2.10.2 Types of Decisions

**AU : Dec.-11, May-12, 08**

- Most business decisions can be divided into two basic types, these are
  - Programmed decisions and
  - Non-programmed decisions, as shown in Fig. 2.10.2.

**Fig. 2.10.2 Decision types****2.10.2.1 Programmed Decision**

- Programmed decision is a standard response to a simple or routine problem. The nature of the problem is well defined and clearly understood by the decision maker as is the array of possible solutions.
- Examples of programmed decisions can be seen in college admission decision, reimbursement of manager's travel expenses and promotion decisions with many personalities. In all these decisions specific criteria can be identified.
- The programmed decision process is characterized by high levels of certainty for both the problem formulation and the problem solution phases and rules and procedures typically spell out exactly how to respond.

**2.10.2.2 Non-programmed Decision**

- Non-programmed decision occur in response to problems that are either poorly defined or novel. For example, should a company president with limited funds expand the facilities to bring in more research contacts.
- No alternative is clearly correct and past decisions are of little help, instead you must weigh the alternatives and their consequences carefully to make a unique decision i.e. a non-programmed decision.
- In most organizations a significant relationship exists between the programmed and non-programmed decision and organizational hierarchy, for example top managers usually face non-programmed decisions, as in the case of the managing director.
- On the other hand department heads rarely make such decisions. Further more, lower level managers typically encounter mostly programmed or routine, decision. Their options and resources as well as risks are usually far less than those of top managers. And as we might expect middle managers fall somewhere in between.

### 2.10.2.3 Comparison of Programmed and Non-programmed Decisions

Sr. No.	Programmed decisions	Non-programmed decision
1.	It deals with routine or repetitive problems.	It deals with unique or special problems.
2.	Used under certain conditions.	Used under uncertain conditions.
3.	Established procedures for decision making.	No established procedure for decision making.
4.	Used by middle or lower level management.	Usually executed by top-level management.
5.	It requires less skills.	It requires serious thought.

### 2.10.3 Influences on Decision Making

AU : Dec.-11

- At least three general factors influence decisions. First there are the characteristics of the decision maker. Such factors as his or her knowledge regarding the problem, ability to analyze and solve the problem and motivation to solve it, affects the decision.
- Second are the characteristics of the problem itself including the extent to which the problem is familiar to the managers, the ambiguity and complexity of the problem, and the extent to which the problem is stable or volatile.

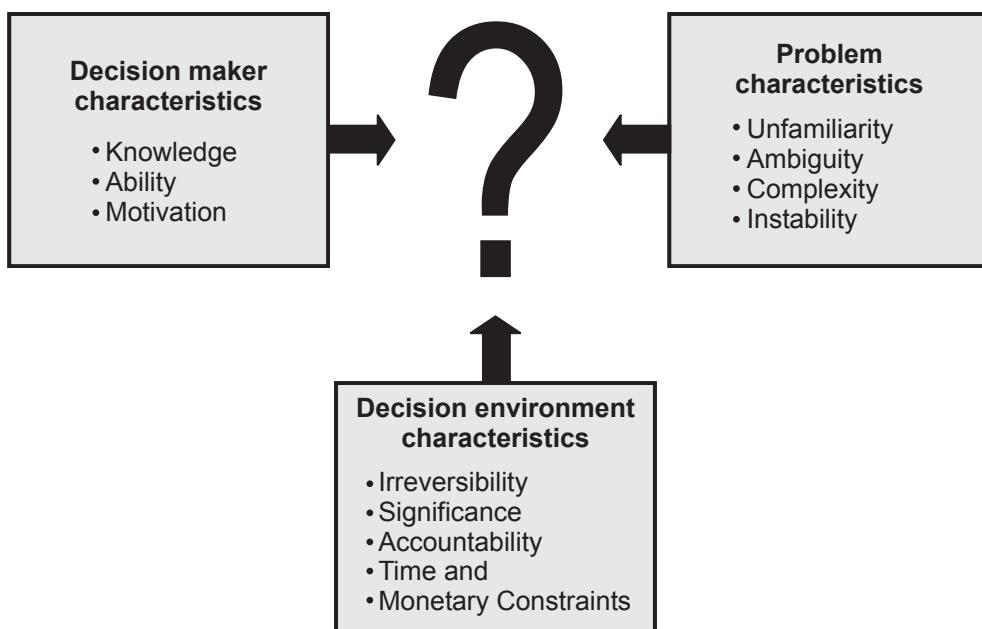


Fig. 2.10.3 Influences on the decision process

- Third, the decision is influenced by the environment in which the decision is irreversible, its significance or importance, the person accountable for the decision and its consequences, and any time or money constraints involved in the decision process. Taken together, these factors represent the major ingredients involved in the decision.

#### **2.10.4 Impact of Groups on Decision Making**

- Group decision making is the social interaction in the process, which complicates the dynamics. In some situations, group decision making can be an asset, but other times it can be a liability. The trick for you as a manager is to discover when and how to invite group participation in decision.
  - ⇒ In **establishing objectives**, groups are typically superior to individuals in that they bring greater cumulative knowledge to problems.
  - ⇒ In **identifying alternative**, individual efforts ensure that different and perhaps unique solutions are identified from various functional areas that later can be considered by the group.
  - ⇒ In **evaluating alternatives**, group judgement is often superior to individual judgement, because it involves a wider range of viewpoints.
  - ⇒ In **Choosing alternatives**, involving group members often leads to greater acceptance of the final outcome.
  - ⇒ In **Implementing the choice**, individual responsibility is generally superior to group responsibility. Whether decisions are made individually or collectively, individuals perform better in carrying out the decision than groups do ?
- You cannot conclude that either individual or group decision making is superior. Rather, the situations and the individuals involved should guide the choice of decision technique.
- Because participation helps involve employees and increases satisfaction and interaction, it has been an important part of quality improvement efforts. For example, team based efforts to improve products and processes have always worked best when they included significant participation in decision making.

##### **2.10.4.1 Assets and Liabilities of Group Decision Making**

###### **Assets +**

- Group can accumulate more knowledge and facts.
- Groups have a broader perspective and consider more alternatives.
- Individuals who participate in group decisions are more satisfied with the decision and are more likely to support it.

- Group decision processes serve an important communication function as well as a useful political function.

**Liabilities –**

- Groups often work more slowly than individuals.
- Group decision involve considerable compromise that may lead to less than optimal decisions.
- Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group processes.
- Overreliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.

**2.10.5 Modern Approach to Problem Solution****AU : May-05, 07****1. Brainstorming**

- **Brainstorming** is a process of generating many creative solutions without evaluating their merit. It is a frequently used mechanism to provide the maximum number of ideas in a short period of time.
- A group comes together, is given a specific problem. In such sessions - at least at the early stages - criticism is minimized so as not to inhibit expression.
- Once all the ideas are on the table, the group considers the positive and negative aspects of each proposal. Through a process of continual refinement, the best possible solution under the circumstances should emerge.

**2. Nominal Group Technique (NGT)**

- The nominal group technique typically referred to as NGT, consists of four phases in group decision making. First individual members meet as a group, but they begin by sitting silently and independently generating their ideas on a problem in writing.
- This silent period is followed by a round-robin procedure in which each group member presents an idea to the group. No discussion of the idea is allowed at this time.
- The ideas are summarized and recorded. After all individuals have presented their ideas each idea is discussed to clarify and evaluate it. Finally, group members conclude the meeting by silently and independently ranking the various ideas or solutions to the problem.
- The final decision is determined by the pooled outcome of the member's votes on the issue.

- The NGT allows the group to meet formally, but it does not allow member's much discussion, hence the term **nominal** group technique. A chief advantage of this procedure is that everyone independently considers the problem without influence from other group members.

### 3. Delphi Technique

- In contrast to NGT, the delphi technique never allows decision participants to meet face to face. Instead a problem is identified and members are asked through a series of carefully designed questionnaires to provide potential solutions.
- These questionnaires are completed independently. Results of the first questionnaires are then circulated to all group members. After viewing the feedback, members are again asked their opinions.
- This process may continue through several iterations until group member's opinions begin to show consensus.
- The decision making process includes a variety of problems. Individuals and groups have various biases and personal goals that may lead to suboptimal decisions. Moreover, groups often censor themselves. Even so, techniques such as those discussed here aimed to minimize many of these problems by insulating individual participants from the undue influence of others.
- This allows individuals greater freedom of expression, and the group receives far less filtered or slanted information with which to make its decision. Thus, although not perfect, these techniques can give managers mechanisms to improve both the quality and the timeliness of decisions made in organizations.

### 4. Globalization

- Globalization is the tendency to integrate activities on a co-ordinated, worldwide basis. Firms are pushed in the directions of globalization, when benefits gained from worldwide volume, efficiencies, or economies of scale are significant.
- These benefits could include economies of scale for production, greater leverage of high cost distribution networks and greater leverage of expensive research and development activities. In a variety of industries, the minimally efficient production scale is beyond that could be supported in a single market.

#### **2.10.6 Factors Affecting the Rational Decision Making**

- Following factors affect the rational decision making of managers :

##### i) Inadequate Information

- Decision makers may have inadequate information about the problem, possible alternatives and their strengths and limitations.

**ii) Time and Cost**

- Time and cost are the limiting constraints throughout the decision making process.

**iii) Perception of Decision maker**

- Decision maker's perception in identifying the problem, selecting alternative may ignore the actual critical problem.

**iv) Experience of Decision maker**

- If decisions are to be taken with less information then extensive experience with situation becomes the key input. The experience level of the decision maker becomes the key factor.

**v) Decision maker's Personality**

- The perfectionist decision maker may postpone taking decision, preferring to seek the ideal alternative.
- The impulsive decision maker might hurry through the decision process thinking that just to finish it at the earliest.
- Such personalities give negative effect of decision maker.

**vi) Values of Decision maker**

- A decision maker must not reflect his own personal values rather than company's need or the personal values must not influence both the goals and the results of decision process.

**vii) Capacity of Decision maker**

- Even after gathering perfect information, it is the intelligence and calculating capacity of manager which limits the success of any plan or decision.

**Example 2.10.1** A farm owner is seriously considering of drilling a farm well. In the past, only 7 % of wells drilled were successful at 200 feet depth in that area. Moreover, on finding no water at 200 ft, some persons drilled it further up to 250 ft, but only 20 % struck water at 250 ft. The prevailing cost of drilling is ₹ 50 per foot. The farm owner has estimated that in case he does not get his own well, he will have to pay ₹ 15000 over the next 10 years to buy water from neighbours. The following decisions can be optimal.

i) Do not drill any well

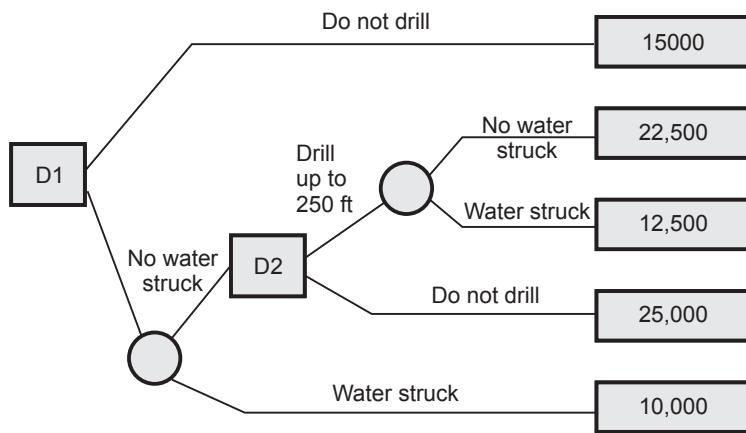
ii) Drill up to 200 ft.

iii) If no water is found at 200 ft. drill further upto 250 ft.

Draw an appropriate decision tree and determine the farm owner's strategy under EMV approach.

**AU : Dec.-13, Marks 16**

### Solution : Decision tree diagram



**Fig. 2.10.4**

There are two decision points in the tree indicated by 1 and 2. In order to decide between the two basis alternatives, we have to fold back (backward induction) the tree from the decision point-2, using EMV as criteria.

#### Evaluation of decision points

Sr. No.	Decision point	State of nature	Probability	Cash out flows	Expected cash out flow				
Decision at point D2									
1.	Drill upto 250 ft	Water struck no water struck	0.2 0.8	₹ 1,25,000 27,500	₹ 2,500 22,000				
EMV (Out flows) = ₹ 24,500									
2.	Do not drill upto 250 ft	EMV (Out flow) = ₹ 25,000							
Decision at D2 is drill upto 250 feet.									
Decision at point D2									
1.	Drill upto 200 ft.	Water struck	0.7	₹ 10,000	₹ 7000				
		Not water struck	0.3	₹ 24,500	₹ 7,350				
EMV (Out flow) = ₹ 14,350									
2.	Do not drill upto 200 ft.,	EMV (Out flow) = ₹ 15,000							
The decision at D1 is : Drill upto 200 ft									

Thus the optimal strategy for the farm owner is to drill the well upto 200 ft. and if no water is struck, then further drill upto 250 ft.

### University Questions

- Q.1** What is meant by group decision making ? What are its advantages and disadvantages ? **AU : Dec.-11, Marks 16**
- Q.2** Mention any two features of decision making. **AU : May-11, Marks 2**
- Q.3** Discuss the types and steps involved in decision making process. **AU : Dec.-11, May-11, Marks 8**
- Q.4** What are different types of decision and decision making process ? **AU : Dec.-11, Marks 8**
- Q.5** Define decision making. **AU : May-11, Marks 2**
- Q.6** Discuss the various steps in decision making process with example. Also explain in detail any two decision making process. **AU : May-08, Marks 16**
- Q.7** State and explain the common steps involved in decision making process. **AU : May-11, Marks 16**
- Q.8** List the forecasting technique used for decision making. **AU : May-07, Marks 2**
- Q.9** What is decision making ? **AU : Dec.-06, Marks 2**
- Q.10** Define decision making and explain the process of decision making that affects the efficiency of business decision. **AU : Dec.-05, Marks 16**
- Q.11** Write short notes on any two important modern approaches to decision making under uncertainty. **AU : May-05, Marks 6**
- Q.12** Describe the various types of decision. **AU : May-12, Marks 8**
- Q.13** Define decision making process. Explain the process followed while taking a decision in normal situation. **AU : May-13, Marks 16**
- Q.14** Explain the decision making process. Also discuss how decision making under different conditions are made. **AU : May-14, Marks 16**
- Q.15** Explain the steps involved in decision making process. **AU : May-15, Marks 6**
- Q.16** With suitable example illustrate the steps involved in the process of decision making. **AU : May-16, Marks 16, Dec.-18, Marks 13**
- Q.17** Explain briefly about the decision making steps and process. **AU : Dec.-16, Marks 16**
- Q.18** Discuss the eight steps of decision making process. **AU : May-17, Marks 13**
- Q.19** Is decision making a rational process ? Discuss. **AU : Dec.-17, Marks 13**

**Q.20** Elucidate the types of decisions and explain the process of decision making.

**AU : May-19, Marks 13**

## 2.11 Case Study

**AU : May-19**

**Example 2.11.1** Davinder is a class twelfth commerce student in a reputed school in Punjab.

Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science.

In context of the above case :

1. Outline the concept of principles of management.
2. Why does Satinder find the principles of management different from those of pure science ?
3. Why do the principles of management form the core of management in practice ? Explain by giving any two points highlighting the importance of principles of management.

**AU : May-19, Marks 15**

**Solution :** 1. The principles of management serve as a broad and general guideline for the managerial decision making and action.

2. Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science.

This is due to the fact that they deal with the human behaviour and thus, need to be applied creatively in the light of given situation.

3. The importance of principles of management is described below :

- **Providing managers with useful insights into reality :** The principles of management provide the managers with useful insights into real world situations and help them to enrich their knowledge, ability and understanding of the diverse managerial situations and circumstances. It also enables the managers to learn from past mistakes and conserve time by solving recurring problems quickly.
- **Optimum utilisation of resources and effective administration :** The knowledge of management principles enables the managers to foresee the cause and effect relationships of their decisions and actions. As a result, it leads to optimum utilisation of scarce resources by avoiding wastage associated with a trial-and-error approach. Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. This facilitates effective administration within the organisation.

**Two Marks Questions with Answers****Q.1 Define planning.****AU : May-19**

**Ans.** : Planning is the management function that involves setting of goals and deciding the best method to achieve them.

**Q.2 List the aspects to specify nature of planning.**

**Ans.** : 1. Contributing to mission and goal. 2. Foundation of management.  
3. Range of planning.

**Q.3 List different types of plans.****AU : May-12, Dec.-12**

**Ans.** : 1. Strategic plans      2. Tactical plans      3. Operational plans

**Q.4 What are two important planning tools ?**

**Ans.** : 1. Budgets      2. MBO.

**Q.5 Give steps in planning process.****AU : Dec.-13, 18****OR List the steps in the decision making process.****AU : Dec.-13, May-16**

**Ans.** : 1. Mission      2. Objectives      3. Developing plans      4. Goals attainment.

**Q.6 What is mean by decision making ?****AU : Dec.-18**

**Ans.** : Decision is a choice whereby a decision maker comes to a conclusion about decision.

**Q.7 How the alternatives are evaluated ?**

**Ans.** : 1. Quantitative and Qualitative factors.      2. Marginal analysis  
3. Cost effective analysis

**Q.8 List the approaches for selecting alternatives.**

**Ans.** : 1. Experience      2. Experimentation      3. Research analysis

**Q.9 State types of decisions.**

**Ans.** : 1. Programmed decision      2. Non-programmed decision.

**Q.10 How would you evaluate the importance of a decision ?****AU : Dec.-04**

**Ans.** : To identify and evaluate the importance of a decision, its strength and weaknesses are studied systematically. The criteria for evaluation are like - feasibility, quality, acceptability, costs, ethics etc.

**Q.11 What is meant by Brain storming ?****AU : Dec.-04, May-13**

**Ans.** : Brain-storming is a technique that encourages group members to generate as many ideas as possible on a given topic without evaluating them.

**Q.12 Mention the three approaches generally adopted by managers in selecting an alternative.****AU : May-05**

**Ans.** : Approaches in selecting an alternative :

1. Feasibility
2. Quality
3. Acceptability
4. Costs
5. Ethics

<b>Q.13</b>	<b>Describe the different objectives of planning.</b>	AU : Dec.-05, May-13								
<b>OR</b>	<b>What are the objectives of planning ?</b>	AU : Dec.-13, May-16								
<b>OR</b>	<b>What is the main purpose of planning ?</b>	AU : May-15								
<b>Ans. :</b> Objectives of planning :										
<ul style="list-style-type: none"> <li>1. To anticipate future conditions and problems in advance.</li> <li>2. To choose economical alternatives.</li> <li>3. For making efficient and effective management.</li> <li>4. To avoid duplication, overlapping and cross purpose working.</li> <li>5. To check and control the overall performance.</li> <li>6. To co-ordinate distinct activities to a common goal.</li> </ul>										
<b>Q.14</b>	<b>Define MBO.</b>	AU : May-12, Dec.-16								
<b>Ans. :</b> MBO is a system in which specific performance goals for individuals are jointly determined by the individual and his immediate superior.										
<b>Q.15</b>	<b>Define strategy.</b>	AU : Dec.-12								
<b>OR</b>	<b>What is strategic planning ? Give an example.</b>	AU : May-14								
<b>Ans. :</b> Strategies are large scale action plan for interacting with business environment in order to achieve long term goals.										
For example : Guarantee and warranty of a product.										
<b>Q.16</b>	<b>Name any four quantitative forecasting techniques.</b>	AU : May-13								
<b>Ans. :</b> Quantitative forecasting techniques :										
<ul style="list-style-type: none"> <li>1. Market research</li> <li>2. Averaging method</li> <li>3. Time-series analysis</li> <li>4. Regression and correlation analysis.</li> </ul>										
<b>Q.17</b>	<b>What are programmed decisions ?</b>	AU : Dec.-13								
<b>Ans. :</b> Programmed decision is a standard response to the simple or routine problems.										
<b>Q.18</b>	<b>What do you mean by "Policy" ? Give an example.</b>	AU : May-14								
<b>OR</b>	<b>Write short notes on policy making.</b>	AU : Dec.-14,16								
<b>OR</b>	<b>What is meant by policies.</b>	AU : Dec.-16								
<b>Ans. :</b> Policies are general statements which guides manager's thinking in decision making function.										
<b>Example :</b> Policy of customer service.										
<b>Q.19</b>	<b>Distinguish between strategic planning and tactical planning.</b>	AU : May-15								
<b>Ans. :</b>										
<table border="1"> <thead> <tr> <th>Sr. No.</th> <th>Features</th> <th>Strategic Plans</th> <th>Tactical Plans</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Time Horizon</td> <td>Typically 3-5 years.</td> <td>Often focused on 1-2 years in the future.</td> </tr> </tbody> </table>			Sr. No.	Features	Strategic Plans	Tactical Plans	1.	Time Horizon	Typically 3-5 years.	Often focused on 1-2 years in the future.
Sr. No.	Features	Strategic Plans	Tactical Plans							
1.	Time Horizon	Typically 3-5 years.	Often focused on 1-2 years in the future.							

2.	Scope	Broadest : originating with a focus on the entire organization.	Rarely broader than a strategic business unit.
3.	Complexity	The most complex and general, because of the different industries and business potentially covered.	Somewhat complex but more specific, because of the more limited domain of application.
4.	Impact	Have the potential to dramatically impact, both positively and negatively, the fortunes and survival of the organization.	Can affect specific business but generally not the fortunes or survivability of the entire organization.

**Q.20 Define corporate planning.**

AU : Dec.-14

**Ans. :** Corporate planning is aimed towards business goals and objectives. The nature of business can be manufacturing or service, industry or trade, national or international business.

**Q.21 List the planning tools available in business management.**

AU : May-17

**Ans. :** Planning tools :

- |  |                  |
|--|------------------|
| 1. Budget  | 2. Benchmarking  |
| 3. Management By Objectives (MBO)                | 4. SWOT Analysis |
| 5. Porter's Five Forces                          |                  |
| 6. Boston Matrix (product and service portfolio) |                  |

**Q.22 What do you understand by Strategic Management ?**

AU : Dec.-17, May-19

**Ans. :** Strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. The strategic management process involves analyzing cross-functional business decisions prior to implementing them.

**Q.23 Distinguish between Policy and Rules.**

AU : Dec.-17

**Ans. :** Differences between Rules and Policies

Sr. No.	Rules	Policies
1.	There are specific statements.	They are general statements.
2.	They are guide to behaviour that may or may not be followed in specific situations.	They are guide to decision - making.
3.	They are rigid.	They are flexible.
4.	No discretion can be used while following rules. They have to be followed by one and all.	Managers can use discretion in framing and implementing policies.

**Q.24 What is intuitive decision making ?**

AU : May-18

**Ans. : Intuitive decision-making**

- Intuitive decision-making can be described as the process by which information acquired through associated learning and stored in long-term memory is accessed unconsciously to form the basis of a judgment or decision.
- This information can be transferred through affect induced by exposure to available options, or through unconscious cognition. Intuition is based on the implicit knowledge available to the decision-maker. For example, owning a dog as a child imbues someone with implicit knowledge about canine behavior, which may then be channeled into a decision-making process as the emotion of fear or anxiety before taking a certain kind of action around an angry dog.
- Intuition is the mechanism by which this implicit knowledge is brought to the forefront of the decision-making process. Some definitions of intuition in the context of decision-making point to the importance of recognizing cues and patterns in one's environment and then using them to improve one's problem solving.

**Q.25 Define planning premises.**

AU : May-18

**Ans. : Planning premises :**

- **Planning premises** are basic planning assumptions regarding future and political environment. It includes assumptions derived from assessments of future trends and possibilities.



***Notes***

## UNIT - III

# 3

# Organizing

### **Syllabus**

*Nature and purpose - Formal and informal organization - organization chart - organization structure - types - Line and staff authority - departmentalization - delegation of authority - centralization and decentralization - Job Design - Human Resource Management - HR Planning, Recruitment, selection, Training and Development, Performance Management, Career planning and management.*

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3.21	Selection	.....	<b>May-11, 04, 14, 18, Dec.-12, 11, 07,</b>	..... Marks 16
3.22	Training	.....	<b>May-10, 15, Dec.-17,</b>	..... Marks 13
3.23	Performance Appraisal	.....	<b>May-12, 11, Dec.-12,</b>	..... Marks 16
3.24	Job Evaluation	.....	<b>Dec.-11, 12</b>	..... Marks 2
3.25	Case Study	.....	<b>Dec.-18, May-19</b>	..... Marks 15

**Two Marks Questions with Answers**

### 3.1 Introduction

AU : May-16, 13, 11, 08, 07, 06, Dec.-13

- **Organizing** is the management function that focusses on allocating and arranging human and non-human resources so that plans can be carried out successfully.
- Different tasks must be assigned to different people and their efforts must be co-ordinated. This involves co-ordination of tasks and the various ways to accomplish it.
- In management process organizing function provides a valuable tool for promoting innovation and facilitating needed changes. Organizing is also concerned with building, developing and maintaining working relationships.

#### 3.1.1 Definitions of Organizing

1. **Mescon, Albert** defined it as -

*"Organizing is process of establishing a structure for the organization so that it helps the manpower of organization to function systematically, to fulfill the organization goals effectively."*

2. **Theo Haimann** defines it as -

*"Organizing is the process of defining and grouping the activities of an enterprise and establishing the authority relationships among them."*

3. **Adam, Smith** defines it as -

*"Organization is the process by which individuals, groups and facilities are combined in a formal structure of tasks and authority."*

4. **Jones D. Mooney** defined it as -

*"Organization is the form of every human association for the attainment of a common purpose."*

#### 3.1.2 Principles of Organizing

AU : May-13

- A principle is a general rule to be applied for any particular condition exists.
- Considering different needs of different organizations many principles are identified.
- Some important principles are listed below -
  1. Objective
  2. Span of control
  3. Scalar principle
  4. Unity of command
  5. Unity of direction

6. Responsibility and authority
7. Division of work
8. Line and staff relationship
9. Effective communication
10. Balance and flexibility

## **1. Objective**

- Every enterprise has to accomplish some objective or goal.
- Organization is a tool in attaining the corporate objectives. As per the objective the structure of the organization is decided.

## **2. Span of control**

- Span of control refers to the number of subordinates that are reporting to a manager.
- The span of control indicates the number of people that manager can control and supervise.
- Proper span of control should be allotted to a manager. If the span is small, the manager may tend to oversupervise. When the span is too large, the manager may not be able to supervise subordinates efficiently.
- Span of control is also referred as span of management, span of authority, span of responsibility and span of supervision.

## **3. Scalar principle**

- Scalar principle means subordinate must know the immediate supervisor to him.

## **4. Unity of command**

- Each subordinate should receive orders from one supervisor or boss.
- Unity of command is necessary to avoid confusion.

## **5. Unity of direction**

- Unity of direction implies that all the activities of organization must be directed to attain a common objective.

## **6. Responsibility and authority**

- Proper and adequate authority be delegated to the subordinate for performing the assigned task.
- On delegating the authority the manager should hold the responsible for non-performing the assigned task.

## **7. Division of work**

- Proper division of work in the organization is necessary. It provides greater sense of responsibility.
- Every person should be assigned the work according to the efficiency.

## 8. Line and staff relationship

- In organization planning the concept of line and staff functions are very important.
- Line functions directly contributes to the objectives of an organization. e.g. production, sales etc.
- Staff functions are the auxiliary to the line functions. e.g. accounting, maintenance.
- There must be adequate co-ordination between the line and staff functions.

## 9. Effective communication

- Communication links people of different departments.
- Effective communication is essential to concentrate the effort in common direction to attain objective of organization.
- Effective communication system helps in confusion and doubts. Two-way communication is must for effective organization.

## 10. Balance and flexibility

- There should be proper balance between centralization and decentralization of authority and power.
- The organization structure should be adaptable to change in technology or business.

### 3.1.2.1 Factors Affecting Span of Control

AU : May-08

- Factors that determine the effective span of control are :
  - 1. Capacity of superior
  - 2. Capacity of subordinates
  - 3. Nature of work
  - 4. Types of technology
  - 5. Delegation of authority.
  - 6. Clarity of plans
  - 7. Communication technique
  - 8. Standard of performance
  - 9. Geographical closeness to employees
  - 10. Direction and co-ordination.

### 3.1.3 Nature of Organization

AU : Dec.-18

1. The organization structure differs from company to company.
2. An organization is a specified group of people with a common objective.
3. Everyone within organization are assigned with some responsibility and duties.
4. Organizing is process of defining and grouping of activities of the firm.
5. Organization ensures maximum utilization of available resources.
6. Organization motivates people to increase productivity and efficiency.
7. Organization facilitates administration.

8. Communication amongs organization members is necessary for exchange of ideas, thoughts and facts. Authority without communication leads to dictatorship and carelessness.
9. The efficiency and effectiveness of organization implies the existance of formulated and understood objectives of organization.
10. General structure of organization is like a pyramid i.e. organization structure begins from chief executive at the top and down to the workers of all levels.

### **3.1.4 Purpose of Organization**

1. To make growth and diversification.
2. To facilitate administration.
3. To stimulate independent, creative thinking and initiative through well defined areas of work.
4. To co-ordinate efforts of all departments.
5. To assign responsibility and authority.
6. To ensure optimum use of manpower and resources.
7. For efficient functioning, organization eliminates duplication of work and enhance co-ordinated efforts.
8. Organization provides a frame work where management functions.
9. Organization provide a strong foundation so as to give strength to the business.
10. To maintain proper dignity of employee by using human capital, without causing any harm to the intersts of individuals working in the organization.
11. To motivate people to increase productivity and efficiency by providing material, equipment and authority with encouragement to show maximum efficiency.

#### **University Questions**

<b>Q.1</b>	<i>Define organizing.</i>	<b>AU : May-11, Marks 2</b>
<b>Q.2</b>	<i>Define the term "span of management."</i>	<b>AU : May-08, Marks 2</b>
<b>OR</b>		
	<i>Explain span of control in an organization.</i>	<b>AU : May-07, Marks 2</b>
<b>OR</b>		
	<i>What do you understand by the term span of management ?</i>	<b>AU : May-06, Marks 2</b>
<b>Q.3</b>	<i>Explain the nature and purpose of organization.</i>	<b>AU : May-07, Marks 8</b>
<b>Q.4</b>	<i>Briefly discuss about factors which will influence the span of management.</i>	<b>AU : May-08, Marks 8</b>

- Q.5** Define span of management ? Explain the factors which influence the effective span of management. **AU : May-13, Marks 16**
- Q.6** What is span of control ? **AU : Dec.-13, Marks 4**
- Q.7** Explain the factors which influence the span of control. **AU : Dec.-13, Marks 12**
- Q.8** In detail explain the Nature and Purpose of Organization. **AU : May-16, Dec.-18, Marks 16**

## 3.2 Organization Structure and Process

### 3.2.1 Organization Structure

- Organization structure refers to the systematic arrangement of the people working for the organization to achieve the desired goals and objective.
- Organization structure is primarily concerned with the allocation of tasks, and relationships between the responsible positions. Organization chart is used to indicate organization structure.
- Organization structure provides the frame work within which the process of management functions. It facilitates to define authority and responsibility relationships between various positions.
- Organization structure must be dynamic as it operates under dynamic environment such as - technology, social, political, economic scene. Therefore there is need to redesign the organization structure in view of above factor.
- The organization structure has two dimensions - horizontal and vertical. The horizontal dimension shows the basic departmentation i.e. grouping the activities and employees of an enterprise into various departments. Vertical dimensions shows the hierarchy levels of the organization.
- Designing of organization structure involves -
  - a) Determining objectives
  - b) Define activities
  - c) Classify activities
  - d) Identify individual for functions
  - e) Assign authority for action
  - f) Prepare code of conduct
- Need for organization structure
  1. To achieve specific goals.
  2. To define personal identity.
  3. Assigning responsibility.
  4. Assigning authority.
  5. To achieve co-ordination.
  6. To promote division of work that leads to specialization.
  7. Optimum utilization of staff and resources.
  8. For efficient functioning.

### 3.2.2 Organization Process

- The process of organization can be divided into following important steps.

#### Step 1 : Determining objectives :

- Determining clearly the objectives of the enterprise.

#### Step 2 : Determining required activities :

- Listing the necessary activities involved in achieving the objectives.
- The principle of division of work is used. The most logical division is by function e.g. production, marketing, R & D, servicing etc.

#### Step 3 : Grouping the activities :

- Grouping the activities function wise such as sales, production, accounts, personnel etc. The activities within a broad function are further grouped into separate subfunctions. e.g. the activities pertaining to the personnel function may be grouped into activities related to subfunctions of wages and salaries, administration, industrial relations, training etc.
- Dividing the activities under each function / subfunction so as to capable of being done by a single individual.

#### Step 4 : Assigning responsibility :

- Defining the individual's duties, responsibilities, powers and accountability clearly, so that each person knows what is expected of him in terms of attainment of objectives of the enterprise or subobjectives of a department / section.
- Right man is to be put on right job.

#### Step 5 : Delegation of authority :

- Delegating powers to the individual to enable him to carry out his responsibility.

#### Step 6 : Providing facilities and resources :

- Providing adequate facilities such as office, furniture, equipment etc. to the individuals to discharge their responsibilities in a proper manner.

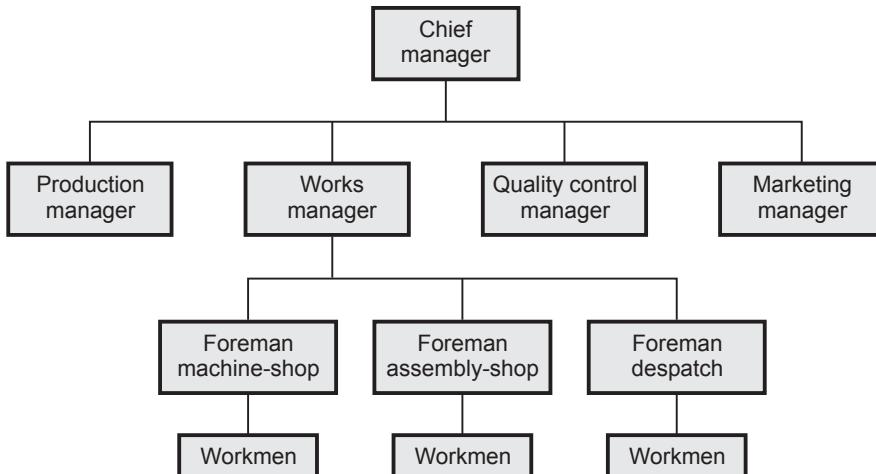
### 3.3 Organization Chart

AU : Dec.-11,16, May-18

- An **organization chart** is a graphical model of the formal structure of an organization. The chart indicates the relationship between the various departments of the organization.
- The boxes in the organization chart represent formal organization positions and the lines between boxes represent lines of authority among positions. It also

indicates the line of communication and downward flow of authority throughout all the levels of management hierarchy. The flow of accountability is upwards throughout all the levels of management.

- The organization chart shows job titles and indicates manager subordinate relationships. A typical organization chart is shown in Fig. 3.3.1.



**Fig. 3.3.1 A typical organization chart**

### 3.3.1 Need of Organization Chart

- Various reasons or purposes to have an organization chart are as follows :
  - It assigns responsibilities to individuals.
  - It helps identify control properly.
  - It makes the management functions simpler.
  - It serves as a framework of budgeting and scheduling.
  - It helps to give sense of security.
  - It outlines fundamental relationships.
  - It outlines basic authority.
  - It serves as a basis for directives.
  - It helps to improve communication channels.
  - It can be referred as reference document for various purposes.

### 3.3.2 Advantages of an Organization Chart

- It shows organizational activities and identifies persons responsible for them.
- It indicates clear reporting relationships pointing out who is accountable to whom.
- It defines scope and limit at the job explaining tasks to be performed at each position.
- It tells about the inter-relationship of positions.

5. It helps to resolve complexities within organization.
6. It can be used to introduce organizational relationships to new employees.

### 3.3.3 Limitations of Organizational Chart

1. Organizational chart does not represent human relationships between superior and subordinates.
2. It can introduce obstacles in relationships.
3. It shows only formal authority relationships and omits many significant informal and informational relationships.
4. It does not provide as to the authority existing at any point in the structure.
5. For any change in hierarchy or creation of new position results in reorganizing the chart.

### 3.3.4 Organizational Culture

- Organizational Culture is a system of shared beliefs and values that develop within an organization and guide the behavior of its members."The way we do things around here."-Basic assumptions ,Values, symbols, rituals (usual behavior), myths (beliefs) and practices.
- Implications (meanings) :
  1. Culture is a perception (based on what is seen, heard or experienced)
  2. Culture is shared (described by all in similar terms)
  3. Culture is descriptive (it describes rather than evaluates).

### 3.3.5 Dimensions of Organizational Culture

- Seven dimensions (principles, components) describe an organization's culture. One or more of these dimensions may be emphasized in various degrees of importance, which gives the organization its distinctive character.
- The seven components are :

1. Attention to Detail	2. Outcome Orientation
3. People Orientation	4. Team Orientation
5. Aggressiveness (being fearless and enterprising)	
6. Stability (maintaining the existing situation)	
7. Innovation and Risk Taking.	
- Fig. 3.3.2 shows these seven components of organization's culture.
  1. **Attention to Detail :** It is degree to which employees are expected to exhibit precision, analysis and attention to detail.

**Fig. 3.3.2 Dimensions of organization culture**

2. **Outcome Orientation** : It is degree to which managers focus on results or outcomes rather than on how these outcomes are achievement.
3. **People Orientation** : It shows degree to which management decisions take into account the effects on people in the organization
4. **Team Orientation** : It indicates degree to which work is organized around
5. **Aggressiveness** : It defines degree to which employees are aggressive and competitive rather than cooperative.
6. **Stability** : It states degree to which organizational decisions and actions emphasize maintaining the status quo.
7. **Innovation and Risk Taking** : It is degree to which employees are encouraged to be innovative and to take risks.

### University Questions

<b>Q.1</b>	<i>What do you understand by organizational chart ?</i>	<b>AU : Dec.-11, Marks 4</b>
<b>Q.2</b>	<i>Explain about the organizational Culture.</i>	<b>AU : Dec.-16, Marks 8</b>
<b>Q.3</b>	<i>Describe six key elements in organizational design.</i>	<b>AU : May-18, Marks 13</b>

### 3.4 Organization Types

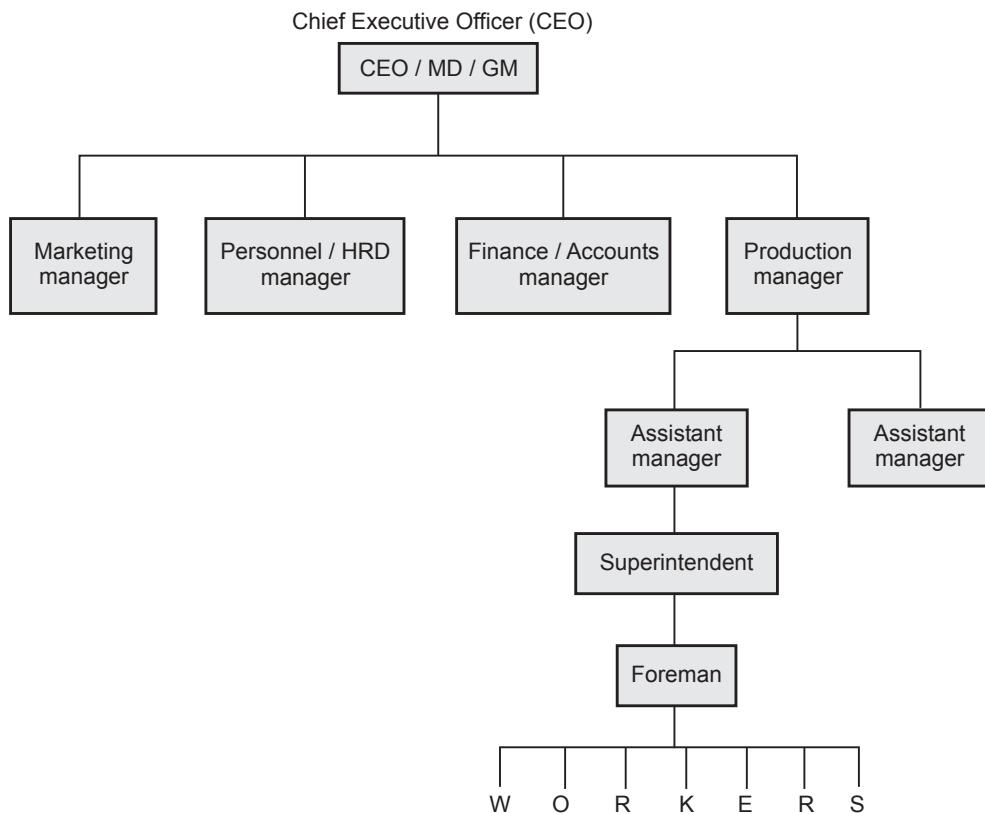
**AU : Dec.-05**

- Any organization must be concerned with people of varying skills, abilities and personalities in order that they can be used to maximum effect within the organization.
- By dividing the workforce organization hierarchy can be built with assigning different authorities and responsibilities.
- The purpose of division is to enable people to manage the company more effectively and to give a sense of belonging to a discrete group.

- The primary function of organization structure is to allocate the works through delegation of authority.
- According to the structure, organization can be categorized into three different types -
  - i) Line organization/military organization
  - ii) Functional organization
  - iii) Line and staff organization
  - iv) Matrix organization
  - v) Committee organization.

**University Question****Q.1** *Name different types of organization structure.***AU : Dec.-05, Marks 2****3.5 Line Organization / Scaler Organization****AU : Dec.-05,13, May-12,16**

- Line organization is the traditional and simplest form of organization structure. Line organization is also called as **military organization** as it is adopted from military administration.
- Line organization structure is based on scalar or hierarchical principles i.e. relative authority and responsibility.
- The enterprise is divided into departments, usually by function such as accounting, marketing and so on, and a controlling head is appointed.
- The important aspect of line organization is that there is a clear line of responsibility and authority right through the management structure from the governing body, to the lowest level of supervision and below.
- Authority is derived by any level of supervision from the one immediately above. Authority can be seen to flow downwards. Each level of supervision is accountable to the one above.
- There is series of superior subordinate relationship from top-to-bottom level of organization. The authority is distributed vertically from top-to-bottom level of organization.
- In line organization structure, everyone has a well-defined manager and there is clear definition of the routes of authority and communication.
- The top-level management takes the major decisions and passes it to middle-level subordinates who implement them.
- The middle-level management identifies the job and assigns the responsibility to different people according to their functions and ability.

**Fig. 3.5.1 Line organization structure**

### **3.5.1 Advantages of Line Organization**

1. Easy to establish and operate.
2. No confusion as authority and responsibilities of each employee are clearly defined.
3. It is flexible in nature, since its expansion and contraction is easy also can be adjusted to the changing circumstances.
4. Discipline and loyalty is ensured due to unified command.
5. It is economical and easy to understand.
6. There is a direct chain of command and thus decisions are rapidly made and implemented.
7. Co-ordination of the activities of members of a department is simplified because of this directness of control.
8. Because of its simple structure, line organisation promotes staff discipline more easily than other forms.

### **3.5.2 Disadvantages of Line Organization**

1. Specialized variety of job is difficult to supervise by a supervisor.
2. Line organization is not suitable for large scale enterprise where high level of specialization is required.

3. It is autocratic and dictorial in nature.
4. It requires consultation or co-ordination of the managerial level across the organization.
5. To all intents and purposes each department is autonomous within its own sphere of activity. This leads to limited opportunities for its members to acquire experience of the other functions of the enterprise.
6. The head of each department is afforded total control of his workforce and to this extent the effectiveness of his department depends upon his capabilities. If he is active and enterprising then the department may be able to play a stimulating role in the total organisation. So often, however, a departmental manager can be cautious and conservative, leading to a stagnating departments.

### University Questions

- |            |   |                                       |
|------------|---|---------------------------------------|
| <b>Q.1</b> | <i>Explain line organization with a neat sketch.</i>  | <b>AU : May-12, Dec.-05, Marks 8</b>  |
| <b>Q.2</b> | <i>Explain line and functional organizational structures with their advantages and limitations.</i> | <b>AU : Dec.-13, May-16, Marks 16</b> |

## 3.6 Functional Organization

**AU : Dec.-13, May-16**

- Functional organization is suggested by F.W Taylor. In functional organization different experts (specialists) guide the subordinates in organization. Workers or subordinates thus receive order from several specialists or officers and are responsible for their performance to different experts.
- Fig. 3.6.1 shows the structure of functional organization suggested by F.W. Taylor for a specific enterprise. (See Fig. 3.6.1 on next page.)

### 3.6.1 Advantages of Functional Organization

- i) The organizational structure is flexible and is able to respond to external or internal changes quickly.
- ii) Since output/product is based on experts knowledge, better quality is assured.
- iii) Functional efficiency is more.
- iv) Expert knowledge reduces wastages and possibility of accidents.
- v) Reduces work load and responsibility of specialists.
- vi) Planning and actual performing separated i.e. metal and manual work is separated (division of labour and specialization)
- vii) Functional experts are not involved in day to day activity, so they can concentrate on their function and its application.

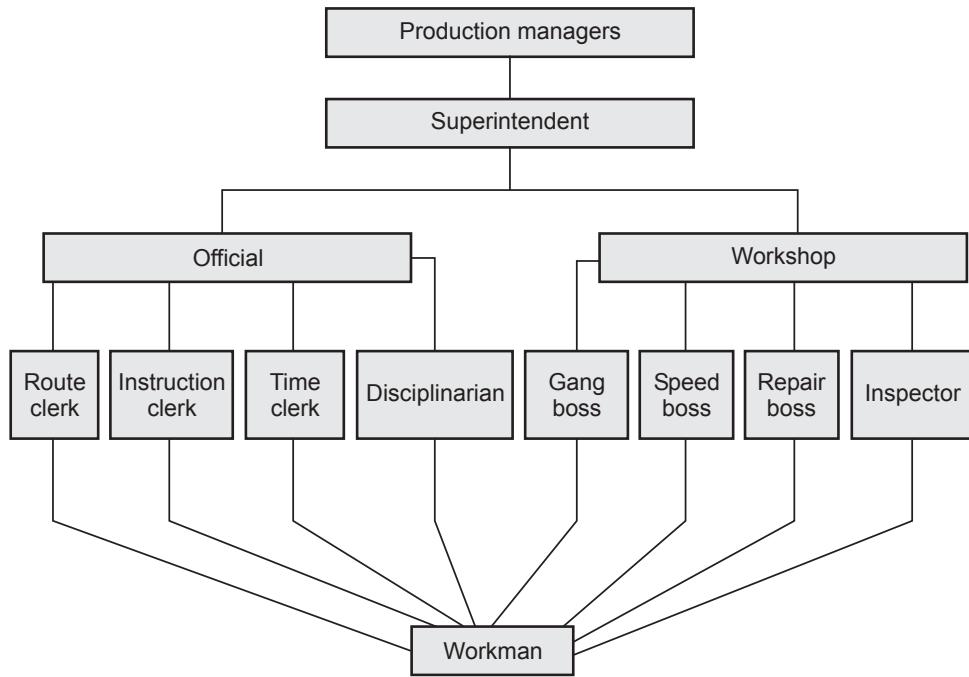


Fig. 3.6.1 Functional organization

### 3.6.2 Disadvantages of Functional Organization

- Principle of unity of command is not followed since workers are to follow instructions from various supervisors.
- Workers always confused about their activity.
- Co-ordination of various supervisors (experts) is essential which is difficult.
- It is difficult to point out the causes of poor performance.
- Worker's initiative, ingenuity has no chance.

#### University Question

**Q.1** Explain line and functional organizational structures with their advantages and limitations.

AU : Dec.-13, May-16, Marks 16

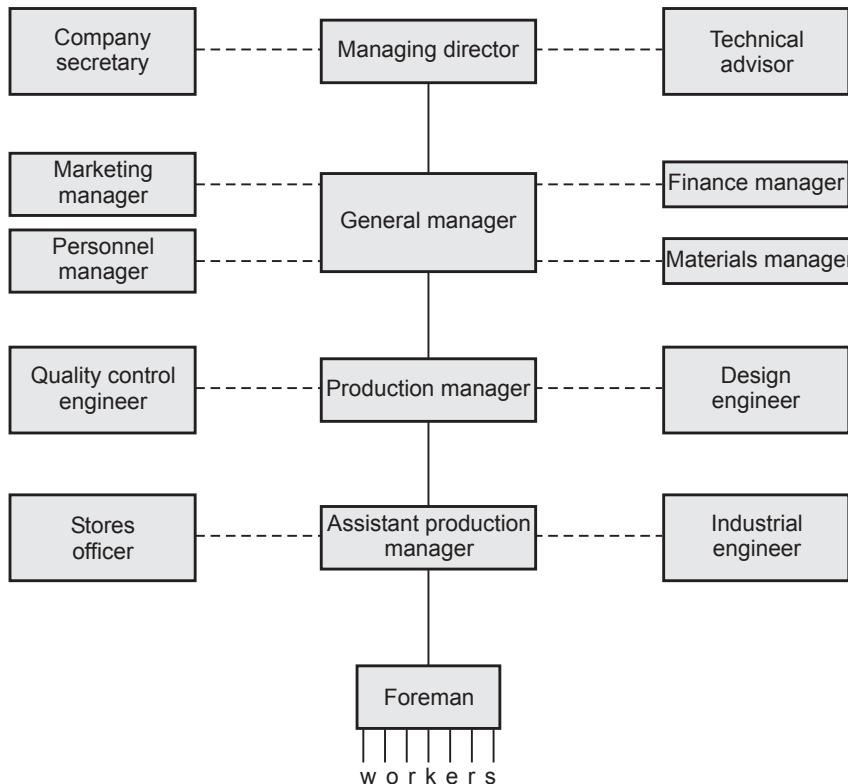
### 3.7 Line and Staff Organization

AU : May-07, 14, 19, Dec.-06

- In line and staff organization, the line executives are responsible for maintaining discipline, production and the staff division is responsible for research, planning, scheduling, establishing standards and recording of performance.
- The staff executives are in the organization because of their expert knowledge.

- The line managers are supplied with services of staff for the basic functions like production, marketing, finance, accounting personnel, R&D etc. Also the line managers are decision takers, taking decisions with the help of staff experts. Staff experts can suggest their recommendations to the line managers.
- The implementation is the responsibility of line managers. Hence, the staff experts are called as 'thinkers' while the line managers are called as 'doers'.

Fig. 3.7.1 shows structure of line and staff organization.



**Fig. 3.7.1 Line and staff organization**

### 3.7.1 Advantages of Line and Staff Organization

1. Staff department provides their expert knowledge.
2. Operational efficiency is increased.
3. Wastage of raw material, machine hours are reduced considerably.
4. Line and staff organization offer greater flexibility.
5. The work load of line executives is reduced much hence they can concentrate more on the quality of the product.
6. Line and staff functions are clearly defined, there is no possibility of confusion.
7. It possesses all the advantages of line and functional organization.

8. Services of staff executives can be used to train line executives.
9. Policy decision making becomes more easier because of staff executives.
10. Better chances of advancement for both line and staff employees.
11. Discipline and stability can be achieved.

### **3.7.2 Disadvantages of Line and Staff Organization**

1. Frequency conflict arises between line and staff departments.
2. Possibility of misunderstanding between line and staff employees if functions are not defined clearly.
3. Because of overheads of line and staff departments separately the product cost becomes very high.
4. Line executives depend too much on staff executives, in such conditions line executive may lose their initiative and creativity.
5. Line manager's approach to the problem is practical while the staff management approach being experts in their field is theoretical.

#### **University Questions**

**Q.1** *Discuss the merits and demerits of a line and staff organization with examples.*

**AU : May-07, Marks 16**

**Q.2** *What are the limitations of line and staff ?*

**AU : Dec.-06, Marks 2**

**Q.3** *Explain the difference between line and staff organisation with an examples. Discuss its merits and demerits.*

**AU : May-14, Marks 16**

**Q.4** *Elaborate the merits and demerits of line organisation and staff organisation.*

**AU : May-19, Marks 13**

### **3.8 Line and Staff Authority**

**AU : Dec.-09,04,16, May-08**

#### **3.8.1 Line and Staff Relationships**

- Before studying the aspects of line and staff authority, let us understand the few important words.
1. **Responsibility** - Responsibility means the obligation to carry out duties and achieve goals related to a position.
  2. **Authority** - Authority is right to make decisions, carry out actions and direct others related to the duties and goals of a person.
  3. **Delegation** - Delegation means assigning part of a manager's work to others along with authority and responsibility necessary to achieve results.
  4. **Line position** - A line position is a position that has authority and responsibility for achieving the major goals of the organization.

5. **Staff position** - A staff position is a position whose primary purpose is to provide specialized expertise and to assist to line positions.
6. **Line functions** - Line functions are those functions that have direct impact on e.g. Production and sales.
7. **Staff functions** - Staff functions are those functions that help the line persons most effectively in accomplishing the objectives.

Example : accounting, personnel, quality control and purchasing.

- As mentioned above for a manufacturing enterprise production and sales are typically considered line departments while purchasing and accounting are normally staff departments. However, each organization defines its major goals and designates line and staff functions.

### 3.8.2 Line Authority

- To make the difference of line and staff departments clearer, the line authority must be defined.
- Line departments have **line authority**, which is authority that follows the chain of commands established by the formal hierarchy.
- The clearer the line of authority is an enterprise to every position, the clearer will be the responsibility for decision making and effective communication. This is called as **scalar principle** in organization.
- The line authority follows the scalar principle i.e. superior exercises direct supervision over a subordinate. An organization without an effective authority structure is like an individual without discipline.

### 3.8.3 Staff Authority/Functional Authority

- Staff departments have **functional authority**, which is authority that is delegated to an individual or a department to control specified processes or matters related directly to their respective functions.
- For example, in the structure for a bank, the line departments receive their authority through the chain of command connected to the president. The bank's staff departments have functional authority in relation to other departments i.e. authority only in their area of staff expertise.
- Staff departments facilitate vertical coordination by making their considerable expertise available where it is needed, rather than following the strict chain of command.
- Functional authority is not restricted to any particular type of department or manager. It may be exercised by line, service or staff head.

### 3.8.4 Line and Staff Conflicts

- The line and staff conflict frequently arises because of following reasons.

- i. When line and staff positions are not configured properly.
  - ii. When line and staff department size is not proportionate.  
For example : staff departments sometimes grow very large and begin to look the departments they are supposed to assist.
  - iii. Responsibilities of line and staff departments are not defined clearly.
  - iv. Line and staff department are not motivated or encouraged properly.
  - v. Lack of co-ordination between line and staff departments.
- The line and staff personnel must operate unitedly as a team with joint accountability for final results.

### 3.8.5 Centralization

- Management practice in which all or most decision makers (who have the authority, control, and responsibility for the entire organization) are located in one central office (the headquarters) is called as **centralization**.
- It is a rule which means that the power of decision making of the organization remains under control of the top level management. It is also said that everything which decreases the role of subordinates can be termed as **centralization** because top level management retains everything.
- The organizational structure will be termed as centralized if the decisions that are made at lower levels are supposed to pass the strict collection of rules, procedures, and policies and in case the decisions does not give the desired outcome, then they are referred to the higher level management.
- While on the other hand, an organizational structure is known as decentralized if the decisions that are made at lower levels and passed through strict rules, procedures and policies, but still leave some of issues are left for lower-level management.

#### Definitions of Centralization

1. According to Allen, "Centralization is the systematic and consistent reservation of authority at central point in an organization."
2. According to Weihrich and Koontz, "Centralization (as an aspect of management) is the tendency to restrict delegation of decision-making."

#### Types of Centralization

- There are three types of centralization:
  1. Departmental centralization,
  2. Centralization of performance
  3. Centralization of management.

**1. Departmental Centralization :** • Specialized activities are carried out by a single department, such as, maintenance of a whole plant, staff recruitment by HR department etc.,

**2. Centralization of Performance :** • If the operations of a company are restricted to a single geographical location, it characterizes centralization of performance.

**3. Centralization as an aspect of management :** • This implies restricted delegation and exclusivity of decision-making by the top management.

### Advantages of Centralization

1. Centralization is **convenient regarding coordination** with different individuals and units.
2. Probably, the higher management might be extra professional and experienced that may lead to **effective and efficient decision making**.
3. Regarding decision-making, the higher management possesses a **broad perception** as per various situations.
4. It can help **avoid the duplication of efforts** performed different units across the organization.
5. The leadership that seems strong and efficient is promoted.

### University Questions

<b>Q.1</b>	<i>What are line relationship in line and staff organization ?</i>	<b>AU : Dec.-09, Marks 2</b>
<b>Q.2</b>	<i>What is authority ? Why does it exists in an organization ?</i>	<b>AU : May-08, Marks 8</b>
<b>Q.3</b>	<i>Explain with example the various types of authority. Mention the advantages and disadvantages of each.</i>	<b>AU : May-08, Marks 8</b>
<b>Q.4</b>	<i>Explain the concept of functional authority.</i>	<b>AU : Dec.-04, Marks 8</b>
<b>Q.5</b>	<i>Discuss the types of centralization.</i>	<b>AU : Dec.-16, Marks 6</b>

### 3.9 Committee Organization

**AU : May-17, Dec.-17**

- Committee organization has always been that employed in non-profit making undertakings such as charities and in central and local government.
- The increasing complexity of modern industry and the greater participation of workers in certain areas of management decisions have led to greater use of committee organization both in private enterprise and in the industrial sector of public enterprise.
- Management by committee requires that committees be set up to deal with specific areas of activity.

- Members of a committee may be either appointed or elected, depending upon the circumstances of the case.
- The authority committee must be clearly defined and differs from committee to committee. Most committee's authority is limited to giving advice and recommendations to management, which may or may not be needed.

### 3.9.1 Advantages of Committee

- 1) Problems are considered from more than one point of view with the result that better balanced decisions are more likely to be taken than if they are the province of one individual.
- 2) Expert advice is available to committee, either because members are experts in their fields or through an expert being co-opted. Most committee gave the power to co-opt outside advice.
- 3) Where committee members come from different sectors of the organization a greater understand of each other's difficulties in day to day administration is likely.

### 3.9.2 Disadvantages of Committee

1. By their very nature committees are prone to slowness in reaching decision. Discussion has to take place and the larger the committee the more time is taken up in discussion. A strong chairman is required to keep members from being too talkative.
2. Committee decisions are collective decisions. Hence no individual responsibility can be fixed in relation to the decisions arrived at. No member has power to act on his own.
3. Decisions are often the result of compromise between the various view point, rather than the result of persuasions and actions.
4. The slowness with which committees are prone to act may have an adverse effect on the day to day operations of the organisation.
5. A dominant member of the committee, often the chairman, can push through his views by force of personality.

#### University Questions

**Q.1** Explain the different types of organizational structures followed by the companies.

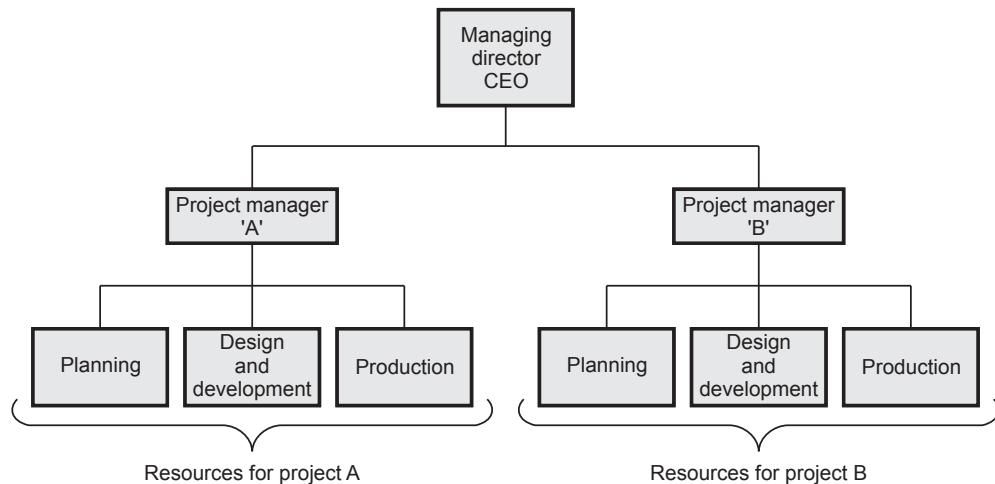
AU : May-17, Marks 13

**Q.2** Elucidate any four types of Organization.

AU : Dec.-17, Marks 13

### 3.10 Project Organization

- Project organization is when it is difficult to continue with the new business environment or situations.
- A separate department is formed to face different situations for specified time duration.
- Skilled persons from different departments are appointed for the project. All the activities of a project are co-ordinated by the project manager.
- A project organization is fully responsible for planning, design, development, production and evaluation of the assigned project.
- Fig. 3.10.1 shows project organization.



**Fig. 3.10.1 Project organization**

#### 3.10.1 Advantages of Project Organization

1. Project organization does not affect or interfere with the existing business activities.
2. Project organization uses talents of different skilled people in the organization.
3. The project activities are time bounded.

#### 3.10.2 Disadvantages of Project Organization

1. There may be possibility of conflicts between different specialists.
2. The experience gained from a project may not be relevant for other project.
3. If job specialists are hired from outside, they may lose the job after the completion of project.

### 3.11 Matrix Organization

AU : May-10, 15

- Matrix organization is formed when a project organization is superimposed on a functional organization.

- Matrix organization is suitable when there is need to handle many activities simultaneously.
- In matrix organization employee has to work under two or more supervisors and employee has to report to more than two managers.

### 3.11.1 Advantages of Matrix Organization

1. Matrix organization is more flexible than other form of organizations.
2. Better services from specialists can be availed.

### 3.11.2 Disadvantages of Matrix Organization

1. Multiple reporting of employees and supervisor may create confusion amongs employees.
2. Organizational relationship is complex.
3. It violets principle of unity of command.
4. Peoples from different departments may have low moral.

#### University Question

**Q.1** *Describe a case in which matrix organization structure will be effective. Also discuss the advantages and limitations of matrix organization.* **AU : May-10,15, Marks 10**

### 3.12 Formal and Informal Organizations

**AU : Dec.-09, 06, 04, May-12, 10, 08, 07, 15, 17**

#### 3.12.1 Formal Organizations

- A formal organization has a well defined structure that may describe its authority, purpose, accountability and responsibility relationships.
- The structure also defines the channels through which communications take place. All organization members have clearly specified jobs. The hierarchy of objectives are clearly stated.
- Formal organizations are durable and planned. The formal organizations are relatively inflexible due to their hierarchy.

#### 3.12.1.1 Characteristics of Formal Organization

- Well defined rules and regulations.
- Bound by delegation.

- Arbitrary structure.
- Determination of objectives and policies.
- Limitation on activities of people.
- Strict observance of principles co-ordination.

### **3.12.2 Informal Organizations**

- Informal organization refers to what people do of their own in relation to their needs, emotions and attitudes. Because of friendship, kindship or close relationships human beings associate themselves in groups of their own choice.
- Informal organization is loosely organized, flexible and spontaneous. Membership in informal organizations may be gained either consciously or unconsciously.
- The exact nature of relationships among the members and goals of organization are unspecified. Peoples are not bounded by procedures and regulations.
- Under informal organization likes and dislikes are more important than delegation of authority and responsibility. Freedom of action is the silent feature of this organization.
- Informal organization may extend not only to individuals but also to groups within and outside the organizational set up.

#### **3.12.2.1 Characteristics Features of an Informal Organization**

- Informal organization develops spontaneously.
- It is based on informal authority that attaches to the person, not to the position.
- It provides satisfaction of social needs.
- It provides a good channel of motivation and communication.
- It has great impact on productivity and job satisfaction.

### **3.12.3 Comparison of Formal and Informal Organization**

AU : May-12

	<b>Formal organization</b>	<b>Informal organization</b>
1.	It is a planned structure based on duties and procedures.	It is not deliberately structured but an outcome of social relation.
2.	More emphasis is on work specialization than skill, talent of individual.	People are motivated and influenced by status, friendship reconisiation of desire, sentiments and social customs.
3.	Motivating force is economic incentive in the form of promotion increment.	Motivating force is social and personal needs.
4.	A formal organization is designed to require people to do things in a prescribed manner, to obey orders from designated managers and to co-operate in order to achieve acknowledge objective.	An informal organization is neither prescribed nor predetermined. It is spontaneous, transitory growing diminishing.

5.	A formal organization has a hierarchy of jobs, authority relationship and rules for compliance and codes for punishment in case of non-observance of rule and regulations.	Informal organization has leadership structure, rules standards, norms, rewards but all these are neither prescribed nor followed by any mandatory procedures for execution.
6.	Formal organization is a rational system with minimum variability in its functioning.	It is a natural, social, human system which allows and accommodates variability.
7.	Communication is through authority channels (scalar chain).	Communication channel is completely haphazard but spontaneous (grapenvine).
8.	Person working at higher position is the leader.	Only those can emerge as leaders who can exert influence on its members.

### 3.12.4 Issues of Organizational Culture

- Organisational culture is deep : there is a danger that if management treat it as a superficial phenomenon and assume it can be changed at will, they will fail!
1. Organisational culture is normally and inherently stable (resistant to change). Humans do not like chaotic, unpredictable situations - and they naturally work hard to stabilise things = resistance to cultural change!
  2. Culture clash: When one or more cultures are integrated into one environment, causing disruption and challenging contemporary traditions. Corporate culture has become the buzzword as the culprit and potential solution for the problems of modern capitalism.
  3. Slow to react to external/internal changes as systems are designed for stability
  4. Too many structural layers slow down and reduce communication effectiveness
  5. Authority Is maintained centrally, reducing the effectiveness of front-line staff
  6. Problems take too long to solve and keep recurring, wasting time and resources
  7. Purposes are often in conflict (Ex: finance wants to save - depts. need to spend)
  8. The structures and systems create problems by dividing and boxing people
  9. Most people are excluded from the decision-making and thinking processes thereby limiting potential to change and adapt quickly
  10. People are not involved or included in the purpose of the organization and feel apart from it rather than a part of it
  11. Failure is a greater focus than success
  12. The organization does not perform as well as it should or could

**University Questions**

<b>Q.1</b>	<i>Compare formal and informal organizations.</i>	<b>AU : May-10, 15, Marks 6 ; May-08, Marks 4</b>
<b>Q.2</b>	<i>Describe formal and informal organizations.</i>	<b>AU : Dec.-09, Marks 8</b>
<b>Q.3</b>	<i>Cite an example for formal and informal organization.</i>	<b>AU : May-07, Marks 2</b>
<b>Q.4</b>	<i>Why is informal organization needed ?</i>	<b>AU : Dec.-06, Marks 2</b>
<b>Q.5</b>	<i>Explain how formal organization is different from informal organization. Illustrate.</i>	<b>AU : Dec.-04, Marks 6</b>
<b>Q.6</b>	<i>Distinguish between formal and informal organization.</i>	<b>AU : May-12, Marks 8</b>
<b>Q.7</b>	<i>Explain the issues of organizational culture in modern business organizations.</i>	<b>AU : May-17, Marks 15</b>

**3.13 Departmentation****AU : May-12, 07, 13, 15, Dec.-16, 09, 07,16**

- **Departmentation** means dividing and grouping the activities and employees of an enterprise into various departments. It is a process of division of total work of an enterprise into individual functions and subfunctions.
- A department is a distinct area, division or a branch of an enterprise over which a manager has authority for the performance of specified activities.
- Under departmentation, the total employees and subordinates is divided into small groups and the span of control is also reduced.
- Due to departmentation controlling, directing, assigning responsibilities, accountability becomes easier.

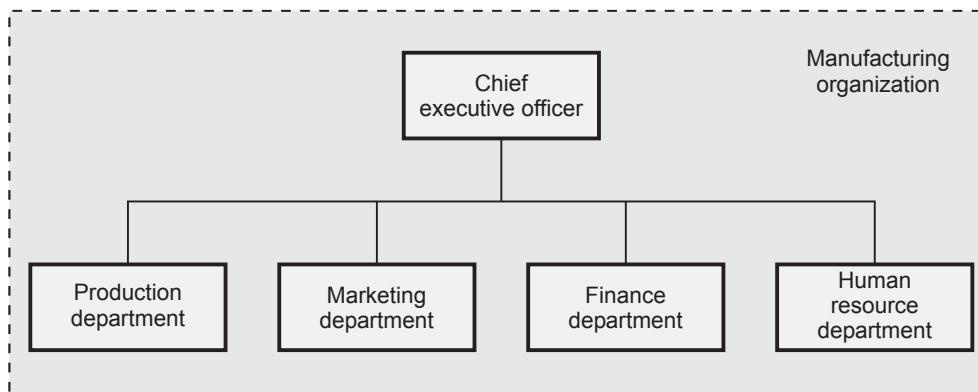
**3.13.1 Departmentation Strategies**

- Departmentation is used to facilitate management and administration. There are different varieties of business organization. Hence to fulfill their requirements, different departmentation strategies are introduced.
- Following are important departmentation strategies :

  1. Departmentation based on function.
  2. Departmentation based on method/process.
  3. Departmentation based on product.
  4. Departmentation based on territory.
  5. Departmentation based on customer.

**3.13.2 Departmentation based on Function****AU : May-12**

- The functional structure is the most common form of organizing. In all business concerns there are primary functions. The division of roles and reporting responsibilities are based on functions such as production, marketing, finance, research and development etc.
- Departmentation based on function is shown in Fig. 3.13.1.

**Fig. 3.13.1 Departmentation by function****Advantages**

- There is logical reflection of functions.
- It follows principles of specialization.
- It is a good mechanism for control.
- It maintains power and prestige of functions performed.
- Training is simplified.

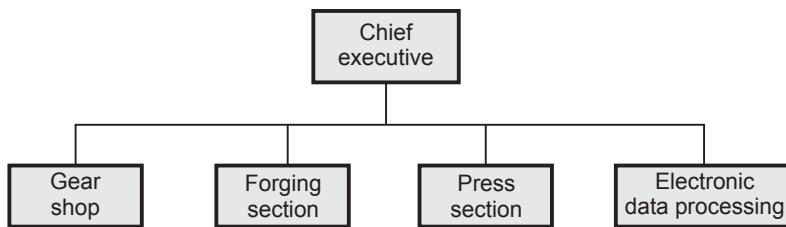
**Disadvantages**

- It is not suitable for an enterprise operating over large area.
- Responsibility for profits tends at top.
- There are possibilities of centralization in decision making.
- Co-ordination among departments become difficult.

**3.13.3 Departmentation based on Method / Process**

- This method of departmentation is used in manufacturing organizations where machines / processes need special skills for operating them.

- There are a number of processes involved in manufacturing organizations. Various process are assigned to different departments. For example allocating areas in the plant for manufacturing gears, presses. Similarly, a separate department for electronic data processing may be desired. This type of structure is mainly motivated by cost and economic considerations.
- Fig. 3.13.2 shows departmentation based on method or process.



**Fig. 3.13.2 Departmentation based on method**

### Advantages

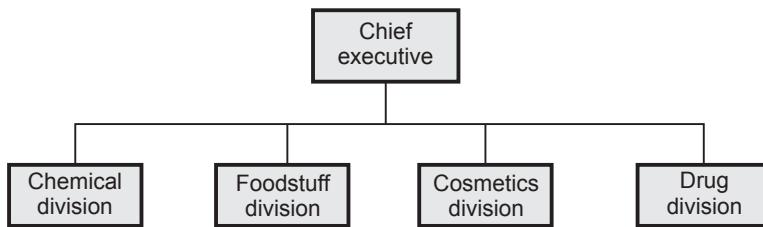
1. Economic advantage can be achieved.
2. It uses specialized technology.
3. It requires special skills.

### Disadvantages

1. Co-ordination among departments is difficult.
2. Responsibility for profit is at the top.

### **3.13.4 Departmentation based on Product**

- Product departmentation involves establishing each product or group of related products as relatively autonomous integrated unit within the frame work of organization.
- It is used where specialization is required with respect to specific products of the company. For example, a company may deal with number of product lines such as chemical, drug, foodstuffs, cosmetics etc. and may have separate divisions for each of the product line.
- Fig. 3.13.3 shows product wise departmentation.

**Fig. 3.13.3 Departmentation by product****Advantages**

1. Greater emphasis on product lines.
2. Can provide better customer service.
3. Responsibility for profit is divided.
4. Multiple growth and diversity of product and services.

**Disadvantages**

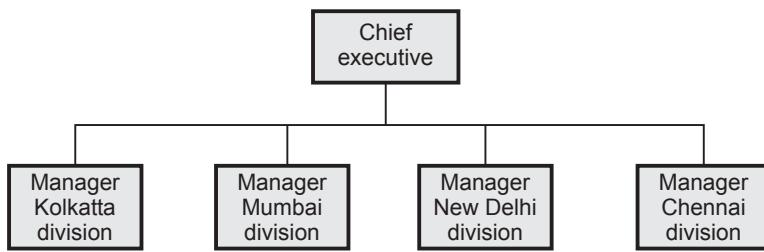
1. A customer has to deal with different sales persons.
2. Cost for infrastructure set up is increased.
3. Duplication of activities.
4. Controlling of all product lines is difficult.

**3.13.5 Departmentation based on Territory / Geography**

- Departmentation based on territory is useful for large-scale enterprises having activities which are physically or geographically spread out.
- It encourages local participation in decision making and takes advantage of economics of localized operations.
- Geographical divisionalisation involves the grouping of the primary activities in terms of the geographic region or area to be served. It is most suitable for catering to customers in different localities. Fig. 3.13.4 (See Fig. 3.13.4 on next page) shows departmentation by territory.
- This pattern of departmentation is more suitable for sales and production, not for finance since it is usually concentrated at the head quarters.

**Advantages**

1. It generates regional expertise and managers can tackle customers and better competition.
2. It places responsibility of lower management level.



**Fig. 3.13.4 Departmentation by territory**

3. It reduces costs of operation and maintenance because of the proximity to the territory of operation.
4. It gets benefits of lower freight, lower rents and lower labour cost.
5. It provides special attention to the needs and problems of local market.
6. It improves co-ordination on a regional basis.
7. It improves face to face communication with local customers.
8. In this type of organization the manager in the territory has to carry out many different functional and managerial activities. It thus provides a better training ground for managers.

### Disadvantages

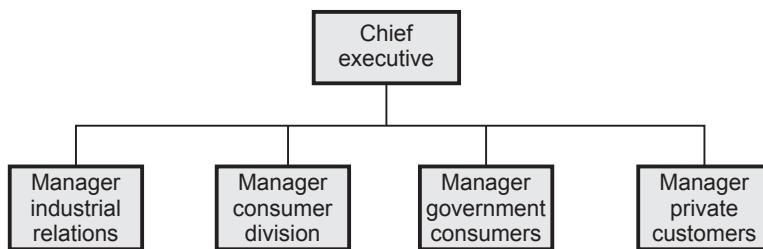
1. It requires higher cost of co-ordination and control from headquarters.
2. It results in more managerial levels which increases overhead cost.
3. It is not suitable for departments like finance, where no gains are possible through specialization on local markets.
4. It increases problems of top management control.

### **3.13.6 Departmentation based on Customers**

- Departmentation based on customers involves grouping activities so they reflect a primary interest in customers. The departments are organized to look after various categories of customers. Interests of individual buyers such as - industrial buyers, wholesalers, government, public undertakings are looked after by separate departments. Fig. 3.13.5 shows departmentation based on customers.

### Advantages

1. It provides greater specialized customer service.

**Fig. 3.13.5 Departmentation based on customers**

2. It is very useful where marketing channels are considerably different for various customers.
3. It develops expertise in customer area.

### **Disadvantages**

1. There may not be enough work leading to under employment of facilities and manpower specialized in terms of customer groups.
2. Problems of co-ordination may cause difficulties.
3. It leads to unequal development of customer groups.
4. It requires expertise in customer problems.

### **University Questions**

- Q.1** Name the factors determining departmentation. Also mention the basics of departmentation and give examples. **AU : Dec.-07, Marks 16**
- Q.2** What do you mean by departmentation? Discuss in detail about the different strategies adopted in departmentation. **AU : May-07, Marks 16**
- Q.3** State and explain the principles of departmentation. **AU : Dec.-09, Marks 8**
- Q.4** What is meant by departmentation? Explain the need and importance of departmentation. **AU : May-13, Marks 16**
- Q.5** Describe the various bases for departmentation and suggest a scheme of departmentation for a large marketing organization with a field network all over the country. **AU : May-15, Marks 16**
- Q.6** Explain briefly about the various types of departmentation. **AU : Dec.-16, Marks 16**

### **3.14 Decentralization of Authority**

**AU : May-12, 08, 05, Dec.-09, 07, 05**

- **Decentralization of authority** is the extent to which power and authority are delegated to lower levels in an organized structure.
- Opposite of decentralization is centralization of authority. The **centralization of authority** is the extent to which power and authority are retained at the top organizational levels. But the entire authority can not be concentrated in few

hands, some decentralization of authority is necessary. The overall trend has been towards greater decentralization.

- Due to changing environment and increasing demands, the organizations become more complex with large number of departments and divisions. For such complex organizations to be effective, authority can not remain in the hands only of the top-level executives.
- Authority to take decisions must be distributed throughout the organization so that decisions can be made on a timely and focussed basis.
- There is a range of options available in terms of decentralization as shown in Fig. 3.14.1. (Refer Fig. 3.14.1 on next page)
- Various organizations by using highly decentralized organization structure have obtained positive results. These organizations are General Electric (GE), Motorola and AT&T.
- There can be problems with decentralization also. The more authority distributed among the organization's various departments and divisions, the more difficult it is to ensure coordination and consistency throughout the organization.
- A much decentralized approach may cause failing of co-ordinated efforts, which in turn resulted in overspent budget and missed delivery deadlines.
- The key to developing an effective authority structure is balance : Authority must be centralized enough to ensure consistency and co-ordination, and decentralized enough to provide for timely and focussed decisions and actions by managers in various units of the organization.

### 3.14.1 Factor Affecting Decentralization

1. Cost lines of decision
2. Desire of uniformity
3. Size of organization
4. History of enterprise
5. Management philosophy
6. Availability of managers
7. Control techniques
8. Decentralized performance

### 3.14.2 Merits of Decentralization

- Major advantages or merits of decentralization are :

#### 1. Reducing burden of top executives :

Encouraging decision making at lower levels tends to ease the heavy work-loads of executives, leaving them more time to focus on major issues.

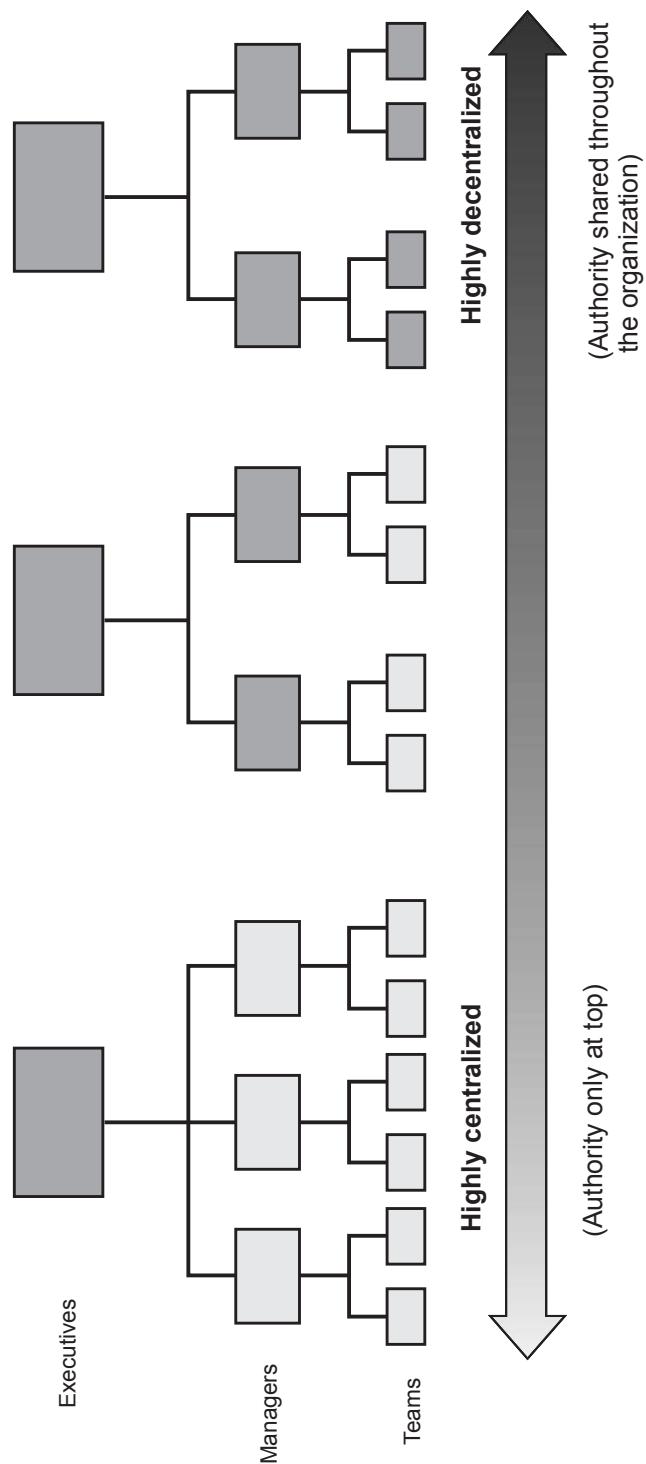


Fig. 3.14.1 Authority patterns in organization

2. Decentralization enriches the jobs of lower level employees by offering workers the challenge associated with making significant decisions that affect their work.
3. Decentralization leads to faster decision at lower levels, because most decisions do not have to be referred up the hierarchy.
4. Individuals at lower levels may be closer to the problems and therefore, in a better position to make good decisions.
5. Decentralization often leads to the establishment of relatively independent units, such as divisions, whose output is easier to measure than that of units in a functional design.

### **3.14.3 Demerits of Decentralization**

1. Uniform policy about decentralization can not be implemented.
2. Organization complexity increases.
3. Upper management loses some control in organization.
4. Decentralization may be limited by inadequate control techniques and planning and qualified managers.
5. External forces like-labour union, tax policies, government control may restrict smooth functioning.

### **University Questions**

**Q.1** *What are the advantages and disadvantages of decentralized organization ?*

**AU : Dec.-09, Marks 8**

**Q.2** *Bring out factors affecting centralization/decentralization. State the merits and demerits of decentralization.*

**AU : May-08, Marks 16**

**Q.3** *What is decentralization ?*

**AU : Dec.-07, Marks 2**

**Q.4** *Explain the concept of decentralization.*

**AU : Dec.-05, May-12, Marks 8**

**Q.5** *Explain the factors determinating the degree of decentralization of authority.*

**AU : May-05, Marks 10**

### **3.15 Power**

- **Power** is defined as the capacity ability to influence others. Thus the greater a person's power, the greater the potential for influencing others.
- Power can be thought of as a basis for exerting influence. It can be used "to change the course of events, to overcome resistance and to get people to do things that they would not otherwise do". However the fact that a leader, or anyone else, has power does not guarantee that he or she will use it - or use it well. Possession and use are two different matters.

### 3.15.1 Types and Sources of Power

- Power does not arise spontaneously or mysteriously. Rather it comes from specific and identifiable sources. The two major types of power, based on their sources, are position powers and personal powers.
- **Position power** is based on a manager's rank in an organizational structure and is given to the manager by superiors.
- **Personal power** is based on a person's individual characteristics and is in part given by subordinates.

### 3.15.2 Position Powers

- A person's position in an organization provides a base for the exercise of this type of power. Specifically, the major kinds of power that are attached to a position include legitimate power, reward power, and coercive power.

#### A) Legitimate power

- Legitimate power is a type of position power granted to a person, say a manager, by the organizational hierarchy. It is sometimes called **formal authority**. In the work setting, such power is intended to give a manager a designated right to expect compliance by his or her employees.

#### B) Reward power

- One of the strongest sources of position power for any manager is **reward power**, that is the authority to give out rewards, especially differing amounts of highly valued rewards to different people, bonus, promotions, special training etc.

#### C) Coercive power

- **Coercive power** is the power to administer punishments, either by withholding something that is desired, such as a raise, or by giving out something that is not desired, such as a letter of reprimand (blame). Coercive power is used indirectly in the form of implied threats.

### 3.15.3 Personal Powers

- **Personal powers** are attached to a person and thus stay with that individual regardless of the position or the organization. For those who want to be leaders, personal powers are especially valuable because they do not depend on the actions of others or of the organization.
- The two major types are expert power and referent power.

**A) Expert power**

- Power derived from the leader's personal skills, technical knowledge and experience that is valued by others is called as **expert power**.
- Expert power is based on specialized knowledge not readily available to many people. It is precisely because many people do not have a particular knowledge that makes expertise a potential source of power.
- The potential is translated into actual power when other people depend on or need advice from those have that expertise.
- The best example of expert power in everyday life is the physician-patient relationship. Most people follow their doctor's directives not because of any formal position power but because of the potential negative consequences of ignoring their expertise.

**B) Referent power**

- Power derived from the ability to inspire respect, being admired or liked by others is **referent power**.
- When people are attracted to or identify with someone, that person acquires what is called **referent power**. This power is gained because other people "refer" to that person. They want to please that person or in some way receive acceptance. Referent power can be recognized by subtle occurrences.
- A subordinate, for example, may begin using gestures similar to those of his superior or even imitating certain of his unique speech patterns.
- **Power** is the capacity to affect the decisions, attitudes and behavior of others.

**C) Informational power**

- Power that results from access to and control over the distribution of important information about organizational operations and future plans is called the **informational power**.
- Effective leadership is based not on having power, but rather on how the leader uses the power.

Fig. 3.15.1 shows types and amount of power. (Refer Fig. 3.15.1 on next page).

**3.16 Delegation of Authority****AU : May-10, 15, 08**

- In an organization there is a limit to the number of employees that a manager can supervise effectively. Also, it is not possible for a person to do all the tasks necessary for accomplishment of goals. Therefore, delegation is necessary in an organization.
- Through delegation of authority a manager is given right to plan the activities of his department, instruct the subordinates and use the resources of the

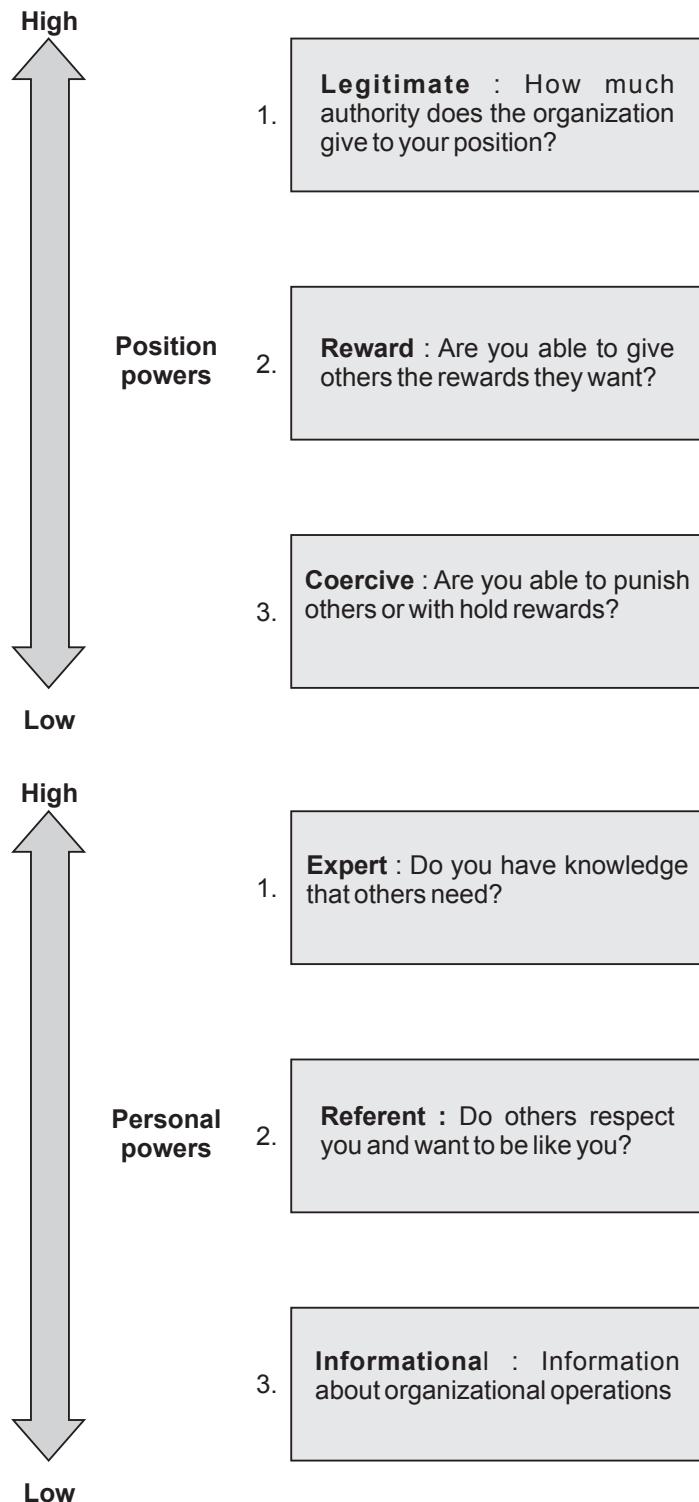


Fig. 3.15.1 Types and amount of power

organization. The authority is to be assigned to the subordinates for carrying out their work efficiently.

- **Delegation of Authority** - **Delegation of authority** is assigning a part of manager's work to others, along with both the responsibility and the authority to achieve results.
- Delegation involves moving decision making authority and responsibility from one level of the organization to the next lower level.
- Delegation allows the hierarchy to be both more efficient and more effective by solving the problem at lowest possible level.
- Delegation facilitates developing subordinates to fulfill the future managerial positions. The ability to manage is determined by one's ability to delegate.

### 3.16.1 Elements of Delegation

- The process of delegation involves three essential elements -
  - i) Grant of authority
  - ii) Creation and assignment of responsibility
  - iii) Establishing accountability or obligation
- The delegator grants authority i.e. superior gives a permission for allotted work with rights to carry the allotted work. The delegator then assigns duties to subordinates.
- The delegator creates an obligation or accountability for terms of conditions and standards.

### 3.16.2 Principles of Delegation

- Basic principles of delegation are as under :

#### 1. Equality between authority and responsibility

- As authority and responsibilities are related with each other to facilitate administrative functions. If excess authority is delegated than the responsibility, people will misuse the authority and if excess responsibility is given than the authority, the result can never be achieved.

#### 2. Expecting results as responsibility

- The responsibility should be specific on a specific person. The authority should be delegated to the most competent person. Delegation of authority should be counted in terms of responsibility.

#### 3. Unity of command

- To avoid confusion, conflicts and duplication of work, the orders, instructions and guidelines should flow to a subordinate from a single superior. Multiplicity of accountability leads to many problems.

#### 4. Delegation of responsibility

- Only authority and responsibility can be delegated, but accountability can not be delegated. Delegation of authority does not mean that superior can escape his responsibility. Supervisor is also responsible for the acts of subordinate.

#### 5. Overlapping of responsibility

- While delegating the authority, the duties and responsibilities must not be overlapped.

#### 6. Limits of authority

- The area and extent of authority delegated should be defined and clarified exactly.

### 3.16.3 Characteristics of Effective Delegation

- The characteristic features of delegation are listed below :
  - i) Delegation is assigning a part of manager's work to the subordinate.
  - ii) Delegating authority to subordinate does not mean the loss of authority.
  - iii) The delegated authority can be modified as and when needed also it can be withdrawn under certain circumstances.
  - iv) The authority can be delegated to the subordinate of the upward, downward or sideways.
  - v) Only authority and responsibility can be delegated but not its accountability.
  - vi) Delegation can be general or specific in nature.
  - vii) Delegation of authority can be communicated either in written or orally to the subordinate.
  - viii) The process of delegation is an art, but it is to be practiced scientifically.

### 3.16.4 Guidelines of Effective Delegating

- Some guidelines on how to delegate effectively are shortlisted below -
  - i) The secret of delegating is determining capacity of each member in an organization. Carefully choose the subordinate who should be delegated. Usually it is someone immediately below you in the organization's hierarchy.
  - ii) Subordinate should be informed about the objectives of the tasks assigned to them. Subordinates must be convinced clearly about the importance of the task and his contribution to meet the objectives.
  - iii) Once the goal is defined, consider whether the person chosen can handle the responsibility, will the task be a challenge, but not so difficult that the subordinate gets frustrated.

- iv) Make sure that the subordinate has the time, budget and data or equipment needed to get the job done-on a deadline. If someone needs training to accomplish the task, be prepared to make the investment. One can do the job himself in the time it takes to train some-one else, but the hours spent training the individual will be repaid many times over in the future.
- v) Set up specific check points to review the progress to be sure that work is progressing as planned.
- vi) For any excellent performance the subordinates should be motivated through financial and non-financial ways.
- vii) Be prepared for the results less than the perfect result.
- viii) Adhere to the principles of effective delegation.

### **3.16.5 Managers Relucting Delegation**

- A supervisor administrator does not delegate adequate authority to the subordinate. Following are the reasons why a manager is reluctant to delegate the authority.
  - i) A supervisor generally does not delegate because of his love for authority. Some people have intense desire to impress others, to make their importance felt and to see that their subordinates come frequently to them to get their decisions approved. This is desire of love for authority, and because of this a supervisor delegates inadequately.
  - ii) The attitude of superior also determines the degree of delegation. A superior of democratic style delegates more authority than a superior of autocratic style. An autocratic leader issues orders and instructions and insists on compliance. Decision making rests with superior. He does not allow his subordinates to influence the decision.
  - iii) Sometimes superiors do not delegate fearing of being exposed, since delegation will expose the managerial shortcomings being practised. Generally this happens when some poor or non-standard procedures, methods are practised.
  - iv) The subordinates when promoted in the hierarchy, they want to continue to make decisions for the positions they have left. Such persons hardly delegate adequately.
  - v) Superiors can assign their duties to subordinates and can delegate authority; but responsibility can not be delegated. If subordinates make wrong decisions, the superior is responsible for this. Hence superiors are not willing to take risk, consequently they hold authority with them.
  - vi) The conception of superior that subordinates are not capable of carrying authority properly or they are not competent to take appropriate decisions, also they may create challenges to the superior's positions.
  - vii) Lack of faith in subordinates results in inadequate delegation.

### 3.16.6 Difficulties in Delegation

- Delegation of authority, though it is a simple process but there exists difficulties or problems while delegating the authority.
  - i) Lack of confidence in subordinates  
If the manager has less or no confidence in the subordinates ability to perform assigned job, he will not delegate the authority.
  - ii) Lack of team spirit among the members of organization.
  - iii) Lack of ability to direct and guide on the part of managers affects delegation.
  - iv) If the manager doesn't have adequate control over subordinates.
  - v) The subordinate may not accept the authority and new challenges due to fear of committing mistakes.
  - vi) Lack of working facilities for delivering the duties may affect accepting the responsibility.
  - vii) Defective and inadequate planning also policy of organization.

### 3.16.7 Comparison of Delegation and Decentralization

	Delegation	Decentralization
1.	Delegation is a process which enables a person to assign works to others.	Decentralization is the end result achieved by delegation.
2.	Delegation takes place between superior and subordinate.	Decentralization is between top management and various departments.
3.	Delegation control is entirely depends on superior.	Top management exercises only over all control and delegates the power.
4.	Delegation is a must for management.	Decentralization is optional.

### 3.16.8 Types of Delegation

- Delegation can be of two types :
  1. Over delegation.
  2. Under delegation.

#### 1. Over delegation

- When superior over burdens their subordinates due to insecure ability to perform any task and poor time management for the task is called over delegation.

#### 2. Under delegation

- When superior assigns very less responsibility to their subordinates due to false assumptions and due to lack of trust in subordinates is called under delegation.

**University Questions**

- Q.1** "Delegation is the ability to get result through others" - discuss. Explain the steps and guidelines to be followed while delegating authority. **AU : May-10, 15, Marks 8**
- Q.2** What do you understand by 'over delegation' and 'under delegation' ? **AU : May-10, Marks 2**
- Q.3** What is meant by delegation of authority ? **AU : May-08, Marks 2**
- Q.4** Define the term "delegation". **AU : May-08, Marks 2**

**3.17 Human Resource Management (HRM) AU : May-08,07,17, Dec.-11,05**

- **Human Resource Management (HRM)** is a strategic approach to the management of an organization's most valuable assets the people working, who individually and collectively contribute for achieving its objectives.

**Purpose of HRM**

- i) To enable management to achieve organizational objectives through its workforce.
- ii) To utilize the manpower to its full capacity and potential.
- iii) To integrate human resource policies with business plans and reinforce an appropriate culture as necessary.
- iv) To create conditions in which innovation, team working and total quality can flourish.

**3.17.1 Principles of HRM**

- Effective and successful HRM is highly cost effective and profitable aspect of management. Organizations have general obligations to their staff.
- The management of the human resource is recognised as an area of high expertise. The HRM is based on following principles :

**1. Employees are valued assets :**

- The most fundamental belief of HRM is that sustainable competitive advantage is achieved through people. Therefore they should be considered not as variable costs but as valued assets in which to invest, thus adding to their inherent value.

**2. Strategy and culture :**

- The organizational effectiveness can be increased significantly by human resource strategies and by culture of organization.

**3. Emphasis on commitment rather than compliance :**

- The optimum utilization of human resource will be achieved by developing consistent and coherent policies which promote commitment to the organization.

**4. Emphasis on the key role of line management :**

- HRM is owned by line managers who alone have the responsibility for managing their staff. The role of the HR function is to enable line managers to fulfil their HRM responsibilities effectively.

**3.17.2 Objectives of HRM**

- Human resource strategies and policies are designed and devised to meet the operations and undertakings of the organization. HR strategies reflect overall aspirations, policies, direction, skills, knowledge and expertise.
- It defines the formation of required culture, attitudes, values and beliefs. To achieve the desired goals of an organization following objectives of HRM are identified.
  - i) To enable management to achieve organizational objectives through its workforce.
  - ii) To utilize the manpower to its full capacity and potential.
  - iii) To integrate human resource policies with business plans and reinforce an appropriate culture as necessary.
  - iv) To create conditions in which innovation, team working and total quality can flourish.
  - v) To create environment in which the creativity of employees will be unleashed.
  - vi) To maintain healthy and safe working environment.
  - vii) To get right people in the right place at the right time with the necessary skills. This involves policies in respect to recruitment, training.
  - viii) To retain stability in the employees through pay and benefits (individual career planning).
  - ix) To implement the changes that comes about from major operational strategies. This involves relocation and retraining.
  - x) To ensure that staff moves in the right direction through the establishment of standards, performance control system and building long term employee relationships.

**3.17.3 Functions of HRM**

- The HRM activities play a key role in any organization. The important functions of HRM are discussed below.
  - i) Formulating HRM strategy
  - ii) Restructuring of organization
  - iii) Training and development

- iv) Resourcing
- v) Human resource planning
- vi) Compensation and reward

Fig. 3.17.1 shows important functions of Human Resources Management.



Fig. 3.17.1

### i) Formulating HRM strategy

- Formulating strategies which set clear directions for long-term development and provide the basis for building a coherent approach to personnel management.

### ii) Restructuring of organization

- Helping organization in restructuring of organizations and the redesign of jobs to fit projected changes in product systems, technologies.

### iii) Training and development

- Introducing communication, participation and performance management systems and implementing educational programmes improves the performance of individuals and groups.

- The training and development programmes are necessary to identify the company's mission and values and to develop behaviour and attitudes which support their achievement.
- It also helps in implementing **quality management** assisting with the introduction of **total quality management** approaches through education and training processes, and involving in quality improvement programmes.

#### iv) Resourcing

- Resourcing is acquiring human resources to the changing requirements of the organization. What type of people are required, where are they likely to be now, what are the best mechanisms to use to attract them to apply for vacancies.
- To identify matches overmatches, undermatches and mismatches and use this as the basis of informed effective remedial action.
- Quality of product and prestige of organization depends on them.

#### v) Human resource planning

- Human resource planning uses demand and supply forecasting techniques to determine the future workforce requirements of the company.
- Human resource planning involves different resourcing, retention development and termination policies.
- Human resource planning techniques ensures that the demand and supply factors in assessing future requirements are fully taken into account. It provides the basis for action plans dealing with recruitment, management, training, retraining, career progression and the improvement of productivity.
- HR planning involves forecasting the required work force considering both external and internal supplies. The internal supply is easier to calculate, it is important to calculate the external supply as accurately as possible.
- Estimating internal supply considers that employees move from their current jobs into others through promotions, lateral moves and terminations. Also the internal

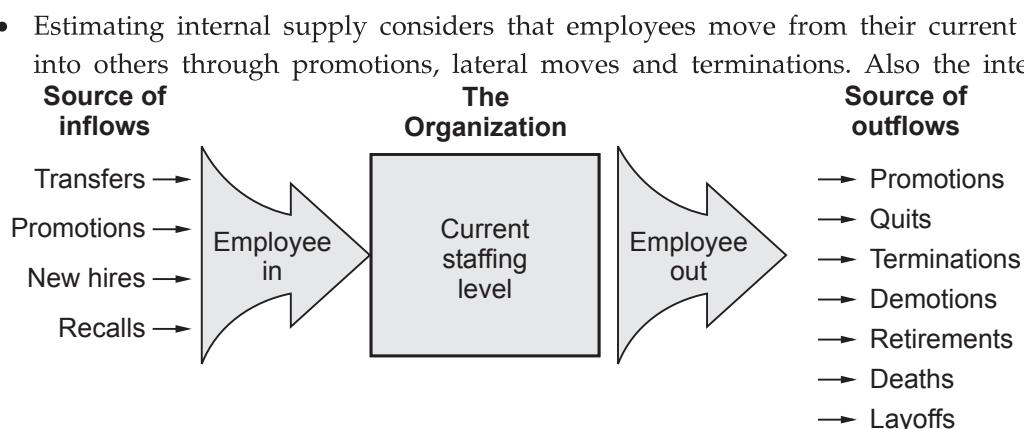


Fig. 3.17.2 Estimating internal staffing

supply is influenced by training and development programs, transfer and promotion policies and retirement policies. Fig. 3.17.2 shows how the internal supply can be calculated.

#### vi) Compensation and reward

- Compensation determines salary and wage structures.
- The external factors like globalization, increased competition and environmental uncertainty have resulted in designing of significant **reward system**. A reward system defines the performance expectations and rewards according to their contribution.
- A reward system comprised of both financial and non-financial rewards. An important aspect in the design of reward systems is to achieve a certain balance between financial and non-financial rewards.

#### University Questions

<b>Q.1</b>	<i>What is the purpose of HRM ?</i>	<b>AU : Dec.-05, Marks 2</b>
<b>Q.2</b>	<i>Discuss the steps involved in providing appropriate human resources.</i>	<b>AU : May-07, Dec.-11, Marks 8</b>
<b>Q.3</b>	<i>What are the sources of human resource outside the organization ?</i>	<b>AU : May-08, Marks 6</b>
<b>Q.4</b>	<i>Describe the Human Resource Management activities in a business organization.</i>	<b>AU : May-17, Marks 13</b>

### 3.18 Manpower Planning

**AU : Dec.-18**

- Manpower planning is an important function of Human Resource (HR) department. Manpower management is essential in major subprocesses like planning, organizing, staffing, directing and controlling.

- According to **Edwin B. Geisler** :

**Manpower planning** is the process by which a firm insures that it has the right number of people and right kind of people, at right places, at right time, doing things for which they are economically most useful.

- Manpower planning is related to following activities.
  - a) Establishing and recognizing future job requirements.
  - b) Assured supply of qualified participants.
  - c) Development of available manpower e.g. training, experience and carrier planning.
  - d) Effective utilization of available work force.

### 3.18.1 Objectives of Manpower Planning

1. To help the organization reach its goals.
2. To ensure effective utilization and maximum development of human resources.
3. To ensure respect for human beings. To identify and satisfy the needs of individuals.
4. To ensure reconciliation of individual goals with those of the organization.
5. To achieve and maintain high morale among employees.
6. To provide the organization with well-trained and well-motivated employees.
7. To increase to the fullest the employee's job satisfaction and self-actualization.
8. To develop and maintain a quality of work life.
9. To be ethically and socially responsive to the needs of society.
10. To develop overall personality of each employee in its multidimensional aspect.
11. To enhance employee's capabilities to perform the present job.
12. To equip the employees with precision and clarity in transaction of business.

### 3.18.2 Importance of Manpower Planning

1. **Key to managerial functions** - The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.
2. **Efficient utilization** - Efficient management of personnel becomes an important function in the industrialization world of today. Setting of large scale enterprises requires management of large scale manpower. It can be effectively done through staffing function.
3. **Motivation** - Staffing function not only includes putting right men on right job, but it also comprises of motivational programs, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans become an integral part of staffing function.
4. **Better human relations** - A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.
5. **Higher productivity** - Productivity level increases when resources are utilized in best possible manner. Higher productivity is a result of minimum wastage of time,

money, efforts and energies. This is possible through the staffing and its related activities (Performance appraisal, training and development, remuneration).

### **3.18.3 Manpower Planning Process**

- Manpower planning process considers four categories of employees.
  - 1) Existing staff
  - 2) New recruits
  - 3) Potential staff
  - 4) Leavers

Each of these categories requires different decisions to be made by managers concerned. These includes -

Sr.No.	Category	Decision required
1.	Existing staff	Performance appraisal
		Productivity
		Deployment
		Opportunity
		Training
		Remuneration
2.	New recruits	Promotion
		Recruitment methods
		Selection
		Induction
		Training
3.	Potential staff	Terms of contracts
		Public relations
		Employee benefits
4.	Leavers	Dismissal for poor performance
		Retirements
		Labour turnover

- Manpower planning process involves following steps
  - 1) Identify demand for manpower.
  - 2) Assess personnel supply (existing and potential).
  - 3) Forecast manpower requirement.
  - 4) Periodic review.

### 3.18.4 Advantages of Manpower Planning

- The benefits from the planned approach of manpower planning, use and deployment of people throughout the organization include :
  1. Appropriately skilled and flexible workforce.
  2. Ability to respond to change.
  3. Stability in the core of the workforce.
  4. Reduced need to recruit externally.
  5. Improved morale and employee relations.
  6. Improvement in quality of products/services.
  7. Higher productivity.

#### University Question

**Q.1** Explain in detail about the human resources planning ?

**AU : Dec.-18, Marks 13**

### 3.19 Recruitment

**AU : May-19**

- Recruitment is one of the challenging activities of personnel managers. **Recruitment** means securing human resources for organization. The principle purpose of recruitment activities is to attract sufficient and suitable potential employees.
- If there is a vacancy, it is to be filled by newly recruited employee. Potential vacancies occur either through someone leaving the organization or as a result of company expansion. Vacancies caused by expansion may be real or imagined.
- When it is decided to recruit, then there are four questions to determine the vacancy :
  1. What does the job consist of ?
  2. In what way is it to be different from the job done by the previous incumbent ?
  3. What are the aspects of job that specify the type of candidate ?
  4. Key aspects of job that the ideal candidate wants to know before deciding to apply.
- **Recruitment** is defined as the process of searching for prospective employees and stimulating them to apply for jobs in concern.

### 3.19.1 Sources of Recruitments

- Once it is decided to recruit employee, various sources of recruitment are considered and a cost effective and appropriate method or source of recruitment is selected.
- The sources of recruitment for different categories of employees are classified as -
  - Internal sources
  - External sources

#### 3.19.1.1 Internal Sources

- Internal sources of recruitment means recruiting the employee within the organization.
- Internal recruitment is implemented through promotions and transfers.
- Promotion** is defined as the movement to a position in which responsibilities, rights and prestige are increased.
- Promotion involves an increase in rank and results in higher earnings but increased earnings are not essential in promotion. Many organizations have **systematic promotion plans** as per seniority.
- Transfer** involves the shifting of an employee from one job to another without special reference to changing responsibilities or compensation. There may be change in responsibilities, duties and pay.

#### 3.19.1.2 External Sources

- When large vacancies are to be filled, external sources of manpower supply are preferred. Variety of major sources are available, depending on the nature of requirements, past experience and traditional industry practice suitable source/method of recruitment is chosen.
- The principal sources of external recruitments are mentioned below.

##### 1] Employment agencies

- Many organizations have shifted their recruitment responsibilities to outside agencies called employment offices, agencies or services.

##### Advantages

- Established as the normal method for filling certain vacancies.
- Less administrative work for employer.

##### Drawbacks

- Can produce staff who are likely to stay for a short time.
- Not trusted by employers.

## 2] Advertisements

- Most employers deal with an advertising agency to help with drafting advertisements and placing them in suitable media.
- Choosing the appropriate medium for advertisement is important. The advantages and drawbacks of various media for job advertising are mentioned here -

### A) Internal advertisement

#### Advantages

1. Maximum information to all employees.
2. Opportunity for all internal candidates.
3. If an internal candidate is appointed there is a shorter induction period.
4. Speedy and cost effective.

#### Drawbacks

1. Limited number of candidates.
2. Internal candidate not matched against those from outside.
3. Chances of favouritism.

### B) Vacancy lists outside premises

#### Advantage

1. Economical way of advertising.

#### Drawback

1. Vacancy list likely to be seen by few people.

### C) Advertising in national press

#### Advantages

1. Advertisement reaches to large people.
2. Some national newspapers are the accepted medium for search by those seeking particular posts.

#### Drawbacks

1. More cost.
2. Much of the cost wasted in reaching appropriate people.

**D) Advertising in local press****Advantages**

1. Recruitment advertisements more likely to be read by those seeking local employment.
2. Little wasted circulation.

**Drawback**

1. Local newspapers appear not to be used by professional and technical people seeking vacancies.

**E) Advertising in technical press****Advantages**

1. Reaches a specific population with minimum waste.
2. A minimum standard of applicant can be guaranteed.

**Drawbacks**

1. Relatively infrequent publication may require advertising few months before when the post to be filled.
2. The advertisement is inappropriate when a non-specialist is required.

**3] Campus recruitments**

- The organizations maintain a close liaison with the technical institutes, universities and schools of technology. They frequently visit for recruitment purpose.

**Advantages**

1. Most candidates of similar requirements are present at one place.
2. Interview can be arranged at short notice.

**4] Trade unions**

- Trade unions assist in recruiting the staff. Recruiting through trade unions improves the co-ordination and better labour relations.

**5] Intermediaries**

- Intermediaries are actually jobbers or labour contractors. At the time of recruitment the job contractors are usually consulted.

**3.19.2 Alternatives for Recruitment**

- Recruiting a new employee may be most obvious tactic when a vacancy occurs. But recruiting always is not appropriate. Some options to the recruitments are listed below.
  1. Reorganize the work.

2. Working overtime.
3. Mechanize the work.
4. Stagger the hours.
5. Make the job part time.
6. Sub-contract the work.
7. Use an external agency.

### University Questions

1. Illustrate the steps involved in the recruitment process. **AU : May-19, Marks 13**
2. Assume you are posted as HR manager in a leading organisation. How will you conduct the recruitment drive for your company ? Give details. **AU : May-19, Marks 15**

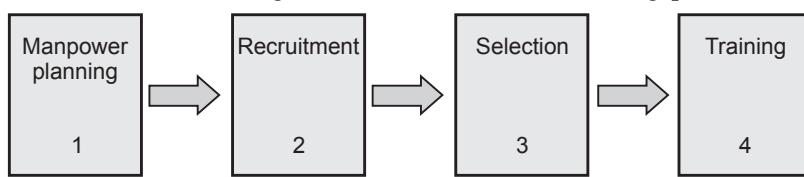
## 3.20 Staffing

**AU : May-07, Dec.-07**

- In any technical organization to fulfil the organizational goals, skilled staff must be identified. Also the proper utilization of available skills to the best satisfaction of the employee and organization is very much essential.
- For an organization to be efficient, staffing of employee must be scientifically based with sound manpower planning.
- An appropriate staffing policy, recruitment and selection procedures and provision of effective training and development programs are essential for a technical organization.

### 3.20.1 Staffing Process

- Staffing process is flow of activities which results in continuous staffing of organizational positions at all levels.
- Staffing process involves manpower planning, job analysis, job description, recruitment, selection, training and development.
- **Staffing** can be defined precisely as - fulfilling the manpower needs of the organization in an efficient manner.
- Fig. 3.20.1 illustrates the stages associated with the staffing process.



**Fig. 3.20.1 Staffing process**

**University Questions**

**Q.1** Define staffing.

**AU : Dec.-07, Marks 2**

**Q.2** List the functions of staffing in HRD. Discuss in detail each function.

**AU : May-07, Marks 16**

**3.21 Selection**

**AU : May-11, 04, 14,18, Dec.-12, 11, 07 ,14**

- Human resource planning facilitates in identifying the human resources requirements of the organization.
- The aim of selection is to find such a person who accepts the position and who gives satisfactory service and performance in long term.
- **Selection is a process of making choice of individuals possessing the required qualifications and skills necessary to perform the job successfully.**
- The procedure for selection is different in various organizations. The decision regarding selection of candidates is based on certain standard principles.
- A sound policy in respect of selection is must for employing suitable candidates for organization.

**3.21.1 System Approach to Selection**

- The system approach to selection starts from the position of a well defined job and a clearly analyzed person specification. Therefore setting out the logical steps in the selection process is necessary.
- Selection is not just interviewing but it is a process of de-selecting i.e. gradually eliminating candidates till the person with described job profile is selected. Organizations make large investment of money to get right kind of people.

**3.21.2 Steps in Selection Process**

**AU : Dec.-12**

- As per the job specifications the suitable candidates of similar profile are attracted and apply for the job. Then the decided logical steps for selection process are to follow. More and more information is collected at every step in the selection procedure about the applicant about his/her suitability for the prescribed job.
- During this process the unmatched or undesirable applicants are eliminated, only the suitable candidate (applicant) is finally selected. The important procedural steps involved in the selection process are as follows.

**1. Curriculum vitae and application form**

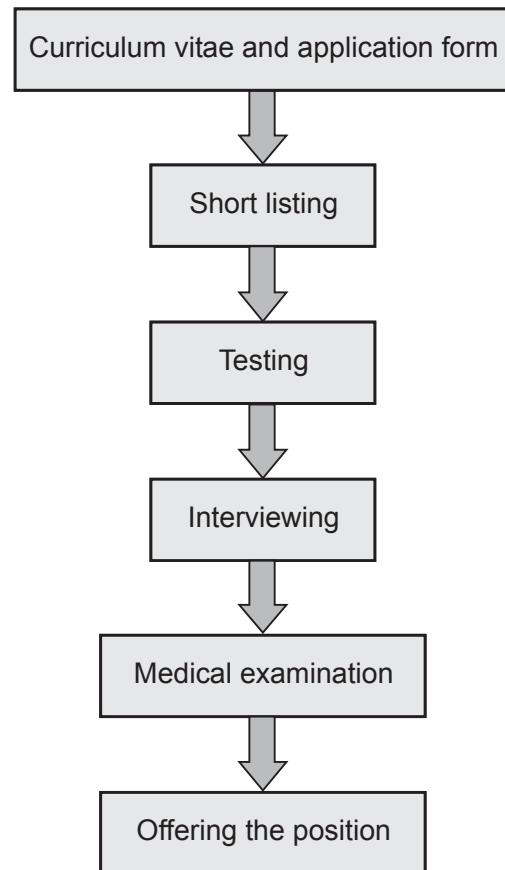
- Curriculum vitae is the most Universal mechanism used to screen the applicants to be called for interview and other tests for selection purposes.
- A good design of application reflects a firm dignity and collects maximum desired information with minimum time required to fill it out.

- Applicant's details covers following information.
- i) **Personal information** - It includes the information such as the applicant's name, age, sex, marital status, address for correspondence, permanent address, physical status (height, weight and blood group) citizenship and aspects of their personal lives.
- ii) **Educational information** - It includes candidate's academic qualifications such as degrees (exams passed) name of Board/University, year of passing, subjects of specialization, percentage of marks obtained, rank obtained and scholarships.
- iii) **Extracurricular activities** - It includes participation in indoor/outdoor games, prizes won, dramas, debates and other social activities.
- iv) **Work experience and training** - It includes number of years of past work experience, position held, salary drawn, nature of duties, duration of job, other professional skills, training or workshops attended and reason of leaving the job. It also includes the job responsibilities and membership of professional bodies etc.

- From all above information the suitability of candidate for the specified job can be predicted.

## 2. Short-listing

- **Short-listing** is assessing the details on the individual application form against the requirements of the job.
- The short listing reduces the number of applications received to an appropriate sized list of candidates to be invited for interview.
- The CV alone is not sufficient to provide sufficient details therefore with an application form a covering letter is also required. Hence it is usual for large companies to have different application forms for different employee groups (manual, clerical, professional and management).
- The shortlisting strategies vary according to the ratio of applications to number of posts. There are two approaches in this reduction process. First is called as



**Fig. 3.21.1 Selection steps**

**screening** approach, where unsuitable applicants are rejected until the required number of applicants for interview is left.

- Applicants may be rejected because of lack of experience or qualification or any other reason. The second method is **inclusion**, where each applicant is compared against the requirements set out in the job specification and given a score through a preset scoring system.
- The scoring is carried out independently by two people and result is compared any discrepancies can be discussed. This process avoids discrimination and is much fairer to all the candidates.

### 3. Testing

- Testing is a more frequently used method of selection in recent years. The test is uniformly made applicable to all. The tests are helpful in determining :
  - Differences among individuals.
  - Ability, skills, interest, analyzing capacity, core competencies, talent and creativity.
  - Minimum and maximum potential of candidates.
- Generally the tests are in the form of questionnaires, offering several choices to assess the individual's ability, personality, aptitude and performance. Possible tests used for selection are shown in Fig. 3.21.2.

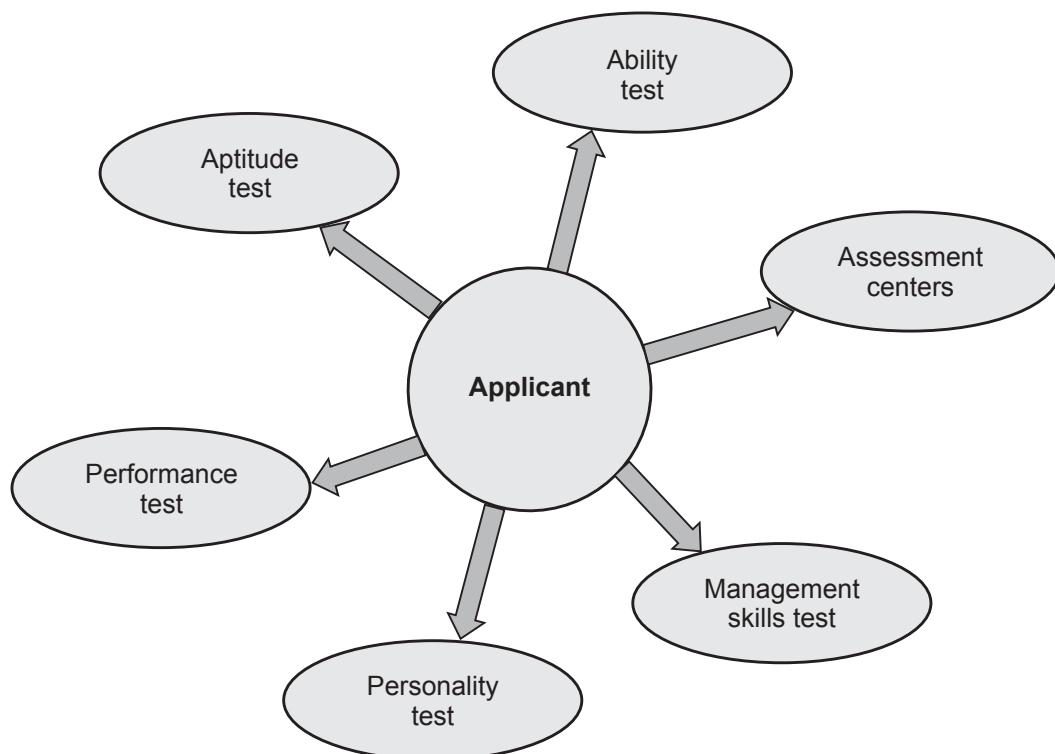


Fig. 3.21.2 Tests used for selection

**i) Ability test -**

- These are the tests that measure a candidate's existing ability, both mental and physical. They can measure a variety of areas, such as verbal reasoning, numerical ability. These are also called as **performance tests**. Such tests can be constructed entirely related to the job concern such as wiring, assembling, clerical, lecturing, musical, artistic etc.

**ii) Aptitude test -**

- Aptitude tests are designed to examine whether a candidate is likely to be able to acquire the skills and knowledge necessary to perform the job. Again, they can be set up as strictly job-related tests.
- An aptitude test is used to measure the job proficiency and job training of an employee.

**iii) Performance test -**

- When an applicant claims to know something, the performance test determines his ability. These tests are useful in selecting employees at lower levels e.g. driver, welder, machinist, typist etc. The performance tests are highly acceptable to both management and applicants.

**iv) Personality test -**

- Personality tests are a type of psychological questionnaire designed to measure the more permanent emotional tendencies people have, that make up their personality. If an applicant possesses intelligence, aptitude but lacks in personality, he will not be able to motivate his subordinates.
- Personality tests can be divided into two broad groups - first is **normative tests** designed to know the traits such as co-operative attitude, temper, emotional balance etc.
- The second is **ideographic tests**, which typically look at behaviours, ranking the strength of reaction to the different aspects. The ideographic test is also called as **ispative test**.
- The ispative test is of objective type questions where candidates have to choose between a number of statements or objectives that describe themselves.
- The area of personality testing is one of the most sensitive areas in selection and is now under increased scrutiny.
- A candidate may say that he is a good organizer, forthright, focussed, caring, relaxed and a great entertainer, but the test gives a much clearer picture of which are the strongest traits.
- The personality tests are very useful in selecting marketing persons, salesmen, counsellor etc.

#### 4. Interviewing

- The interview is the most frequent method of selection. The interview is a face-to-face conversation between an applicant and the employer. The purpose of interview is to collect information on behaviour, attitudes, opinions, maturity, emotional stability, enthusiasm, confidence, response and other commercial behaviour.
- The interview must be conducted professionally, usually involving more than one person to provide a balanced assessment and counter criticisms of bias, involving line management and exploring techniques of questioning are all methods of improvement. The important factors considered at the time of interview are shown in Fig. 3.21.3.



**Fig. 3.21.3 Factors considered in interview**

#### Advantages of interview

- Interview is a relatively low-cost exercise with additional expenses limited to the time of participants and travelling expenses.
- No decision on selection should be taken without an interview.
- Valid judgements like, inter-personal behaviour, sociability, verbal fluency, confidence can be measured effectively in interview process.
- A carefully and positively organized interview reflects good impression about the organization.
- Interview gives the applicant a chance to learn the opportunities and job responsibilities that exists in the organization.

#### Types of interview

- For an effective and successful interviewing, a planned structure is necessary. Based on this the interviewing techniques can be categorized into three types.

**A) Structured interview -**

- **Structured interview** is also called as **patterned interview**. In structured interview, the interviewers are trained in the process to be used. In this type of interview, a list of questions based on analysis of the job specification is prepared. For these questions the applicant is evaluated on a standard point scale decided in advance.
- The interviewing process attempts to predict how candidates will perform in the work situation. A thorough and consistent approach is used for all the candidates. During the interview, no questions from the applicant are allowed.

**B) Directed interview -**

- In **directed interviewing** face-to-face question answering takes place between employer and applicant. The questions related with job specifications, specific critical situation and work experience is asked. The directed interview assesses the candidate in respect of motivation, knowledge, capacity and personality.

**C) Stress interview -**

- Some interviewers use **stress questions** as a part of an interview. The intention here is to examine how candidates react to an aggressive or to particularly critical remarks. Interviewers sometimes insult or try to humiliate the candidate.
- The candidate may answer in a matured way or may loose his temper and react accordingly. This is a controversial and risky strategy as the candidate, although dealing with the situation well, may not join the organization by being treated in this way.

**5. Obtaining references**

- The offer of employment should be made, even informally, until references have been obtained. Once a decision is reached on the chosen candidate, it is normal to make approaches to past employers to check the accuracy of information provided by the applicant such as dates of employment and confirming general impressions made at interview. In certain circumstances effective references are vital such as job involving high degree of security.
  - As long as the job offer is subject to the receipt of satisfactory references, an employer may withdraw an offer if the references are not satisfactory.
  - An employer should avoid disclosing the contents of a poor reference to an employee in order to protect the confidentiality of the referee.
- Just as with selection tests, a decision should not be based on the reference alone.

**6. Medical examination (Physical examination)**

- Various job require unusual stamina or strong physical conditions. Medical examination of candidate determines the fitness for the job. A medical examination includes - previous illness record, any operations/injuries/ accidents and any allergy to eatables/drugs/chemicals.
- A medical examination report also includes general physical measurements such as - eyes, nose, throat, teeth, ears, heart and blood group information. The physical

examination is conducted by a registered medical practitioner. The medical examination saves the organization from expenditure to be made on employee on medical ground.

## 7. Offering the position

- After evaluating the selection process, the offer of employment can be made to the successful candidate. The offering should be confirmed in writing. The offer of employment should contain following details :
  - Job title
  - Starting date
  - Starting salary
  - Reporting authority
  - Name of department/section placed
  - Details of confirmation
  - Other terms and conditions.

### 3.21.3 Difference between Recruitment and Selection

- Both recruitment and selection are the two phases of the employment process. The differences between the two are :

Basis	Recruitment	Selection
Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
Objective	It encourages large number of candidates for a job. The basic purpose of recruitments is to create a talent pool of candidates to enable the selection of best candidates for the organisation, by attracting more and more employees to apply in the organisation.	It attempts at rejecting unsuitable candidates. The basic purpose of selection process is to choose the right candidate to fill the various positions in the organisation.
Process	It is a simple process. Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation	It is a complicated process. Selection involves the series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts.
Hurdles	The candidates have not to cross over many hurdles.	Many hurdles have to be crossed.

Approach	It is a positive approach i.e. encouraging more and more employees to apply.	It is a negative approach as it involves rejection of the unsuitable candidates.
Sequence	It proceeds selection.	It follows recruitment.
Economy	It is an economical method.	It is an expensive method.
Time consuming	Less time is required.	More time is required.

### University Questions

**Q.1** State and explain the basic steps involved in a typical selection procedure.

**OR**

**AU : May-11, Marks 8**

Explain the various techniques used in selection process.

**AU : Dec.-07, Marks 16**

**Q.2** Give an elaborate account of the selection process in an organization.

**AU : Dec.-11, Marks 16**

**Q.3** What are the important aspects of system approach to manager selection ?

**AU : May-04, Marks 8**

**Q.4** Elucidate the steps in selection process.

**AU : Dec.-12 Marks 16**

**Q.5** Explain the process involved in selecting and recruiting a graduate trainee in organisation.

**AU : May-14, Marks 16**

**Q.6** Explain selection and recruitment process.

**AU : Dec.-14 Marks 16**

**Q.7** Discuss the tasks associated with identifying and selecting competent employees.

**AU : May-18 Marks 13**

### 3.22 Training

**AU : May-10, 15, Dec.-17**

- One of the important aspect of HRD is training. Training is a process of developing skills, knowledge and changing attitudes so as to increase individual and organizational effectiveness.
- After selecting a suitable employee for the required post the next step is education, training and development.
- The advancement in technology, automation and sophistication has increased the need of training by manifold. The education and training improves the employees standard so they can carry out the given test efficiently.

#### a) Education

- Education is defined as activities - which aim to develop the knowledge, skills, moral values and understanding. Education motivates to understand the environment and develops the individual.

### b) Training

- Training is a planned process to modify attitude, knowledge or skill through learning experience to achieve effective performance in an activity or range of activities. The training improves job performance.

**Edwin Flippo's definition of training :**

**Training is the act of increasing the knowledge and skill of an employee for doing a particular job.**

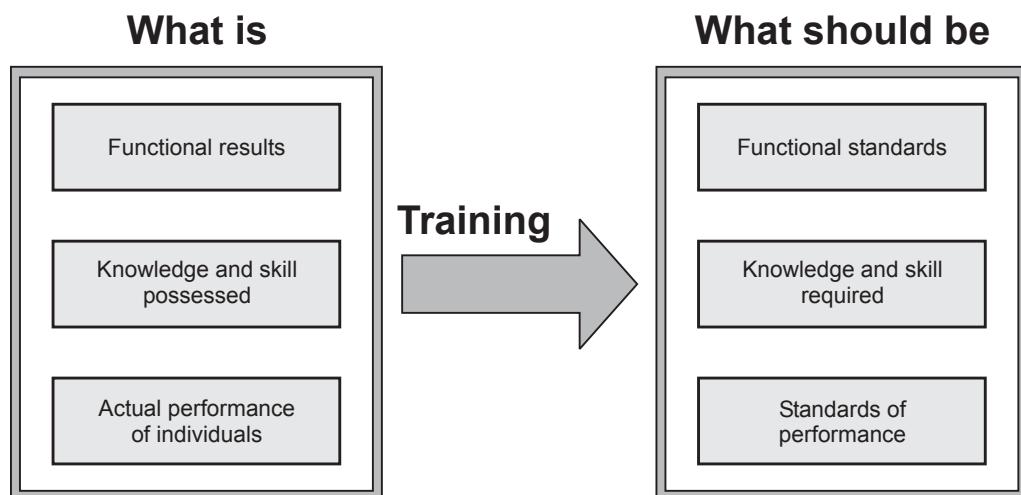
- Training is a continuing process in any organization. The main objective of training is to help organization to meet its organizational objectives by increasing the value of its major resources i.e. its employee's.

### c) Development

- Development has a broad scope, it concerns with developing an individual in all respects. Development of employee means the skillful provision and organization of learning experiences in order to achieve business goal and growth.
- All three terms relate to issues of knowledge, skill and understanding. However education refers to these issues in relation to 'all aspects of life', whereas the definitions of training and development have specified focusses in terms of the needs of organizations.

#### 3.22.1 Objectives of Training

- The training aims to define the gap between what is happening and what should happen. This gap is to be filled by training. Fig. 3.22.1 shows this gap.



**Fig. 3.22.1 Objectives of training**

- In any organization the fundamental objective of training is to increase the value of its major resource i.e. its employees. These specific training objectives are -

**1. Competencies and performance -**

- To develop the competencies of employees and improve the performance.

**2. Future human resource requirements -**

- To help people grow within organization in order that, as far as possible, its future needs for human resources can be met from within the organization.

**3. Less learning time -**

- To reduce the learning time for employees starting in new jobs on appointment, transfer, promotion. After training, people are in position to adopt the new situation quickly.

**4. Economy -**

- Trained people will prove to be economical from organization point of view because of economic use of raw materials and machines. The damages and wastage or scrap of material is also reduced.

**5. Uniformity -**

- There will be uniformity in the work, product, and method of working which reduces misconception and ambiguity.

**3.22.2 Advantages of Training**

- The advantages of training are as follows :
  - i) A well trained employee will produce more hence productivity increases.
  - ii) The product quality improves.
  - iii) The products will be uniform and standard.
  - iv) Less supervision is required for trained employee.
  - v) Less wastage of raw materials and other damages.
  - vi) The trained employee will utilize the machinery and other resources efficiently.
  - vii) The hazards and accidents will be reduced.
  - viii) The trained employees are capable of accomodating change and introducing new technology.
  - ix) Future requirements of human resource can be fulfilled.
  - x) The employee turnover will be reduced considerably.

**3.22.3 Systematic Approach to Training**

- A **systematic approach to training** is needed which is directed towards specific task. A systematic training is specifically designed to improve and develop the

knowledge, skills and attitude required by individuals to perform adequately a given task or job.

- The systematic approach is most often expressed as a **cyclical model** which has four stages. The model implies that links exist between each step and the process is cyclical and therefore the learning process is continuous.
- The systematic approach is linked to scientific management. The four stages of systematic training cycle are shown in Fig. 3.22.2.

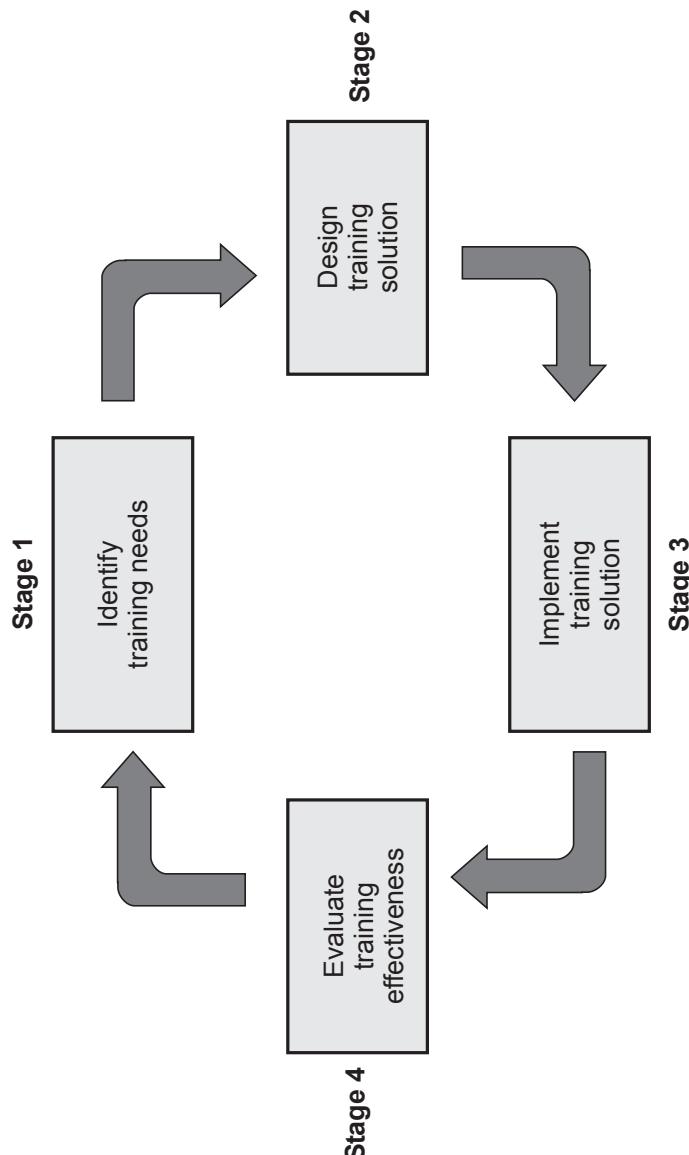


Fig. 3.22.2 The systematic training cycle

### Stage 1 : Identify training needs

- A training need arises due to the identified gap between the required knowledge, skills and experience for training to be effective.
- The training needs analysis, covers three levels in an organization. These are organizational level, job level and individual employee. The areas and methods of training are different at each level.

#### i) Organizational level / Corporate level -

- The organizational level training needs come from the analysis of company strengths and weaknesses as a part of corporate planning process.
- The knowledge skills and attitudes of all the employees at the organization, irrespective of their jobs/occupation are required to develop as policy of company.

#### ii) Job / occupational level -

- The job or occupational needs are identified by analysing departmental human resource plans and also by conducting surveys in the form of questionnaires. Job analysis can be used to determine the knowledge and skills required in specific jobs.

#### iii) Individual employee level -

- The individual training needs can be identified when an employee starts a new job, by performance appraisal, assessment centers and by self assessment or any specific incident.
- The identification of training needs, its areas and methods are shown in Fig. 3.22.3.

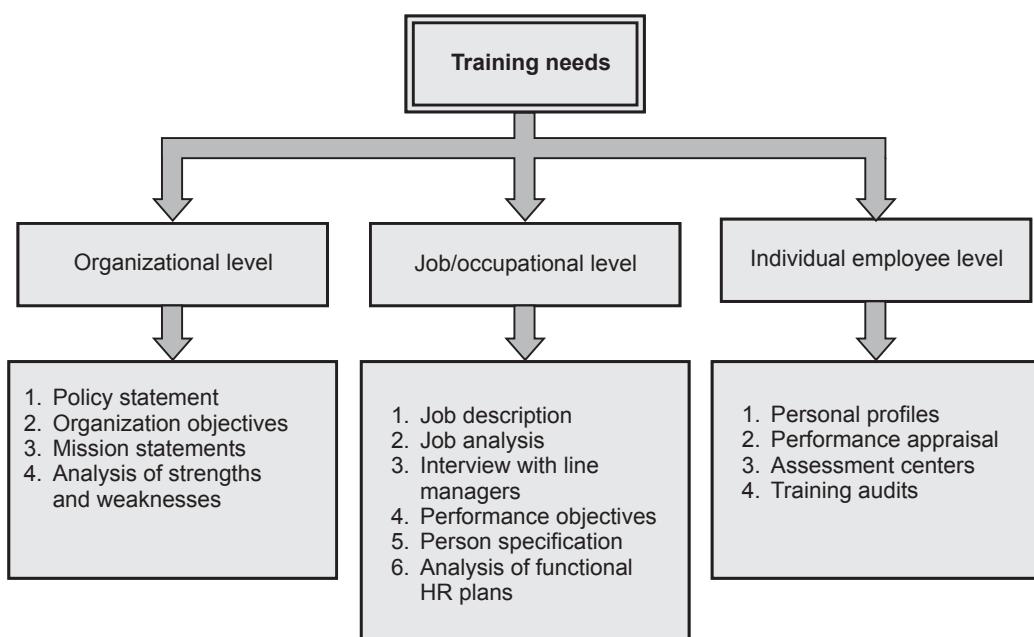


Fig. 3.22.3 Training needs-areas and methods

### Stage 2 : Design training solution

- While designing training solutions all the aspects related to the implementation of training are to be considered. The first key step of design process is to develop specific aims and objectives for the training event.
- These should be influenced by the information generated at the identification stage (stage 1) of the systematic training model. Accordingly the different learning theories and processes are identified.
- Depending on the learning objectives an appropriate training method is selected. The overall scheme of training, its costs and benefits are also analyzed.
- The selection and training of trainers and the implementation of training plans, including the maintenance of training records are decided in advance.
- Other various issues related to planning process are whether the training should be on the job or off the job and whether the training should be held in company or outsourced to a training provider.
- A list of training methods is presented below.
  - i) On-the-job training.
  - ii) In house courses.
  - iii) Planned experience outside the organization.
  - iv) Self-management training.

- The **on-the-job training** is a popular choice among all above training. This training is a traditional approach which simply means watching and training a trainee while they are undertaking their normal routine.

**In-house courses** are held in-house. This is a regular programme arranged for specific needs.

**Planned experience outside the organization** includes visits and meeting with experts.

**External courses** are run by professional training providers e.g. consultants, trainers (specialists) and institutes.

**Self-management learning** means the individual will be involved in identifying their self-development needs and encouraged to reflect their learning requirements.

### Stage 3 : Implement training solution

- Once the training solution is designed the next stage is implementation of training solution. There is no distinct cut-off between planning and implementing the training.

**On-the-job training** is appropriate for certain job requirements. The important advantages of on the job training are

- i) It provides instant entry into the job.
- ii) The trainees work, learn and develop expertise at the same time.
- iii) They can see the result of their actions.
- iv) The supervision is easy while they are learning.
- v) They learn the small details which are omitted in training manuals.

There are also some disadvantages of on-the-job training. The disadvantage is

- i) The information is passed on in a haphazard way by an expert supervisor who is untrained in instruction techniques.

#### **Stage 4 : Evaluate training effectiveness**

- Evaluating training effectiveness is the final stage of systematic approach to training. Evaluation of training is the attempt to gain information on the effects of a training programme and to assess the value of training.
- If there is reasonable proof that the training actually added value, then it is adopted further otherwise it becomes waste of time and money. There are two main types of evaluation at various levels.
  1. Subjective evaluation
  2. Objective evaluation

The outline of training evaluation at different levels is given below.

**Level - 1 :** Here the reactions of trainees to the content and methods of training are evaluated. Also the opinion of trainer is considered.

**Level - 2 :** Learning attained during the training i.e. what the trainees learn and what was intended.

**Level - 3 :** Here the job behaviour in the work environment at the end of the training is evaluated, whether the learning transfers to the job.

**Level - 4 :** The effect on the department after training. Has the training helped departmental performance ?

**Level - 5 :** Has the training affected the ultimate well-being of the organization in terms of profitability or survival ?

- For all above evaluation a variety of different appropriate methods are used. These are -
  - a) Questionnaires, interviews, group discussion.
  - b) Tests, examinations, projects, case studies.
  - c) On the job performance.
  - d) Profitability, customer feedback.
- The evaluation is performed by line managers, trainers and learners.

### 3.22.4 Methods of Training

- Uptodate training is required for those who actually work on machines and also to those who are newly employed in the organisation.
- Every worker needs to undergo instructions about jobs, operations, quality, output and other activities of the organisation for its efficient functioning. For this purpose, different methods are adopted to train the apprentices.
- Following are the training methods adopted for the workers or operators :
  1. Induction and orientations/off the job training
  2. By skilled and old workers
  3. On the job training
  4. Apprentice training
  5. Vestibule schools.

#### 1. Induction and orientations

- Induction and orientation is off the job training. The method is used when a new worker joins the organization. In this method of training a large group of staff can be instructed at a time in a class room.
- It involves information about, organization structure, product information, conditions of employment, employee benefits, safety rules, working methods.
- The cost of such training is quite low. Also conferences, group discussions, programme instructions can also be conducted through which various skill related to job and knowledge can be acquired.

#### 2. By skilled and old workers

- The new worker is accompanied with old skilled worker for few days. The new worker observe the method and procedure adopted by skilled workers.
- The new worker also learns safety precautions to be followed and the standards of performance and quality control checks.

#### 3. On the job training

- On the job training is given at the workplace to the operative employee by his superior. In this method no additional training equipment is needed.
- The training is given by experienced and efficient superior. The superior explains the correct procedure of doing the job with practical and correct use of tools and equipments. The trainee is then asked to try himself the job.
- The trainee learns by doing the job, he is familiar with the practical difficulties. Also superior is giving the training, such an employee is prepared to take charge in case of retirement of his superior.

#### 4. Apprentice training

- Apprenticeship is the most commonly used method of training. It is a variation of on-the-job training.
- The training is imparted to the trainee in those trades or crafts which requires longer period to learn and skills to gain proficiency.
- The training involves doing a planned sequence of jobs and spending prescribed number of hours on the job and in class room.
- The period of training ranges from 2 to 5 years depending upon the type of job. Through such training, proficient craftsman are created.
- The apprentice training method is expensive because there is no guarantee that the trainee will work for the company after completion of training.
- Apprenticeship training is given to electricians, weavers, mechanics, jewellers, filters, engravers, pattern designers etc.

#### 5. Vestibule schools

- Vestibule training is conducted in a separate centre in the plant itself before actually entering into the plant.
- A duplicate setup of machinery and tools are shown to the trainee. A well qualified and experienced staff is in charge of training.
- The training course is designed such that it covers all aspect of working situations in the plant. The worker concentrates on learning the skills as they are free from pressure of work.
- Vestibule training is suited for machine operators, job inspectors and machine attendants, etc.

#### University Questions

**Q.1** Explain the various methods of training.

**AU : May-10, 15, Marks 8**

**Q.2** Distinguish between Training and Development and explain the various methods of Training.

**AU : Dec.-17, Marks 13**

#### 3.23 Performance Appraisal

**AU : May-12, 11, Dec.-12**

- In an organization **performance appraisal** is a systematic mechanism to assess the contribution of an employee during a specified period of time.
- Performance appraisal is an integral part of any organization and it is to be carried by human resource department.
- Performance appraisal determines the extent to which an employee meets the job requirements. As the employees differ in the skills they possess such as technical skill, professional skill, competence, ability, knowledge, aptitude, creativity, decision making etc.
- Performance appraisal enables the management to measure accurately the actual capability and the degree of difference.

- Performance appraisal also tells about the desire of employees for progress in their professions. It is the basic tool for promotion, transfer and reward. It is also used to determine the strengths and weaknesses at each level of management.

### Definitions of performance appraisal

**Dale Yoder** has defined performance appraisal as

"Performance appraisal is a formal procedure to evaluate personalities and potentials of group members in any working organization and it is a continuous process."

**C.D. Fisher** has explained performance appraisal as -

"Performance appraisal is the process by which an employee's contribution to the organization during a specified time is assessed."

**Wendell French** has defined performance appraisal as -

"It is the formal, systematic assessment of how well employees are performing their jobs in relation to established standards and the communication of the assessment to the employees."

- Performance appraisal is a mixture of measurement, assessment, recognition, success and satisfaction.

### 3.23.1 Objectives for Performance Appraisal

AU : May-12

- Performance appraisal is an opportunity for managers to evaluate the performance of their staff. Successful appraisal meetings are a two-way dialogue.
- To establish the relevance of objectives in performance appraisal they have to be considered in the light of organizational objectives.
- Objectives must also be considered in the context of people management and how they relate to organizational priorities in maximizing human resources.
- The objectives of performance appraisal are -
  - Communication
  - Motivation
  - Reward
  - Training and development
  - Planning
  - Record keeping
  - Staff retention
- These objectives must be aligned with the organization's future aims.

**i) Communication**

- Appraisal is a refined form of an organization communication. It improves the inter communication on one-to-one basis between managers and staff.
- It gives an opportunity to discuss all issues relating to performance and exchange information in order to improve operational effectiveness. Hence it has a right place in an organizations communication policy for strengthening good communications.

**ii) Motivation**

- Achievement, recognition, involvement, job satisfaction and development are more likely to motivate the employee.
- Appraisal links to motivational aspect of the manager's job as it can be aimed at giving recognition, helping people achieve, involving them, assisting in creating job satisfaction and providing a forum to discuss development. There is no doubt that appraisal if well handled, strengthens relationships because of the opportunities it creates for good quality communication.
- For managers who take the motivation of their staff seriously, performance appraisal is an indispensable tool.
- The added value is the satisfaction derives from appraising staff well and seeing the results it can bring in terms of increased ability, commitment and achievement.

**iii) Reward**

- Performance appraisal is used to identify the achievement and contribution of individual in company's objective. It is fundamentally right to offer reward who achieve more and contribute more.
- Performance appraisal scheme can be the basis of distributing the pay particularly if it concentrates on quantifiable standards and targets. Performance appraisal can also be linked to promotion, transfer and other benefits.

**iv) Training and development**

- Performance appraisal can be used to analyse the need of training and development. It also focuses on benefits of training to the individuals and to the organization. It confirms that managers are responsible for the training and development of their own staff although with the help of a training specialist.
- An appraisal report from with the appropriate reminders on it. Creates an added discipline to ensure that managers are aware of this responsibility.
- A relevant part of appraisal form contains the type of training method most suited to individual employee. Because some people learn well in seminar environment, some need plenty of practical experience, some enjoy theoretical learning. Appraiser and appraisee discusses previous training experiences, agreeing the best option of learning.
- Appraisal is also useful in identifying strengths, identifying areas of growth.

**v) Planning**

- Planning current and future staffing needs is an ultimate aim of performance appraisal. When performance appraisal is applied consistently across an organization, gives the wealth of data about the manpower i.e. who is in the right job, who wants to change jobs and who should be considered for development or promotion.
- Job content - Appraisal discusses and recognizes changes in job content which are not previously recognize.
- Evaluating trends - Appraisal can be extremely useful in highlighting certain trends. Some issues may emerge which need attention at senior level, on the basis that not all the people can be wrong all the time. Also managers can learn about the impact of their management style and practices and better changes can be made.

**vi) Record keeping**

- Appraisal is a useful record for some sensible reasons e.g. a new manager needs a clear indication of what performance standards might be expected and what on going targets are.
- Some managers (appraiser) prefer to make their own decisions and refer previous appraisals for confirmation.
- The appraisal is a record of employees performance standards, aspiration and potential for planning and allocating salary.
- An appraisal may be admissible as evidence if an employee takes an employer to an industrial tribunal, claiming for unfair dismissal. Hence appraisal need to be absolutely accurate as it can be a cross reference for disciplinary proceedings. Appraisal is an important document in down sizing and layoffs.

**vii) Staff retention**

- Staff or labour turnover due to casualities such as frustrations, boredom, lack of opportunity, lack of recognition etc can be avoided if manager can address problems effectively.
- Appraisal must be seen as a way of identifying problems before they reach to the point of no return and employee ends up as turnover. However many vacancies are unavoidable e.g. through retirement, illness, leaving the area or sheer incompatibility.
- Appraisal assists in reducing labour turnover as it identifies problems which can be resolved before an employee feels compelled to leave.

**3.23.2 Problems of Performance Appraisal**

- **Time** - Appraising properly takes a great deal of time and effort which is not always easy to make room for in today's result oriented commercial climate. Appraisal is considered to be as time consuming exercise.

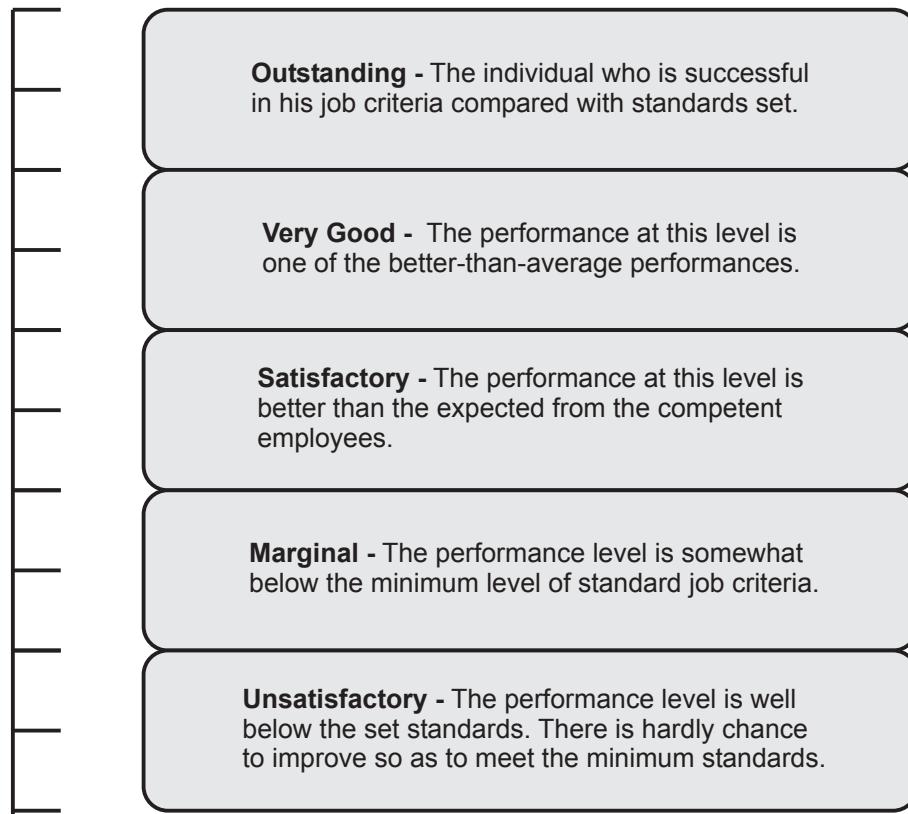
- **Paperwork and resistance** - Some organizations have a cultural resistance to the more practical elements of appraisal such as completing forms. Care must be taken to design "user friendly" paperwork which does not impose an unnecessary and irrelevant burden on appraisers.
- **Structure** - The problem of a scattered over widespread locations makes any form of communication difficult and the logistics of interviewing everyone on a regular basis are almost impossible.
- Project workers who might work for several different project managers during one review period must retain links with one manager who is regarded as base.
- **Ability** - Any appraisal scheme is vulnerable to various kinds of misuse. There are variations in how well managers carry out appraisal. Even though the scheme is monitored at senior levels, there will always be participants who think they know better, who have no commitment to the process or who are simply incapable.
- Manager's ability to appraise will inevitably vary throughout the organization. This emphasizes the need for thorough training and monitoring.

### 3.23.3 Appraisal Criteria

- Performance is necessarily what an employee does or does not do. The performance of employee is contribution to the organization. This includes -
  - i) Quality of output produced
  - ii) Quality of output
  - iii) Timeliness of output
  - iv) Presentation
  - v) Co-operativeness
- Actually the dimension of work depends on nature of job. Each job has specific **job criteria**, which decides the important elements in job performance.
- Job criteria defines why and for what purpose the employee is being paid. The job criteria includes consistent, integrated and understood planning designed to reach specific objectives.
- The individuals performance must be measured on job criteria and then should be compared with standards. The deviation or results should be communicated to each employee.

### 3.23.4 Performance Standards

- A standard is necessary to compare the performance of any individual. **Performance standards** defines the expected levels of performance. The performance standards are **goals** or **benchmarks** or **targets** to any employee. While designing the performance standards care should be taken that these standards should be realistic, measurable and clearly understood, this is beneficial for both organization and employees.
- For evaluating relative performance on standards some specific terms are used to indicate different levels of standards. These terms are illustrated in the Fig. 3.23.1.



Performance rating scale

**Fig. 3.23.1 Terms used in performance standard**

- The standards are often set by senior or experienced supervisor. Experienced employees usually know what constitutes satisfactory performance of tasks in their job description. Therefore their experience is used effectively on setting standards.
- In some cases individuals who do not achieve the expected results because of uncertain factors which are beyond their control are taken into account for assessing performance appraisal.

#### Need of standards

- Standards are important if there is to be any assessment of performance, whether it is for appraisal purpose or not. There must be some indicators which enable the manager to say whether performance has reached the required standard or to identify a failure.
- Standards must be clear, measurable and stated in terms of time, quantity or quality. They must also be achievable.
- Standards are also relevant in setting out guidelines. Some tasks must be completed within the safety regulations. It may be appropriate to indicate

minimum quantity or quality levels or quality assurance. Whatever approach is used in setting standards, it should be consistent with the normal style of management.

- Setting down standards of performance can be fraught with problems. So the greatest care must be taken in establishing them, preferably with a degree of consultation.

### 3.23.5 Performance Appraisal Methods

AU : Dec.-12

- Performance can be appraised by a number of methods. Some methods are result oriented or objective methods and some are narrative and comparative type methods. Various methods are categorized into four major groups.
- Manager has to choose the best suited method to the work culture of the organization and fulfils its needs.
- Each method explains how management can establish standards of performance of employee. Each method has certain merits and demerits also. In Fig. 3.23.2 various appraisal methods are shown.

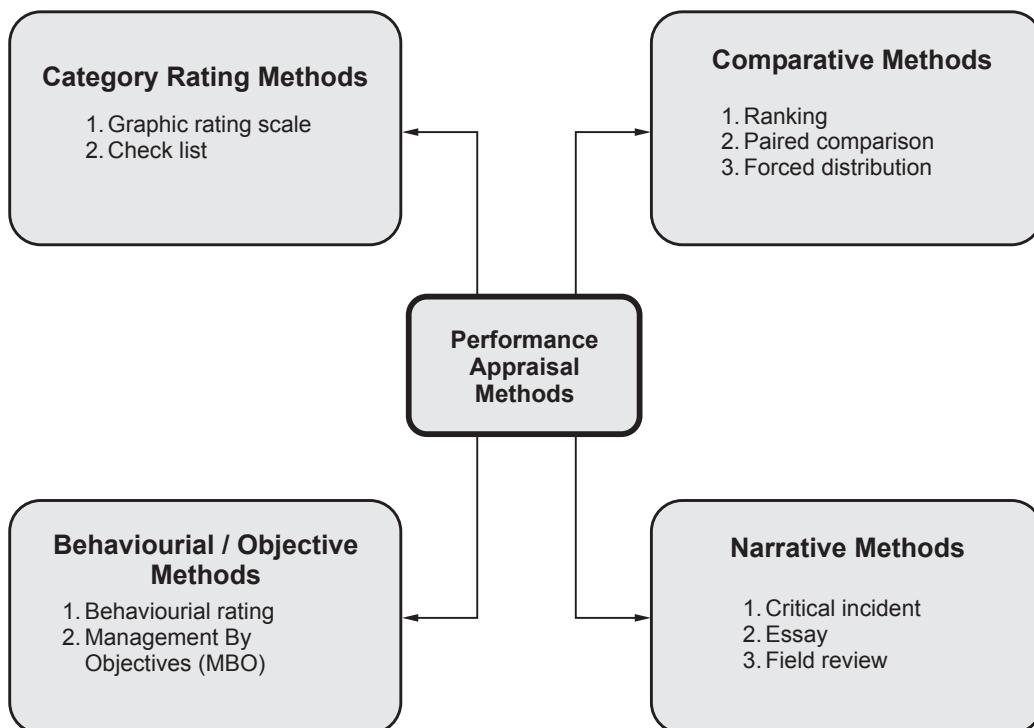


Fig. 3.23.2 Performance appraisal methods

### A) Category rating methods

- The **category rating** method is the simplest method for performance appraisal. The employee's level of performance is marked on a specific form divided into categories of performance.
- The common category rating methods are -
  1. Graphic rating scale and
  2. Check list.

#### 1) Graphic rating scale

- This is one of the most widely used performance evaluation technique. In **graphic rating scale** the appraiser is asked to rate employee's performance on the basis of job related characteristics and knowledge of job.
- The evaluator (appraiser) is given printed forms with various job profiles like - leadership, initiative, industriousness attitude, creativity, decision making, quality of work, responsibility, target achievement. The rater checks the appropriate rating on the scale for each duty listed.
- There are actually two types of graphic rating scales - the first type of list includes the job criteria (quantity of work, quality of work etc.) the second type lists the behavioural characteristics, with specific behaviours listed and the effectiveness of each rated (loyalty, co-operation etc.).
- The performance is evaluated on the basis of these traits on a continuous scale. It is simple to understand and use. The scores are tabulated, thus the relative worth of each employee is evaluated.
- Fig. 3.23.3 shows graphic rating scale part of an appraisal form. This method is also called as **trait appraisal**.

Use I, M or E for :-

I → Performance is below the job requirement and **improvement is needed**.

M → Performance meets job standards and is **meeting standards**.

E → Performance exceeds job standards and is **exceeding standards**.

Put '✓' on scale at appropriate location.

I	M ✓	E
---	-----	---

#### Job Duty # 1 Quantity of work

I	M ✓	E
---	-----	---

#### Job Duty # 2 Quality produced

I	M	✓ E
---	---	-----

#### Analytical competence

**Overall rating :** (Place I, M or E in the box) M

**Fig. 3.23.3 Graphic rating scale**

### Drawbacks of graphic rating scale

- There are some obvious drawbacks to the graphic rating scale.
  - i) Often few traits (characteristics/job profiles) are grouped together and evaluator is given only one box to mark.
  - ii) Descriptive words used in such scale may have different meanings to different raters.
  - iii) It is arbitrary and highly subjective in nature.
  - iv) It is assumed that all characteristics are of equal importance for all jobs.
  - v) A low score on one factor can be compensated by high score on another factor.
- Graphic rating scales in many forms are used widely because they are easy to develop, but they encourage errors on the part of the evaluators, who may depend heavily on the form itself to define performance.

### 2) Checklist

- The **checklist** is a performance appraisal tools that uses a list of statements that are checked by evaluator.
- The **check-list** is composed of a list of statements which describes the job related behaviour of the employee. If the evaluator perceives that the employee possesses a particular trait, the statement is ticked otherwise left blank.
- The typical checklist statements are as under -
  - i) Can be expected to finish work on time.
  - ii) Seldom agrees to work overtime.
  - iii) Co-operative and helpful.
  - iv) Accepts criticism.
  - v) Strives for self-improvement.
  - vi) Punctuality.
  - vii) Follows orders without delay.
- The varying weights are assigned to the statement. Generally the weights are not known by the rating supervisor because they are formatted by HR department.
- The checklist after appraisal interview is submitted to HR department where the counting of checks and weightage is evaluated and performance is assessed.

### Drawbacks of checklist

- There are few drawbacks with checklist method of appraisal.
  - i) As with the graphic rating scale, the words/statements may have different meaning to different raters (evaluators).
  - ii) For weighted checklist the evaluator cannot immediately assess, the overall performance of employee.
  - iii) The weights are not assigned by the evaluators.

- iv) It suffers from evaluators bias.
- v) Separate checklist is required for each job of an employee which increases cost.
- Because of above mentioned drawbacks it creates a barrier to effective development counselling.

#### B) Comparative method

- The **comparative method** of performance appraisal compares the employee performance against one another. Certain factors are identified and selected for comparison purpose.

Different comparative methods are -

1. Ranking
2. Paired comparison and
3. Forced distribution.

#### 1. Ranking

- The **ranking** is listing of all employees from highest to lowest in performance. It is quite simple and old method of performance appraisal.
- All the employees are evaluated by the appraiser considering their performance of job as a base. The order of rating ranges from best to worst.

##### Drawbacks of ranking

- Certain drawbacks of ranking methods are listed below.
  - i) The primary drawback of ranking method is that the size of the differences among individuals is not well defined.  
E.g. there may be very little difference in performance between individuals ranked second and third, but a large difference in performance between those ranked third and fourth.
  - ii) Ranking method is highly subjective type.
  - iii) No fair assessment of real worth employee.
  - iv) It is difficult when large number of employees are to be assessed.
  - v) It is possible that the last ranked individual in one job group would be the top employee in a different job group.

#### 2. Paired comparison

- In **paired comparison** method employees of a group are compared with one another at one time. The employees are ranked as per their performance. Paired comparison method is not suitable when large number of employees are to be evaluated.

### 3. Forced distribution

- In **forced distribution** method, the ratings of employee's performance are distributed along a bell-shaped curve. It is assumed that a widely known **bell-shaped curve** of performance exists in a given group. But, infact, the distribution of performance appraisal ratings does not approximate the normal distribution of bell-shaped curve.
- A scale used for a forced distribution is shown in Fig. 3.23.4.



**Fig. 3.23.4 Bell shaped curve**

- The drawback of forced distribution is that the evaluator may not place the employee either at lower or higher side. Secondly, this is not easily adopted and understandable by the employee. Thirdly, there is no reason to assume that a bell-shaped distribution of performance really exists.

### C) Narrative methods

- The **narrative methods** of performance appraisal use documentation and description. These records describe an employee's actions rather than indicating an actual rating.
- The commonly used narrative methods of performance appraisal are
  1. Critical incidents
  2. Easy
  3. Field review

### 1) Critical incident

- The **critical incident** method is based on the basis of certain events that occur during the performance of the job. The immediate supervisor or manager keeps a written record of both highly favourable and unfavourable actions in an employee's performance.
- A list of critical incidents is kept during the entire period of rating. An emphasis given on the behaviour of the worker on the job.
- The critical incident method also records unfavourable aspects or it has some drawbacks, these are
  - i) The meaning of critical incident may be different for different evaluator.
  - ii) Producing daily or weekly written remarks about each employee's performance is time consuming.
  - iii) There is fear in employee's mind about what the supervisor writes in record (black book).
  - iv) If the supervisor is not putting the record immediately there is possibility that supervisor may forget the same.
  - v) As this requires close supervision which is generally not liked by the employees.

### 2) Essay

- The **essay or freeform** appraisal method requires the manager to write a short essay describing each employee's performance during the rating period. Evaluator describes in his own words what he perceives about the employee's performance.
- The evaluator uses his skills, interpersonal relations, temperament, control aspect to describe the performance.  
The drawbacks of essay method of appraisal are -
  - i) This method is most subjective.
  - ii) The exact ability may not be described.
  - iii) Possibility of favorism i.e. an evaluator may favour his supporter with best qualities even though the employee lacks in many aspects.

### 3) Field review

- In **field review** method an expert evaluator of HR department or from outside organization is called. The supervisor gives his opinion about the subordinates to the evaluator. Then the evaluator compiles the notes from each interview into a rating for each employee.
- The major drawbacks of this method are
  - i) This method is useful for large organizations only.
  - ii) Two managerial staff are busy with a single work hence costly.

## D) Behavioural methods

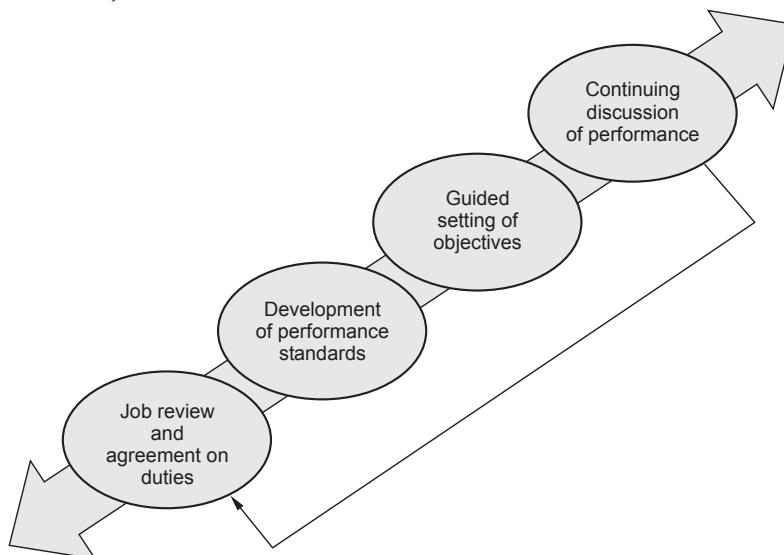
- **Behavioural methods** are known as modern methods in which all the problems or drawbacks of traditional methods are overcome. The behavioural methods are -
  1. Behavioural rating approaches.
  2. Management By Objectives (MBO)

### 1. Behavioural rating approaches

- The behavioural rating approaches are an attempt to assess an employee's behaviours instead of other characteristics.  
Different behavioural approaches are -
  - i) Behaviourally Anchored Rating Scales (BARS)
  - ii) Behavioural Observation Scales (BOS)
  - iii) Behavioural Expectation Scales (BES)
- BARS match descriptions of possible behaviours with what the employee most commonly exhibits. It is designed to identify critical areas of performance of a job.
- The evaluator is required to observe the behaviour of the employee while performing the job. Experimentally eight performance criteria are identified, these are - knowledge, judgement, human relations, conscientiousness, skill of operation, organizational ability, skill in monetary transactions, observational ability.

### 2. Management By Objectives (MBO)

- MBO specifies the performance goals that an individual hopes to attain within an appropriate length of time. MBO is also referred as - appraisal by results or performance objectives.



**Fig. 3.23.5 Self appraisal by MBO**

- The objectives that each manager sets are derived from the overall goals and objectives of organization. A guided self-appraisal system driven by MBO is set and implemented.
- The various phases of self-appraisal by MBO is shown in Fig. 3.23.5.  
(Refer Fig. 3.23.5 on previous page.)

### 3.23.6 Errors in Performance Appraisal

- Various errors observed in different performance appraisal methods are
  1. **Recency effect** - The **recency effect** occurs when a rater gives greater weight to recent events when appraising an individual's performance.
  2. **Central tendency** - Some raters (appraisers) tend to grade easier or harder than other. An appraiser who rates all the employees within a narrow range in the middle of the rating scale. This is called as **central tendency** of appraiser.
  3. **Leniency and strictness** - The **leniency** occurs when ratings of all employees are at the high end of the scale.  
The **strictness** is observed when a manager uses only the lower part of the scale to rate employees.
  4. **Halo effect** - The **halo effect** occurs when a manager rates an employee high or low on all items because of one characteristics.  
e.g. if a worker has few absences, his supervisor might give him a high rating in all other areas, including quantity and quality of output because of his dependability. The manager may not really think about the employee's other characteristics separately.
- An appraisal that shows the same rating on all characteristics may be evidence of halo effect.

### 3.23.7 Assessing Performance

- Appraisal is meant to be a continuous process and the appraisal interview should be a summary of the work of preview review period. However, the human mind naturally focuses on recent events, so great care has to be taken to review the whole period and not just the immediate past.
- There are always reasons for the performance levels employee achieves. The impact of the various elements of the job have to be put into context.
- Establishing the reasons for good performance can give a much clearer insight into an employee's particular talents, potential and ambitions.

#### Reasons for good performance

- i) Enjoying the given particular task.
- ii) Commitment to the given task.

- iii) Good availability of resources.
- iv) Excellent training.
- v) Competition.
- vi) Ambition.
- vii) Target or standards are low.
- While assessing the performance the reasons for good performance, the effect of “**halo effect**” must be examined. Some employees are good at certain aspects of their job which are particularly visible and important.
- Some may have done so well recently that previous problems have been overlooked. Some are good at aspects which their managers value highly. Some are good at politically important parts of their job.

### **Reasons for poor performance**

- i) The task concerned is disliked by the individual.
- ii) When the task is arbitrarily imposed and its relevance is not understood.
- iii) Lacking of resources.
- iv) Inadequate training.
- v) Lack of confidence and practice.
- vi) Unrealistic standards/targets.
- vii) Insufficient monitoring and feedback.
- viii) Fatigue (more working hours).
- Clearly, the matter of considering poor performance is more complex. In considering poor performance, there is the opposite of the halo effect is the “**horns effect**”.
- Certain individuals, inspite of what ever attempt they make, are never perceived to improve. This is because they cannot shake off a poor image. There are others also who generally perform well but recent problems have obscured their more normal behaviour.
- The horns effect is more dangerous effect than halo effect since its negative impact will almost automatically be labelled unfair.

#### **3.23.8 Typical Performance Appraisal Form**

PRIVATE AND CONFIDENTIAL

Date Sent : ..... Received on : .....

Name : ..... Job Title : .....

Department : ..... Supervisor/Manager : .....

---

Rating period : From ..... To .....

Length of time in current position : .....

1. List key areas of the job, highlighting strengths and skills that you have contributed during the review period.

i)

ii)

2. What aspect of performance could be improved ? How this can be achieved ?

i)

ii)

3. Considering future potential and development, specify particular area for training.

4. Are there any other areas of your department or the company in which you are interested ?

5. Any changes to the key areas of the job description and make recommendations for any appropriate amendments.

6.

#### To be Filled by Appraiser

Use following definitions :-

**I** - Performance is below standards **improvement is needed.**

**M** - Performance **meets standards.**

**E** - Performance **exceeds standards.**

---

**Specific job responsibilities** - List the principle activities from job criteria. Rate the performance on each activity by placing a “✓” on the rating scale at appropriate locations and make appropriate comments to explain the rating.

Job Duty # 1 .....

I	M	E
---	---	---

Comment : .....

Job Duty # 2 .....

I	M	E
---	---	---

Comment : .....

Job Duty # 3 .....

I	M	E
---	---	---

Comment :

---

**Overall rating :** Based on the total performance, place the letter I, M or E in the box

Explanation :

---



---

#### Interview notes -

A) Appraiser's comments :

B) Employee's comments (Appraisee) :

---

I hereby confirm that this is a fair and accurate representation of the appraisal discussion.

SIGNATURE :

.....  
Appraisee                  Appraiser

DATE :

REVIEWING OFFICER / MANAGER :

---

Agree a plan for the forthcoming year. A time-scale of action and results to be achieved should be agreed where appropriate.

Key areas and objectives	Action plan to follow	Target date for review
--------------------------	-----------------------	---------------------------

#### University Questions

**Q.1** Name the various kinds of performance appraisal methods. Describe them in details.

**AU : May-11, Marks 16**

**Q.2** Mention any two merits of performance appraisal.

**AU : May-11, Marks 2**

**Q.3** Explain the importance of performance appraisal.

**AU : May-12, Marks 8**

**Q.4** Explain any four methods of performance appraisal.

**AU : Dec.-12, Marks 16**

## 3.24 Job Evaluation

AU : Dec.-11, 12

- Job evaluation can be defined as "an attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned".
- Job evaluation is the output provided by job analysis. It describes the duties of a job, authority skill required, condition of work and other information.
- This information is used to evaluate each job and systematic comparison of jobs in order to determine the worth of one job relative to another.
- According to **Wendell French**,  
'Job evaluation is a process of determining the relative worth of various jobs within the organisation so that differential wages may be paid to jobs of different worth'.

### 3.24.1 Objectives of Job Evaluation

- The aim of the majority of systems of job evaluation is to establish, on agreed logical basis, the relative values of different jobs in a given plant or machinery. It aims at determining the relative worth of a job.
- The following are the objectives of job evaluation.
  - 1) To secure and maintain description of each distinct job in the entire plant.
  - 2) To determine the rate of pay for each job.
  - 3) To ensure that same wages are paid to all qualified employees for same work.
  - 4) To promote a fair and accurate consideration of all employees for advancement and transfer.
  - 5) To provide standard procedure for determining the relative worth of each job.
  - 6) To provide information for work organisation, selection, placement, training etc.

### 3.24.2 Principles of Job Evaluation Programme

- During the job evaluation programme, the following principles should be kept in mind.
  - 1) Rate the job not the man.
  - 2) The elements selected for rating purposes should be easily explainable in terms and as few in number.
  - 3) There should not be overlapping of terms.
  - 4) The elements should be clearly defined and properly selected.

- 5) Maximum cooperation can be obtained from employees when they themselves have an opportunity to discuss job rating.
- 6) Any discussion of money values should be avoided. Only point values and degree of each element should be discussed while talking to the employees.

### **3.24.3 Basic Procedure of Job Evaluation**

- In job evaluation the job content may be decided upon in two ways either by making an overview of by deciding that one job is more important than another.
- The steps involved in job evaluation.
  - 1) Analyse and prepare job description.
  - 2) Select and prepare a job evaluation plan.
  - 3) Classify jobs.
  - 4) Install the programme.
  - 5) Maintain the programme.

### **3.24.4 Advantages of Job Evaluation**

- 1) It is helpful for removing the inequalities in existing wage structures and maintaining sound and consistent wage differentials in a plant.
- 2) It improves labour management relations and workers moral.
- 3) The method may lead to greater uniformity in wage rates, thus simplifying wages administration.
- 4) It is helpful for selection, transfer and promotion of the employee.
- 5) And helpful for pointing to the possibility of a making more efficient use of the plants labour.

### **3.24.5 Limitations of Job Evaluation**

- 1) The rapid changes in technology and in the supply and demand of particular skill have given rise to problems of adjustment.
- 2) A job evaluation frequently favours groups different from those which are favoured by the market.
- 3) Higher rates of pay for some jobs at the earlier stages and lower rates for some other job give rise to human relations problems.
- 4) Job evaluation takes a long time to install required specialised technical personnel and may be costly.

5) When job evaluation results in changes in the existence wage structure, it is difficult to implement these changes in a short period due to financial limit within which the firm has to operate.

### 3.24.6 Job Enrichment

- According to Herzberg's two factor theory of motivation. In order to motivate worker, the job itself must provide opportunities for achievement, recognition and responsibility.
- Job enrichment gives employee more autonomy in the job. Employee feels a great sense of responsibility, authority and accomplishment.

### 3.25 Case Study

AU : Dec.-18, May-19

Q.1 Jacob, one of your assistants in a fire insurance company, is responsible for a group of clerical workers who review changed policies, endorsements, and riders, calculate commissions, and maintain records. He is very meticulous, and everything coming out of his group is perfect. He does not delegate authority and responsibility but rechecks in detail all the work turned out by his faction. He keeps turning back to them careless and inaccurate work until it is perfect. As a result he is busy from early morning until late at night doing detail work and neglecting his role as supervisor. His workers have figured him out and are taking it easy. They do slap-dash work and correct it as often as he returns it. You are afraid about Jacob's workaholic behaviour and heading for a nervous breakdown. You have told him in general terms to delegate authority and responsibility and to discipline his group. He says that you just can't find people any more who have pride in their work or concern for the company and that if he fires any of his people or they quit the replacements would most likely be more terrible.

- 1) Why people do not delegate authority and responsibility ?
- 2) What are Jacob's responsibilities as a supervisor ?
- 3) Which can he delegate and how ?
- 4) What are the leadership characteristics that Jacob lacks ?
- 5) How can you go about developing them in him ?

To answer the above questions follow the steps below :

First, study the case carefully, identifying the management principles involved, where possible.

Gain as sound an understanding as possible, within the time available, through private study.

Apply the systematic analysis methodology.

Discuss your analysis and conclusions.

AU : May-18, Marks 15

- Ans. :**
- 1) The cause of the reluctance to delegate authority and responsibility are :
    - a) **Insecurity** : Managers are reluctant to take risks to delegate tasks, or maybe afraid of losing power if subordinates are better in performing the task.
    - b) **Manager's inability** : Some managers can be very irregular in future planning.
    - c) **The lack of trust to subordinates.**
    - d) **The manager feels that the subordinate would prefer not to have the right of decision-making.**
  - Meanwhile, reluctance to accept the authority or responsibility are :
    - a) Insecurity for subordinates to avoid the responsibilities and risks.
    - b) Subordinates' fear of being criticized or punished for making mistakes.
    - c) Subordinates do not get enough stimulation to load additional responsibilities.
    - d) Subordinate is lack of confidence and feel depressed when delegated with greater decision-making authority.

2) Supervisors are people who deal directly with the manager. But in the context of responsibility, the supervisor has a task which is no less severe.

- In many cases, supervisors have strategic tasks because they directly plunge into the field to implement all the plans of the manager.

**The main responsibilities of a supervisor** can therefore be summarized as the following :

- |  |
|--|
| I. To plan day-to-day activities and targets within the goals set by upper management. |
| II. To assign specific tasks to employees.   |
| III. To oversee hour-to-hour results.  |
| IV. To report daily feedback and information.  |
| V. To take immediate corrective action at the activity site.                           |
| VI. To train, motivate, and evaluate employees.  |

3) Before delegating authority and responsibility to subordinate, a supervisor had to know the steps of doing delegation such as deciding what to delegate, activity analysis, and clarifying a supervisor's assignment.

- Deciding what to delegate. It has some important points. A supervisor has to provide enough time to draw up a list of tasks that should be delegated rationally and can be carried out by staff.

- A rational task includes of technical tasks, almost all his technical tasks delegated by the supervisor to staff. Meanwhile, managerial tasks cannot be delegated everything because the task requires supervision and authority.
- For example, staff can arrange a planning, purchasing budget. But the task for approval, recommendation, and implementation is still the supervisor's right and authority.

4) How to delegate a staff :

a) Provide enough time to draw up a list of tasks that should be delegated rationally and can be carried out by staff. Then prepare reports continuously, answer questions, prepare a schedule of sequential criteria necessary time and importance to the institution.

b) Choose a suitable person to perform the duties of the affluent based on capabilities and other conditions.

5) How to develop a staff in delegation:

- **Provide direction and motivation to staff :** One mistake in the delegation is the absence of a clear direction.
- **A proper supervision :** A supervisor should be able to determine when and what needs to be done by controlling the staff.
  - a) **Over-control :** control too much will spoil delegates given.
  - b) **Under control :** Less control will also adversely affect the delegation, where the staff will not be productive and significantly impact the results.

### Conclusion

- Delegation is devolved powers, authority, and responsibility to others. Works that are routine-orientation should be delegated to others so that a supervisor can use the time to perform his duties as a manager/supervisor.

**Q.2 XYZ Industries is a manufacturing company with line and staff organization.**

Pandian, a young staff officer developed a plan of increasing the life of certain equipments in the plant. He took the plan directly to the foreman of the department but was rebuffed by the supervisor who privately acknowledged the merit of the plan but resented the staff officer trying to show off his talents. The staff officer's association condemned the behaviour of Pandian that he should have allowed the plan to appear as a contribution of the staff group rather than his own.

a) Analyze the situation in terms of the possible causes of the reaction of the supervisor and staff officer's group.

b) Suggest a measure to diffuse the situation.

**AU : Dec.-18, Marks 15**

**Ans. :** (a) The XYZ organization is line and staff organization. The given situation is example of role conflict as well as line and staff conflict.

The personal characteristics of staff officer Pandian, results in role conflict.

Also, line and staff conflict because of lack of co-ordination between line and staff departments.

**(b) Measure to diffuse the situation -**

- Role conflict of staff officer Pandian is to be resolved by pointing out his mistake and personal counselling.
- Implementing conflict management to resolve line and staff conflict.

**Q.3 Davinder is a class twelfth commerce student in a reputed school in Punjab. Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc. course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science. In context of the above case.**

- i) Outline the concept of principles of management. In context of the above case :
- ii) Why does Satinder find the principles of management different from those of pure science ?
- iii) Why do the principles of management form the core of management in practice ? Explain by giving any two points highlighting the importance of principles of management.

AU : May-19, Marks 15

**Ans. :**

1. The principles of management serve as a broad and general guideline for the managerial decision making and action.
2. Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science.

This is due to the fact that they deal with the human behaviour and thus, need to be applied creatively in the light of given situation.

3. The importance of principles of management is described below :

- **Providing managers with useful insights into reality :** The principles of management provide the managers with useful insights into real world situations and help them to enrich their knowledge, ability and understanding of the diverse managerial situations and circumstances. It also enables the managers to learn from past mistakes and conserve time by solving recurring problems quickly.
- **Optimum utilisation of resources and effective administration :** The knowledge of management principles enables the managers to foresee the

cause and effect relationships of their decisions and actions. As a result, it leads to optimum utilisation of scarce resources by avoiding wastage associated with a trial-and-error approach. Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. This facilitates effective administration within the organisation.

### University Questions

- Q.1** What is meant by job enrichment ? **AU : Dec.-12, Marks 2**
- Q.2** Define job enrichment. **AU : Dec.-11, Marks 2**
- Q.3** XYZ Industries is a manufacturing company with line and staff organization. Pandian, a young staff officer developed a plan of increasing the life of certain equipments in the plant. He took the plan directly to the foreman of the department but was rebuffed by the supervisor who privately acknowledged the merit of the plan but resented the staff officer trying to show off his talents. The staff Officer's Association condemned the behaviour of Pandian that he should have allowed the plan to appear as a contribution of the staff group rather than his own.  
 a) Analyze the situation in terms of the possible causes of the reaction of the supervisor and staff officer's group.  
 b) Suggest a measure to diffuse the situation. **AU : Dec.-18, Marks 15**
- Q.4** Davinder is a class twelfth commerce student in a reputed school in Punjab. Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc. course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science. In context of the above case :  
 i) Outline the concept of principles of management.  
 ii) Why does Satinder find the principles of management different from those of pure science ?  
 iii) Why do the principles of management form the core of management in practice ? Explain by giving any two points highlighting the importance of principles of management. **AU : May-19, Marks 15**

### Two Marks Questions with Answers

- Q.1** Define organizing. **AU : May-13, 16**
- Ans. :** Organizing is a management function that focuses on allocating and arranging human and non-human resources.

**Q.2 List organization types.**

**Ans. :** 1. Line organization 2. Functional organization 3. Line and staff organization.

**Q.3 Define span of control.**

**Ans. :** Span of control refers to the number of subordinates that are reporting to a manager.

**Q.4 What is organizational chart ?**

**Ans. :** An organizational chart is a graphical model of the formal structure of an organization.

**Q.5 Give steps in organization process.**

- Ans. :**
- 1. Determining objectives
  - 2. Determining required objectives
  - 3. Grouping the activities
  - 4. Assigning responsibility
  - 5. Delegation of authority
  - 6. Providing resources.

**Q.6 What is departmentation ?****OR Define "Departmentation".****AU : Dec.-16**

**Ans. :** Departmentation means dividing and grouping the activities and employees of an enterprise into various departments.

**Q.7 List the basis for departmentation.**

- Ans. :**
- 1. Based on function
  - 2. Based on methods
  - 3. Based on product
  - 4. Based on territory
  - 5. Based on customer.

**Q.8 Define responsibility.**

**Ans. :** Responsibility means the obligation to carry out duties and achieve goals related to position.

**Q.9 Define authority.**

**Ans. :** Authority is right to make decisions. Carry out actions and direct others.

**Q.10 What is meant by delegation ?****AU : May-12**

**Ans. :** Delegation means assigning a part of manager's work to others along with authority and responsibility necessary to achieve results.

**Q.11 What is decentralization of authority ?**

**Ans. :** Decentralization of authority is the extent to which power and authority are delegated to lower levels in an organized structure.

**Q.12 What is centralization ?****AU : Dec.-18**

**Ans. :** When powers are reserved for the central authority, it is called centralization.

**Q.13 What is decentralization ?****AU : May-16, Dec.-12**

**Ans. :** Decentralization is the systematic effort to delegate to lowest levels all authority except that which can only be exercised at central points.

**Q.14 State the advantages of organizations chart.**

- Ans. :** 1. Clear understanding. 2. Understandable frame work of authority.  
3. Enforcement of accountability. 4. Useful for training.

**Q.15 What is formal organization ?**

AU : May-19

**Ans. :** The structure of authority responsibility relationships deliberately created by management.

**Q.16 What is informal organization ?**

**Ans. :** A network of informal relationships arising spontaneously.

**Q.17 Distinguish between authority and responsibility.**

**Ans. :**

Authority	Responsibility
It means the power and rights of the superior to command or to make decisions.	It is an obligation of the person to discharge the work assigned to him.

**Table 1**

**Q.18 What are the sources of organizational conflict ?**

AU : Dec.-04

- Ans. :** 1. Complex relationships 2. High degree of interdependence  
3. Limited resources 4. Conflicts in staff and line members  
5. Autocratic leadership 6. Differing educational background.

**Q.19 Enumerate the advantages of functional organization grouping.**

AU : May-05

**Ans. :** Advantages of functional organization :

- i) Since output/product is based on experts knowledge, better quality is assured.
- ii) Functional efficiency is more.
- iii) Expert knowledge reduces wastages and possibility of accidents.
- iv) Reduces work load and responsibility of specialists.
- v) Planning and actual performing separated i.e. mental and manual work is separated (division of labour and specialization).

**Q.20 Broadly classify the tests that are commonly used in the selection of people for job.**

AU : May-05

**Ans. :** Different tests in selection :

- i) Ability test      ii) Aptitude test      iii) Performance test
- iv) Personality test   v) Management skills test .

**Q.21 What do you understand by effective organizing ?**

AU : Dec.-05

**Ans. :** Effective organizing involves -

- Avoiding mistakes by planning
- Avoiding organization inflexibility

- Making staff work effectively
- Avoiding conflict by clarification
- Ensuring understanding of organizing.

**Q.22 What is the purpose of HRM ?**

AU : Dec.-05

**Ans. :**

- i) To enable management to achieve organizational objectives through its workforce.
- ii) To utilize the manpower to its full capacity and potential.
- iii) To integrate human resource policies with business plans and reinforce an appropriate culture as necessary.
- iv) To create conditions in which innovation, team working and total quality can flourish.

**Q.23 What is functional departmentation ?**

AU : May-12

**Ans. :** Departmentation based on function like production, marketing, finance, R and D etc. is called as functional departmentation.

**Q.24 What are the advantages of decentralization ?**

AU : May-13

- Ans. :**
1. Reduces burden on top executives.
  2. Enriches jobs of lower level employees.
  3. Faster decision at lower levels.
  4. Efficient functioning

**Q.25 What are the limitations of matrix organization structure ?**

AU : Dec.-13

- Ans. :**
1. Multiple reporting creates confusion.
  2. Organizational relationship is complex.
  3. Violates principle of unity of command.

**Q.26 What is the necessity of organization ?**

AU : Dec.-13

- Ans. :**
1. To make growth and diversification.
  2. To facilitate administration.
  3. To co-ordinate efforts of all department.
  4. To ensure optimum use of manpower.

**Q.27 Give an example of how functional authority works in an organization.**

AU : May-15

**Ans. :** In the structure of a bank, the line department receives their authority through the chain of commands connected to president.

**Q.28 Define staffing.**

**OR What is staffing.**

AU : Dec.-14

**Ans.** : Staffing is defined as - fulfilling the manpower needs of the organization in an efficient manner.

**Q.29 What is selection ?**

**Ans.** : Selection is a process of making choice of individuals possessing the required qualifications and skills necessary to perform the job successfully.

**Q.30 Give steps in selection.**

**Ans.** : 1. Application form      2. Short listing      3. Testing  
        4. Interviewing      5. Medical examination      6. Offering position

**Q.31 Define training.**

**Ans.** : Training is an act of increasing the knowledge and skill of an employee for doing a particular job.

**Q.32 Define sensitivity training.**

**Ans.** : A form of training based on behaviour and persons in groups and through undirected group interchange, designed to make these persons more aware of feelings and the feelings of others toward them.

**Q.33 Define social audit.**

**Ans.** : An audit of performance of an enterprise in those areas which have a significant social impact and importance.

**Q.34 What are the objectives of sensitivity training ?**

**Ans.** : i) To make the managers understand themselves.  
         ii) To make them more open minded.  
         iii) To develop insight into group process.  
         iv) To cultivate a systematic approach for motivation.

**Q.35 What is performance appraisal ?**

AU : May-18

**OR What is meant by performance appraisal ?**

AU : Dec.-16

**Ans.** : Performance appraisal is the systematic description of an employee's job relevant strength and weakness.

**Q.36 What is HRD ?**

**Ans.** : HRD is the integrated use of

i) Training and development      ii) Organizational development  
     iii) Career development.

**Q.37 Which steps are involved in selection process ?**

- Ans. :**
- |                      |                        |
|----------------------|------------------------|
| 1. Initial screening | 2. Application sorting |
| 3. Tests             | 4. Interviews          |
| 5. References        | 6. Interview           |
| 7. Medical check     | 8. Job offer.          |

**Q.38 What are different areas of training ?**

- Ans. :**
- |                                  |                      |
|----------------------------------|----------------------|
| 1. Knowledge                     | 2. Attitude          |
| 3. Administrative and conceptual | 4. Technical skills. |

**Q.39 What are advantages of training ?**

- Ans. :**
- |                        |                        |                       |
|------------------------|------------------------|-----------------------|
| 1. Higher productivity | 2. Reduced Absenteeism | 3. Assists new comers |
| 4. Creates confidence  | 5. Positive attitude.  |                       |

**Q.40 Broadly classify the tests that are commonly used in the selection of people for job.**

AU : May-05

**Ans. :** Different tests in selection :

- i) Ability test      ii) Aptitude test      iii) Performance test
- iv) Personality test    v) Management skills test .

**Q.41 What are the sources of recruitment ?**

AU : Dec.-12

- Ans. :**
- |                         |  |
|-------------------------|--|
| 1. Employment agencies. | 2. Advertisement in news papers            |
| 3. Campus recruitment.  | 4. Vacancy lists outside company premises. |

**Q.42 List down different types of training.**

AU : May-14

- Ans. :**
1. Induction and orientation of employees.
  2. By skilled and old workers.
  3. On the job training.
  4. Apprentice training.

**Q.43 What do you understand by assessment centers ?**

AU : May-15

**Ans. :** Assessment centers are systematic mechanisms for assessing the contribution of an employee during a specified period of time.

**Q.44 Define job enrichment.**

AU : Dec.-11, May-15

**OR What is meant by job enrichment.**

AU : Dec.-12

**Ans. :** In order to motivate worker; the job provides opportunities for achievement, recognition and responsibility is called job enrichment.

**Q.45 What is organizational culture ?**

AU : May-17

**Ans.** : Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs.

**Q.46 What is delegation of authority ?**

AU : May-17

**Ans.** : Delegation of Authority - Delegation of authority is assigning a part of manager's work to others, along with both the responsibility and the authority to achieve results.

**Q.47 Why performance management is important ?**

AU : May-17

**Ans.** : An effective performance management process enables managers to evaluate and measure individual performance and optimize productivity by:

1. Aligning individual employee's day-to-day actions with strategic business objectives
2. Providing visibility and clarifying accountability related to performance expectations
3. Documenting individual performance to support compensation and career planning decisions
4. Establishing focus for skill development and learning activity choices
5. Creating documentation for legal purposes, to support decisions and reduce disputes

**Q.48 What is personality ?**

AU : May-17

**Ans.** : Personality can be defined in different ways, depending on whether we focus on the individual or on people in general. Personality is about our different ways of being human.

- A brief definition would be that personality is made up of the characteristic patterns of thoughts, feelings, and behaviors that make a person unique.
- Personality refers to individuals' characteristic patterns of thought, emotion, and behavior, together with the psychological mechanisms-hidden or not behind those patterns.

**Q.49 Define Career management.**

AU : Dec.-17

**Ans.** : Career management can be defined as the process that plans and shapes the progression of individuals within an organisation in accordance with the organisational needs and objectives, employees performance potential and their preferences (i.e: the integration of the individuals objectives with those of the organisation).

**Q.50 What do you understand by Organization chart ?**

AU : Dec.-17

**Ans.** : An organization chart is a graphical model of the formal structure of an organization. The chart indicates the relationship between the various departments of the organization.

**Q.51 Distinguish between authority and power.**

AU : May-18

**Ans. :**

Sr. No.	Authority	Power
1.	Authority is legally enforced and is derived from level of position in an organization.	Power however is individual and independent and originates from Charisma and social positioning.
2.	Authority is formal based upon superior and subordinate relationship.	Power is informal and based upon individual understanding.
3.	Since authority is related with position in an organization, it has limited scope and is confined to organizational structure.	Power is linked with an individual and transcends boundaries.
4.	Authority is just and applied equally.	Power may be used indiscriminate.
5.	Authority is institutional and is given by organization to a position. Anybody who is offered that positions, enjoys the authority attached to that position.	Power is not so given by the institution. It is one's ability to influence others decision and its is acquired by the people.
6.	Authority relationship can be found out by anybody by locking up the organization chart. There are authority centers.	But there is no power centers dotted on the organization chart and it cannot be located anywhere else.
7.	Authority is always attached to the position. The higher the position on the organization chart, the bigger the authority.	Power has no relation with the position. A person even at low level may enjoy the power of influencing the decision making or even highly placed official having a lot of authority, may be proved powerless.
8.	Authority has no concern with the politics because it is not attached to a person. Power is attached to a person.	Element of politics is inherent in power.

**Q.52 What is human resource planning.**

AU : Dec.-18

**Ans. : Human resource planning :**

- Human resource planning facilitates in identifying the human resource requirements of the organization.
- Human resource planning techniques ensures that the demand and supply factors in assessing future requirements are fully taken into account.
- Human resource planning provides the basis for action plans dealing with recruitment, management, training, retraining, career progression and the improvement of productivity.



## **UNIT - IV**

# **4**

# **Directing**

### **Syllabus**

*Foundations of individual and group behaviour - motivation - motivation theories - motivational techniques - job satisfaction - job enrichment - leadership - types and theories of leadership - communication - process of communication - barrier in communication - effective communication - communication and IT.*

### **Contents**

4.1	<i>Foundation of Individual</i>	.....	<i>May-17, 16, 15, 14, 13, 12, 11, 10, 09, 08, 07, 18, 19</i>	
4.2	<i>Motivation</i>	.....	<i>Dec.-17, 16, 14, 12, 11, 09, 18</i> .....	<i>Marks 16</i>
4.3	<i>Leadership</i>	.....	<i>May-16, 15, 11, 10, 08, 05,</i>	
		.....	<i>Dec.-16, 12, 11, 09, 06, 05, 18</i> .....	<i>Marks 16</i>
4.4	<i>Communication</i>	.....	<i>May-17, 16, 15, 14, 12, 11, 10, 08, 18, 19</i>	
		.....	<i>Dec.-17, 16, 14, 13, 12, 11, 09,</i> .....	<i>Marks 16</i>

*Two Marks Questions with Answers*

## 4.1 Foundation of Individual

- Managerial function involves several human factors to achieve the objective and goals of organization. The human factors are part of behavioral sciences which makes major contribution to managing.
- Eventhough individuals are working for organizational objectives, they have their own needs and objectives also. Manager must understand their requirements through the leading function.
- A manager has to satisfy the needs of his subordinates and utilize their potential effectively. Therefore manager role is different from organization and subordinate point of view.

### 4.1.1 Multiplicity of Roles

- In an organization, employees are much more than a productive factor in management plan. They are part of social system of the organization. They are consumer of goods and service hence they can influence the demand.
- Also they are a part of society, trade associations, political parties etc. Thus members of organization by playing multiple role, they establishes -
  - Laws that govern managers.
  - Ethics of behavior.
  - Human dignity.
- Ultimately, managers and the people are interacting members of a broad social system.

### 4.1.2 No Average Person

- As people plays different roles, there is no average person. The individuals are unique, they have different needs, different ambitions, different attitudes, different desires for responsibility, different levels of knowledge and skills, different potentials.
- Manager has to understand the complexity and individuality of people to apply the correct theory of motivation, leadership and communication.
- Although most of the principles and concepts are true but they must be adjusted as per the situation.
- No organization can fulfill all needs and desires of individual but managers has to set perfect blend of compensation and needs.

### 4.1.3 Importance of Personal Dignity

- Managers are set to achieve the enterprise objectives. In this process care has to be taken not to violate the dignity of the people i.e. people must be treated with respect, irrespective of their position in the organization.

- All people from top to bottom of the organization are contributing to the organization, with their unique ability and different desires. All human beings must be treated with due respect.

#### 4.1.4 Considering the Whole Person

- A person is known by a set of distinct characteristics. Such as - knowledge, attitude, skills and personality. A person has all these characteristics in different degrees.
- All these characteristics interact with themselves and their degree changes in accordance with the specific situation.
- A person is influenced by external factors. Manager must identify these factors and deal with them accordingly.

### 4.2 Motivation

**AU : May-17, 16, 15, 14, 13, 12, 11, 10, 09, 08, 07, 18, 19, Dec.-17, 16, 14, 12, 11, 09, 18**

- Motivation is an important function of management. Motive means want, need, impulse or drive. Motive is internal to person. Motive prompts a person into action.
- Human motives are based on needs, whether consciously or subconsciously. The needs may be primary or secondary.
- A **motive** is an internal force that energizes (activates) and directs behaviour towards goal.
- Motivation is general term applying to the entire class of drives, needs, desires. **Motivation** is the force that energizes behavior, gives direction to behavior.
- This definition express that in order to achieve goals, individuals must be sufficiently stimulated. The leading function of management involves influencing others to work toward organizational goals, motivation is an important aspect of that function.

#### 4.2.1 Definitions of Motivation

- Motivation is defined by different authors or managerial practitioners in different ways. Some of them are expressed -

1. *"Motivation is the process of initiating and directing behaviour"* defined by **Victor Vroom**.
2. **Edwin B. Flippo** defined motivation as "*process of attempting to influence others to do your will through possibility of gain or reward*".
3. **William Scott** defined motivation as "*It means a process of stimulating people to action to accomplish desired goals. It is viewed as a function which a manager performs in order to get subordinates to achieve job objectives*".

**4.2.2 Significance of Motivation****AU : May-15**

- Motivation deals with motive force of human being. One of the strongest sources of motivation in human action is the desire of competence.
  - Motivation increases overall productivity of the organization
  - Motivation increases job satisfaction, and workers interest.
  - Motivation is creation of will to work among workers and subordinates
  - Motivation reduces labour turnover, because of satisfaction in job and interest in job.
  - No organization can work without motivation. Therefore motivation is essential for all organization.
  - Any person can be efficient but in the absense of desire to work he can not do work unless he is motivated.
  - Motivation improves skill and knowledge.
  - Motivation builds human relationships.
  - An organization may have man, machine and money, these three things are not fruitful unless the men at work are properly motivated.
  - Motivation promotes self discipline.

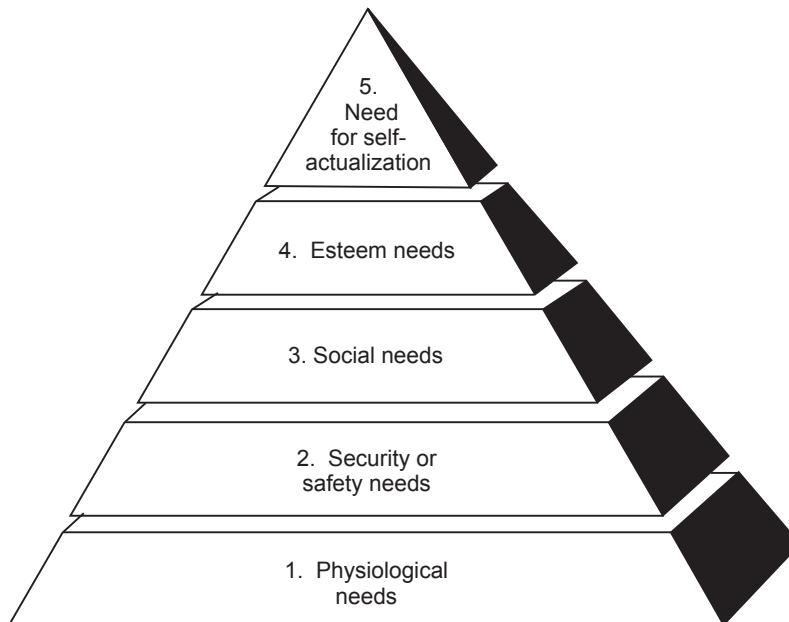
**4.2.3 Motivation Theories**

- The important theories in respect of motivation are as under -
  - 1) Maslow's need hierarchy theory (priority model)
  - 2) Herzberg's two factor theory
  - 3) McGregor's theory X and theory Y
  - 4) McClelland achievement theory of motivation

**4.2.4 Maslow's Need Hierarchy Theory****AU : May-13, 12, Dec.-12**

- One of the most popular theories of motivation is the **hierarchy of needs theory**, developed by an American Psychologist Abraham Maslow and popularized as **Maslow's need hierarchy theory**. This theory was developed in early 1960s.
- Abraham Maslow viewed the motivation of human being as arising from levels of hierarchy of needs. Maslow suggested a number of interesting things about human needs.
- Maslow suggested that most of human needs can be grouped into five categories.
- Maslow began with the assumption that in any given situation human behavior or performance, tends to reflect the particular need level of individual in the particular situation.

- Maslow identified basic human needs as -
  1. Physiological needs
  2. Safety needs/security needs
  3. Social needs
  4. Esteem needs
  5. Self-actualization need.
- Fig. 4.2.1 shows these needs in an ascending order of importance.



**Fig. 4.2.1 Maslow's hierarchy of needs**

## 1. Physiological needs

- According to this hierarchy, our first need is for survival, this includes the clothing, food, shelter, water, sleep and air etc. These are called as **physiological needs**, the need for those things which will keep us alive and functioning physiologically.
- These needs are the foremost and powerful motivator. These are also known as **biological needs** which are essential for survival and preserving human life.

## 2. Safety needs

- **Security and safety needs** are second in priority. These are the needs which allow to feel physically and psychologically safe. Everybody needs economic security and physical protection.
- These needs include - protection against threat, job security, property, insurance, provisions for old age. He wants to be protected from danger, arbitrary behavior

of their superiors etc. Management can offer pension, insurance and job security to fulfill their needs.

### 3. Social needs

- **Social needs** are the needs for the sense of belongingness and acceptance by others. Man is essentially a social being, he wants to be loved by others and wants affection from others.
- These needs are secondary, infinite and are of mind not physical. These needs refer to the needs of conservation, social ability, exchange of feelings and grievances, recognition and belongingness. These needs can be fulfilled through effective communication supervision good coworkers (peers), superiors etc.

### 4. Esteem needs

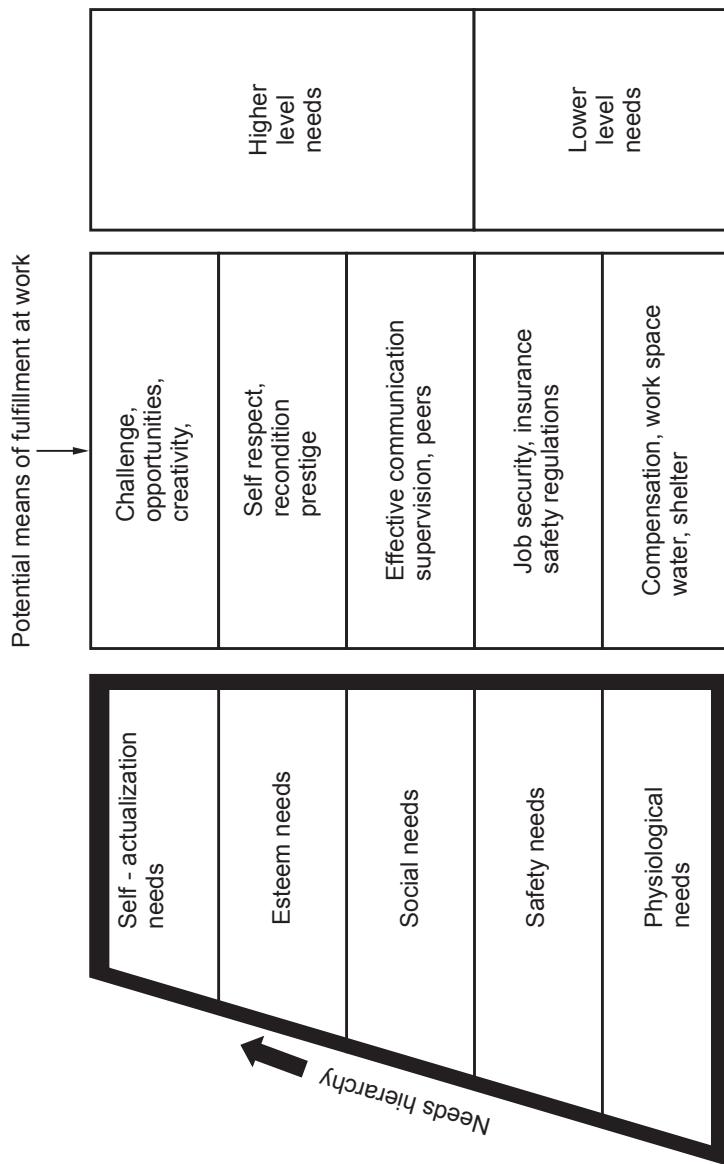
- **Esteem needs** are related to the two prolonged desire to have a positive self image and to have our contributions appreciated by others.

Esteem needs are egoistic needs. Esteem needs are classified into two types.

- i) **Self esteem** : Self esteem includes self respect, confidence, competence and feeling that he is doing something worthwhile.
- ii) **Public esteem** : Public esteem means esteem or image in the eyes of public such as power, praise, public appreciation, recognition, status and prestige. Every one wishes respect and fame. He thinks that he is the most able person and others must think of him and respect him. These needs are infinite and serves as strong motivators.

### 5. Self-actualization needs

- Maslow regards this as the highest need in this hierarchy. **Self-actualization** pertain to the requirement of developing capability and reaching full potential.
- Self-actualization needs are individual needs for realization of his own potentialities, opportunities for creativity. It is the need for the feeling or sense that you are achieving your full potential as a human being.
- Maslow recognized that a need might not have to be completely fulfilled before we start directing our attention to the next level in the hierarchy Fig. 4.2.2 shows Maslow's hierarchy of needs. (Refer Fig. 4.2.2 on next page.)
- Once a need is fulfilled, the need ceases to be as motivator and one feels tension to fulfill needs at the next level. This is ever continuing process.
- In the hierarchy first two needs i.e. physiological needs and safety needs are called as **lower level needs**. These needs are finite. The next three needs i.e. social needs, esteem needs and self-actualization needs are **higher level needs**. The higher level needs are infinite.



**Fig. 4.2.2 Maslow's hierarchy of needs**

#### 4.2.4.1 Criticisms of Maslow's Theory

- Maslow has been criticised on the following grounds.
  - a) The theory is suppositional and not based on reliable empirical evidence.
  - b) Although the theory classifies and describes human needs, it does not examine basic sources.

- c) Some of the needs listed in the Maslow hierarchy might not be considered important by certain people. Many needs are **socially** and **culturally** determined and thus vary between communities.
- d) Individuals may demand the satisfaction of higher level needs even though lower needs have not been satisfied. Thus for example an unemployed person on a low income may feel a need for esteem just as acutely as he or she feels the need for clothing, shelter or security.
- V. H. Vroom emphasised the importance of employee's expectations about whether their efforts would receive just rewards. His 'expectancy theory' states that an individual's behaviour is affected by :
  - a) What the person wants to happen;
  - b) The person's estimate of a person's belief that a certain outcome will satisfy his or her needs.
- Predictions of what will happen in the future are usually based on what has happened in the past. Thus, situations not previously experienced (for example, new working practices, job changes, environmental alterations) give rise to uncertainty and may in consequence reduce employee's motivation.
- Accordingly, employees need to be able to identify clear connections between effort and reward. Otherwise they will not be motivated.

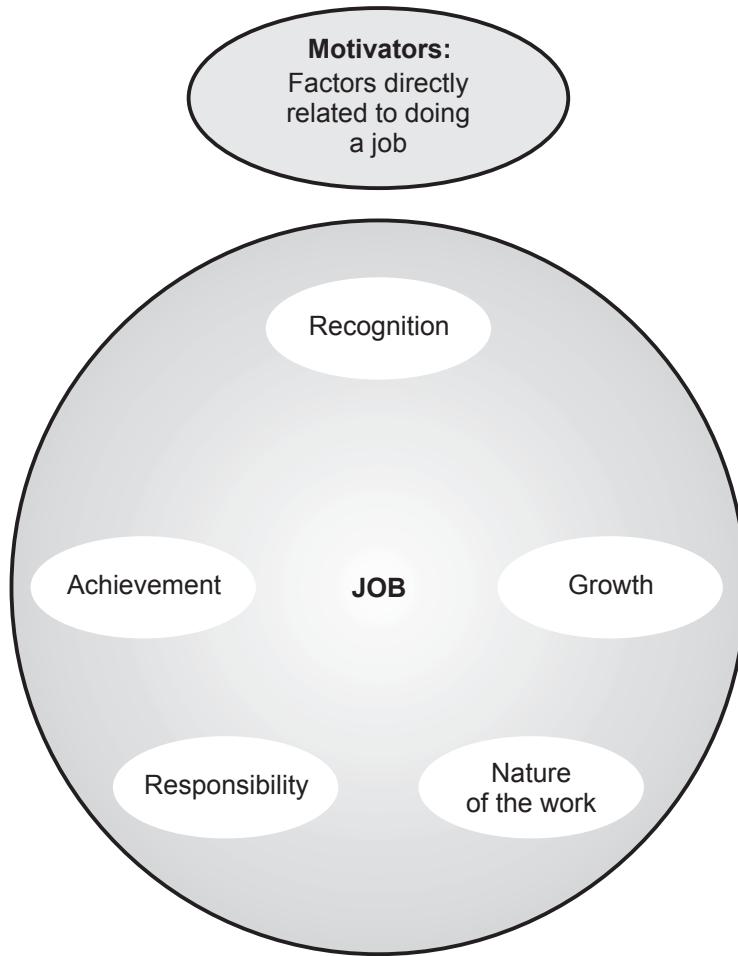
#### 4.2.5 Herzberg's Two-Factor Theory

AU : May-13, 12, Dec.-12

- Another psychologist Frederick Herzberg interviewed accountants and engineers working in the Pittsburgh vicinity. He asked them to relate situations in which they felt particularly good about their jobs and situations in which they felt particularly bad about their jobs. Analysis of interview data showed a distinct pattern.

##### 1) Motivators / Motivating factors :

- Factors that seemed to make individuals feel satisfied with their jobs were associated with the content of the job. These factors are termed as **motivators** or **motivating factors** (Factors directly related to doing a job). (See Fig. 4.2.3 on next page)
- The motivating factors include
  - i) Sense of achievement
  - ii) Sense of responsibility
  - iii) Sense of work itself
  - iv) Sense of recognition
  - v) Advancement opportunity
  - vi) Personal growth

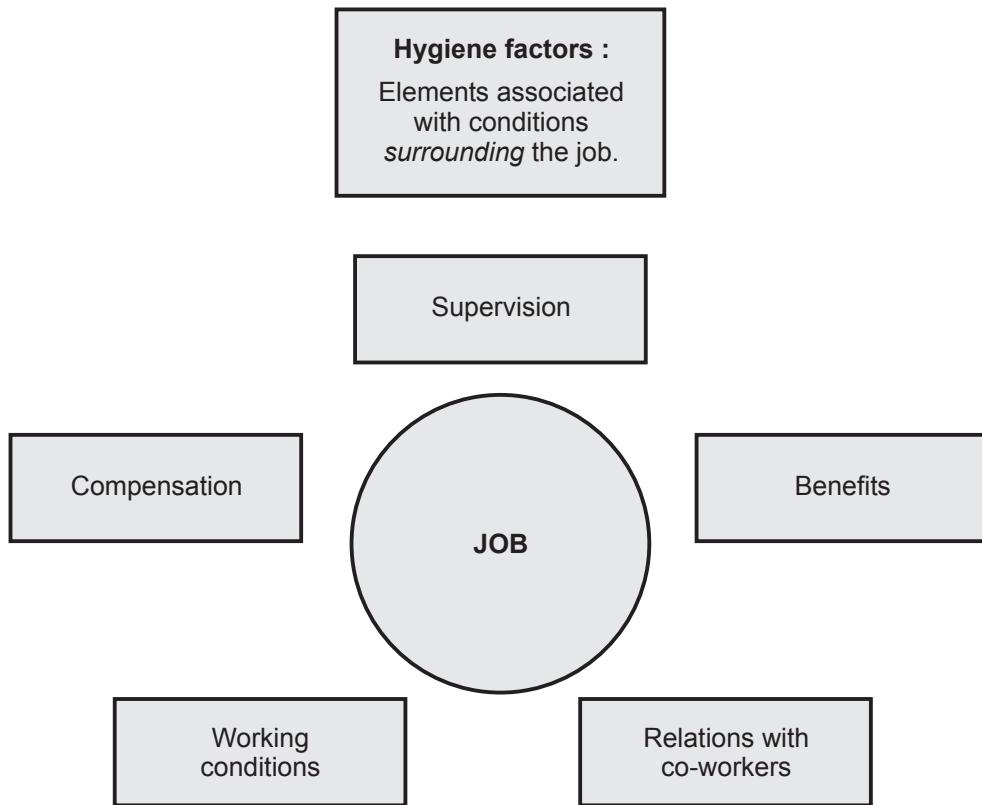


**Fig. 4.2.3 Motivating factors**

- Again the factors responsible for job satisfaction are different from factors that leads to dissatisfaction. Job satisfaction and dissatisfaction are not opposite to each other. Absence of job satisfaction does not mean job dissatisfaction, but it is no job satisfaction.

## 2) Hygiene factors :

- Factors that seemed to make individuals feel dissatisfied were associated with the job context. These factors are termed as **hygiene factors** or **maintenance factors**. Hygienic factors provide no motivation but they served to prevent loss of money and efficiency.
- These factors are essential to maintain a reasonable level of satisfaction among employees. They don't motivate but provide better working conditions. Hygiene factors are elements associated with conditions surrounding the job.

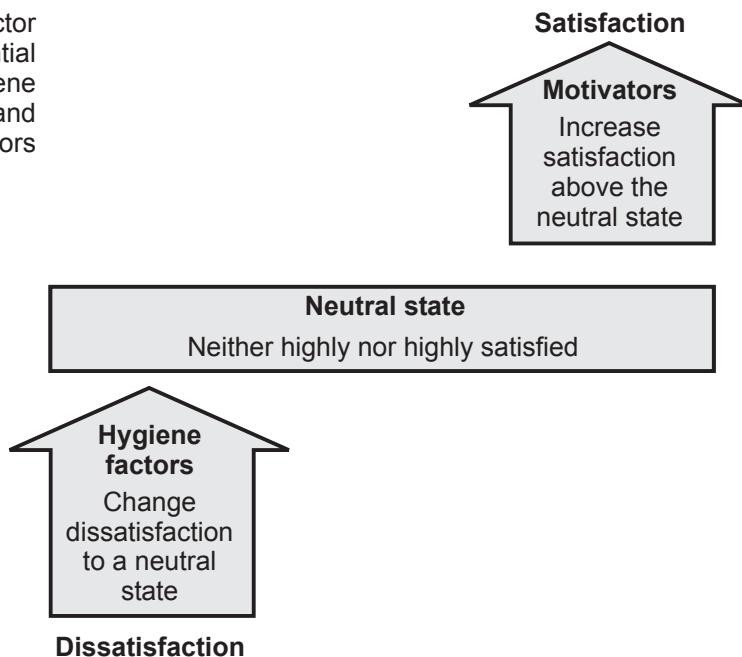
**Fig. 4.2.4 Hygiene factors**

- The hygiene factor/maintenance factor includes
  - i) Pay/salary                    ii) Working conditions
  - iii) Supervisors (Technical aspects of supervision)
  - iv) Company policies and administration
  - v) Benefits                      vi) Status
  - vii) Security                    viii) Inter relationship with peers, Supervisors

Herzberg's two factor theory is shown in the Fig. 4.2.5. (See Fig. 4.2.5 on next page)

- **Herzberg's two-factor theory** argues that hygiene or maintenance factors are necessary to maintain a standard level of satisfaction among employees. Hygiene factors cannot motivate them but their absence will create dissatisfaction. These factors are **extrinsic** to the job.
- Herzberg's motivating factors are known as motivators and are **intrinsic** to the job. Presence of motivating factors will increase satisfaction and ultimately performance of the employees go up.

Herzberg's two-factor theory: differential effects of hygiene factors and motivators



**Fig. 4.2.5 Herzberg's two-factor theory**

- According to Herzberg's, today's motivating factors are tomorrow's hygiene factor because they stop influencing them.
- Satisfaction and dissatisfaction are not opposite to each other, they are in fact two independent dimensions. Motivators affect satisfaction and hygiene affect dissatisfaction.
- The implications for managers are
  - Provide hygiene factors to reduce sources of worker dissatisfaction.
  - Be sure to include motivators because they are the only factors that can motivate workers and lead ultimately to job satisfaction.

### Motivation and Job Satisfaction

- The terms "job satisfaction" and "motivation" are often used interchangeably. However, this is incorrect.
- Job satisfaction refers to the pleasure or reassurance that a job provides a person. A person who is satisfied with his job is said to have high job satisfaction. Whereas, Motivation refers to the drive and efforts to satisfy a want or goal, regardless of whether the job brings him pleasure. However, the terms are closely related.

	Motivation	Job Satisfaction
1.	Motivation refers to the reasons -- the motive -- that a person performs a particular job. A person's motives for doing a particular job can vary widely. While some do a job because it makes them happy, others do it simply because they are paid to do it and without a regular salary they would end up homeless and hungry..	Job satisfaction refers to the satisfaction that a person receives from performing his job. The satisfaction can take many forms -- satisfaction at the work that he has accomplished, satisfaction at the effort he puts into the job, satisfaction at the help he has provided others -- but all involve some degree of psychological contentment. Job satisfaction can often be difficult to measure, because people define satisfaction in different ways.

#### 4.2.6 McGregor's Theory X and Theory Y

AU : May-12

- Management researcher Douglas McGregor proposed possible assumptions that managers make about workers. He proposed two distinct views of human nature.
- He focused on leader's assumptions about which factors were most important in motivating people at work.
- McGregor's research suggested that manager's assumptions about worker motivation tended to fall into one of two categories. McGregor felt that such assumptions exert a heavy influence on how managers operate.

The two theories are

- 1) Theory X (Traditional theory)
- 2) Theory Y (Modern theory)

##### 1) Theory X or traditional theory

- Theory X is negative theory. Theory X managers tend to assume that workers are lazy, need to be compel, they have little ambitions, they are focused mainly on job security.
- McGregor believed that managers who believe in theory X are likely to treat workers accordingly. Hence such a manager sets up authority and control centralized.
- Manager attempts to motivate strictly through economic incentives. Workers have no option except to obey the direction workers are mentally dependent on management.
- The **assumption of theory X** are
  - Employees inherently dislike and always try to avoid it.

- ii) Most employee are less ambitious, they do not want to take any responsibility and not want to improve the work through interest but wait for formal directions/instructions.
- iii) Most people need to be coerced, (compel), controlled and threatened with punishment to get them to work and achieve goals.
- iv) Motivation occurs only at the physiological and safety levels.
- v) Most people have little capacity for creativity and problem solving, decision making.
- vi) Workers are of less importance, they are indifferent to the organizational needs, they think to be an instrument. Workers are passive in nature.  
Theory X suggests that workers are to be directed, controlled and punished to achieve the desired results. Autocratic type leadership is suitable for such employees.

## 2) Theory Y or modern theory

- Theory Y is positive theory. Theory Y managers assume that worker do not basically dislikes work, are capable of self-control and self-motivated. Workers play an important role in achieving goals. They are creative and self-driven.
- The **assumptions of theory Y** are -
  - i) Work is as natural play, if the conditions are favourable.
  - ii) Workers are committed to the objective at enterprise They are self controlled and no punishment is required.
  - iii) They feel responsible for the work for which they are appointed.
  - iv) They are active, innovative (creative) and have the capability of decision making.
  - v) Motivation occurs through self-actualization and satisfaction.
  - vi) They can actively participate in decision making.
  - vii) Their intellectual potentials of most individuals are only partially utilized in most organizations.
  - viii) When conditions are favourable, the average person learn not only to accept but also to seek responsibility.
- Theory Y suggest that the peoples are self-driven, self-control and it is participative in nature.
- One of McGregor's concerns as he considered his research findings was that Theory X might represent an inaccurate set of assumptions about what motivates most people in their work.
- He felt that as the educational level of the workforce continued to rise, people would become less motivated by the security needs that are the focus of Theory X

and more motivated by the higher level needs of acceptance, esteem and self actualization that are the focus of Theory Y.

- McGregor added that in some situations Theory X assumptions may be more appropriate than Theory Y. For example, when people are being asked to perform tasks they would strongly prefer not to perform. Here the work is not "as natural as play". In this kind of situation, the security need may become a significantly more important source of motivation, and the leader needs to realize this.
- From McGregor's point of view, an effective leader is one who recognizes that people are looking is one who recognizes that people are looking for not just security in their work (Theory X) but opportunities and development as well (Theory Y).

#### 4.2.6.1 Comparison of Theory X and Theory Y

Sr. No.	Theory X	Theory Y
1.	Work is inherently disliked by employees.	Work is as natural as play, if the conditions are favourable.
2.	Most people are not ambitious, have little desire for responsibility, and prefer to be directed.	Self-control is often necessary in achieving organizational goals.
3.	Most people have little capacity in solving organization problems.	The capacity for creativity in solving organization problems exists.
4.	Motivation occurs only at the physiological and safety levels.	Motivation occurs at the social, esteemed self-actualization levels, as well as at physiological and safety levels.
5.	Most workers must be closely controlled and often compel to achieve organizational objectives.	Workers are self motivated, and self directed.

#### 4.2.7 McClelland's Achievement Theory of Motivation

AU : May-12

- Harvard Psychologist David C. McClelland proposed **achievement theory of motivation**. This theory is also known as **acquired-needs theory**.
- McClelland's achievement theory states that our needs are acquired or learned on the basis of our life experiences.
- He proposed three major needs or motives that motivate human behavior. He measures these needs using the **Thematic Appreciation Test (TAT)**, in which participant write stories about pictures that are purposely ambiguous.
- The stories are then scored according to the achievement, affiliation and power themes that they contain. The assumption is that individuals write about themes that are important to them.

- For most of us, test results would indicate a blending of the achievement, affiliation and power needs rather than a high level of just one of these needs and the absence of others.

According to him these three needs are -

- 1) Need for achievement (nAch)
  - 2) Need for affiliation (nAff) and
  - 3) Need for power (nPow)
- McClelland feels that every individual wants all the above three needs in work place but the individuals differ in behavior and motivation.

### **1. Need for Achievement (nAch)**

- The need for achievement is the first motive for the people. The **need for achievement (nAch)** is the desire to accomplish challenging tasks and achieve a standard of excellence in one's work.
- Individuals with a need for achievement get satisfaction by attaining the objective. They strive hard to succeed. The individuals with a high nAch typically seek competitive situations in which they can achieve results through their own efforts.
- The high achievers usually take calculated risk and they usually pursue moderately difficult goals. Their approach is well planned without undue risk.
- They typically avoids extremely difficult goals because of substantial risk of failure. High nAch individuals like problems that require innovative and novel solutions. They do not like to succeed by chance. They can be a valuable source of creativity and innovative ideas in the organizations. They want to receive feedback immediately.
- McClelland argues that high nAch individuals may not be motivated by money perse because they derive satisfaction mainly from their achievements. They are risk bearers, goal oriented and take no chance. Their growth is faster than others as they think for doing things better.

### **2. Need for Affiliation (nAff)**

- The second motive force is need for affiliation. The **need for affiliation (nAff)** is the desire to maintain warm, friendly, relationships with others.
- High-nAff individual derive satisfaction through friendly relationship i.e. from social or inter personal relationship. They receive affection from others and develop strong bond of relationship with peoples.
- To motivate high-nAff individuals, managers need to provide them with co-operative, supportive work environment in which they can meet both performance expectations and their high affiliation needs by working with others.

- High-nAff individuals can be particular assets in situations that require a high level of co-operation with and support of other, including clients and customers.

### 3. Need for Power (nPow)

- After studying various needs McClelland defined need for power. The **need for power (nPow)** is the desire to influence others and control one's environment as important motivator in organization.
- The high-nPow people derive satisfaction by maintaining control over others and influencing others. They try to occupy the positions of influence and control.
- Need of power has two forms
  - i) Personal power ii) Institutional power
- i) **Personal power** - It is a need of power in which individuals want to dominate others for the sake of demonstrating their abilities to manage. They accept followers loyal to them personally rather than to the organization.
- ii) **Institutional power** - Individuals with a high need for institutional power focus on working with others to solve problems and organizational goals. They want getting things done in organized manner. They are also willing to sacrifice some of their own self-interests for organization.
- The individuals with high institutional power are the best managers because they are oriented toward co-ordinating the effort of others to achieve long term organizational goals.
- They find political organizations, military or civil services most attractive because control and influence is attached with the positions in these organization.

#### 4.2.7.1 Comparison of Need Theories

Comparison of needs in various motivating theories is shown in Table 4.2.1.

Maslow	Herzberg	McGregor		McClelland
Hierarchy of Needs Theory	Two Factor Theory	Theory X	Theory Y	Achievement Theory
Physiological	Hygiene factors	Motivating factors	Motivating factors	Need for Affiliation
Safety and security				
Social Needs				
Esteem Needs	Motivating factors			Need for Achievement
Self-Actualization	Need for Power			

Table 4.2.1 Comparison of needs

## 4.2.8 Reinforcement Theory

AU : May-12

- **Reinforcement theory** examines the effects that consequences have on motivation and behaviour. Consequences can be positive, neutral or negative and can vary from insignificant to overwhelming.
- In the work situation, consequences can come from the work group, the supervisor, the organization, or any combination of the three. frequently, as in the case of employees who perform far above the average for their group, the consequences from one source may be positive while those from another may be negative.
- Regardless, motivation to increase or to decrease particular behaviour can be strengthened as a result of these responses to behaviour and thus reinforcing consequences represent a potentially powerful set of tools for managers in influencing performance. That is they are powerful tools if those reinforcements are applied appropriately.
- Analysis of the different reinforcement approaches focuses on whether particular behaviours will likely be repeated or lessened.
- The two principal approaches that can be used to **increase** the probability of behaviour desired by the manager or organization are positive and negative reinforcements.

### 4.2.8.1 Positive Reinforcements

- Positive reinforcements are desirable consequences often referred to as "rewards", being given or applied, increase the likelihood of behaviour being repeated in the future.
- In many instances, the use of positive reinforcements, such as a manager praising behaviour in the future, especially if such praise is not seen by the subordinate as routine or insincere.
- However positive consequences also can reinforce undesired behaviour. For example, an employee may take a shortcut at considerable risk to the organization to achieve an important performance goal.
- The employee's manager congratulates the person for reaching the goal so quickly but does not realize that the risky behaviour is also being reinforced.
- For positive reinforcements to be effective in motivating behaviour in organizational settings, they should have the following attributes  
**Equitable** : The size of rewards should be roughly related to the quality and or quantity of past job-related performance.

**Efficient** : Rewards must have some capacity for affecting future performance, for example, by making clear that a particular level of future performance will lead to a desired reward.

**Available** : Managers and organizations should not talk about or offer rewards that are not readily available or are available in such small amounts as to be seen as not rewarding at all. As Kerr states "Organizations with very small salary increase pools spend hundreds of management hours rating, ranking and grading employees, only to waste time, raise expectations, and ultimately produce such pitiful increases that everybody is disappointed and embarrassed."

**Not exclusive** : The possibility of obtaining rewards should not be limited to only a small percentage of employees. The more that people are "ineligible" or excluded from the possibility of obtaining rewards, the less likely that a given reward could have a widespread effect.

**Visible** : To be effective in having more than a very limited impact on the motivation of a number of people, rewards should be visible not only to recipients but also to others who possibly could obtain them in the future.

**Reversible** : This attribute of effective rewards does not, of course, refer to a reward that can be taken away once given. Rather, it refers to rewards that can be denied or not given in the future, if circumstances warrant. The classic example in modern business organizations is the bonus. Unlike a pay raise that can be given again in the future. That feature provides managers with a great deal of flexibility.

#### 4.2.8.2 Negative Reinforcements

- The **removal** of undesirable consequences, that is, consequences that a person performing an act does not want, can **increase** the likelihood of that behaviour being repeated in the future. The removal of such undesirable consequences is called a **negative reinforcement**, just as the addition of desirable consequences is called a positive reinforcement. In both cases they are **reinforcing** if they cause behaviour to be maintained or increased.
- For example, a salesperson working in a sales territory with very difficult and demanding customers, finds that by putting in extra effort, the unpleasant experiences he has been encountering have been removed when he is transferred to a different territory.
- If he believes the transfer was a result of his hard work, the removal of the undesirable consequences has reinforced the likelihood of high levels of effort in the future. In this instance, both the company and the salesperson benefited from the negative reinforcement.
- Both of these reinforcement mechanisms - positive reinforcements and negative reinforcements - maintain or increase particular types of behaviour and performance.

## Punishments

- Punishments are negative consequences given following behaviour to decrease the likelihood it will be repeated. In some organizations, punishment are seen as an effective way to prevent undesired behaviour.
- In many other organizations, however punishments are discouraged, often because their use is seen as either inappropriate or ineffective. Also, they can have inadvertent undesirable effects.
- An example of an undesired effect of a deliberately applied punishment is a situation in which a penalty is applied for excessive absenteeism, yet the behaviour that is reinforced is not better attendance but more sophisticated excuses for being absent. This example illustrates that it is typically quite difficult in organizations to make sure that punishments have only the effects intended and no other effects.

## Extinction

- Another approach to decrease behaviours is to avoid providing any positive consequences as the result of that behaviour. This process is referred to as **extinction**. It is a well demonstrated research finding, and a fact of everyday work life, that behaviours that do not lead to positive reinforcements tend not to be repeated, or atleast not repeated as much.
- One of the best examples of this in organizational settings is safety behaviour. Often, safe work behaviour is simply taken for granted by supervisors and is not explicitly reinforced. As a result, because safe behaviour typically requires extra time and effort, employees gradually lose motivation to take these extra steps, and eventually an accident occurs.

### 4.2.9 Job Enrichment

- Job enrichment is similar to Herzberg's theory of motivation. Here the motivating factors are achievement recognition, responsibility and challenge.
- Job enrichment deals with designing job with higher sense of challenge and achievement.
- A job can be enriched by variety of means, such as -
  - i) Giving freedom in deciding work methods.
  - ii) Encouraging subordinate participation in work.
  - iii) Assigning some personal responsibility.
  - iv) Realizing worker's contribution in company objectives.
  - v) Giving feedback on job performance.

#### 4.2.10 Porter and Lawler Model

- Lyman W. Porter and Edward E. Lawler developed a more complete version of motivation theory depending on expectancy theory.
- Actual performance in a job is primarily determined by the effort spent. But it is also affected by the person's ability to do the job and individual's perception of what the required is.
- Performance is responsible factor that leads to intrinsic as well as extrinsic rewards.
- The rewards along with the equity of individual leads to satisfaction. Hence, satisfaction of the individual depends upon the fairness of the reward.

#### 4.2.11 Adam's Equity Theory

- J. Stacey Adams suggested equity theory. According to this theory, peoples are motivated by their beliefs about the reward structure as being fair or unfair, relative to the inputs.
- People have a tendency to use subjective judgement to balance the outcomes and inputs in the relationship for comparisons between different individuals.

$$\frac{\text{Outcomes by a person}}{\text{Inputs by a person}} = \frac{\text{Outcomes by another person}}{\text{Input by another person}}$$

#### 4.2.12 Employee Attitude Vs. Job Performance

- When an employee reports to work, his attitude affects his work performance and can have an impact on the employee morale around him.
- Generally, workers with good attitudes have stronger performance, and workers with poor attitudes exhibit less-than-superior performance. It is up to managers to monitor employee attitudes and address attitude problems such as negativity and laziness.

##### 1. An Employee's Attitude

- An attitude is based on many factors that an employee brings to the workplace. The deep roots of an employee's attitude make it hard to change. Her attitude is the product of her upbringing, including patterns of thought and ways of looking at the world that she has learned over many years from peers, parents, teachers, coaches and other adults.

##### 2. Impact of Attitudes

- An employee's attitude has a potential to impact his interactions with others and his individual work performance. Attitude affects an employee's reactions to others, including colleagues, supervisors and customers; attitude affects his perception of his job and his value to the organization. If an employee's work

tasks involve collaboration with others, his attitude can affect the success or failure of the group.

### 3. Signs of Poor Attitude

- Some signs of negativity in employees are all-or-nothing thinking, overgeneralization and labeling, personalization and blame, jumping to conclusions and focusing on the negative. These signs are examples of patterns of thinking that affect an employee's view of her job and her social relationships with others in the workplace.
- When a manager observes negative patterns of thinking in a group situation, he can ask himself which kind of thinking is affecting each employee. He can also help group members examine their attitudes to turn the focus back to positive thinking.

### 4. Management's Role

- Managers can assess whether an employee's poor performance reflects an attitude problem or factors such as job satisfaction, an inability to handle work tasks, training needs, problems with the work environment or personal problems.
- Upon closer examination, managers may find that an employee struggles at performance because of a combination of these or other factors. Therefore, it's important to approach an employee's performance problems with care, because they may or may not be related to his attitude. This conversation may reveal an employee's insights into why he struggles.

### 5. Positive Attitudes and Job Performance

- Managers should encourage and recognize employees with positive attitudes and satisfactory or above-average performance. These employees contribute to a positive workplace and positively impact workplace morale.
- They are often unnoticed because people with negative attitudes or weak performance demand more of a manager's time. Recognition reinforces their positive attributes and promotes continued achievement.

#### University Questions

- |            |  |                               |
|------------|--|-------------------------------|
| <b>Q.1</b> | <i>Explain the motivation important for organization development/achievement ? Justify your answer with Maslow's hierarchy of needs.</i> | <b>AU : Dec.-11, Marks 16</b> |
| <b>Q.2</b> | <i>Name the motivation theories. Explain any two of them.</i>  | <b>AU : May-11, Marks 8</b>   |
| <b>Q.3</b> | <i>Explain how motivation helps an organization to improve productivity.</i>   | <b>AU : May-11, Marks 8</b>   |
| <b>Q.4</b> | <i>Define motivation.</i>  | <b>AU : May-11, Marks 2</b>   |
| <b>Q.5</b> | <i>Critically examine Maslow's need priority model. How far up the hierarchical ladder do most people progress ?</i>                     | <b>AU : May-10, Marks 16</b>  |

<b>Q.6</b>	<i>What is difference between motivation and satisfaction ?</i>	<b>AU : May-10, Marks 2</b>
<b>Q.7</b>	<i>Discuss the different theories of motivation.</i>	<b>AU : Dec.-09, May-12, Marks 12</b>
<b>Q.8</b>	<i>What is positive motivation ?</i>	<b>AU : Dec.-09, Marks 2</b>
<b>Q.9</b>	<i>Substantiate your answer with the help of a suitable motivation.</i>	<b>AU : May-09, Marks 8</b>
<b>Q.10</b>	<i>Explain Maslow's theory of motivation and compare and contrast XY theory.</i>	<b>AU : May-08, Marks 16</b>
<b>Q.11</b>	<i>What does hierarchy of needs tell us about people's need ?</i>	<b>AU : May-07, Marks 8</b>
<b>Q.12</b>	<i>Explain any two theories of motivation in detail.</i>	<b>AU : Dec.-12, Marks 8</b>
<b>Q.13</b>	<i>Discuss the 'Maslow's need hierarchy theory. Compare and discuss the Maslow and Herzberg's theory of motivation.</i>	<b>AU : May-13, Marks 16</b>
<b>Q.14</b>	<i>Explain the different motivation theories and also discuss how it is useful in leadership of an organisation.</i>	<b>AU : May-14, Marks 16</b>
<b>Q.15</b>	<i>Describe anyone motivation theory and suggest how the motivation theory might aid in getting managers to motivate their staff.</i>	<b>AU : Dec.-14, Marks 16</b>
<b>Q.16</b>	<i>Does motivation important for organization development / achievement ? Justify your answer with Maslow's hierarchy of needs.</i>	<b>AU : May-15, Marks 16</b>
<b>Q.17</b>	<i>Name the motivational theories and explain any two of them.</i>	<b>AU : May-16, Marks 8</b>
<b>Q.18</b>	<i>Difference between motivation and satisfaction.</i>	<b>AU : Dec.-16, Marks 8</b>
<b>Q.19</b>	<i>Discuss the contemporary theories of motivation.</i>	<b>AU : May-17, Marks 13</b>
<b>Q.20</b>	<i>"Job performance of individual is significantly influenced by the employee's attitude" - Discuss.</i>	<b>AU : May-17, Marks 13</b>
<b>Q.21</b>	<i>Explain any two motivation theories of your choice.</i>	<b>AU : Dec.-17, Marks 13</b>
<b>Q.22</b>	<i>Compare and contrast early theories of motivation.</i>	<b>AU : May-18, Marks 13</b>
<b>Q.23</b>	<i>Define motivation. Explain the theories of motivation in detail.</i>	<b>AU : Dec.-18, Marks 13</b>
<b>Q.24</b>	<i>Summarise the methods of motivating employees in organisation.</i>	<b>AU : May-19, Marks 13</b>

### **4.3 Leadership      AU : May-16, 15, 11, 10, 08, 05, Dec.-16, 12, 11, 09, 06, 05, 18**

- The word organization implies some type of cohesive, unifying force. In business, that force is people. People represent the building blocks of any organization and therefore are critical and integral part of every enterprise. Organizational success depends on effectively managing, supervising and leading people.
- All managers and supervisors, regardless of level, must be leaders and therefore have an important role in getting things done. One of the essential tasks of leaders is to motivate and guide performance.

- Leading is analogous to coaching the success or failure of the team rests on the coach's shoulders. The coach receives credit when the team is winning and takes the beat when the team is losing.
- Leaders in business share the same joys and frustrations. They are responsible for the success of organizations, departments and units whether they are part of multinational corporations or small partnerships. Leaders can enhance or hinder the operation of any enterprise.
- Leadership is the quality that enables a manager to exert a positive influence over the behavior of his subordinates.
- **Leadership** is defined as the process of influencing and motivating others to achieve organizational goals.
- A **leader** is someone who advances organizational goals by influencing the attitudes and actions of others.

### Leadership and power

- The word leadership implies responsibility, authority and status but power and decision making provide the foundations for leadership.
- Power is typically thought of as the capacity ability to influence and thus the greater a person's power, the greater the potential for influencing others.
- Power can be thought of as a basis for exerting influence. It can be used "to change the course of events, to overcome resistance and to get people to do things that they would not otherwise do".
- However the fact that a leader, or anyone else, has power does not guarantee that he or she will use it - or use it well. Possession and use are two different matters.

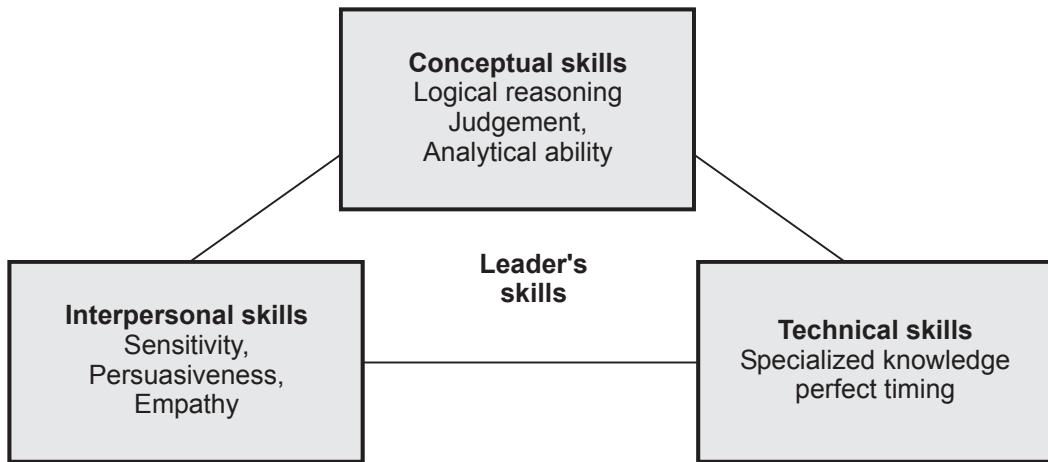
#### 4.3.1 Leader's Skills

AU : Dec.-12, May-16

- The other major category of personal characteristics that potential leaders bring to organizations consists of **skills**, that is highly developed abilities and competencies.
- Skills emerge through a combination of aptitude and education, training and experience.
- Three types have been identified as especially critical for managerial leadership tasks, technical, interpersonal and conceptual as shown in Fig. 4.3.1.

##### A. Technical skills

- Technical skills involve specialized knowledge about procedures, process, equipment, and the like and include the related abilities of knowing how and when to use that knowledge.

**Fig. 4.3.1 Leader's skills**

- Research shows that these skills are especially important early in managerial careers when leadership of lower level employees is often part of the role, with one of the challenges being to gain the respect of those being led. In addition, technical skills seem to be a particularly critical factor in many successful entrepreneurial start ups.
- Technical skills, whether in an entrepreneurial situation or in a larger organizational setting, are frequently necessary for managing effectively, but usually they are not sufficient.

### **B. Interpersonal skills**

- Interpersonal skills (e.g. sensitivity, persuasiveness, empathy) have been shown to be important at all levels of management, although particularly so at lower and middle levels.

### **C. Conceptual skills**

- Often called cognitive ability or cognitive complexity, conceptual skills, such as logical reasoning, judgement, and analytical abilities are a relatively strong predictor of leadership effectiveness. These skills are often the major factor that determines who reaches the highest leadership levels of the organization.

## **4.3.2 Theories of Leadership**

**AU : May-15**

1. Trait Approach Theory
2. Behavioural Theory
  - a) Autocratic Leadership
  - b) Democratic Leadership
  - c) Laissez-Faire Leadership

### 4.3.2.1 Trait Approach

Some early researches have led to the development of trait theories.

- **Traits** are distinct characteristics of an individual such as physical characteristics, personality, skills, abilities and social factors.
- One critical component of what leaders in managerial roles bring to the work setting is their **traits**, that is the relatively enduring characteristics of a person. The scientific study of the role leader's traits.
- Although specific traits do not invariably determine leadership effectiveness, they can increase its likelihood. As shown in Fig. 4.3.2 among the traits that research has indicated are most apt to predict effective leadership are drive motivation to lead, honesty/integrity, self-confidence and emotional maturity.



**Fig. 4.3.2 Leader's traits**

1. **Drive** : A high level of energy, effort and persistence in the pursuit of objectives.
2. **Motivation to lead** : A strong desire to influence others, to "be in charge" such a person is comfortable with the use of power in relating to other people.
3. **Honesty/Integrity** : Trustworthiness someone with this trait is a person whose word can be relied on consistently and who is highly likely to do what he or she says.
4. **Self confidence** : A strong belief in one's own capabilities. People with this trait set high expectations for themselves and others, and they tend to be optimistic rather than pessimistic about overcoming obstacles and achieving objectives. Obviously, in contrast to honesty / integrity, this is a trait that in the extreme can be a negative.

- In other words, too much self-confidence can lead to what has been called "the shadow side of success". That is, too much success in leadership, paradoxically, can produce the seeds of later leadership problems.
- 5. Emotional maturity :** Remaining even tempered and calm in the face of stress and pressure. Persons with maturity tend to be accurate in self awareness about their own strengths and weakness, moreover, they are less likely to be self-centered and to be unduly defensive in the face of criticism.
- It is important to note that most of the research on traits has involved only, or mostly, men and the extent to which the findings would generalize to both genders remains a subject for further research. Also it is important to re-emphasize that traits, such as those listed, do not guarantee that a person will become a leader or will necessarily lead effectively.
  - Very few people possess every critical trait at an exceptionally high level. However if a person has one or more of these relatively enduring characteristics, the probabilities for successful leadership are increased.
  - Traits provide potential, but other factors such as skills, attitudes, experience and opportunities determine whether the potential will be realized.
  - Examining the traits of well-known leaders, it is found that the most effective leaders generally possessed intelligence, alertness, understanding, good communication skill, self confidence, aggressiveness and decisiveness.
  - These traits can be developed by the leader in him or they may be inherited. Traitists believe that a leader can not behave differently than his personal traits. These personal traits or characteristics of a leader make him different from followers.
  - The newer studies raised a question whether a set of traits, if identified, would predict the actual performance in leadership position or in other words leadership traits are not universally applicable to every situation.
  - In addition the researchers have determined that effective leadership depends on the balance of specific traits rather than the possession of any particular trait or skill.

#### **Drawbacks of trait approach**

- Trait theory suffers from following drawbacks.
  - i) Too many traits, there is no complete or universal list of these traits.
  - ii) Traits are not measurable.
  - iii) Leadership effectiveness is not always dependent on traits but sometimes situation is also important, i.e. trait theory does not consider the environment.
  - iv) The traits may not be born qualities but some traits cannot be acquired even after learning, training and education.

#### 4.3.2.2 Behavioural Theory

- Behavioural theory is based on different behaviours or actions that leader exhibits in different leadership positions. This is also known as **leadership style**.
- A leader has to lead different types of subordinates and has to adopt different styles for leading them according to situations.
- The behavioural theory includes following main type of leadership styles.
  1. Autocratic or authoritarian leadership style
  2. Democratic or participative leadership style
  3. Laissez-Faire or free-rein leadership style

##### 1. Autocratic leadership style

- A behavioural style of leader who tends to make unilateral decisions and centralizes authority is called the **autocratic** or **authoritarian leader**. Autocratic leader uses legitimate, reward and coercive power to influence others.
- Autocratic leaders basically make decisions without consulting the subordinates. Such autocratic leaders are also known as taskmaster or dictator. Such leaders maintain a high degree of control.
- They set very clear, quantifiable, short-term objectives using rewards for successful accomplishment and punishment for non achievement. They are task-oriented hence when immediate productivity gains are required, autocratic leaders prove to be very effective.

##### Characteristics of autocratic leadership style

1. The autocratic leader believes in discipline and authority.
2. They constantly observe the burden on subordinates.
3. They rely on legitimate, reward and coercive power of leaders.
4. They show lack of trust.
5. They use control extensively.
6. They are result oriented.
7. They do not consult their subordinates.

##### Advantages of autocratic leader

1. They achieve results i.e. task oriented.
2. They give the perception of a strong leader.
3. They are profit and cost conscious.
4. They work well in emergency situations.
5. They promote consistent decisions.

**Disadvantages of autocratic leader**

1. Employees get frustrated in long run.
2. Provides little opportunity for employee growth and advancement.
3. Causes formation of informal groups.
4. Leads to an atmosphere of pressure and stress.
5. Result in grievances, slowdowns.

**2. Democratic leadership style**

- A behavioural style of leader who tends to involve the group in decision making, to delegate authority and encourage participation is called **democratic** or **participative** leadership style.
- Democratic leaders tend to use referent and expert power to influence others.
- Democratic leaders take pride in involving subordinates in decision making process. They encourage group involvement in setting objectives and establishing strategies. They promote high morale and are concerned with work climate and atmosphere. They look in positive manner to the situations.
- It is based on the assumption that everyone can contribute to the organization if they are simply asked to do so.

**Characteristics of democratic leadership style**

1. Democratic leader believes in sharing responsibility and authority.
2. They manage the things through goals not by control.
3. They delegate authority and build confidence.
4. They indicate trust in the subordinates.
5. They create a positive work environment.
6. They inform employees about work standards and conditions.

**Advantages of democratic leader**

1. Democratic leadership improves morale and performance. (Less priority)
2. It encourages growth and advancement of employees.
3. It enhances employees creativity.
4. It achieves open and free working environment.
5. It improves team work and satisfaction amongst employees.

**Disadvantages of democratic leader**

1. Sometimes causes the assigned task to take backseat (Loss priority).
  2. It may result in confusion and lack of control.
  3. It is time consuming.
  4. It is not task oriented or result oriented.
  5. It does not work in emergency situations.
-

### 3. Laissez-Faire leadership style

- A behavioural style of leader who generally gives the group complete freedom, provides necessary materials, participates only to answer questions and avoids giving feedback is called the **Laissez-Faire** or **free-rein** leadership style.
- The **Laissez-Faire** philosophy can be used when workers are knowledgeable, motivated, goal directed and independent.

#### Characteristics of Laissez-Faire leadership

1. Laissez-Faire leadership gives total freedom and control to employees.
2. It delegates all decisions to subordinates.
3. It relies on worker self-motivation, freedom and flexibility.
4. It creates a relaxed working climate.
5. It believes in liberally sharing responsibility.
6. It does not strictly enforce policies and procedures.

#### Advantages of Laissez-Faire leader

1. It enhances employees creativity and initiative.
2. It increases employees moral and motivation.
3. It requires little or no direction.
4. The working climate is relaxed.
5. The work assignments are at minimum.
6. Laissez-Faire leader is not involved in close supervision.

#### Disadvantages of Laissez-Faire leader

1. It may lead to inadequate direction.
2. State of confusion may arise because of negligence or not understanding.
3. It can lead to lack of accountability.

#### 4.3.2.3 Comparison of Autocrat and Democrat

Sr. No.	Autocrat	Democrat
1.	It leans on authority.	It leans on commitments.
2.	Requires no input, makes every decision.	Requires input and suggestions for making decision.
3.	Discourages workers by threat.	Encourages workers by developing trust.
4.	Thorough knowledge is must.	Learns from subordinates.
5.	It shifts the reason of failure / problem.	It solves the problem.
6.	Relies on controls.	Depends on goals.
7.	It fires others.	It inspires others.

### 4.3.3 Functions of Leader

- Mintzberg identifies 14 functions :
  1. **Executive**- co-ordinator of activities and policy execution.
  2. **Planner** - ways and means, short and long term.
  3. **Policy maker** - establishes group goals and policies.
  4. **Expert** - source of skills and knowledge.
  5. **External representative** - spokesperson for the group.
  6. **Internal relations controller** - establishes group structure.
  7. **Rewarder/punisher**.
  8. **Arbitrator/mediator** - controls interpersonal conflict.
  9. **Exemplar** - behaviour model for the group.
  10. **Symbol** - provides cognitive focus and entity.
  11. **Substitute for individual responsibility** - relives individuals of responsibility.
  12. **Ideologist** - source of beliefs, values and standards.
  13. **Father figure** - focus for positive emotional feeling and identification.
  14. **Scapegoat** - 'can carrier' in the event of failure.

### 4.3.4 Leadership Effectiveness

- The most commonly used measure of leadership effectiveness is based upon performance, that is, the extent to which each of the work groups achieves its own objectives. These objectives must lead to the achievement of the corporate objectives.
- Effective leadership is demonstrated through skills that provide challenges and opportunities, secure appropriate resources and working environments.
- Conflicting goals between management and employees, or inappropriate working environments will lower morale, lessen levels of motivation and consequently lower productivity. As a result, the information service may fail to achieve its corporate objectives.
- In non-profit making organizations leadership effectiveness is usually based upon comparative measures such as benchmarking or subjective evaluations.
- Comparative measures are often related to budget expenditures such as cost per unit of output or on market share ratio such as percentage of senior citizen (customers) who utilize the service of a public library.
- Objective measures of leadership can be found in the way in which the managerial tasks of planning, objective-setting, problem-solving and co-ordinating are carried out.

- Subjective evaluations of leadership can be undertaken by considering the way in which managers carry out their duties and how this is measured by the executive, peers and their staff. The executive may measure the manager's attitudes and initiatives to problem solving or methods of conflict resolution.
- Peers may measure their professional capacities and contribution to knowledge, whilst their staff may measure their decision making style, the extent of their influence on others within the organization, or the way in which the manager express his or her appreciation for additional work that has been undertaken.
- Effective leaders clarify roles by defining duties and responsibilities. They also set and emphasize performance goals during the annual appraisal interview and monitor these closely throughout the year.
- Effective leaders act to inspire and stimulate individuals and groups. This leads to increased motivation and a higher level of morale.
- Through interaction and decision-sharing they develop teamwork and a positive and effective corporate culture. Effective leaders are also successful in improving the quality of management decisions and in increasing the readiness of their people to accept change.

#### **4.3.5 Blanchard's Situational Leadership Model**

- The situational leadership model is development by Paul Hersey and Ken Blanchard. It is also known as **Hersey Blanchard situational leadership model** or contingency theory of management.
- The leader first determines the level of training education, experience i.e. **competency** of followers. Also the level of motivation and confidence i.e. **commitment** to perform the task. These two variables together are called the **readiness level** of followers. Then the manager or leader must then match his style of leadership to these key followers variables.
- Situational leadership model prescribes that managers be trained first to correctly diagnose the competency and commitment of their follower and then to adjust their style or pattern of leadership to provide the leader behavior required for follower's success.

#### **University Questions**

**Q.1** Explain situational theory of leadership with appropriate illustrations.

**AU : Dec.-11, Marks 16**

**Q.2** What are basic leadership styles ? Explain them critically.

**AU : May-11, Marks 8**

**Q.3** What is leadership ? Explain various theories of Leadership.

**AU : May-11, Marks 16, May-08, Marks 8**

**OR**

*What do you understand by 'Leadership style' ? Describe the different styles of leadership.*

**AU : May-10, Marks 8**

**Q.4** Write a note on qualities of leader.

**AU : Dec.-09, Marks 8**

**Q.5** Describe the types of leader.

**AU : Dec.-09, Marks 8**

**Q.6** Explain democratic types of leadership with examples.

**AU : Dec.-06, Marks 8**

**Q.7** Mention leadership qualities/skills.

**AU : May-05, Dec.-05, Marks 2**

**Q.8** Given a brief account of various leadership styles based on use of authority.

**AU : May-05, Marks 4**

**Q.9** What are the essential qualities of a good leader ?

**AU : Dec.-12, Marks 8**

**Q.10** Discuss the obstacles to the leader flexibility and leader styles based on them.

**AU : May-15, Marks 8**

**Q.11** What are the essential qualities of a good leader ?

**AU : May-16, Marks 8**

**Q.12** Explain the various types of leadership with its different styles.

**AU : Dec.-16, 18, Marks 16**

## **4.4 Communication** **AU : May-17,16,15,14,12,11,10,08,18,19, Dec.-16,14,13,12,11,09**

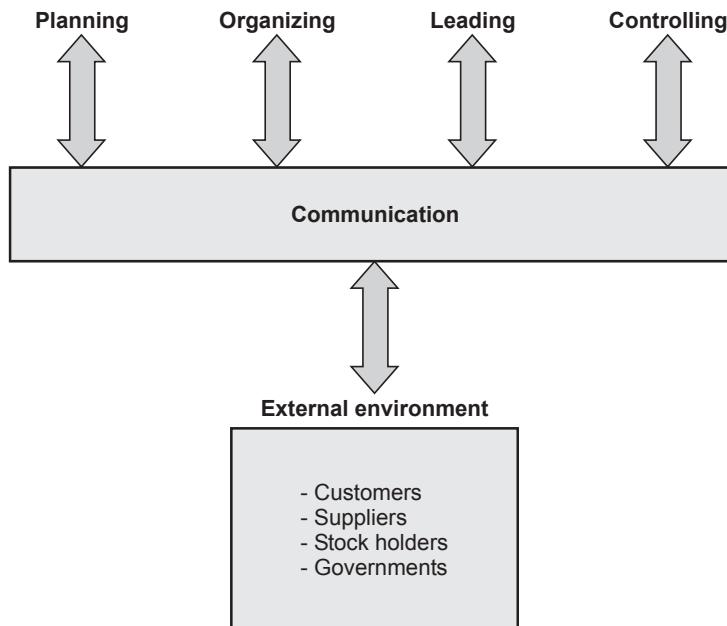
- Communication is a vital skill for any professional. No one can be effective in an important job without being a good communicator. Although effective communication is critical to all four management functions, it is particularly essential to the leading function because it provides a necessary channel for efforts to interact with and influence others.
- It has been said that there are no management problems in the world, only communication problems.
- Communication** is the process by which we acquire all information and it is therefore worth studying. All management tasks involve communication and it is not possible to be good at managing without first being able to communicate well.

### **4.4.1 Purpose of Communication**

**AU : May-12**

- Communication** is the exchange of messages between people for the purpose of achieving common meanings. Although communication applies to all phases of managing, it is particularly important in the leading function.
- The organization of any size needs to make sure that efforts of people are directed in specific direction, this is achieved by corporate objective. For this company needs a communication systems.
- The ideal communication system for an organization is the most cost effective that makes it possible to achieve the corporate objectives. The communication function is the means by which the organized activity is unified.
- In any organization the purpose of communication is to influence action towards the common objective of the mission. Communication is essential for the smooth functioning of the organization.

- Communication is needed to -
  - i) Set the objectives for the organization.
  - ii) Develop strategies to meet the objective.
  - iii) Understand the customer's need.
  - iv) Financial performance knowledge.
  - v) Organize resources efficiently.
  - vi) Deal with outside world or external environments.
- The first and most important communication need is for the directors who set the objectives to communicate it to the managers of the company.
- If the objective has been set so that departmental managers can develop their own strategies for meeting it, this implies cross department communications.
- To trade effectively one must understand and know the world of customers. The objective here is to know what the customer's expect from a technical, commercial and service point of view.
- The organization must evaluate the product cost to the manufacturer, overheads and profit margins.
- The communication skills involved the communication between individual at personal level to achieve the optimum efficiency from the resources.
- The last communication issue is outside the world. There will clearly be a need to identify and trade successfully with the organizations suppliers also the public image of organization is managed. This involves communicating with customers, suppliers, stock-holders, governments.
- Fig. 4.4.1 shows function and purpose of communication in organization.



**Fig. 4.4.1 Function and purpose of communication**

#### 4.4.2 Communication Process

- The basic communication process consists of following components.
  - Sender
  - Transmission of message (medium)
  - Receiver
  - Feedback
  - Noise
- The communication process model is shown in Fig. 4.4.2.

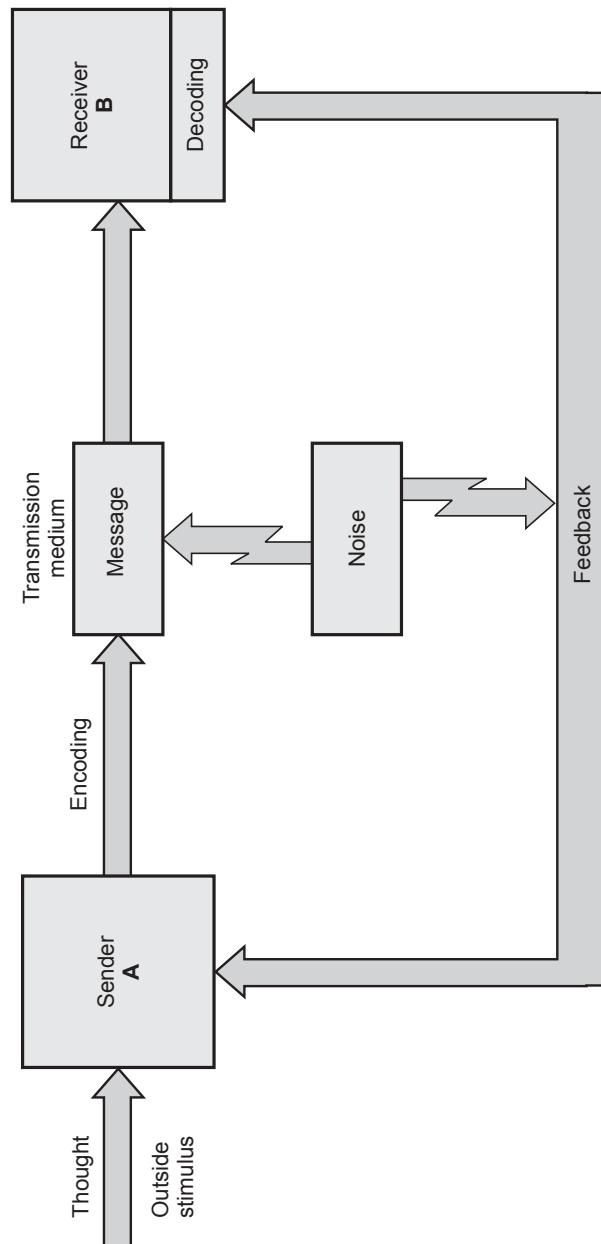


Fig. 4.4.2 Communication process model

**i) Sender :** The **sender** is the initiator of the message. Message are usually initiated by thought or in response to outside stimulus e.g. - a question, meeting, interview, report or a problem.

- **Encoding :** Before the message exchange takes place encoding must be done. The **encoding** is the process of translating the intended meaning into words and body gestures.
- The sender's choice of words depends on sender encoding skills, receivers ability to understand, personal judgement, past experience in similar situations, job status, education and emotional state at the time of the communication attempt.
- **Message :** The outcome of the encoding process is a message consisting of verbal or nonverbal symbols. These symbols convey the meaning to the receiver.

**ii) Transmission medium :** The message is transmitted over a medium/channel that links the sender 'A' with the receiver 'B'. **Transmission medium** is the method used to convey the messages to the receiver. For the written words memorandum is used and for spoken words telephone is used. (Sometimes for audio-video communication video conferencing which transmits gestures along with the words). In some case face-to-face meeting is more appropriate.

- The sender of message must understand and use the appropriate medium for effective communication. Each media has some advantages or disadvantages associated with it.

**iii) Receiver :** The **receiver** is the person with whom the message is exchanged. If there is no receiver, there is no communication. There can exist more than one receiver at any time.

- **Decoding :** The next step in communication process is decoding. Only after receiving the message decoding starts. **Decoding** is the process of translating the symbols (message) into the thoughts or understanding. If the message is not properly decoded, there is possibility of mis-understanding.

**iv Feedback :** Feedback provides preliminary information to the sender about the success of the communication process. **Feedback** is the receiver's basic response to the interpreted message. Feedback is the reversal of communication process.

**v) Noise :** In communication process noise is the factor that interferes with exchanging messages which hampers achieving common meaning. Noise includes use of ambiguous symbols, poor media conditions, inaccurate reception, prejudices or fatigue on the part of receiver while encoding.

#### 4.4.2.1 Noise in Communication

- There are certain barriers to effective communication that every organization faces. These potential interruptions of the flow of information are referred to as "noise".
- Noise can disrupt the flow of information between any of these five stages. That is to say, issues in communication pertaining to distraction could affect the sender, the message itself, the channel it is being sent through, or the recipient of that message.
- Communicative problems (i.e., noise) can be categorized into three groups: technical, semantic, or efficacy-related.
- Examples of noise include environmental noise, physiological-impairment noise, semantic noise, syntactical noise, organizational noise, cultural noise, and psychological noise.

1. **Technical** : How accurately can the message be transmitted?

2. **Semantic** : How precisely can the meaning be conveyed?

3. **Efficacy-related** : How effectively does the received meaning affect behavior?

4. **Environmental Noise**-Environmental noise is noise that physically disrupts communication, such as very loud speakers at a party or the sounds from a construction site next to a classroom.

5. **Physiological-Impairment Noise**-Physical conditions such as deafness or blindness can impede effective communication and interfere with messages being clearly and accurately received.

6. **Semantic Noise**-Semantic noise refers to when a speaker and a listener have different interpretations of the meanings of certain words. For example, the word "weed" can be interpreted as an undesirable plant in a yard or as a euphemism for marijuana.

7. **Syntactical Noise**-Communication can be disrupted by mistakes in grammar, such as an abrupt change in verb tense during a sentence.

8. **Organizational Noise**-Poorly structured messages can also be a barrier. For example, a receiver who is given unclear, badly worded directions may be unable to figure out how to reach their destination.

9. **Cultural Noise**-Making stereotypical assumptions, such as unwittingly offending a non-Christian person by wishing them a "Merry Christmas," can also detract from communication. Because of this, it is important that each side of a conversation understands the culture of the other party.

10. **Psychological Noise**-Certain attitudes can also make communication difficult. For instance, significant anger or sadness may cause someone to lose focus on the present moment. By acknowledging and adjusting to noise, a communicator can make it more likely that their message will be received as intended.

### 4.4.3 Communication in Organization

- Communication can occur in either a verbal mode or a nonverbal mode. Each mode has particular characteristics and issues that an effective manager must understand.

#### 4.4.3.1 Verbal Communication

- Most of us think of spoken words when we think of verbal communication. The key, however, is not that the words are spoken but that words-language are used to convey meaning. Consequently, when we talk about verbal communication, we mean **both** oral and written communication. e.g. letters, memorandums, reports and news.

##### A) Oral communication

- The spoken word has the potential advantages of being vivid, stimulating and commanding attention. In most organizational situations, it is difficult for receivers, the listeners to ignore the words spoken or the person speaking to them. Just think about the last time someone spoke to you directly. Even if you weren't interested in what the person had to say, wouldn't it have been difficult to simply ignore the person, turn and walk away ?
- Also, oral communication is exceptionally flexible for both the sender and receiver. While you are speaking, you may try to make a point a certain way but along the way change your words in order for the listener to understand you.
- Because oral communication is generally interactive, it can be quite responsive and adaptive to circumstances. However, this mode of communication has the major disadvantages of being transitory and subject to considerable misinterpretation.
- Even when individuals use the same language, the subtle nuances of the spoken word may be missed or incorrect meaning attached to them.
- Oral communication between those whose first languages differ, as in many management situations today, simply multiplies the chances of intended meaning going away.

##### Merits of oral communication

- Following are the merits of oral communication
  - Oral communication is more speedy.
  - In oral communication there is more scope for expression in the form of question and answers.
  - There is direct communication between sender and receiver.
  - Oral communication is the most effective way of communications.
  - Any doubt or misconception can be cleared immediately.

### **Demerits of oral communication**

- The demerits or disadvantages of oral communication are listed below :
  1. Oral communication may convey inadequate information.
  2. Though oral communication is speedy but it may not necessarily save time for completing communication at any time.
  3. Sometimes arranging conferences, meeting etc. become costly where oral communication is important.
  4. The authenticity of oral communication is poor. While settling grievances it can not be taken as evidence.

### **B) Written communication**

- When messages are put in writing, as in letters, memos, electronic mail, the opportunity for misunderstanding the words of the sender are decreased. The receiver may still misinterpret the intended message, of course, but there is no uncertainty about exactly what words the sender has used. In that sense, written communication has precision. However not every one writes well, and so greater precision does not necessarily lead to greater understanding. This is further complicated when the words need translation from one language to another.

#### **4.4.3.2 Nonverbal Communication**

- In direct interpersonal communication nonverbal actions and behaviours often constitute significant messages. A whole range of actions, or lack of them, has the potential for communicating. The way you dress, speak words, use gestures, exhibit facial expressions, and set the physical distance to the receiver are just some of the many forms of nonverbal communication.
- **Nonverbal communication** is communication by means of elements and behaviours that are not coded into words. Various nonverbal communications are kinesic behaviour, proxemics, paralanguage, object language etc. **Kinesic behaviour** comprises body movements, such as gestures, facial expressions, eye movements and postures.
- **Proxemics** is the influence of proximity and space on communication. Some people arrange their offices such that they have an informal area where people can sit without the formality created by a big desk.
- **Paralanguage** is vocal aspects of communication that means how the things are said rather than what is said. Voice quality, tone quality, laughing are of this category.
- **Object language** is communicative use of material things such as - clothing, furniture, architectures, presentation etc.

Table 4.4.1 shows comparison of verbal and nonverbal mode of communications.

	VERBAL MODE (Language used to convey meaning)		NONVERBAL MODE
	Oral	Written	
Examples	Conversation Speeches Telephone calls Videoconferences	Letters Memos Reports E-mail Fax	Dress Speech intonation Gestures Facial expressions
Advantages	Vivid Stimulating Commands attention Difficult to ignore Flexible Adaptive	Decreased misinterpretation Precise	Effectiveness of communication increases with congruence to oral presentation can emphasize meaning.
Disadvantages	Transitory Subject to misinterpretation	Precision loss in translation, Inflexible Easier to ignore	Meanings of nonverbal communication not universal

**Table 4.4.1**

#### 4.4.4 Communication Flow in Organization

- In any organization the communication is the movement of information throughout various parts of company. The relevant information and fast flow of information is the need of organizational communication.
- Patterns of organizational flow are sometimes referred to as **communication channels**, because they represent channels through which managers and other organization members can send or receive information.
- There exists two major directions of communication flow in effective organization. These are :
  - a) Vertical communication
  - b) Horizontal communication.

##### 4.4.4.1 Vertical Communication

- The communication that involves a message exchange between two or more levels of the organizational hierarchy is called as **vertical communication**.
- There are two categories of vertical communication
  - i) Downward communication
  - ii) Upward communication.

**i) Downward communication**

- In any organizational hierarchy when vertical communication flows from a higher level to one or more lower levels it is called as **downward communication**.
- Downward communication may be in the form of staff meeting, company policy statement, company newsletters, informational memos, face-to-face contact and speeches.
- Most downward communication involves information in one of five categories :
  - 1) Job instruction or specific jobs
  - 2) Relations between tasks
  - 3) Goals/Objectives
  - 4) Directions, decisions
  - 5) Procedures and practices to be adopted
  - 6) Performance feedback
  - 7) Encouragement/Appreciations
- Usually information as it comes down the chain of command across several levels prone to considerable distortion i.e. it gets distorted or lost. Some times the directives are not understood or even read. Therefore to increase the effectiveness of downward communication is to use multiple channels and repetition.
- Downward communication flows through different levels of organization hence it is time consuming. Therefore some top managers communicate directly to the person required.

**ii) Upward communication**

- In any organization, when the vertical flow at communication is from a lower level to higher levels in the organization it is known as **upward communication**.
- Forms of upward communication involves meeting of superior and subordinate, staff meeting with supervisor, memos and reports, suggestion systems, grievance procedure.
- Most upward communication involves information about :
  - 1) Progress reports or information
  - 2) Problems faced and permanent solution is needed
  - 3) New developments
  - 4) Suggestions for improvements
  - 5) Complaints/problems
  - 6) Appeals (Requests)
  - 7) Exit interviews

- Effective upward communication requires an environment in which subordinates feel free to communicate.

#### 4.4.4.2 Horizontal / Lateral Communication

- Horizontal communication** is lateral message exchange either within work-unit boundaries, peers who report to the same supervisor or across work-unit boundaries, involving who report to different supervisors.
- Horizontal communication is also called as **crosswise communication**. Horizontal communication is used to improve understanding, co-ordinate efforts for achieving organization objectives.
- Horizontal communication related to -
  - 1) Task co-ordination/understanding
  - 2) Problem solution/conflict resolution
  - 3) Information sharing
- Fig. 4.4.3 shows vertical and horizontal organizational communication.

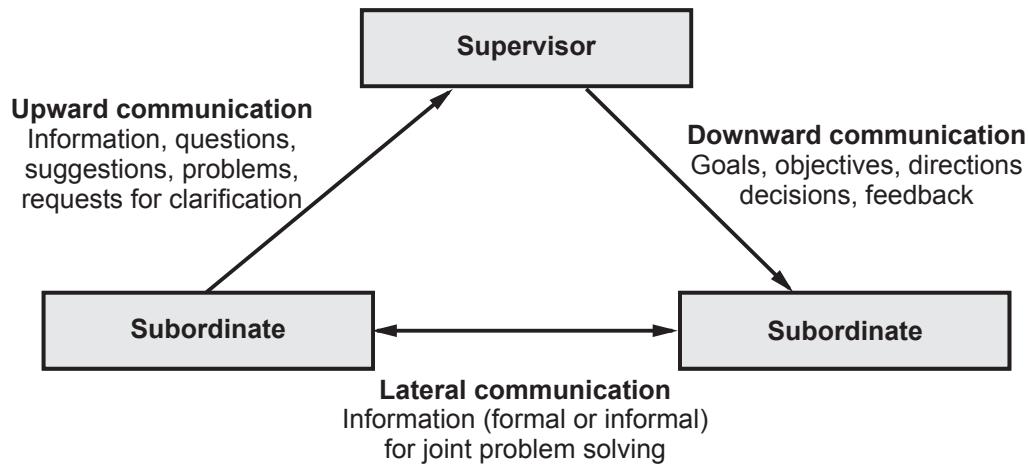


Fig. 4.4.3 Vertical and horizontal organizational communication

#### 4.4.5 Internal Communications

- Communication is the process through which the management functions of planning, organizing, decision-making, controlling, motivating and leading are carried out.
- Managers communicate their needs, philosophies and decisions to their staff, policy making bodies, peers, senior management, customer's, colleagues within their area of discipline and other stakeholders.
- Feedback is a necessary part of communication. Until feedback is received, the manager does not know how an employee or associate is feeling nor can he/she

assess the performance of the individual and if necessary what corrective action to take. Employees also require feedback in order to allow them to take their own corrective action.

- Open communication is necessary to create a positive environment for change. The messages used should reduce fears and encourage initiative and innovation.
- Communication is also the basic ingredient in participative decision making. The finding of methods to improve productivity and service delivery involves discussion and the sharing of ideas and information.
- Managers must constantly demonstrate, through various communication channels, that their :
  - a) Services are valued and appropriate and
  - b) Resources are efficiently and effectively utilized.
- In dealing with individuals, a manager or supervisor should clearly communicate what is expected of them and their areas of responsibility. This may involve either physically demonstrating the task or providing an actual example of what good performance looks like. Good work should always be rewarded, even if this is just a simple acknowledgement.
- Immediate feedback should be given about the level of performance. Where possible encouraging feedback should be given to reinforce good behaviours. Feedback about incorrect performance should be quick, specific and pertinent.
- In correcting behaviour, only one aspect of the behaviour should be dealt with at a time. Attacks on an individual's value system should be avoided, so as not to damage the relationship between the person and the manager.

#### **4.4.6 Channels of Communication within Organization**

AU : May-15

- Organizational channels or routes of communication, consists of two fundamental types, formal and informal. Both types are essential for organizational functioning and neither type can easily substitute for the other.

##### **4.4.6.1 Formal Communication Channels**

- Formal communication channels are those that are authorized, planned and regulated by the organization and that are directly connected to its official structure. Thus, the organization's designated structure indicates the normal paths for downward, upward and lateral formal communication.
- Formal communication channels are like highlighted roads on a road map. They specify organizational members who are responsible for tasks and communicating information to levels above and below them and back and forth to adjacent units. Also, formal channels indicate the persons or positions to whom work-related

messages should be sent. Formal channels can be modified and thus they have some flexibility, but they can seldom be disregarded.

#### **4.4.6.2 Informal Communication Channels**

- Informal communication channels are communication routes that are not prespecified by the organization but that develop through typical interpersonal activities of people at work.
- Channels can come into existence and change or disappear rapidly, depending on circumstances. However, they may also endure in many work situations, especially where individuals have been working together over a period of time.
- Fig. 4.4.4 shows formal and informal channels of communications. (See Fig. 4.4.4 on next page)
- Important features of informal communication channels are -
  1. They tend to operate more often in the lateral than in the vertical direction compared to formal channels because they are not designated by the organization flowing and its top officials.
  2. Information flowing through informal channels often moves extremely fast, principally because senders are highly motivated to pass information on. The so-called **grapevine** is a classic example of rapid transmission of messages through informal channels!
  3. Third feature is that informal channels carry work related as well as nonwork information. Just because channels are informal does not mean that only gossip and other message unrelated to jobs and tasks are carried by them.

#### **4.4.6.3 Comparison of Formal and Informal Channels**

- Comparison of characteristics of formal and informal channels are shown in Table 4.4.2.

Sr. No.	Formal communication channels	Informal communication channels
1.	Authorized, planned, and regulated by the organization.	Develop through interpersonal activities of organization members.
2.	Reflect the organization's formal structure.	Not specified by the organization.
3.	Define who has responsibility for information dissemination and indicate the proper recipients of work-related information.	May be short-lived or long-lasting.
4.	May be modified by the organization.	Are more often lateral than vertical.
5.	Minor to severe consequences for ignoring them.	Information flow can be very fast.
6.	Strictly used for work related information.	Used for both work-related and nonwork information.

**Table 4.4.2**

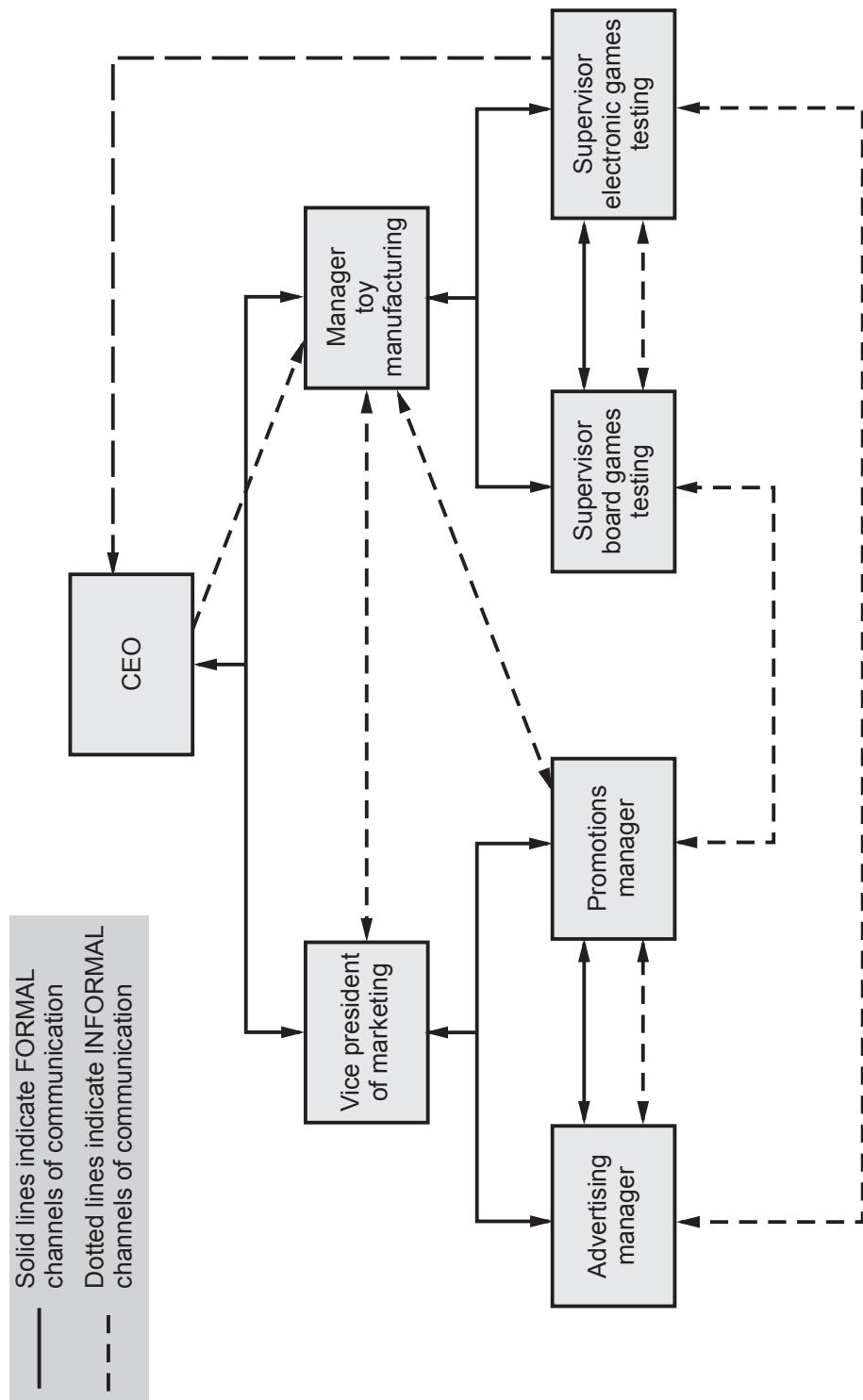


Fig. 4.4.4 Formal and informal communications

#### 4.4.7 Barriers in Communication

- Communication breakdown is one of the major problem in communication process. Improper communication spoil the team work or co-ordination in an organization communication barriers can exist in the sender, transmission, in the receiver or in the feedback.
- To achieve effective communication, barriers to the communication must be found out and remove them.
- Some specific communication barriers are discussed below.
- Various causes of barriers in communication are -
 

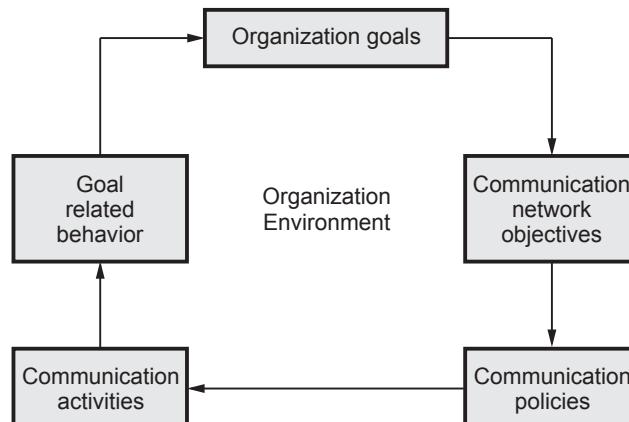
1. Lack of planning	2. Unclarified assumptions
3. Semantic distortion	4. Poorly expressed messages
5. Loss by transmission	6. Poor listening
7. Impersonal communication	

#### 4.4.8 Effective Communication

- For effective communication in organization several approaches can be used such as -
  - a) Communication audit      b) Communication techniques

##### 4.4.8.1 Communication Audit

- Communication factors relating to organizational goals are assessed. The communication factors include
  - i) Communication networks      ii) Communication policies
  - iii) Communication activities      iv) Goal related behaviour
- Fig. 4.4.5 shows relationship of communication factors to organization goals. Here communication is used as means achieving organization goals.



**Fig. 4.4.5 Communication factors**

- Communication networks are audited on following factors.

Sr. No.	Communication network	Audit basis
1.	Task - related network	Policies, procedures rules, relationships
2.	Innovative network	Problem solving, meeting, suggestions
3.	Integrative network	Rewards, promotions
4.	Informative - instructive network	Company publications, bulletin boards

- The communication audit is carried out by - observations, questionnaires, interviews, analysis of documents.

#### 4.4.9 Electronic Media in Communication

AU : May-16

- Electronic devices are used to improve the communication. Electronic devices such as mainframe computers, minicomputers, e-mail are mainly used.

##### 4.4.9.1 Telecommunication

- Telecommunication equipments are used to transmit data from one site to other. Telecommunication network consists of computers, processors, switches, transmission media and communication softwares. Typically used communication networks are - Internet, intranet and extranets.
- Communication media employed for transmission of data are - twisted pair cable, co-axial cable, fiber - optic cable, microwave transmission, infrared transmission. Telecommunication equipment is a piece of hardware that allows electronic communication.
- Various types of telecommunication equipments are used to communication networks. For example modems, multiplexers, front end processors.
- Modern telecommunication uses digital transmission and switching. Digital signals are easier to send accurately over long distances.
- Establishing a connection between two devices takes time and involves third device. However, once the connection is established data packets sent over it do not need to be individually addressed.
- Connectionless communication between two devices requires a full address on each data packets need not involve a third device. Each device has to read the address on every packet to see if it should open the packet.
- Selecting telecommunication equipment involves following criteria :
  - Transmission media

- Type of Signal (Analog / Digital)
- Data rate (bps)
- Protocol
- Power requirements
- Technology
- Bandwidth
- Processing
- Reliability
- Distance of transmission

### University Questions

<b>Q.1</b>	<i>Elaborately deal with the different types of barriers to communication. Also explain how to overcome these barriers.</i>	<b>AU : Dec.-11, Marks 16</b>
<b>Q.2</b>	<i>Explain the types of formal organizational communications.</i>	<b>AU : Dec.-11, Marks 8</b>
<b>Q.3</b>	<i>Discuss the barriers of effective interpersonal communications.</i>	<b>AU : May-11, Dec.-11, Marks 8</b>
<b>Q.4</b>	<i>What is non-verbal communication ?</i>	<b>AU : Dec.-11, Marks 2</b>
<b>Q.5</b>	<i>Discuss the importance of communication in modern industrial organization.</i>	<b>AU : May-11, Marks 8</b>
<b>Q.6</b>	<i>Compare formal and informal organization.</i>	<b>AU : May-11, Marks 2</b>
<b>Q.7</b>	<i>Explain why management by wandering around considered as effective communication. What are the barriers to effective communication ?</i>	<b>AU : May-10, Marks 8</b>
<b>Q.8</b>	<i>What do understand by non-verbal communications ?</i>	<b>AU : May-10, Marks 2</b>
<b>Q.9</b>	<i>What is the role of electronic media in communication ?</i>	<b>AU : Dec.-09, Marks 4</b>
<b>Q.10</b>	<i>Define communication.</i>	<b>AU : Dec.-09, Marks 2</b>
<b>Q.11</b>	<i>Define grapevine.</i>	<b>AU : May-08, Marks 2</b>
<b>Q.12</b>	<i>What is organizational communication ? How important is communication to managers ?</i>	<b>AU : May-08, Marks 4</b>
<b>Q.13</b>	<i>Explain the importance of communication.</i>	<b>AU : May-12, Marks 4</b>
<b>Q.14</b>	<i>What are the various barriers to communication ? How will you overcome those barriers ?</i>	<b>AU : May-12, Marks 12</b>

- Q.15** Define communication. What are the barriers to effective communication ? **AU : Dec.-12, Marks 8**

**Q.16** Explain the process of communication and also explain the barriers to effective communication. **AU : Dec.-13, Marks 16**

**Q.17** What are barriers of effective communication ? Explain the different types of communication. **AU : May-14, Marks 16**

**Q.18** Explain the types of formal organizational communications. **AU : May-15, Marks 8**

**Q.19** Explain the different barriers of communication. What steps can be taken to overcome such barriers ? **AU : Dec.-14, Marks 16**

**Q.20** Discuss how the communication through electronic media is helpful for effective business. **AU : May-16, Marks 16**

**Q.21** Explain the different barriers and breakdowns of communication process. **AU : Dec.-16, Marks 8**

**Q.22** Identify the barriers in communication and explain how to overcome them. **AU : May-17, Marks 13**

**Q.23** What are the various barriers to communication ? How will you overcome them ? **AU : Dec.-17, Marks 13**

**Q.24** Identify barriers to effective interpersonal communication and how to overcome them. **AU : May-18, Marks 13**

**Q.25** Explain the characteristics of good communication and also state its barriers. **AU : May-19, Marks 13**

## **Two Marks Questions with Answers**

- Q.1 Define creativity.**  
**Ans.** : Creativity is ability to produce large number of ideas quickly.

**Q.2 What is innovation ?**  
**Ans.** : Innovation is application of ideas.

**Q.3 List phases of creativity.**  
**Ans.** : 1. Unconscious scanning    2. Intuition  
                                       3. Insight                          4. Logical formulation

**Q.4 Which techniques are used to enhance creativity ?**  
**Ans.** : 1. Brainstorming    2. Synectics

**Q.5 What leadership means ?**

**Ans.** : Leadership is the quality that enables a manager to exert a positive influence over the behaviour of his subordinates.

**AU : May-19**

**Q.6 List the skills that a leader possess.**  
**Ans.** : 1. Technical skills              2. Interpersonal skills              3. Conceptual skills

**Q.7 What is mean by trait ?**

**Ans.** : Traits are distinct characteristic of an individual such as physical characteristics, personality, skills, ability and social factors.

**Q.8 Define authoritarian leader.**

**Ans.** : A behavioural style of leader who tends to make unilatral decision and centralizes authority is called the authoritarian leader.

**Q.9 What is meant by democratic leader style ?**

**Ans.** : A behavioural style of leader who tends to involve the group in decision making, to delegate authority and encourage participation is called democratic leader.

**Q.10 Define laissez faire.**

OR

**Write short notes on laissez faire leader.**

AU : Dec.-14

**Ans.** : Leader who generally gives the group complete freedom, provide necessary materials, participates only to answer questions and avoids giving feedback is laissez faire type of leadership.

**Q.11 List out 4 functions of leadership.**

**Ans.** : 1. Policy maker      2. Ideologist      3. Examplar      4. Planner

**Q.12 Define motivation.**

AU : Dec.-05, 12, May-14, 19

**Ans.** : Motivation is a process of attempting to influence others to do your will through possibility of gain or reward.

**Q.13 List major motivation theories.**

**Ans.** : 1. Maslow's need hierarchy theory      2. Herzberg's two factor theory  
3. McGregor's theory x and theory y      4. McClelland achievement theory

**Q.14 Which human needs are suggested by maslow ?****OR What are the elements in the Maslow's hierarchy of needs?**

AU : Dec.16

**Ans.** : 1. Physiological needs      2. Safety needs      3. Social needs  
4. Esteem needs      5. Self actualization needs

**Q.15 State motivating factors of Herzberg theory.**

**Ans.** : 1. Recognition      2. Growth      3. Nature of work  
4. Responsibility      5. Achievement

**Q.16 State hygiene factors.**

**Ans.** : 1. Pay      2. Working condition      3. Benefits      4. Status      5. Security

**Q.17 State human needs suggested by McClelland.**

**Ans. :** 1. Need for achievement    2. Need for affiliation    3. Need for power

**Q.18 Give motivating factors in job enrichment.**

**Ans. :** 1. Achievement recognition    2. Responsibility    3. Challenge

**Q.19 Define communication.**

**Ans. :** Communication is the exchange of message between people for the purpose of achieving common meaning.

**Q.20 List the components of communication process.**

AU : May-12

OR

**Write short notes on elements of communication.**

AU : Dec.-14

**Ans. :** 1. Sender    2. Transmission    3. Receiver    4. Feedback    5. Noise

**Q.21 What are the causes of barriers in communication ?**

**Ans. :** 1. Lack of planning    2. Unclarified assumption    3. Semantic distortion  
4. Loss by transmission    5. Poor listening

**Q.22 Which communication factors are included in communication audit ?**

**Ans. :** 1. Communication network    2. Communication policies  
3. Goal related behaviour

**Q.23 What are the components of telecommunication networks.**

**Ans. :** 1. Computers                          2. Switches  
3. Transmission media                        4. Communication softwares

**Q.24 Briefly explain brainstorming.**

**OR      What is brainstorming ?**

AU : May-18

**Ans. :** An approach to improve problem solving by encouraging suggestions and ideas from group or individual.

**Q.25 Define job design    OR    What is job design ?**

AU : May-18, 19

**Ans. :** The structuring of a job in terms of content, function and relationships. It may focus on individual positions and on work groups.

**Q.26 Give the objectives of motivation.**

**Ans. :** 1. To take initiative                          2. To show dynamism  
3. To be responsible and loyal                    4. To work willingly and co-operatively  
5. To have job satisfaction.

**Q.27 List the main techniques of motivating employees in modern organization.**

**Ans. :** 1. Monetary techniques    2. MBO  
3. Job based techniques                            4. Sensitivity trainings

5. Supervisory techniques    6. Group based techniques

**Q.28 Define grapevine communication.**

**Ans. :** An organization's informal communication network which arises spontaneously without the sanction of management.

**Q.29 List out few leadership traits.**

AU : Dec.-04

- Ans. :** 1. Drive                  2. Motivation to lead    3. Honesty / integrity  
4. Self confidence    5. Emotional maturity.

**Q.30 What are the four basic ingredients of leadership skills ?**

AU : May-05

- Ans. :** 1. Drive                  2. Motivation to lead    3. Honesty / integrity  
4. Self confidence    5. Emotional maturity

**Q.31 Briefly explain about the three types of basic motivating needs proposed by McClelland.**

AU : May-05

- Ans. :** 1. Need for achievement    2. Need for affiliation    3. Need for power

**Q.32 Mention any two leadership qualities.**

AU : Dec.-05

- Ans. :** 1. Drive                  2. Motivation to lead  
3. Honesty / integrity    4. Self confidence

**Q.33 Who is a leader ?**

AU : Dec.-12

**Ans. :** A leader is someone who advances organizational goals by influencing the attitudes and actions of others.

**Q.34 What are the different types of management strategies involved in leadership ?**

AU : May-13

- Ans. :** 1. Planning                  2. Strategist  
3. Decision making    4. Controling

**Q.35 List the steps involved in directing.**

AU : Dec.-13

- Ans. :** 1. Motivating    2. Leadership    3. Communication    4. Controling

**Q.36 What are the differences between formal and informal communication ?**

AU : Dec.-13

**Ans. :**

Sr. No.	Formal communication channels	Informal communication channels
1.	Authorized, planned, and regulated by the organization.	Develop through interpersonal activities of organization members.
2.	Reflect the organization's formal structure.	Not specified by the organization.

3.	Define who has responsibility for information dissemination and indicate the proper recipients of work-related information.	May be short-lived or long-lasting.
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**Q.37 How does leadership differ from management ?****AU : May-15**

**Ans. :** All managers must be leaders but vice-versa is not true. Leadership is the quality that enables a manager to exert a positive influence over the behavior of his subordinates.

**Q.38 Mention the various types of Leadership styles.****AU : May-16, Dec.-18**

**Ans. : Types of Leadership Styles :** • Psychologist Kurt Lewin developed his framework in the 1930s, and it provided the foundation of many of the approaches that followed afterwards. He argued that there are three major styles of leadership:

- 1. Autocratic leaders** - make decisions without consulting their team members, even if their input would be useful. This can be appropriate when you need to make decisions quickly, when there's no need for team input, and when team agreement isn't necessary for a successful outcome. However, this style can be demoralizing, and it can lead to high levels of absenteeism and staff turnover.
  - 2. Democratic leaders** - make the final decisions, but they include team members in the decision-making process. They encourage creativity, and people are often highly engaged in projects and decisions. As a result, team members tend to have high job satisfaction and high productivity. This is not always an effective style to use, though, when you need to make a quick decision.
  - 3. Laissez-faire** - leaders give their team members a lot of freedom in how they do their work, and how they set their deadlines. They provide **support** with resources and advice if needed, but otherwise they don't get involved. This autonomy can lead to high job satisfaction, but it can be damaging if team members don't manage their time well, or if they don't have the knowledge, skills, or self motivation to do their work effectively. (Laissez-faire leadership can also occur when managers don't have control over their work and their people.)
- Lewin's framework is popular and useful, because it encourages managers to be less autocratic than they might instinctively be.

**Q.39 What do you mean by term noise in communication ?****AU : May-16**

**Ans. :** There are certain barriers to effective communication that every organization faces. These potential interruptions of the flow of information are referred to as "noise".

- Noise can disrupt the flow of information between any of these five stages. That is to say, issues in communication pertaining to distraction could affect the sender, the message itself, the channel it is being sent through, or the recipient of that message.

- Communicative problems (i.e., noise) can be categorized into three groups: technical, semantic, or efficacy-related.
- Examples of noise include environmental noise, physiological-impairment noise, semantic noise, syntactical noise, organizational noise, cultural noise, and psychological noise

**Q.40 What is effective communication ?****AU : Dec.-16****Ans. : Effective communication**

- An effective communication is a two way information sharing process which involves one party sending a message that is easily understood by the receiving party.
- Effective communication by business managers facilitates information sharing between company employees and can substantially contribute to its commercial success.

**Q.41 What is job satisfaction ?****AU : Dec.-17**

**Ans. :** Job satisfaction refers to the satisfaction that a person receives from performing his job. The satisfaction can take many forms such as-satisfaction at the work that he has accomplished, satisfaction at the effort he puts into the job, satisfaction at the help he has provided others -- but all involve some degree of psychological contentment.

Job satisfaction can often be difficult to measure, because people define satisfaction in different ways.

**Q.42 What are the advantages of democratic leadership styles ?****AU : May-18****Ans. : Advantages of democratic leader**

1. Democratic leadership improves morale and performance. (Less priority)
2. It encourages growth and advancement of employees.
3. It enhances employees creativity.
4. It achieves open and free working environment.

**Q.43 What is meant by downward communication ?****AU : Dec.-18****Ans. : Downward communication**

- In any organizational hierarchy when vertical communication flows from a higher level to one or more lower levels it is called as downward communication.
- Downward communication may be in the form of staff meeting, company policy statement, company newsletters, informational memos, face-to-face contact and speeches.



***Notes***

## **UNIT - V**

**5**

# **Controlling**

### **Syllabus**

*System and process of controlling - budgetary and non-budgetary control techniques - use of computers and IT in Management control - Productivity problems and management - control and performance - direct and preventive control - reporting.*

### **Contents**

5.1	<i>System of Controlling</i>	.....	<b>Dec.-09,</b> .....	Marks 2
5.2	<i>Process of Controlling</i>	.....	<b>May-17, 15, 13, 11, 10, 08, 07, 18, 19</b>	
		.....	<b>Dec.-14, 12, 07,</b> .....	Marks 16
5.3	<i>Types of Control</i>	.....	<b>May-11, 07, 18, Dec.-12, 11,</b> .....	Marks 10
5.4	<i>Budgetary as Control Techniques</i>	.....	<b>May-17, 15, 14, 13, 11, 10, 07, 19,</b>	
		.....	<b>Dec.-17, 16, 14, 13, 12, 11, 07,</b> .....	Marks 16
5.5	<i>Non-budgetary Controls Techniques</i>	.....	<b>May-12, 11, Dec.-17, 16, 14, 13,</b> .....	Marks 16
5.6	<i>IT in Management Controlling</i>	.....	<b>Dec.-17, 16, 11, 04, 18,</b>	
		.....	<b>May-17, 16, 11, 07,</b> .....	Marks 16
5.7	<i>Productivity Problems and Management</i>	.....	<b>May-16, 12, 11, 08, Dec.-11, 09, 18,</b> ..	Marks 16
5.8	<i>Direct and Preventive Control</i>	.....	<b>May-16, Dec.-18</b> .....	Marks 8
5.9	<i>Reporting</i>			

*Two Marks Questions with Answers*

## 5.1 System of Controlling

AU : Dec.-09

### 5.1.1 Introduction

- Controlling is the process of regulating organizational activities so that actual performance confirms to expected organizational standards and goals.
- The control function requires managers to establish appropriate performance standards, compare actual performance with predetermined standards and correct problems. To manage every organization successfully, control is required.
- The control function is the ongoing process used to determine if an organization is meeting the goals.
- Managerial control problems occur in sophisticated organizations and in all countries. Exercising effective control is a universal and exceedingly important managerial challenge
- Probably the most critical part of that challenge, for individual managers as well as for organizations is where to draw the line between too much control and too little control.
- Too little control can expose an organization and its managers to very costly risks. In milder forms, undercontrol contributes to sloppy operations and failure to utilize resources efficiently and effectively.
- A certain type of control may be quite effective in one situation but very ineffective or even damaging in different circumstances.

### 5.1.2 Definitions of Controlling

- Various definitions of controlling are suggested.

#### 1. E.F.L. Breach defined controlling as -

"Control is checking the current performance against predetermined standards contained in the plans with a view to ensure an adequate progress and satisfactory performance".

#### 2. Harold Koontz defined it as

"Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished".

### 5.1.3 Need of Controlling

- Controlling is necessary in an organization because of following reasons -
  1. To correct the action.

2. To reduce or eliminate mistakes.
3. To make employee loyal to the organization.
4. To find deviation in management.

#### 5.1.4 Control System

- During the process of control, managers setup control systems. A **control system** is a set of mechanisms designed to increase the probability of meeting organizational standards or goals. Commonly used controls in any organization are -
  - a) Financial and budgetary control    b) Operations control
  - c) Marketing control                         d) R and D control
  - e) Human resource control                 f) Quality control                 g) Inventory control
- Now a days, control is exercised over every aspect of an organization's functions. From management performance to the activities carried on at shop-floor.

#### 5.1.5 Characteristics of Control Function

1. Control action is related of planning function.
2. Control action is forward corrective action.
3. Control function is essentially supported by action for desired result.
4. Control action is a continuous process.
5. Control function is applicable in all organizations, hence it is universal.

#### 5.1.6 Importance of Controlling

- Controlling is very significant in any organization.
1. Controlling improves co-ordination amongs employees.
  2. Controlling helps boosting employee morale.
  3. Controlling provides reviews, revise and update of plans.
  4. Controlling improves efficiency and effectiveness of the organization.
  5. Controlling helps to implicate adjustments in operations.
  6. Controlling function creates psychological pressure an individual for better performance.

#### University Question

**Q.1**      *What is controlling ?*

**AU : Dec.-09, Marks 2**

## 5.2 Process of Controlling

AU : May-17,15,13,11,10,08,07,18,19, Dec.-14,12,07

- Basic steps in control process are shown in Fig. 5.2.1 Each of these basic steps involves important managerial attention and decision.

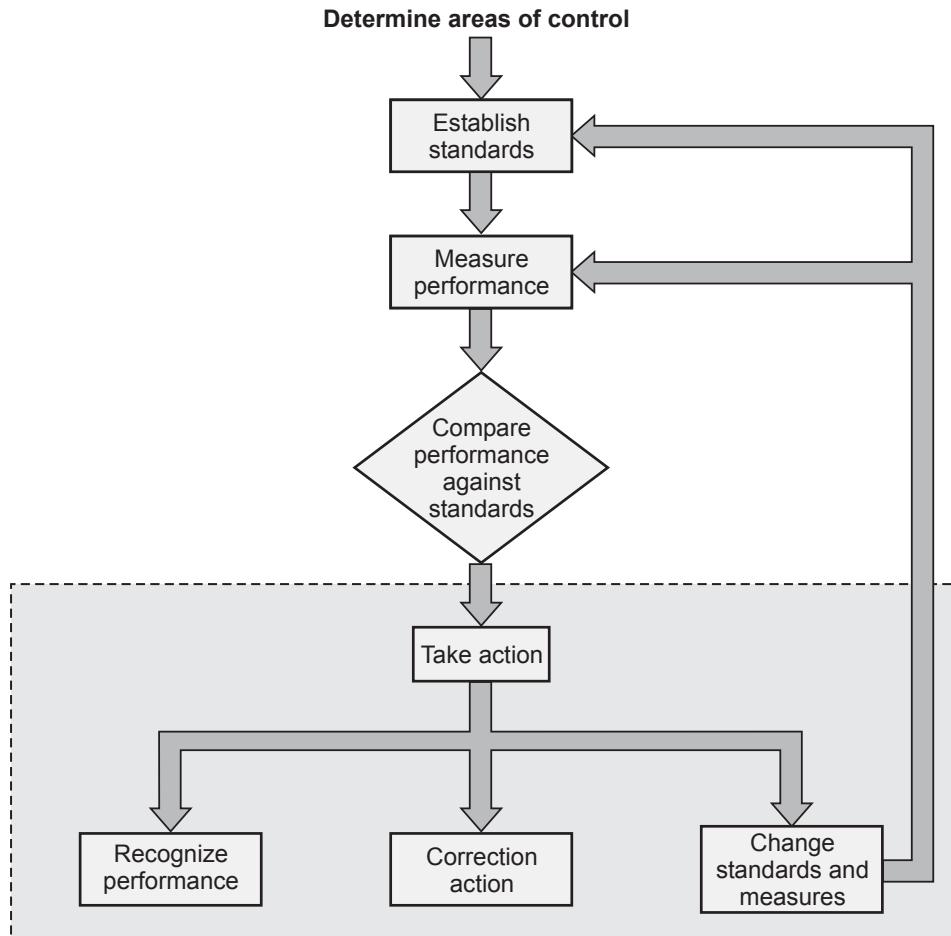


Fig. 5.2.1 Steps in control process

### Step 1 : Determine areas to control

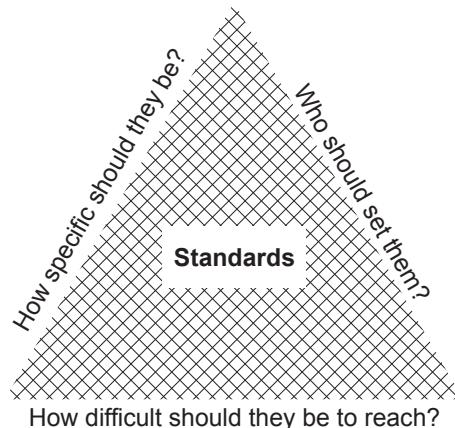
- Managers must decide the major areas to control. A careful selection of area is necessary because it is expensive and practically not possible to control every department's activity. Managers usually concentrate on controls on goals and objectives.

### Step 2 : Establish standards

- During control process, standards are essential. Standards are the basis for measuring the performance.
- Standards** are explicit criteria against which future performance will be measured. Standards are the prerequisite of control process with which actual performance

can be compared. If there is no standard then there will be no effective measure of attainment. At all levels of management and supervision, standards must be set that reflect the required performance for each activity.

- Issues involved in establishing standards are shown in Fig. 5.2.2.



**Fig. 5.2.2 Issues in establishing standards**

- Standards can be classified into two broad categories :
  - a) Quantity standards
  - b) Quality standards

#### **a) Quantity standards**

- Such standards are applicable to those which can be quantified (can be counted). The specific standards set should be met within tolerable limits. Such standards include those for sales, production, machine utilization etc. It also includes growth of enterprise and savings on expenditures.
- Standards for quantity are set on data derived from past performances and on forecasts of future possibilities considering external influences.

#### **b) Quality standards**

- 'Quality Control'(QC) is a term used to cover control of all aspects of a concern's activities that can not be quantified with any degree of certainty. This is a difficult area of control and the standards set in these types of activities will be elastic to a certain extent.

#### **Objectives of setting standards**

- Generally, standards serve three major purposes related to employee behavior.
  - i) Standards enable employees to understand what management is expecting and how their work will be evaluated.

- ii) Standards provide a basis for detecting job difficulties e.g. lack of ability, training, inadequate facilities.
- iii) Standards help to reduce the potential negative effects of goal incongruence.
- The **goal incongruence** is a condition in which there are major incompatibilities between the goals of an organization member and those of the organization.

### **Step 3 : Measure performance**

- When standards have been set some mechanism must be devised and installed for each activity to check and measure it with the standard. Monitoring or measuring performance is a vital part of control because it is not possible to control an activity if it is not constantly monitored or measured.
- For a given standard, a manager must decide how to measure actual performance. Most managers strive to report performance based on quantitative data. Since such data tend to be relatively objective and easy to evaluate. But many important aspects of performance are difficult to measure quantitatively. Most organizations use combinations of both quantitative or qualitative performance measures in carrying out control process.
- Managers must also decide how often the data must be collected. It depends on type of organization. In some cases managers need to control data on a daily, hourly or even more frequent basis. In some cases, weekly, monthly, quarterly, semi-annual data may be sufficient. The period of measurement generally depends on how important the goal is to the organization.

### **Step 4 : Compare performance**

- Managers compare the performance of department under control. They try to understand the causes of deviation of performance. Necessary reports are then prepared for corrective action.

### **Step 5 : Take action**

- After measuring and comparing performance to standards. Managers take some action. The action can be -
  - a) Corrective action
  - b) Recognize performance.
  - c) Change standards and measures.

#### **5.2.1 Critical Control Points and Standards**

- In any process or operation management selects some critical points to control. With such controls manager can handle maximum plans and subordinates. These critical points are performance evaluating factors.

- Managers decides their own control and control standards to suit their needs. There is no specific rules to control the operations.

### **5.2.1.1 Types of Critical Point Standard**

- Typical standards used in an organization are
  1. Physical standards
  2. Cost standards
  3. Capital standards
  4. Revenue standards
  5. Program standards
  6. Intangible standards
  7. Goals as standards
  8. Strategic plans

#### **1. Physical standards**

- These are non monetary measures and are used where labor or services are employed. It specifies quantitatively as - output per hour, units / person / machine etc and qualitatively as - tolerance, durability, fastness etc.

#### **2. Cost standards**

- These are monetary measurements. Examples of cost standards are - cost per unit, labor cost, material cost, transport cost etc.

#### **3. Capital standards**

- These are application of monetary measurements to physical items. Capital standards are shown in balance sheet.

#### **4. Revenue standards**

- Revenue standards arise from attaching monetary values to sales. Examples are average sale per customer, sales per capital etc.

#### **5. Program standards**

- Manager can set different standards for different program. For example, research program, sales force program, appraising.

#### **6. Intangible standards**

- There are various intangible standards that exists in business. These standards are difficult to set as they can not be expressed in physical or monetary measurements. Examples are competence of person or department, success of advertising program, loyalty of workers etc.

## 7. Goals as standards

- Organizations can set qualitative or quantitative goals for managing better control. If a goal is achieved, the desired standard is achieved.

### 5.2.2 Controlling as Managerial Function

- On the face of it, the word "control" sounds negative. It can mean restraints, constraints or checks. Within the context of organizations **control** involves regulation of activities and behaviours.
- To control in an organizational setting, means to adjust or bring conformity to specification or objectives. In this sense, the control responsibilities of managers do involve restricting somebody's freedom. A manager cannot control without restricting.
- The managerial function of control comes at the end of a chain of the other major functions of planning, organizing and leading.
- If those prior functions are carried out well, generating positive responses to controls will be much easier. Conversely, if major problems exist in planning, organizing and leading, no amount of attention to control is likely to work very well. In this sense, effective control is a managerial function that depends heavily on the other functions that precede it.

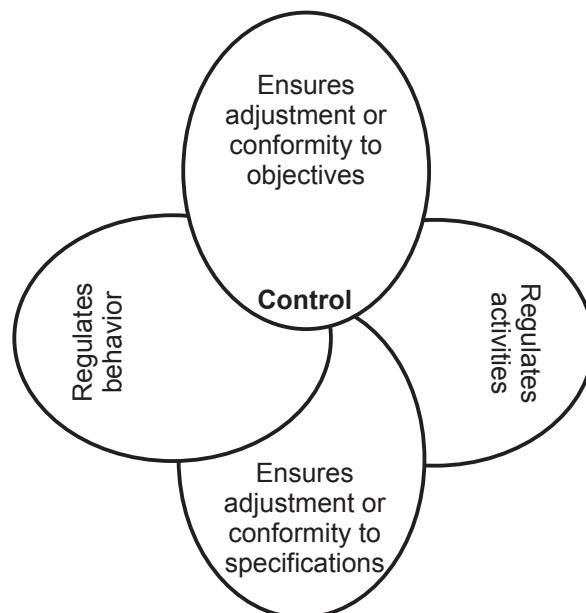
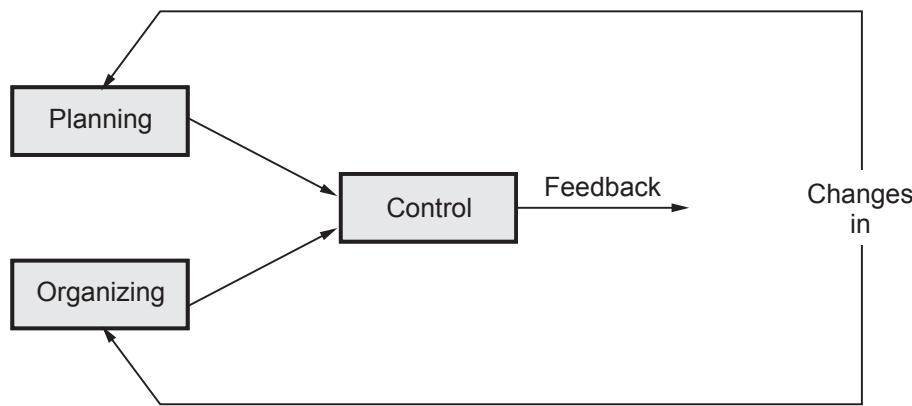


Fig. 5.2.3 The control function in management

- Control can also be thought of as an independent or causal, variable because the results of control efforts improve the planning process of the organization. Control is thus part of a feedback loop into planning and organizing that can help managers adapt to changing circumstances and conditions.



**Fig. 5.2.4 Control's feedback loop**

### 5.2.3 Principles of Control

- For control process to be very effective it must be governed by firm principles. Following are some important principles :
  - A method of control must be suitable for the activity.
  - The controls installed should not cost more than they will actually save.
  - The type of industry or activity concerned must determine what types of controls are needed.
  - Feedback information must be available to the controller in time for corrective action to be taken before matters go too far wrong.
  - It is essential that corrective action be taken promptly and consistently when required.
  - The exception principle should be applied wherever possible.
  - Areas of accountability and authority should be clearly defined so that there is no doubt where the responsibility lies for the various control activities.

### 5.2.4 Requirements of Effective Control

- All managers want to have effective control over organization. In order to make controls effective and efficient, the control must be tailor made to suit the following -
  - Tailoring controls to plans and positions.

2. Tailoring controls to individual managers.
3. Exceptions at critical points.
4. Objectivity of controls.
5. Fitting the control to organizational climate.
6. Economy of control.
7. Control leading corrective actions.

### **1. Tailoring controls to plans and positions**

- Control should reflect the plans for which it has been designed. Also it should reflect the positions in the organization structure where responsibility of action lies.

### **2. Tailoring controls to individual managers**

- Control system should be designed to help individual managers in carrying out their function of control.

### **3. Exceptions of critical points**

- Control system should concentrate on exceptions from planned performance to increase their effectiveness and efficiency.

### **4. Objectivity of controls**

- Effective control requires objective, accurate and suitable standards.

### **5. Fitting of controls to organization**

- The control system or technique must be suited to organizational climate and work culture.

### **6. Economy of control**

- Control system should bring out deviations from plans with the minimum of cost.

### **7. Controls leading to corrective action**

- Controls must lead to corrective action.

### **University Questions**

<b>Q.1</b>	<i>What are the steps involved in process of controlling ?</i>	<b>AU : May-11, Marks 8</b>
<b>Q.2</b>	<i>Discuss the importance of controlling organization. Explain the steps involved in the controlling process.</i>	<b>AU : May-10, Marks 10</b>
<b>Q.3</b>	<i>What is controlling ? List and discuss various steps involved in controlling process.</i>	<b>AU : May-08, Marks 6</b>
<b>Q.4</b>	<i>What are the steps in controlling process and state the essentials of effective control.</i>	<b>AU : Dec.-07, Marks 16, May-07, Marks 8</b>
<b>Q.5</b>	<i>Explain the concept and process of controlling.</i>	<b>AU : Dec.-12, Marks 8</b>
<b>Q.6</b>	<i>Explain the steps involved in the process of controlling.</i>	<b>AU : May-13, Marks 16</b>

<b>Q.7</b>	<i>What is control ? Discuss the phases in control.</i>	<b>AU : Dec.-14, Marks 10</b>
<b>Q.8</b>	<i>Explain the relationship between controlling and overall management. Discuss the steps in controlling process.</i>	<b>AU : May-15, Marks 10</b>
<b>Q.9</b>	<i>Describe in detail about the three steps in the control process.</i>	<b>AU : May-17, Marks 13</b>
<b>Q.10</b>	<i>Illustrate and explain the three steps in the control process.</i>	<b>AU : May-18, Marks 13</b>
<b>Q.11</b>	<i>Evaluate the processes of Controlling.</i>	<b>AU : May-19, Marks 13</b>

### **5.3 Types of Control**

**AU : May-11, 07, 18, Dec.-12, 11**

#### **1. Feedback control**

- Feedback control is post control action. Feedback control is process of correcting future action on the basis of information about past performance.

#### **2. Feedforward control**

- The feed forward control involves evaluating inputs for corrective active action before a particular operation takes place.
- The feed forward control is preventive in nature.

#### **5.3.1 Comparison of Feedback and Feedforward Controls**

**AU : May-07**

Sr. No.	Feedback control	Feedforward control
1.	Feedback control measures only output of the process.	Feed forward control measures input of the process.
2.	Feedback controls is a submission approach.	Feed forward controls is aggressive approach.
3.	This control is less costly.	This control is costly.
4.	The process of correction is time lag.	No time lag is process of correction.
5.	Less benefits to organization.	Most benefits to organization.

### **University Questions**

<b>Q.1</b>	<i>List the basic types of control.</i>	<b>AU : Dec.-11, Marks 2</b>
<b>Q.2</b>	<i>Compare and contrast between feedback and feedforward systems in controlling.</i>	<b>AU : May-07, Marks 10</b>
<b>Q.3</b>	<i>What is feed forward control ?</i>	<b>AU : May-11, Marks 2</b>
<b>Q.4</b>	<i>Write a note on the different types of control.</i>	<b>AU : Dec.-12, Marks 8</b>
<b>Q.5</b>	<i>Discuss the various types of tools used to monitor and measure organizational performance.</i>	<b>AU : May-18, Marks 8</b>

## 5.4 Budgetary as Control Techniques

**AU : May-15, 14, 13, 11, 10, 07, 19, Dec.-17, 16, 14, 13, 12, 11, 07**

- Budgets are used to quantify and allocate resources to specific activities. In most organizations, budgets are proposed and set annually. A variety of resources can be quantified in budgets, but money is the most commonly used.
- There are several types of budgets. For example, a **capital expenditure budget** specified the amount of money to be spent on specific items that have long term use and require significant amounts of money to acquire. These items might include such things as equipment, land or buildings.
- Another common budget is an **expense budget** typically includes all the primary activities on which the unit or organization plans to spend money and the amount that is allocated for each item.
- Virtually all profit and non-profit organizations have expense budgets, both for planning and for control purposes.
- Budgets can be an effective means of integrating and quantifying many aspects of the corporate, business and function plans. Although the budgeting process does not guarantee that managers will make good decisions about integrating and co-ordinating activities about priorities, it does help ensure they will at least be discussed.
- **Budget - Budget** is a financial quantitative statement, prepared and approved prior to a defined period of time, and to be pursued during that period for the purpose of attaining a given objective. It may include income and expenditure.
- **Budgeting - Budgeting** is the process of stating in qualitative terms, planned organizational activities for a given period of time. Budgeting is also referred as **forecasting**.
- Budgeting is a process of preparing budgets and further control aspects are involved in its procedure. It is not simply an estimation or prediction but it is a plan. Budgeting is an attempt, at the beginning of the year, to plan the profit and loss instead of taking upon change.

### 5.4.1 Characteristics / Features of Budget

- The important characteristics of budget are as under
  - i) The budget is written plan of actions to follows.
  - ii) The budget may be prepared in terms of quantity or money.
  - iii) The budget is one of the cost control tool adopted by management.
  - iv) The budget is prepared for fixed period of time.

- v) The budget represents the financial requirement and allocation of finance in various activities of a firm.
- vi) Budget helps in co-ordination amongst various department of a firm.

### 5.4.2 Objectives of Budgeting

- Budgeting objectives are listed below
  - i) The budgeting performs **planning** function in an organization. Budgeting influences the formulation of all business strategies and their execution.
  - ii) To provide **co-ordination** in managerial functions so as to achieve the objectives of the organization.
  - iii) To provide **communication** within organization. Budgets informs about the objectives, policies, programs and performances. It also inform managers of the resources available to achieve objectives.
  - iv) To provide the basis of **performance evaluation** of departments and overall organization, as they reflect realistic estimates.

### 5.4.3 Advantages of Budgeting

AU : May-11, 10

- Budgeting plays an important role in the effective utilization of resources and achieving the objective of organization.
  - i) Budgeting makes management to think about the expected problems that may arise in due course. This generates a sense of caution and care.
  - ii) Budgeting is a powerful tool available to the management for the purpose of controlling the cost.
  - iii) Budgeting is a tool of periodical evaluation of performance of individuals and the department.
  - iv) Budgeting helps in directing capital and other resources into most profitable channels.
  - v) Budgeting is a means of improving co-ordination. The budgets prepared in various departments are co-ordinated and directed to achieve the goals. It helps to develop team spirit and finds solution of common problem.
  - vi) Budgeting stimulates the efficient use of resources and develops an attitude of cost-consciousness.
  - vii) The comparison of budgeted results and actual results helps in analyzing and identifying weak points.
  - viii) Budgeting helps in formulating future policies.
  - ix) Budgeting provides stability in economy of organization.
  - x) Budgeting encourage cost-effective competitions among the employees.

#### 5.4.4 Limitations of Budgeting

AU : Dec.-11

- Certain limitations of budgeting process are identified as follows -
  - i) Budgeting process is based on approximations and judgements which may not be exactly correct.
  - ii) The budgeting process can be successful and useful if all members of management participate equally. Budgeting will fail if not taken seriously by all.
  - iii) Budgeting is a means to provide objectives and goals of organization, it can not take over place management. Some managers stick to the budget and related figures.
  - iv) Budgeting is time consuming process.
  - v) Budgeting is costly affair for small organizations.

#### 5.4.5 Dangers in Budgeting

- Budgets are tools for planning and control. But there are some problems with budgeting.

##### 1. Overbudgeting

- Some experts prepare the budget in very detailed manner so that it becomes cumbersome, meaningless and expensive.
- Overbudgeting may cause unnecessary expenses for any particular purpose and budget is not available for most required purpose. Managers have no right to spend on such instances as he may be held responsible for overspending.

##### 2. Overriding enterprise goals

- Sometimes more importance to budgetary goals are given than enterprise goals. In order to keep the budget low managers forget their loyalty towards enterprise goals. Management never accepts the cause of discrepancy in the budget.

##### 3. Hiding inefficiencies

- Budgets are also used to hide the inefficiencies of the enterprise management.

##### 4. Inflexibility

- Budgets are prepared in much advance. The budgets may become obsolete or the usefulness of budget is reduced in present condition.

#### 5.4.6 Budgetary Control

- Budgetary control is most common form of financial regulation. It is an important component of organization's total control system. Budgetary control, if properly

designed and implemented, can motivate employees to focus on activities that enhance the effectiveness of organization.

- Budgetary control is a process of planning and controlling the activities in financial terms.
- Budgetary control includes forecasting of income and expenditures for efficient production and distribution.
- Budgetary control evaluates the progress of achievement of business enterprise and evaluate policies of the management.
- Budgetary control creates confidence and builds morale amongs the employees.

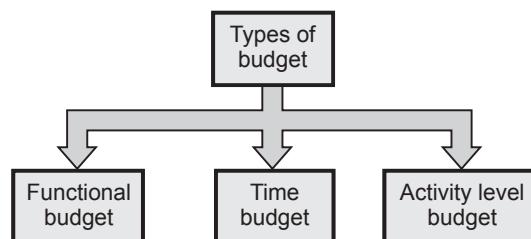
### **Definition of Budgetary control**

J. Batty defined budgetary control as -

"A system which uses budgets as a means of planning and controlling all aspects of producing and / or selling commodities and series".

### **5.4.7 Classification of Budget**

- Budget can be classified depending on various factors such as -
  1. Functional budget
  2. Time budget
  3. Activity level budget



**Fig. 5.4.1 Types of budget**

#### **1. Functional budget**

- The functional budget further can be classified into following types.
  1. Sales budget
  2. Production budget
  3. Purchase budget
  4. Personnel budget
  5. Cash budget

6. R & D budget
7. Capital budget

## 2. Time budget

- Time budget is again classified into following types.
  - a) Long term budgets
  - b) Short term budgets
  - c) Event budget

## 3. Activity level budget

- Categories of activity level budgets are -
  - a) Fixed budget
  - b) Flexible budget (flexi-budget)
  - c) Supplementary budget
  - d) Alternative budget

### 5.4.8 Case Study

#### Statement

Modern manufacturing company has been using a budgetary control system for the last three years. When asked to explain the system, Mr. John, the Managing Director of the company, observed : "We're pretty flexible in our budgetary system. Every manager is given a total amount that he or she can spend for the next year. We don't care how it is used as long as the total isn't exceeded and organizational objectives are achieved".

- i) Discuss the merits and demerits of the company's approach to budgeting.
- ii) Do you agree or disagree with this approach ? Explain your view.

#### Answer

##### (i) Merits of incremental budgeting

1. It is easy to prepare and is therefore quick. Since it is easy to prepare, it is also easily allocated to more junior members of staff.
2. As well as being easy to prepare, it is easy to understand.
3. Less preparation time leads to lower preparation costs.
4. Prevents conflict between departmental managers since a consistent approach is adopted throughout the organisation.
5. Managers can operate their departments on a consistent basis.
6. The system is relatively simple to operate and easy to understand.

7. Conflicts should be avoided if departments can be seen to be treated similarly.
8. Co-ordination between budgets is easier to achieve.
9. The impact of change can be seen quickly.

### **Demerits of incremental budgeting**

1. It assumes that all current activities and costs are still needed, without examining them in detail.
2. It assumes activities and methods of working will continue in the same way.
3. No incentive for developing new ideas.
4. No incentives to reduce costs.
5. Encourages spending up to the budget so that the budget is maintained next year.
6. The budget may become out of date and no longer relate to the level of activity or type of work being carried out.

### **(ii) Comment on approach**

- With incremental budgeting, the manager does not have to justify the existing costs at all. By its very nature, incremental budgeting looks backwards rather than forwards. While this is not such a problem in fairly stable businesses, it will cause problems in rapidly changing business environments.
- There is no incentive for departmental managers to try and reduce costs and in fact, they may end up spending money just for the sake of it, knowing that if they don't spend it this year; they won't be allocated the cash next year, since they will be deemed not to need it.
- Performance targets are often unchallenging, since they are largely based on past performance with some kind of token increase. Therefore, managers are not encouraged to challenge themselves and inefficiencies from previous periods are carried forward into future periods

### **University Questions**

<b>Q.1</b>	<i>What are three potential pitfalls of budgets ?</i>	<b>AU : Dec.-11, Marks 2</b>
<b>Q.2</b>	<i>Mention any two advantages of budgetary control system.</i>	<b>AU : May-11, Marks 2</b>
<b>Q.3</b>	<i>What are different types of organizational control ? Mention the advantages of using budget as a control.</i>	<b>AU : May-10, Marks 10</b>
<b>Q.4</b>	<i>What is flexi-budget ?</i>	<b>AU : May-10, Marks 2</b>
<b>Q.5</b>	<i>What is budgetary control and explain its significance.</i>	<b>AU : Dec.-07, Marks 16</b>
<b>Q.6</b>	<i>What is budgetary control ?</i>	<b>AU : May-07, Marks 2</b>

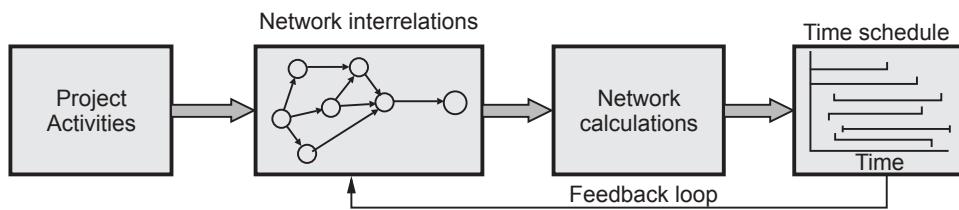
<b>Q.7</b>	<i>What are the various types of functional budgets ?</i>	<b>AU : Dec.-07, Marks 2</b>
<b>Q.8</b>	<i>Discuss the various types of budgets in detail.</i>	<b>AU : Dec.-12, Marks 8</b>
<b>Q.9</b>	<i>Explain the steps involved in the implementation of budgetary control.</i>	<b>AU : May-13, Marks 16</b>
<b>Q.10</b>	<i>What is budgetary control ? Explain in details the different techniques to control budget.</i>	<b>AU : May-14, Marks 16</b>
<b>Q.11</b>	<i>Explain different budgetary.</i>	<b>AU : Dec.-14, Marks 8</b>
<b>Q.12</b>	<i>Discuss briefly about budget as tools for organizational control.</i>	<b>AU : May-15, Marks 8</b>
<b>Q.13</b>	<i>Discuss in detail about the budgetary and non - budgetary control techniques.</i>	<b>AU : Dec.-16, Marks 16</b>
<b>Q.14</b>	<i>Case Study :</i> <i>Modern manufacturing company has been using a budgetary control system for the last three years. When asked to explain the system, Mr. John, the Managing Director of the company, observed : "We're pretty flexible in our budgetary system. Every manager is given a total amount that he or she can spend for the next year. We don't care how it is used as long as the total isn't exceeded and organizational objectives are achieved".</i> i) <i>Discuss the merits and demerits of the company's approach to budgeting.</i> ii) <i>Do you agree or disagree with this approach ? Explain your view.</i>	<b>AU : Dec.-17, Marks 15</b>
<b>Q.15</b>	<i>Enumerate the techniques of controlling.</i>	<b>AU : May-19, Marks 13</b>

## 5.5 Non-budgetary Controls Techniques      **AU : May-12,11, Dec.-17,16,14,13**

- Various non-budgetary controls are -
  1. Reports and statistical data.
  2. Personal observation.
  3. Operational audit.
    - a) Internal audit      b) External audit
  4. Network analysis
    - a) CPM and PERT

### 5.5.1 CPM and PERT

- As a tool for project management planning and control the network based methods are used.
  1. CPM (Critical Path Method)
  2. PERT (Program Evaluation and Review Technique)
- CPM and PERT provide a means for scheduling the activities. Project planning with CPM and PERT involves various phases.

**Fig. 5.5.1 Phases of CPM/PERT**

1. Defining project activities
  2. Relationships among activities.
  3. Network calculation.
  4. Time scheduling.
- In actual practice some of the activities may deviate from planned schedule, therefore it is needed to be revised to compensate the realities. This is done by introducing a feedback loop between time schedule phase and network phase.

## 5.5.2 Critical Path Method (CPM)

- Critical Path Method (CPM) is applicable to both small and large projects. CPM is a technique, used for planning and controlling the logical sequence of operations for accomplishing a project.
- CPM planning technique involves breaking projects down into various activities and determining the required length of time for each activity.

### 5.5.2.1 CPM Planning Steps

- The CPM planning technique involves following steps :
  - i) Specify all activities in the projects clearly.
  - ii) Arrange activities in logical sequence.
  - iii) An arrow diagram reflecting the sequence relationships must be developed, event and activities are numbered.
  - iv) Calculate the time for each activity, mark activity time on arrow diagram. Estimate early and late, start and finishing times.
  - v) Calculate total float for each activity.
  - vi) Mark the critical path on the diagram.
  - vii) Estimate the project completion time.
- An activity is referred as **critical** when there is no loss of time in determining its start and finish times.
- When there is slight advancement or delay of activities without affecting completion date of entire project it is referred as **noncritical activity**.
- A node is termed as event, where one activity is finished and next activity is started. For an event  $j$  different occurrence times are specified as  
 $\square_j$  is represented as earliest occurrence time

$\Delta_j$  is represented as latest occurrence time

$D_{ij}$  is represented as duration of activity.

- If the process starts at node 1 and advance recursively to end node n it is called as **Earliest occurrence time ( $\square$ ) or forward pass.**
- If the process starts at node n and end at node 1 it is called as **backward pass** or **latest occurrence time ( $\Delta$ ).**

### Computations of earliest occurrence time ( $\square$ )

1. Set  $\square_1 = 0$  as project starts at time 0.
2. Nodes p, q ..... v are connected to node j by incoming activities (p, j), (q, j), ..... (v, j), The longest path duration to node j ( $\square_j$ ) is given by

$$\square_j = \max \{ \square_p + D_{pj}, \square_q + D_{qj}, \dots, \square_v + D_{vj} \}$$

### Computation of latest occurrence time ( $\Delta$ )

1.  $\Delta_n = \square_n$  since the earliest and latest occurrences of the last node of the project are same.
2. The latest occurrence time of node j is given as

$$\Delta_j = \min \{ \Delta_p - D_{ip}, \Delta_q - D_{jq}, \dots, \Delta_v - D_{jv} \}$$

- An activity (ij) is critical when it satisfies the following conditions :

  1.  $\Delta_i = \square_i$
  2.  $\Delta_j = \square_j$
  3.  $\Delta_j - \Delta_i = \square_j - \square_i = D_{ij}$

## 5.5.3 Program Evaluation and Review Technique (PERT)

- PERT is a network technique for planning, monitoring and control of large projects. PERT is commonly employed for conducting the initial review of a project.
- PERT anticipate potential areas of problem which may disrupt program objectives. Because of this timely action can be taken to prevent their occurrences.
- PERT planning method involves breaking projects down into activities and determining the required length of time for each activity.

### 5.5.3.1 PERT Planning Steps

- The PERT planning technique involves following steps :
  - i) Specify all activities in the projects clearly.
  - ii) Arrange activities in logical sequence.
  - iii) A network diagram reflecting the sequence relationships must be developed, events and activities are numbered.

- iv) Using three times estimates for each activity must be calculated and marked on the network.
- v) Standard deviation and variance for each activity are computed and recorded.
- vi) The network must be evaluated by calculating the critical path. Critical path is marked on network diagram. Various activities can then be scheduled
- vii) Length of critical path is found out
- viii) Finally, the project completion can be estimated.

#### 5.5.3.2 Characteristics / Time Estimates of PERT

- Various time estimates calculated in PERT techniques are -
  - a) **Optimistic time ( $t_o$ )** : It is the shortest possible time in which an activity can be completed if everything is favourable.
  - b) **Most likely time ( $t_m$ )** : It is the time in which the activity normally expected to complete under normal contingencies.
  - c) **Pessimistic time ( $t_p$ )** : It is the time which an activity will take to complete in case of difficulty i.e. if mostly the things go wrong. It is the longest time amongs the all three times.
  - d) **Expected or average time ( $t_e$ )** : The expected time ( $t_e$ ) for each activity can be calculated as -

$$t_e = \frac{(t_o + 4t_m + t_p)}{6}$$

#### 5.5.4 Difference between PERT and CPM

Sr. No.	PERT	CPM
1.	PERT is a probabilistic model of project planning	CPM is a deterministic model of project planning
2.	Expected project completion time is determined by $t_o$ , $t_m$ and $t_p$ .	Expected project completion time is actually time taken.
3.	PERT is an event-oriented approach.	CPM is an activity oriented approach.
4.	A network diagram is drawn for PERT.	An arrow diagram is drawn for CPM.
5.	Sometimes dummy activities are used to represent proper sequencing.	Dummy activities are not required.
6.	Critical and non-critical activities are not differentiated.	Critical activities are defined clearly.
7.	PERT is suitable for large projects.	CPM is suitable for large as well as small projects.
8.	Resources are not utilized effectively.	Better utilization of resources.

**University Questions**

- Q.1** Explain budgetary and non-budgetary control technique. **AU : May-11, Marks 8**
- Q.2** Given an account of some popular non-budgetary control techniques. **AU : May-11, Marks 8**
- Q.3** Give an account of some popular non-budgetary control techniques, with special reference to break-even analysis and ratio analysis. **AU : May-12, Marks 16**
- Q.4** Explain any four non-budgetary control techniques with suitable examples. **AU : Dec.-13, Marks 16**
- Q.5** Explain non-budgetary control techniques. **AU : Dec.-14, Marks 8**
- Q.6** Discuss in detail about the budgetary and non - budgetary control techniques. **AU : Dec.-16, Marks 16**
- Q.7** Explain the various control techniques. **AU : Dec.-17, Marks 13**

**5.6 IT in Management Controlling** **AU : Dec.-17,16,11,04,18, May-11,07,16,17**

- Management Information System (MIS) is a system which handles databases, process the data, provide the end user computing facilities and gives output in variety of formats. Its purpose is to meet the general information needs of all the managers in the firm. It helps managers and other users to identify and understand the problems.
- The foundation of MIS is based on basic principles of management, its practices and management control. It also relies on system theory and information technology. Various aspects of MIS are -
  - Information technology
  - Databases
  - Principles of management
  - Social sciences
  - Business goals

Therefore MIS is a multidisciplinary approach to the business management.

- MIS is dynamic in nature i.e. it changes with time, environment and business growth.

**5.6.1 Definitions of MIS**

**AU : May-11**

- Some of the selected definitions of management information systems are given below-

1. MIS is a planned organized approach to the transferring of intelligence within an organization, for the exercise of management. They do not create information, but simply package it.

- J. J. O. Brien

2. MIS is an integrated user machine system for providing information to support operations, management and decision making functions in an organization. The system utilizes computer, hardware, software, manual, procedures, models for analysis, planning and control, decision making and a database.

- Gordon B. Davis

3. A MIS is an organized set of processes that provide information to managers to support the operations and decision making within an organization.

- Krober, Watson

4. MIS is a system that aids management in making, carrying out and controlling decisions.

- Jerome Kanter

5. MIS is a set of organized procedures which when executed provides information to support decision making.

- Henry C. Lucas

### 5.6.2 Role of MIS

AU : May-16

- Management information systems play a vital role in the successful management of systems because of following main reasons -
  1. Information is the common denominator underlying the management functions of planning, organizing, directing and controlling.
  2. Information systems are closely related to the basic system objectives, policies and strategies established by the management.
  3. MIS plays different roles at different levels of management i.e. provides information to the management as per the level in the organization.
  4. MIS provides variety of systems such as Query Systems, Analysis Systems, Modeling Systems and Decision Support Systems to cater the diverse needs of the organization.
  5. MIS helps in functional areas e.g. Strategic planning, management control operational control and transaction processing.
  6. MIS affects the performance and productivity, which increases organizations effectiveness. It provides drastic improvements in efficiency and speed of transaction processing as well as office productivity.
  7. MIS involves several activities such as -

- Collection and capturing of data
  - Data processing
  - Information reporting
  - Information communication
  - Problem solving
  - Decision support
8. MIS plays significant role in product and service quality.

### 5.6.3 Impact of MIS

- Management Information Systems have a major impact on the utilization of physical, human and financial resources of a productive system.
- Management Information System can influence the Organization's functions, performance and productivity.
- In any business organization all the managerial tasks in terms of functional, finance, materials, manufacturing, human resources, R & D, with a good MIS support all the managerial tasks becomes more efficient. With MIS tracking and monitoring of functional targets are possible.
- An understanding of the capabilities and limitations of information system technology will enable management to direct and measure its contribution to system objectives.
- An effective design of MIS leads to systemization of the business operations also the stream lining of business activities.
- Because of MIS all the systems and procedures are to follow improving administration and bringing discipline in the organization.
- MIS help to achieve business objectives and goals by making business operations highly professional.
- The impact on the managerial ability is improved as managers can use variety of tools for modeling, simulations, decision making and for experimentation purpose. This saves manager's time which can now be utilized for creative thinking and to improve the efficiency.

### 5.6.4 MIS as a Tool for Management Process

- Decision making is an important aspect of management in managing the activities of an organization. The quality of decisions made by managers depends upon their intelligence i.e. the ability to retrieve and understand knowledge. Information

which compiled becomes knowledge and thus reduces uncertainty in decision making for executing any plan a lot of information and data is required.

- Feedback and control are incorporated to improve the overall performance. To decide the line of action summary of individual subsystems are collected in the form of reports. The drawback or weaknesses in subsystem or department can be identified from the information reports.
- These information reports must be designed to provide adequate information. A good information report improves analytical abilities leads to better business judgement.
- A well designed MIS must furnish information to the managers to expand their knowledge base.
- MIS is planning and control tool for a manager for successful operations and expertise. It facilitate the decision making at all levels of management with accurate, timely information, which permits optimum decision making.
- An MIS is a comprehensive and co-ordinated set of information subsystems to enhance productivity in conformance with manger's styles and characteristics.
- MIS is a powerful tool for budgeting, forecasting, modelling, project planning and control, diversification.

### **5.6.5 MIS as a Support to Management**

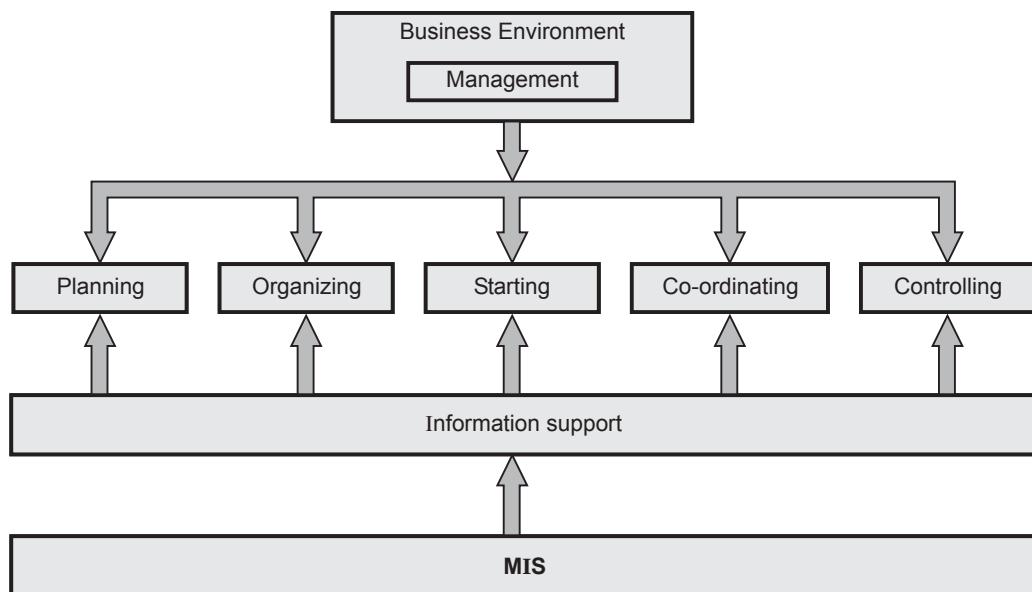
- Management information systems are designed to support various management activities. Managers plan, direct, staff, organize and control the major activities of an organization. Decision making is a major requirement of each of those managerial functions.
- MIS is a facilitating system for managers in developing decisions. The decisions required in the management function are shown in Table 5.6.1.

Sr. No.	Management Functions	Decision Required
1.	Planning	<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Resource requirement</li> <li>• Deployment of resources</li> <li>• Methods and procedures</li> </ul>
2.	Organizing	<ul style="list-style-type: none"> <li>• Goals</li> <li>• Policies</li> <li>• Guidelines</li> <li>• Authority</li> </ul>

3.	Staffing	<ul style="list-style-type: none"> <li>• Manpower planning</li> <li>• Selection, training, deputation</li> <li>• Promotion, transfer</li> </ul>
4.	Directing	<ul style="list-style-type: none"> <li>• Appropriate manpower</li> <li>• Techniques</li> <li>• Orientation</li> </ul>
5.	Co-ordinating	<ul style="list-style-type: none"> <li>• Tools</li> <li>• Methodology</li> <li>• Sequencing</li> </ul>
6.	Controlling	<ul style="list-style-type: none"> <li>• Product policy</li> <li>• "Manufacturing plans</li> <li>• "Capital policies</li> </ul>

**Table 5.6.1 Management decisions**

Fig. 5.6.1 shows the support of MIS to the management functions.

**Fig. 5.6.1 MIS support to management function**

- MIS helps to achieve business goals of an organization efficiently and effectively. Also it helps to execute all business operations smoothly.

## 5.6.6 Needs and Characteristics of MIS

- A management information system has the following characteristics :

**1) System approach :** The information system follows a system's approach. The system's approach implies a holistic approach to the study of the system and its performance to achieve the objective for which it has been formed.

**2) Management oriented :** For designing of MIS top-down approach should be followed. Top-down approach suggests that the system development starts from the determination of the management needs and overall business objectives. Management oriented characteristic of MIS also implies that the management actively directs the system development efforts.

**3) Need based :** MIS design and development should be as per the information needs of managers at different levels that are strategic planning level, management control level and operational control level.

**i) Exception based :** MIS should be developed on the exception based reporting principle, which means an abnormal situation, that is the maximum, minimum or expected values vary beyond the limits. In such cases there should be exception reporting to the decision-maker at the required level.

**ii) Future oriented :** Besides exception based reporting, MIS should also look at the future. In other words MIS should not merely provide past or historical information; rather it should provide information on the basis of projections based on which actions may be initiated.

**iii) Integrated :** Integration is significant because of its ability to produce more meaningful information. For example, in order to develop an effective production scheduling system, it is necessary to balance such factors as : set-up costs, work force, overtime rates, production capacity, inventory level, capital requirements and customer services.

- Integration means taking a comprehensive view of the subsystems that operate within the company.

**iv) Common data flows :** Because of the integration concept of MIS, there is an opportunity to avoid duplication and redundancy in data gathering, storage and dissemination.

- System designers are aware that a few key source documents account for much of the information flow.
- For example, customer's orders are the basis for billing the customer for the goods ordered, setting up accounts receivables, initiating production activity, sales analysis, sales forecasting etc.

**4) Reliable :** The information should be counted on to be trustworthy. It should be accurate, consistent with facts and verifiable. Inadequate or incorrect information generally leads to decisions of poor quality. For example, sales figures that have not been adjusted for returns and refunds are not reliable.

**5) Concise :** Too much information is a big burden on management and cannot be processed in time and accurately due to "bounded rationality". Bounded rationality determines the limits of the thinking process which cannot sort out and process large amounts of information. Accordingly, information should be to the point and just enough - no more, no less.

**6) Timely :** Information must be delivered at the right time and the right place to the right person. Premature information can become obsolete or be forgotten by the time it is actually needed.

- Similarly, some crucial decisions can be delayed because proper and necessary information is not available in time, resulting in missed opportunities. Accordingly the time gap between collection of data and the presentation of the proper information to the decision maker must be reduced as much as possible.

**7) Cost-effective :** The information is not desirable if the solution is more costly than the problem. The cost of gathering data and processing it into information must be weighed against the benefits derived from using such information.

### University Questions

<b>Q.1</b>	<i>Describe the role of information technology in controlling function.</i>	<b>AU : Dec.-11, Marks 16</b>
<b>Q.2</b>	<i>What is the role of computers in handling information ?</i>	<b>AU : May-07, Marks 6</b>
<b>Q.3</b>	<i>State briefly the nature and applications of IT.</i>	<b>AU : Dec.-04, Marks 6</b>
<b>Q.4</b>	<i>List out the needs and characteristics of MIS.</i>	<b>AU : May-16, Marks 8</b>
<b>Q.5</b>	<i>Impact of IT in management concepts - Discuss.</i>	<b>AU : Dec.-16, Marks 16</b>
<b>Q.6</b>	<i>Discuss the uses of computers and IT in the management control.</i>	<b>AU : May-17, Marks 13</b>
<b>Q.7</b>	<i>Discuss the impact of information technology on management control.</i>	<b>AU : Dec.-17, Marks 13</b>
<b>Q.8</b>	<i>Explain in detail about impact of IT in management concept.</i>	<b>AU : Dec.-18, Marks 13</b>

### 5.7 Productivity Problems and Management

**AU : May-16, 12, 11, 08, Dec.-11, 09, 18**

- Productivity is to be improved in order to remain competitive in world market. Productivity measures how well an organization is using its resources in producing its goods and services.
- Productivity** is defined as the ratio of output to input.

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}}$$

$$\text{Productivity} = \frac{\text{Goods and services produced}}{\text{Labour} + \text{Money} + \text{Material} + \text{Technology}}$$

- Greater productivity leads to greater profitability. Productivity implies measurement which is essential in control process.

### **5.7.1 Productivity Problems**

- It is usually accepted that productivity must be improved. But there are various factors that causes low productivity.
  1. Less skilled labor force.
  2. Less importance to R and D.
  3. Less ambitious workers.
  4. Worker's attitude and loyalty.
  5. Government policies and regulation.

### **5.7.2 Measuring Productivity of Knowledge Workers**

- Traditional definition of productivity can not be applied to knowledge workers because of relative use of knowledge. Managers, engineers and programmers are knowledge workers.
- The productivity of knowledge worker is more difficult to measure compared to skill worker. The output of knowledge worker is really some of activities that helps in achieving objectives. Engineers contribute significantly to any enterprise.
- Also the quality of output is difficult to measure. The effect of strategic decision may not be seen for years. Also the success or failure of decision depends on several external factors.

### **5.7.3 Several Approaches to Productivity Improvement**

**AU : May-12**

- There are not any specific but several approaches are devised for productivity improvement.
  1. Formulation of objectives.
  2. Performance against these objective.
  3. Effective reporting system.
  4. Reinforcing good performance.
  5. Knowledge workers.
  6. Principles and guidelines.
  7. Recognition of good performance.
  8. Preparing work modules.
  9. Emphasizing goals.
  10. Developing ability to work with people.

### 5.7.4 Factors Affecting Productivity

Following factors affect productivity of an organization

1. Technology
2. Human resources
3. Government policy
4. Machinery and equipment
5. Worker skill and efficiency
6. Materials
7. Plant equipment
8. Land and building
9. Research and development (R & D)

### 5.7.5 Improving Productivity in IT Industry

- Since good developers' time is precious, IT outsourcing companies must implement best practices and use at maximum the tools available to help them increase the productivity of each team member and enable the team to deliver with maximum results.

#### 1. Make employee retention a priority :

- Since both employees and customers come first in the professional services industry, IT outsourcing companies should have a strategic focus on keeping both employees and customers happy.
- Nowadays, if you have a good reputation and you deliver outstanding services, customers might be easier (and cheaper) to find than replacing key employees.
- Professional services companies should start from the early stages, with a well planned HR framework that maximizes the results of the recruitment process, from candidates search, to a thorough employee background screening process, technical and soft skills evaluation.
- In addition, the performance evaluation, the learning and development programs and the recognition methods should be aligned to top engineers' expectations.

- |  |
|--|
| <ul style="list-style-type: none"><li>• Celebrate and recognise good skills.</li></ul>   |
| <ul style="list-style-type: none"><li>• Reward creativity and ingenuity.</li></ul>   |
| <ul style="list-style-type: none"><li>• Help good engineers grow.</li></ul>  |
| <ul style="list-style-type: none"><li>• Encourage all employees to be physically active and have a healthy work/personal life balance.</li></ul> |

#### 2. Use tools that enhance the productivity

- There are many tool sets that bring a huge gain to projects productivity and in many cases they are free. Some of the tools currently used are :
  - i) IDE (IntelliJ or Eclipse) - (Integrated Development Environment)

- ii) **JIRA** - Agile dashboard for task management and progress tracking.
- iii) **GIT** - a free and open source distributed version control system designed
- iv) **Confluence** - an easy to use Wiki for documents management (eg: code guidelines, setup steps, release documentation, business requirements etc)
- v) **Jenkins** - Probably the most used continuous integration server in the Java space (and beyond). We use it to control and run our pipeline. Jenkins has the concept of jobs. A job is a standalone build task performed upon source code within an environment.
- vi) **Crucible** - Used for code reviews between team members, enhancing code quality and making sure the features implemented are following design and code guidelines.
- vii) **Sonar** - works with over 20 programming languages and out of the box with Java. For each project that is analyzed a dashboard is created where at a glance one can have an overview of all the seven metrics - complexity, potential bugs, coding rules, unit test coverage, duplications, comments, architecture and design. Sonar can calculate the deltas of all the metrics and show how the project has evolved in time from the point of view of code quality.

### 3. Focus on processes and project documentation

- Some organisations automatically assume that just by going agile, Scrum, Kanban software will be built in less time. The application of waterfall, agile, RUP, Scrum or Kanban only influences the productivity of a part of the application since software development is a lot about creativity, work environment, collaboration framework, team spirit and enthusiasm.
- Indeed agile has many advantages beyond increasing productivity (or at least a strong perception of improving productivity) such as a better quality of code, flexibility, better collaboration between IT and business or more enthusiastic project teams.
- Although Agile does not imply such detailed project domination as Waterfall, balancing documentation and discussion in Agile is essential and valuable; projects that are not properly documented can significantly increase project costs and create headaches on the long run.
- In agile you need to decide when documentation is needed to achieve relevant goals, what type of documentation is needed and more relevant (e.g.: executable specifications, not static documents), how can you simplify the documentation process, what and when to document and also to require engineers to justify each documentation request.
- Usually the process of composing project documentation is complex and time consuming but the benefits it brings to both end customer and the IT outsourcing company pay the price. High quality project documentation and specifications help

drive a shared vision of the project, understand in detail the project scope, and significantly influences project quality and cost.

- Besides project documentation, internal processes should be all aligned to achieving better productivity as a priority business objective by :
  - i) Having clear leadership roles within the team to keep projects on track (we are against one man show approach; for example the Scrum master should not be the Test Lead)
  - ii) Having a strategic focus on understanding customer requirements from early stages. Architects and project experts have an essential role in reducing the time allocated for code rewriting and debugging
  - iii) Supporting team adherence to the same standards : from requirements and analysis, release and iteration management, development and integration and testing. This should be recurrently evaluated through peer assessment activities
  - iv) Having a clear definition and understanding of projects plans (task definition and distribution/allocation)
  - v) Implementing best quality coding standards and guidelines and having a comprehensive code knowledge improvement framework (generally done through code reviews, regression testing and check-in commit scripts)
  - vi) Having a process for knowledge sharing and smooth integration of new members in the team
  - vii) Using continuous integration and deployment (as means to have clear visibility on code quality, complexity, status etc)
  - viii) Using transparent, industry standard metrics such as lines of code, function points, time, and cost, etc

#### 4. Some operational/admin aspects

- Create an office environment that minimizes distractions and optimizes the way the time is spent.
- An example would be the introduction of quiet day/quiet hours when nobody should send/read emails, make phone calls or use instant messaging
- In agile we have lots of meetings, but each meeting should have clear objectives since meetings usually take more than the time allocated for them
- Include various soft skills trainings in your SDC program (eg: communication, time management, effective delegation, listening, mentoring/teaching, critical thinking and problem solving, etc)

- Don't underestimate the time spent with operational tasks while travelling; programmers shouldn't be bothered to make travel or accommodation arrangements, to write useless internal reports.

### University Questions

<b>Q.1</b>	<i>Define productivity.</i>	<b>AU : Dec.-11, 09, Marks 2</b>
<b>Q.2</b>	<i>Explain the factors that will affect the productivity.</i>	<b>AU : May-11, Marks 8</b>
<b>Q.3</b>	<i>Define productivity and identify the problems involved in measuring productivity of knowledge workers.</i>	<b>AU : May-11, Marks 8</b>
<b>Q.4</b>	<i>Bring out the importance of productivity measures in any organization. Also in detail enumerate the different productivity enhancement tools used by the organizations in the present competitive scenario.</i>	<b>AU : May-08, Marks 16</b>
<b>Q.5</b>	<i>What tools and techniques do you suggest to improve productivity in Indian organizations ?</i>	<b>AU : May-12, Marks 16</b>
<b>Q.6</b>	<i>Control of productivity problems and management.</i>	<b>AU : May-16, Marks 8</b>
<b>Q.7</b>	<i>What is productivity ? Explain the methods of improving productivity in IT industry.</i>	<b>AU : May-16, Marks 8</b>
<b>Q.8</b>	<i>Write short note on control of productivity problems and management.</i>	<b>AU : Dec.-18, Marks 7</b>

## 5.8 Direct and Preventive Control

**AU : May-16, Dec.-18**

### 5.8.1 Direct Control

- The **direct control** is a process of identifying employees having poor performance and correcting their performance in order to achieve organization goals.

#### Factors influencing direct control

1. Lack of knowledge
2. Lack of experience
3. Lack of communication
4. Lack of co-ordination

### 5.8.2 Preventive Control

- The **preventive control** is a process of eliminating unnecessary activities resulting due to poor management.

## Factors influencing preventive control

1. Experienced manager
2. Effective techniques to measure performance
3. Exact evaluation

## Benefits of preventive control

1. Preventive control has greater accuracy than direct control.
2. Preventive control is cost effective.
3. Preventive control reduces wastage.
4. Preventive control is fast and quickly implementable.

### University Questions

<b>Q.1</b>	<i>Direct and preventive control.</i>	<b>AU : May-16, Marks 8</b>
<b>Q.2</b>	<i>Write short note on direct and preventive control.</i>	<b>AU : Dec.-18, Marks 6</b>

## 5.9 Reporting

- In an business enterprise various types of reports are needed by management from various departments such as :

  1. HR and personnel management
  2. Marketing management
  3. Accounting and finance management
  4. Production management
  5. Material management

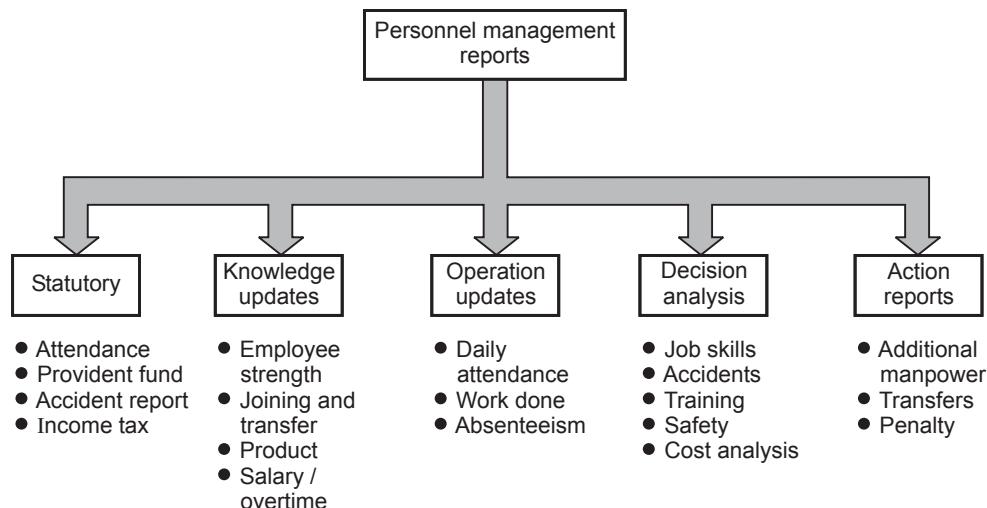
### 5.9.1 HR and Personnel Management

- Reports in various forms are needed by the management for record and analysis purpose. Few reports are to be submitted to Government agencies like-Provident fund, Income tax, Directorate of industrial safety, Labour department. Few reports are needed by people in operations management for controlling overheads, wage etc.
- Important report types are
  1. Statutory reports
  2. Knowledge updates
  3. Operation update
  4. Decision analysis
  5. Action reports.

### 5.9.2 Marketing Management

#### (v) Reports :

- *Statutory Compliance* is mainly for sales tax, excise duty, income tax purpose.

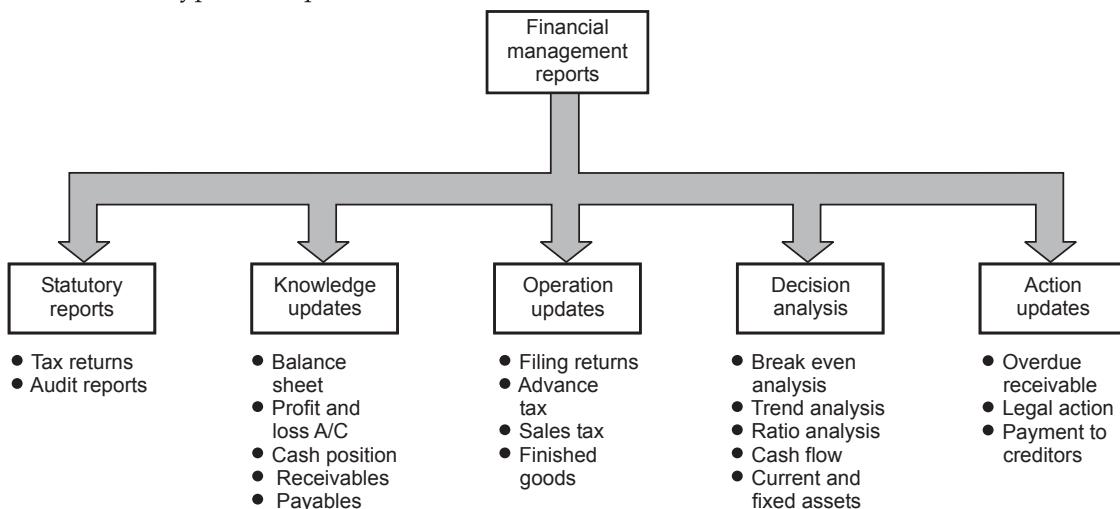
**Fig. 5.9.1 Personnel management system reports**

- *Knowledge Updates* are prepared from transactions like orders, value, sales, stock etc. Examples of knowledge update reports are:
  - a. Sales record
  - b. Accounts receivables
  - c. Orders pending
  - d. Market analysis
  - e. Competitors.
- *Operation Update* reports gives details of marketing operations, it involves order received, order processed, executed, dispatched, bill typical reports are:
  - a. Order book
  - b. Delivery report
  - c. Invoice
  - d. Customer complaints.
- *Decision Analysis* Reports indicate whether the targeted results are achieved or not. It also reflects the effects of marketing, advertising campaigning. These reports are customized. Risk analysis model is used to know the market share, competitor, market etc. Other examples of decision analysis reports are - break even analysis, market mix, new product introduction.
- *Action Update Reports* may lead to decisions such as price reduction, product withdrawal from market, budget allocation, and inventory. Examples of action update reports are:
  - Sale versus budget report.
  - Sales growth versus sales objectives.
  - Complaints serviced reports.
  - Stocks versus budgeted stock levels.

### 5.9.3 Accounting and Finance

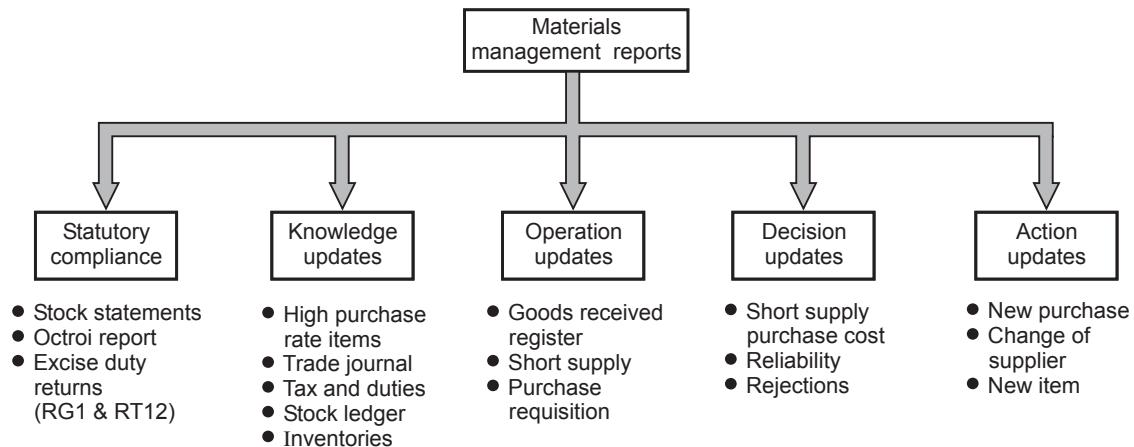
#### (v) Reports

- Reports in different formats are needed as a part of operation update and to meet the statutory compliance. Top management decides coarse of action as per these reports. The reports are based on reliable data, checked and audited. Fig. 5.9.2 shows types of reports.



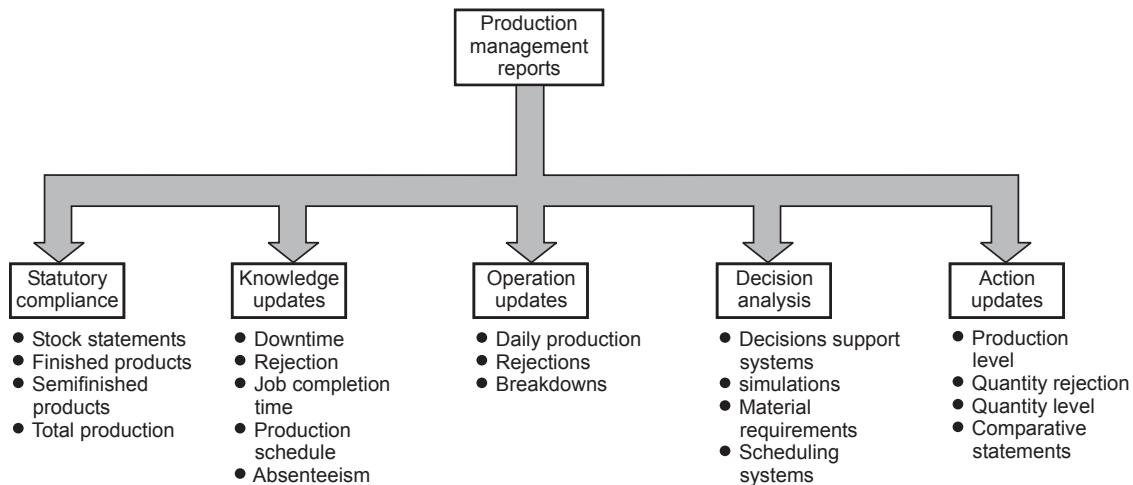
### 5.9.4 Materials Management

- In materials management systems most reports are based on accounting applications and decision analysis systems. Reports can also be displayed on screen also are developed to answer adhoc queries on price stock, specifications supplier etc. Reports are produced on regular intervals.



### 5.9.5 Production Management

- Reports in different formats are required for record and analysis purpose. Reports are also useful in deciding strategy of organization by the top management. Reports are for statutory compliance, knowledge update, operation updates, decision analysis, action update. Fig. 5.9.4 shows production management system reports.



**Fig. 5.9.4 Production management system report**

#### Two Marks Questions with Answers

**Q.1 What is controlling ?**

AU : May-19

**Ans.** : Controlling is the process of regulating organizational activities so that actual performance confirms to expected organizational standards and goals.

**Q.2 Give steps in control process.**

**Ans.** : 1. Establish standard      2. Measure performance  
              3. Compare performance    4. Take action.

**Q.3 Listout critical point standards.**

**Ans.** : 1. Physical standards      2. Cost standards      3. Capital standards  
              4. Revenue standards      5. Intangible standards

**Q.4 What are the requirements of effective control ?**

**Ans.** : 1. Tailoring controls to plans and position.  
              2. Tailoring controls to individual managers.

3. Exceptions at critical point.
4. Objectivity of controls.
5. Fitting controls to organizational climate.
6. Economy of control.
7. Control leading corrective actions.

**Q.5 What are dangers in budgeting ?**

OR

AU : Dec.-04

**What are the three potential pitfalls of budgets ?**

AU : May-15

- Ans. :** 1. Overbudgeting      2. Overriding Enterprise goals  
                                   3. Hiding inefficiencies    4. Inflexibility.

**Q.6 Define MIS.**

AU : May-13

**Ans. :** MIS is a system which handles databases, process the data, provide end user computing facilities and give output in variety of forms.

**Q.7 List the applications of computers in management.**

- Ans. :** 1. Budget preparation      2. Simulating models    3. Graphic presentation  
                                   4. Forecasting                5. Maintaining databases.

**Q.8 Define productivity OR What is meant by productivity.**

AU : Dec.-04, 05, May-14

**Ans. :** Productivity is defined as the ratio of output to input.

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}}$$

$$P = \frac{\text{Goods and services produced}}{\text{Labour + money + material + technology}}$$

**Q.9 What are productivity problems ?**

- Ans. :** 1. Less skilled labour force.    2. Less importance to R and D.  
                                   3. Less ambitious workers.    4. Workers loyalty.  
                                   5. Government policies.

**Q.10 Suggest some approaches for productivity improvement.**

- Ans. :** 1. Formulate objective      2. Knowledge workers  
                                   3. Recognition of performance    4. Principles and guidelines.

**Q.11 What is meant by direct control ?**

**Ans. :** In direct control the cause of unsatisfactory result is traced out and persons responsible are identified, then are asked to correct their practices.

**Q.12 Define preventive control.**

**Ans. :** A control technique in which better managers are developed and produced who can apply concepts skillfully, techniques and principles.

**Q.13 What is the principle of preventive control ?**

**Ans. :** The higher the quality of managers and their subordinates, there is less need for direct control.

**Q.14 Give advantages of preventive control.**

- Ans. :**
- 1. Better accuracy
  - 2. Better understanding
  - 3. Aware of responsibility
  - 4. Control burdens are eliminated.

**Q.15 What are different types of budget ?**

AU : May-14, 19

- Ans. :**
- 1. Revenue and expense budget
  - 2. Time space budget
  - 3. Capital expenditure budget
  - 4. Cash budget.

**Q.16 Define operations management.**

**Ans. :** Operation management refers to activities necessary to produce and deliver a service as well as a physical product.

**Q.17 Define operations research.**

**Ans. :** Operations research is the applications of scientific methods to the study of alternatives in a problem situation, with a view to obtain a qualitative basis for arriving at a best solution.

**Q.18 What is value engineering ?**

**Ans. :** The analysis of the operation of a product or service, estimating the value of each operation, and attempting to improve the operation by trying to keep costs low at each step or part.

**Q.19 State the meaning of zero base budgeting.**

**Ans. :** Budgeting in which enterprise programs are divided into packages comprising goals, activities and need resources, and costs are calculated for each package from the ground up.

**Q.20 Point out objectives of budget.**

- Ans. :**
- 1. Planning and Forecasting.
  - 2. Co-ordination
  - 3. Control operation
  - 4. Means of communication.

**Q.21 List the advantages of better productivity.**

- Ans. :**
- 1. Higher profitability
  - 2. Employee welfare
  - 3. Higher return to share holders
  - 4. Customer satisfaction
  - 5. Less employee turnover.

**Q.22 Which factors affect the productivity of a firm ?**

- Ans. :**
- |                     |                      |                         |
|---------------------|----------------------|-------------------------|
| 1. Labour factor    | 2. Management factor | 3. Production factor    |
| 4. Financial factor | 5. Government factor | 6. Sociological factor. |

**Q.23 Define controlling as management function and list basic control process.**

AU : Dec.-04

**Ans. : Controlling :**

- Controlling is the process of regulating organizational activities so that actual performance confirms to expected organizational standards and goals.

**Basic control process :**

- Basic control process consists of following steps.

- |  |                        |
|--|------------------------|
| 1. Establish standards                   | 2. Measure performance |
| 3. Compare performance against standards | 4. Take action.        |

**Q.24 State briefly the nature and applications of information technology.**

AU : Dec.-04

- Ans. :**
- Information technology plays a vital role in managing efficiently any business organization.
  - MIS is the result of information technology.

**Applications of IT :**

To provide information to the management of different level.

Query system

Analysis system

Modelling system

Decision support system

Collection and capturing of data

Information reporting

Information communication

Problem solving

Forecasting

Financial analysis

**Q.25 What are the assumptions and advantages of principle of preventive control.**

AU : May-05

**Ans. : Assumptions of preventive control :**

- Qualified managers make minimum errors.
- Management fundamentals are used to measure performance.
- Application of management fundamentals can be evaluated.

**Advantages of preventive control :**

1. Greater accuracy can be achieved.

2. Managers understand their responsibility and make voluntary corrections.
3. Burden of direct controls can be eliminated.

**Q.26 Define operations management.****AU : Dec.-05**

- Ans. :**
- Operations management is the collection of planning and control activities that managers use to produce goods and services.
  - Operations management is a specialized field of management associated with the conversion or transformation of resources into products and services.

**Q.27 What is meant by budget.****AU : May-12**

- Ans. :** A budget is the expression of a firm's plan in financial form for a period of time into the future.

**Q.28 Define budgetary control.****AU : Dec.-12**

- Ans. :** A system which uses budgets as a means of planning and controlling all aspects of producing or selling commodities and services.

**Q.29 What is quality control ?****AU : Dec.-12**

- Ans. :** Quality control is the procedure that followed to achieve and maintain the required quality.

**Q.30 List any four types of control.****AU : May-13**

- Ans. :**
1. Budgetary control
  2. Inventory control
  3. Breakeven analysis
  4. Quality control

**Q.31 What are budgetary controls ?****AU : Dec.-14**

- Ans. :** Different bugetary controls.

1. Functional budget
2. Time budget
3. Activity level budget

**Q.32 List the basic types of control.****AU : May-15**

- Ans. :** Basic types of controls :

1. Feedback control
2. Feedforward control

**Q.33 Define purchase control.****AU : Dec.-14**

- Ans. :** Controlling overall purchase of an organization by maintaining Economic Order Quantity (EOQ) and predevided stock levels of raw materials is purchase control.

**Q.34 Name any two HR related controlling techniques.****AU : May-16, Dec.-18**

- Ans. : HR controlling techniques :** The human resource controlling includes planning, assessment and control of both, the performance of the employees, as well as the staff working in human resources.

- The following instruments are known in the field of HR controlling :
  1. Staff reports

2. Performance measurement systems
3. Balance scorecard
4. Benchmarking
5. Controlling competence
6. Human capital management

**Q.35 What are the uses of computers in handling information ?****AU : May-16****Ans :** Uses of computer in handling information :

1. Collection and capturing of data
2. Organizing and cleaning of the data
3. Accuracy in operations
4. Quick data processing
5. Information reporting
6. Information communication
7. Problem solving
8. Decision support

**Q.36 What are the uses of computers in management control?****AU : Dec.-16****Ans. :** Computers are used in different ways in management control.

1. Automating information processing
2. Interdependencies of system components- response characteristics, adaptive capability, decision rules, feedback mechanisms, etc.
3. Use of simulation models, provides the capability of pretesting system designs and the basis for eventual real-time control.

**Q.37 Discuss the productivity problems in management.****AU : Dec.-16****Ans. :** Productivity Problems

- Various productivity problems in management are :
  1. Less importance to R and D.
  2. Government policies and regulation.
  3. No deadlines or targets
  4. Work environment
  5. Misguided policies
  6. Restrictive technology
  7. Worker's attitude and loyalty.
  8. Less skilled labour force.
  9. Less ambitious worker

**Q.38 Why controlling is important ?**

AU : May-17

**Ans.** : Controlling is necessary in an organization because of following reasons -

1. To correct the action.
2. To reduce or eliminate mistakes.
3. To make employee loyal to the organization.
4. To find deviation in management.

**Q.39 What are the characteristics of control function ?**

AU : May-18

**Ans.** : Characteristics of control function :

1. Control action is related of planning function.
2. Control action is forward corrective action.
3. Control function is essentially supported by action for desired result.
4. Control action is a continuous process.

**Q.40 What are various steps involved in the controlling process ?**

AU : Dec.-18

**Ans.** : Steps In Controlling Process

**Step 1** : Determine areas to control

**Step 2** : Establish standards

**Step 3** : Measure performance

**Step 4** : Compare performance

**Step 5** : Take action



**Notes**

**December - 2013**  
**Principles of Management**  
Semester - VI (ECE/Mech.)  
Semester - VII (EEE)  
(Regulation 2008)

**AU**  
**Solved Paper**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** *What are the objectives of planning ? [Refer section 3.1.2]*
- Q.2** *List the steps in the decision making process. [Refer section 3.10.1]*
- Q.3** *What is the necessity of organization ? [Refer section 2.2]*
- Q.4** *What are the functions performed by a low level of manager ? [Refer section 1.7.3]*
- Q.5** *What are programmed decisions ? [Refer section 3.10.2.2]*
- Q.6** *What are the limitations of quantitative approach to management ? [Refer section 6.5]*
- Q.7** *What are the differences between formal and informal communication ? [Refer section 6.6.6]*
- Q.8** *What are the limitations of matrix organization structure ? [Refer section 4.11.2]*
- Q.9** *List the steps involved in directing. [Refer section 6.1]*
- Q.10** *What are the kinds of skills companies look for in managers ? [Refer section 1.8.1]*

**PART B - (5 × 16 = 80 MARKS)**

- Q.11 a)** *Explain the principles of administrative theory of management with an suitable illustrations. [Refer section 1.20]*  
**OR**  
**b)** *Explain the salient features of neo-classical theory of management with the human relations approach and behavioral science approach. [Refer section 1.11]*
- Q.12 a)** *Explain the steps in the planning process. [Refer section 3.2]*

**OR**

- b)** A farm owner is seriously considering of drilling a farm well. In the past, only 7 % of wells drilled were successful at 200 feet depth in that area. Moreover, on finding no water at 200 feet, some persons drilled it further up to 250 feet, but only 20 % struck water at 250 feet. The prevailing cost of drilling is ₹ 50 per foot. The farm owner has estimated that in case he does not get his own well, he will have to pay ₹ 15000 over the next 10 years to buy water from neighbours. The following decisions can be optimal.

- Do not drill any well
- Drill up to 200 feet.
- If no water is found at 200 feet, drill further up to 250 feet.

Draw an appropriate decision tree and determine the farm owner's strategy under EMV approach. [Refer example 3.10.1]

- Q.13 a)** i) What is span of control ? [Refer section 4.1] [4]  
 ii) Explain the factors which influence the span of control. [Refer section 4.1.2] [12]

**OR**

- b)** Explain line and functional organizational structures with their advantages and limitations. [Refer sections 4.5 and 4.6]

- Q.14 a)** Explain the process of communication and also explain the barriers to effective communication. [Refer sections 6.6.2 and 6.6.7]

**OR**

- b)** Explain Porter and Lawler theory of motivation and Adam's equity theory of motivation. [Refer sections 6.5.10 and 6.5.11]

- Q.15 a)** Explain any four non-budgetary control techniques with suitable examples. [Refer section 7.4]

**OR**

- b)** Explain the steps involved in the quality control process with advantages and disadvantages. [Refer section 7.10]



**May - 2014**  
**Principles of Management**  
Semester - VII (EEE)  
Semester - VI (ECE/Mech.)  
(Regulation 2008)

**AU**  
**Solved Paper**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Distinguish between administration and management ? [Refer section 1.4]
- Q.2** What are the roles a managers has to perform ? [Refer section 1.9]
- Q.3** What is strategic planning ? Give an example. [Refer section 3.4.1]
- Q.4** What do you mean by "Policy" ? Give an example. [Refer section 3.4.1]
- Q.5** Define "Span of control". [Refer section 1.13.3]
- Q.6** List down the different types of training. [Refer section 5.6.4]
- Q.7** Distinguish between creativity and innovation. [Refer section 6.2]
- Q.8** Define motivation. [Refer section 6.5.1]
- Q.9** Define productivity. List the types of productivity. [Refer section 7.8]
- Q.10** What are the different types of budget ? [Refer section 7.4.7]

**PART B - (5 × 16 = 80 MARKS)**

- Q.11 a)** Explain the evolution of management thought by different experts in management. [Refer section 1.10]

**OR**

- b)** Discuss the management functions as related to trends and challenges in management of global scenario. [Refer section 1.5]

- Q.12 a)** Explain the importance of planning and the steps involved in planning process. [Refer section 3.2]

**OR**

- b)** Explain the decision making process. Also discuss how decision making under different conditions are made. [Refer section 3.10]

- Q.13 a)** Explain the difference between line and staff organisation with an examples. Discuss its merits and demerits. [Refer section 4.7]

**OR**

- b)** Explain the process involved in selecting and recruiting a graduate trainee in organisation. [Refer section 5.5]

**Q.14 a)** Explain the different motivation theories and also discuss how it is useful in leadership of an organisation. [Refer section 6.5]

**OR**

- b)** What are barriers of effective communication ? Explain the different types of communication. [Refer section 6.6.7]

**Q.15 a)** What is budgetary control ? Explain in details techniques to control budget. [Refer section 7.4.6]

**OR**

- b)** Explain the following :

- i) Purchase control [Refer section 7.6.2]
- ii) Maintenance control [Refer section 7.6.3]
- iii) Quality control [Refer section 7.10]



**December - 2014**  
**Principles of Management**  
Semester - VI (ECE/Mech.)  
Semester - VII (EEE)  
(Regulation 2008)

**AU**  
**Solved Paper**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define management. [Refer Two Marks Q.1 of Chapter - 1]
- Q.2** Point out any three differences between administration and management.  
[Refer Two Marks Q.4 of Chapter - 1]
- Q.3** Define corporate planning. [Refer Two Marks Q.20 of Chapter - 2]
- Q.4** Write short notes on policy making. [Refer Two Marks Q.18 of Chapter - 2]
- Q.5** Define authority. [Refer Two Marks Q.9 of Chapter - 3]
- Q.6** What is staffing ? [Refer Two Marks Q.28 of Chapter - 3]
- Q.7** Write short notes on Laissez faire leader.  
[Refer Two Marks Q.10 of Chapter - 4]
- Q.8** Write short notes on elements of communication.  
[Refer Two Marks Q.20 of Chapter - 4]
- Q.9** What are the budgetary controls ? [Refer Two Marks Q.31 of Chapter - 5]
- Q.10** Define purchase control. [Refer Two Marks Q.33 of Chapter - 5]

**PART B - (5 × 16 = 80 MARKS)**

- Q.11 a)** Enumerate Fayol's principles of management. How are they different from Taylor principles ? Comment on them in brief. [Refer section 1.9.3]  
**OR**  
**b)** Explain the roles and social responsibility of a manager. [Refer section 1.8]
- Q.12 a)** What is planning ? Describe the steps involved in planning. [Refer section 2.1]  
**OR**  
**b)** Explain in detail about M.B.O. [Refer section 2.5.2]

- Q.13 a)** *Describe the various bases for departmentation and suggest a scheme of departmentation for a large marketing organization with a field network all over the country. [Refer section 3.13.1]*

**OR**

- b)** *Explain selection and recruitment process. [Refer section 3.21]*

- Q.14 a)** *Describe anyone motivation theory and suggest how the motivation theory might aid in getting managers to motivate their staff. [Refer section 4.2]*

**OR**

- b)** *Explain the different barriers of communication. What steps can be taken to overcome such barriers ? [Refer section 4.6.7]*

- Q.15 a)** *What is control ? Discuss the phases in control. [Refer section 5.2]*

**OR**

- b)** *Explain different budgetary and non-budgetary control techniques.  
[Refer sections 5.4 and 5.5]*



**May - 2015**  
**Principles of Management**  
Semester - VI (ECE/Mech.)  
Semester - VII (EEE)  
(Regulation 2008)

**AU**  
**Solved Paper**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** *What is the basic role of managers ? [Refer Two Marks Q.10 of Chapter - 1]*
- Q.2** *Define scientific management. [Refer Two Marks Q.5 of Chapter - 1]*
- Q.3** *What is the main purpose of planning.  
[Refer Two Marks Q.13 of Chapter - 2]*
- Q.4** *Distinguish strategic planning and tactical planning.  
[Refer Two Marks Q.19 of Chapter - 2]*
- Q.5** *What do you understand by assessment centers ? [Refer Two Marks Q.43 of Chapter - 3]*
- Q.6** *Give an example of how functional authority works in an organization.  
[Refer Two Marks Q.27 of Chapter - 3]*
- Q.7** *How does leadership differ from management ?  
[Refer Two Marks Q.37 of Chapter - 4]*
- Q.8** *Define job enrichment. [Refer Two Marks Q.44 of Chapter - 3]*
- Q.9** *List the basic types of control. [Refer Two Marks Q.32 of Chapter - 5]*
- Q.10** *What are the three potential pitfalls of budgets ?  
[Refer Two Marks Q.5 of Chapter - 5]*

**PART B - (5 × 16 = 80 MARKS)**

- Q.11 a)** *Explain in detail about Henry Fayol's contribution towards classical approach towards management. [Refer section 1.9.3]*
- OR**
- b) i)** *Discuss the relative importance of each type of the skills to lower, middle and upper level managers. [Refer section 1.6] [8]*
- ii)** *Describe the motion study as used by the Gilbreths. [Refer section 1.9.6] [8]*

- Q.12 a)** i) Discuss some of the tools for developing organizational strategies.  
[Refer section 2.7] [10]
- ii) Explain the steps involved in decision making process.  
[Refer section 2.10.1] [6]

**OR**

- b)** i) Elaborate the different types of organizational plans. [Refer section 2.4] [10]
- ii) What do you understand by management by objectives (MBO) ? What are its advantages and limitations ? [Refer section 2.5.2] [6]

- Q.13 a)** i) Describe a case in which matrix organization structure will be effective. Also discuss the advantages and limitations of matrix organization.  
[Refer section 3.11] [10]
- ii) Compare formal and informal organizations. [Refer section 3.12] [6]

**OR**

- b)** i) Delegation is the ability to get result through others. Discuss. Explain the steps and guidelines to be followed while delegating authority.  
[Refer section 3.16] [8]
- ii) Explain the various methods of training. [Refer section 3.22] [8]

- Q.14 a)** i) Explain the types of formal organizational communications.  
[Refer section 4.4.6] [8]
- ii) Discuss the obstacles to the leader flexibility and leader styles based on them.  
[Refer section 4.3.2] [8]

**OR**

- b)** Does motivation important for organization development / achievement ? Justify your answer with Maslow's hierarchy of needs. [Refer section 4.2.2] [16]

- Q.15 a)** i) Explain the relationship between controlling and overall management. Discuss the steps in controlling process. [Refer section 5.2] [10]
- ii) Describe the potential barriers to successful controlling.  
[Refer section 5.2.1.1] [6]

**OR**

- b)** Discuss briefly about i) Break event analysis and ii) Budget as tools for organizational control. [Refer section 5.4] [8 + 8]



**May - 2016**  
**Principles of Management**  
Semester - VI (ECE/Mech.)  
(57601) Regulation 2013

**AU**  
**Solved Paper**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define Management. [Refer Two Marks Q.1 of Chapter - 1]
- Q.2** Specify the functions of management. [Refer Two Marks Q.2 of Chapter - 1]
- Q.3** What are the objectives of planning ? [Refer Two Marks Q.13 of Chapter - 2]
- Q.4** List the steps in decision making process.  
[Refer Two Marks Q.5 of Chapter - 2]
- Q.5** Define Organizing. [Refer Two Marks Q.1 of Chapter - 3]
- Q.6** What is decentralization ? [Refer Two Marks Q.13 of Chapter - 3]
- Q.7** Mention the various types of leadership styles.  
[Refer Two Marks Q.38 of Chapter - 4]
- Q.8** What do you mean by the term 'Noise' in communication ?  
[Refer Two Marks Q.39 of Chapter - 4]
- Q.9** Name any two HR related controlling techniques.  
[Refer Two Marks Q.34 of Chapter - 5]
- Q.10** What are the uses of computers in handling information ?  
[Refer Two Marks Q.35 of Chapter - 5]

**PART B - (5 × 16 = 80 MARKS)**

- Q.11 a)** i) Is Management a Science or Art ? Discuss. [Refer section 1.3] [8]  
ii) Explain the evolution of Management in detail. [Refer section 1.9] [8]
- OR**
- b)** Explain the fourteen principles of management advocated by Henry Fayol.  
[Refer section 1.9.3] [16]
- Q.12 a)** What are the objectives of planning ? Illustrate how you will set objectives for a manufacturing organization. [Refer section 2.1] [16]

**OR**

- b)** With suitable example illustrate the steps involved in the process of decision making. [Refer section 2.10.1] [16]

- Q.13 a)** In detail explain the Nature and Purpose of Organization. [Refer section 3.1.3] [16]

**OR**

- b)** Explain line and functional structures with their advantages and limitations. [Refer sections 3.5 and 3.6] [16]

- Q.14 a)** i) What are the essential qualities of a good leader ? [Refer section 4.3.1] [8]  
ii) Name the motivational theories and explain any two of them.  
[Refer section 4.2] [8]

**OR**

- b)** Discuss how the communication through electronic media is helpful for effective business. [Refer section 4.4.9] [16]

- Q.15 a)** i) What is productivity ? Explain the methods of improving productivity in IT industry. [Refer section 5.7.5 New] [8]  
ii) List out the needs and characteristics of MIS.  
[Refer sections 5.6.2 and 5.6.6 New] [8]

**OR**

- b)** Write short notes on :

- i) Control of productivity problems and management.  
[Refer sections 5.7.1 and 5.7.4] [8]
- ii) Direct and preventive control. [Refer section 5.8] [8]



**December - 2016**  
**Principles of Management**  
Semester - VII (EEE)  
Semester - VI (ECE/Mech.)  
(Regulation 2013)

**AU**  
**Solved Paper**  
**[80701]**

Time : Three Hours]

[Maximum Marks : 100

Answer ALL Questions.

**PART A - (10 × 2 = 20 Marks)**

- Q.1** *What are the functions of Manager ? [Refer Two Marks Q.2 of Chapter - 1]*
- Q.2** *Give the current trends in management. [Refer Two Marks Q.16 of Chapter - 1]*
- Q.3** *What is meant by policies ? [Refer Two Marks Q.18 of Chapter - 2]*
- Q.4** *Define MBO. [Refer Two Marks Q.14 of Chapter - 2]*
- Q.5** *Define "Departmentation". [Refer Two Marks Q.6 of Chapter - 3]*
- Q.6** *What is meant by performance appraisal ?  
[Refer Two Marks Q.35 of Chapter - 3]*
- Q.7** *What are the elements in the Maslow's hierarchy of needs ?  
[Refer Two Marks Q.14 of Chapter - 4]*
- Q.8** *What is effective communication ? [Refer Two Marks Q.40 of Chapter - 4]*
- Q.9** *What are the uses of computers in management control ?  
[Refer Two Marks Q.36 of Chapter - 5]*
- Q.10** *Discuss the productivity problems in a management.  
[Refer Two Marks Q.37 of Chapter - 5]*

**PART B - (5 × 16 = 80 Marks)**

- Q.11 a)** *Explain in detail about the different types of business organization.  
[Refer sections 1.12 to 1.16]* [16]
- OR**
- b)** *Discuss in detail the evolution of management. [Refer section 1.9]* [16]
- Q.12 a)** *Discuss in detail about the classification of planning practices.  
[Refer section 2.4]* [16]
- OR**
- b)** *Explain briefly about the decision making steps and process.  
[Refer section 2.10]* [16]

**Q.13 a)** Explain briefly about the various types of departmentation. [Refer section 3.13] [16]

**OR**

**b)** i) Discuss the types of centralization. [Refer section 3.8.5] [8]

ii) Explain about the organizational culture. [Refer sections 3.3.3 and 3.3.4] [8]

**Q.14 a)** Explain the various types of leadership with its different styles. [Refer section 4.3] [16]

**OR**

**b)** i) Explain the different barriers and breakdowns of communication process. [Refer section 4.4.7]

ii) Difference between motivation and satisfaction. [Refer section 4.2.5] [8]

**Q.15 a)** Discuss in detail about the budgetary and non - budgetary control techniques. [Refer sections 5.4 and 5.5] [16]

**OR**

**b)** Impact of IT in management concepts - Discuss. [Refer section 5.6] [16]



**May - 2017**  
**Principles of Management**  
Semester - VII (EEE)  
Semester - VI (ECE/Mech.)  
(Regulation 2013)

**AU**  
**Solved Paper**  
**[72208]**

Time : Three Hours]

[Maximum Marks : 100

Answer ALL Questions.

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define management. [Refer Two Marks Q.1 of Chapter - 1]
- Q.2** What is an organizational culture. [Refer Two Marks Q.45 of Chapter - 3]
- Q.3** State the purpose of planning ? [Refer Two Marks Q.13 of Chapter - 2]
- Q.4** List the planning tools available in business management.  
[Refer Two Marks Q.21 of Chapter - 2]
- Q.5** What is delegation of authority. [Refer Two Marks Q.46 of Chapter - 3]
- Q.6** Why performance management is important.  
[Refer Two Marks Q.47 of Chapter - 3]
- Q.7** What is personality ?  
[Refer Two Marks Q.48 of Chapter - 3]
- Q.8** What do you understand on the term 'job enrichment' ?  
[Refer Two Marks Q.44 of Chapter - 3]
- Q.9** What is preventive control in management.  
[Refer Two Marks Q.12 of Chapter - 5]
- Q.10** Why controlling is important.  
[Refer Two Marks Q.38 of Chapter - 5]

**PART B - (5 × 13 = 65 MARKS)**

- Q.11 a)** Explain the different roles and functions of a manager.  
[Refer section 1.5]

**OR**

- b)** Explicate the different types of business organizations.  
[Refer sections 1.12 to 1.16]

- Q.12 a)** Explain the general planning process adopted by the business organizations.  
[Refer section 2.3]

**OR**

- b)** Discuss the eight steps of decision making process. [Refer section 2.10]

**Q.13 a)** Explain the different types of organizational structures followed by the companies. [Refer sections 3.5 to 3.9]

**OR**

- b)** Describe the Human Resource Management activities in a business organization. [Refer section 3.17]

**Q.14 a)** Discuss the contemporary theories of motivation. [Refer section 4.2]

**OR**

- b)** Identify the barriers in communication and explain how to overcome them. [Refer section 4.4.7]

**Q.15 a)** Describe in detail about the three steps in the control process. [Refer section 5.2]

**OR**

- b)** Discuss the uses of computers and IT in the management control. [Refer section 5.6]

**PART C - (1 × 15 = 15 MARKS)**

**Q.16 a)** Explain the issues of organizational culture in modern business organizations. [Refer section 3.12.4]

**OR**

- b)** "Job performance of individual is significantly influenced by the employee's attitude" - Discuss. [Refer section 4.2.12]



**December - 2017**  
**Principles of Management**  
Semester - VII (EEE)  
Semester - VI (ECE/Mech.)  
(Regulation 2013)

**AU**  
**Solved Paper**  
**[50928]**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define management. [Refer Two Marks Q.1 of Chapter - 1]
- Q.2** Define Partnership. [Refer Two Marks Q.17 of Chapter - 1]
- Q.3** What do you understand by strategic management.  
[Refer Two Marks Q.22 of Chapter - 2]
- Q.4** Distinguish between policy and rules.  
[Refer Two Marks Q.23 of Chapter - 2]
- Q.5** Define career management. [Refer Two Marks Q.49 of Chapter - 3]
- Q.6** What do you understand by organization chart.  
[Refer Two Marks Q.50 of Chapter - 3]
- Q.7** What is job satisfaction ?  
[Refer Two Marks Q.41 of Chapter - 4]
- Q.8** Define job enrichment.  
[Refer Two Marks Q.44 of Chapter - 3]
- Q.9** What is budgetary control ?  
[Refer Two Marks Q.28 of Chapter - 5]
- Q.10** What do you understand by productivity ?  
[Refer Two Marks Q.8 of Chapter - 5]

**PART B - (5 × 13 = 65 MARKS)**

- Q.11 a)** Explain the current trends and issues in Management.  
[Refer section 1.20]

**OR**

- b)** Elucidate in detail the various principles of management as advocated by Henry Fayol. [Refer section 1.9.3]

**Q.12 a)** Explain in detail the various types of Planning.  
[Refer section 2.4]

**OR**

- b)** i) Is decision making a rational process ? Discuss. [Refer section 2.10]  
ii) Define MBO and explain the various steps involved in it. [Refer section 2.5.2]

**Q.13 a)** Elucidate any four types of Organization. [Refer sections 3.5 to 3.9]

**OR**

- b)** Distinguish between training and development and explain the various methods of Training. [Refer section 3.22]

**Q.14 a)** Explain any two motivation theories of your choice. [Refer section 4.2]

**OR**

- b)** What are the various barriers to communication ? How will you overcome them ?  
[Refer section 4.4.7]

**Q.15 a)** Explain the various control techniques.  
[Refer section 5.5]

**OR**

- b)** Discuss the impact of information technology on management control.  
[Refer section 5.6]

### **PART C - (1 × 15 = 15 MARKS)**

**Q.16** Case Study : [Refer section 5.4.8]

Modern Manufacturing Company has been using a budgetary control system for the last three years. When asked to explain the system, Mr. John, the Managing Director of the company, observed : "We're pretty flexible in our budgetary system. Every manager is given a total amount that he or she can spend for the next year. We don't care how it is used as long as the total isn't exceeded and organizational objectives are achieved".

- i) Discuss the merits and demerits of the company's approach to budgeting. [8]  
ii) Do you agree or disagree with this approach ? Explain your view. [7]



Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** List out the roles played by managers in an organization.  
[Refer Two Marks Q.10 of Chapter - 1]
- Q.2** Distinguish between public and private limited companies.  
[Refer Two Marks Q.18 of Chapter - 1]
- Q.3** What is intuitive decision making ?  
[Refer Two Marks Q.24 of Chapter - 2]
- Q.4** Define planning premises. [Refer Two Marks Q.25 of Chapter - 2]
- Q.5** What is job design ? [Refer Two Marks Q.25 of Chapter - 4]
- Q.6** Distinguish between authority and power.  
[Refer Two Marks Q.51 of Chapter - 3]
- Q.7** What are the advantages of democratic leadership styles ?  
[Refer Two Marks Q.42 of Chapter - 4]
- Q.8** What is brainstorming ?  
[Refer Two Marks Q.24 of Chapter - 4]
- Q.9** What are the characteristics of control function ?  
[Refer Two Marks Q.39 of Chapter - 5]
- Q.10** What is performance appraisal ?  
[Refer Two Marks Q.35 of Chapter - 3]

**PART B - (5 × 13 = 65 MARKS)**

- Q.11 a)** Elucidate the contributions of F.W. Taylor to Management.  
[Refer section 1.9.2]
- OR**
- b)** Enlighten the relevance of environmental factors that affects global business.  
[Refer section 1.19]

**Q.12 a)** Classify the types of goals organizations might have and plans they use for accomplishment. [Refer section 2.4]

**OR**

**b)** Define MBO. Explain the process of MBO. [Refer section 2.5]

**Q.13 a)** Describe six key elements in organizational design. [Refer section 3.3]

**OR**

**b)** Discuss the tasks associated with identifying and selecting competent employees. [Refer section 3.21]

**Q.14 a)** Compare and contrast early theories of motivation. [Refer section 4.2]

**b)** Identify barriers to effective interpersonal communication and how to overcome them. [Refer section 4.4]

**OR**

**Q.15 a)** Illustrate and explain the three steps in the control process. [Refer section 5.2]

**b)** Discuss the various types of tools used to monitor and measure organizational performance. [Refer section 5.3]

### **PART C - (1 × 15 = 15 MARKS)**

#### **(Case Study)**

**Q.16** Jacob, one of your assistants in a fire insurance company, is responsible for a group of clerical workers who review changed policies, endorsements, and riders, calculate commissions, and maintain records. He is very meticulous, and everything coming out of his group is perfect. He does not delegate authority and responsibility but rechecks in detail all the work turned out by his faction. He keeps turning back to them careless and inaccurate work until it is perfect. As a result he is busy from early morning until late at night doing detail work and neglecting his role as supervisor. His workers have figured him out and are taking it easy. They do slapdash work and correct it as often as he returns it. You are afraid about Jacob's workaholic behaviour and heading for a nervous breakdown. You have told him in general terms to delegate authority and responsibility and to discipline his group. He says that you just can't find people any more who have pride in their work or concern for the company and that if he fires any of his people or they quit the replacements would most likely be more terrible.

1) Why people do not delegate authority and responsibility ?

2) What are Jacob's responsibilities as a supervisor ?

3) Which can he delegate and how ?

4) What are the leadership characteristics that Jacob lacks ?

5) How can you go about developing them in him ?

To answer the above questions follow the steps below :

First, study the case carefully, identifying the management principles involved, where possible.

Gain as sound an understanding as possible, within the time available, through private study.

Apply the systematic analysis methodology.

Discuss your analysis and conclusions. (Refer section 3.25)



**December - 2018**  
**Principles of Management**

Semester - VI (ECE/Mech)  
Semester - VII (EEE)  
(Regulation 2013)

**AU**  
**Solved Paper**  
**[20858]**

Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define management. (Refer Two Marks Q.1 of Chapter - 1)
- Q.2** What are the roles and skills of managers ?  
(Refer Two Marks Q.9 and Q.10 of Chapter - 1)
- Q.3** State a various steps in planning. (Refer Two Marks Q.5 of Chapter - 2)
- Q.4** What you understand by decision making ?  
(Refer Two Marks Q.6 of Chapter - 2)
- Q.5** Define centralization. (Refer Two Marks Q.12 of Chapter - 3)
- Q.6** What is human resources planning ? (Refer Two Marks Q.52 of Chapter - 3)
- Q.7** What is meant by downward communication ?  
(Refer Two Marks Q.43 of Chapter - 4)
- Q.8** Mention the various types of leadership styles.  
(Refer Two Marks Q.38 of Chapter - 4)
- Q.9** What are various steps involved in the controlling process ?  
(Refer Two Marks Q.40 of Chapter - 5)
- Q.10** Name any two HR related controlling Techniques.  
(Refer Two Marks Q.34 of Chapter - 5)

**PART B - (5 × 13 = 65 MARKS)**

- Q.11 a)** i) Is management a science or Art ? Discuss. (Refer section 1.3)  
ii) Explain the evolution of management in detail. (Refer section 1.9)
- OR**
- b)** Explain the fourteen principles of management advocated by Henry Fayol.  
(Refer section 1.9.3)

- Q.12 a)** What are the objectives of planning ? Illustrate how you will set objectives for a manufacturing organization.  
**(Refer section 2.1)**

**OR**

- b)** With suitable example illustrate the steps involved in the process of decision making. **(Refer section 2.10.1)**

- Q.13 a)** In detail explain the nature and purpose of organization. **(Refer section 3.1.3)**

**OR**

- b)** Explain in detail about the human resources planning. **(Refer section 3.18)**

- Q.14 a)** Explain in detail about the various types of leadership with its different styles. **(Refer section 4.3)**

**OR**

- b)** Define motivation. Explain the theories of motivation in detail. **(Refer section 4.2)**

- Q.15 a)** Explain in detail about impact of IT in management concept. **(Refer section 5.6)**

**OR**

- b)** Write short notes on :

i) Control of productivity problems and management. **(Refer section 5.7)**

ii) Direct and preventive control. **(Refer section 5.8)**

### **PART C - (1 × 15 = 15 MARKS)**

- Q.16** XYZ Industries is a manufacturing company with line and staff organization. Pandian, a young staff officer developed a plan of increasing the life of certain equipments in the plant. He took the plan directly to the foreman of the department but was rebuffed by the supervisor who privately acknowledged the merit of the plan but resented the staff officer trying to show off his talents. The staff Officer's Association condemned the behaviour of Pandian that he should have allowed the plan to appear as a contribution of the staff group rather than his own.

**(Refer section 3.25)**

a) Analyze the situation in terms of the possible causes of the reaction of the supervisor and staff officer's group. **[9]**

b) Suggest a measure to diffuse the situation. **[6]**



Time : Three Hours]

[Maximum Marks : 100

**Answer ALL Questions.**

**PART A - (10 × 2 = 20 MARKS)**

- Q.1** Define the term 'management'. (Refer Two Marks Q.1 of Chapter - 1)
- Q.2** Write the meaning of entrepreneur. (Refer Two Marks Q.19 of Chapter - 1)
- Q.3** Define 'Planning'. (Refer Two Marks Q.1 of Chapter - 2)
- Q.4** What is the meaning of Strategic management ?  
(Refer Two Marks Q.22 of Chapter - 2)
- Q.5** What is the meaning of formal organisation ?  
(Refer Two Marks Q.15 of Chapter - 3)
- Q.6** Explain the term job design. (Refer Two Marks Q.25 of Chapter - 4)
- Q.7** Outline the meaning of motivation. (Refer Two Marks Q.12 of Chapter - 4)
- Q.8** What is the meaning of leadership ? (Refer Two Marks Q.5 of Chapter - 4)
- Q.9** Interpret the meaning of controlling. (Refer Two Marks Q.1 of Chapter - 5)
- Q.10** Name at least four budgetary control techniques.  
(Refer Two Marks Q.15 of Chapter - 5)

**PART B - (5 × 13 = 65 MARKS)**

- Q.11 a)** Is management art or science ? Discuss. (Refer section 1.3)

**OR**

- b)** How do you classify the business organisations ? Explain. (Refer section 1.11)

- Q.12 a)** Analyse the importance of planning and also explain the steps involved in it.  
(Refer section 2.2)

**OR**

- b)** Elucidate the types of decisions and explain the process of decision making.  
(Refer section 2.10)

- Q.13 a)** Elaborate the merits and demerits of line organisation and staff organisation.  
(Refer section 3.7)

**OR**

- b)** Illustrate the steps involved in the recruitment process. (Refer section 3.19)

**Q.14 a)** Summarise the methods of motivating employees in organisation.  
(Refer section 4.2)

**OR**

- b)** Examine the characteristics of good communication and also state its barriers.  
(Refer section 4.4)

**Q.15 a)** Evaluate the processes of Controlling. (Refer section 5.2)

**OR**

- b)** Enumerate the techniques of controlling. (Refer section 5.4)

**PART C - (1 × 15 = 15 MARKS)**

**Q.16 a)** Davinder is a class twelfth commerce student in a reputed school in Punjab. Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc. course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science. (Refer section 3.25)

In context of the above case :

i) Outline the concept of principles of management.

ii) Why does Satinder find the principles of management different from those of pure science ?

iii) Why do the principles of management form the core of management in practice ? Explain by giving any two points highlighting the importance of principles of management.

**OR**

- b)** Assume you are posted as HR manager in a leading organisation. How will you conduct the recruitment drive for your company ? Give details.  
(Refer section 3.19)



**Notes**