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1. Fayol principles
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A clear distinction is visible in the contributions of both Fayol and Taylor. While Fayol's contribution was enterprise-oriented, Taylor's focus was work-oriented. In other words, Fayol tried to understand organisations from the top to the bottom. On the contrary, Taylor analysed organisations from the bottom to the top.

Highlights of Henri Fayol's Contribution

The following were the highlights of Henri Fayol's contribution to management:

Fayol defined managerial functions as forecasting and planning, organising, commanding, coordinating, and controlling. He identified six types of activities to be accomplished in every industrial organisation: *technical* (e.g. production), *commercial* (e.g. buying and selling), *financial* (e.g. procuring capital), *security* (e.g. protecting property and people), *accounting* (e.g. maintaining account books), and *managerial* (e.g. planning and controlling).

Also, Fayol identified 14 principles of management. They are:

- Division of work* Here, the work is divided among the members of the group based on the employee's skills and talents. It also provides an opportunity to specialise in different problem areas.
- Authority* It refers to the right or power to give orders. It must also be adequately supported by responsibility.
- Discipline* Both the employer and employees should respect each other by observing the rules.
- Unity of command* An employee should receive instructions from only one superior.
- Unity of direction* Where the objectives are similar, the action plans also should be similar. In other words, similar activities should be grouped together, placed under one manager and there should be one action plan.
- Subordination of individual interest to group interest* Group interests or goals of organisation must prevail any time over the individual interests or personal goals.

SITUATION ANALYSIS

Sharing the services of computer operator

In an organisation, the services of a computer operator were being shared by two managers. There was constant flow of work for the computer operator and consequently he was under a lot of stress and strain. Being unable to cope up with the situation, he started avoiding work for both on a pretext that the computer is out of order. The computer operator had direct contact with the chief manager who was his close relative.

If you are appointed as the management consultant, what do you suggest for this company to improve upon? Which of the Fayol's principles of management are violated here?

- Remuneration* The wages and salaries must be fair and bring out the best possible commitment in the employees to achieve the organisational goals.
- Centralisation of authority* Authority is said to be centralised when decision-making powers are retained at the top level. The degree of centralisation or decentralisation is determined by the needs of the company.
 - Scalar chain* It indicates how the authority flows from top to bottom.
 - Order* It means keeping the right man or a right thing in the right place.
 - Equity* This implies that the dealings with the employees should be so fair and so open that they will reinforce their commitment to the organisation. Be kind and fair to them.

26 FUNDAMENTALS OF MANAGEMENT

- (l) *Stability of tenure of personnel* This indicates avoiding frequent transfers of the employees much before they settle in their jobs.
- (m) *Initiative* The staff should be encouraged to show initiative, within the limits of authority and discipline.
- (n) *Espirit de corps* This means team work; implying that there is unity in strength.

These principles reflect how the organisations should be structured. They also explain how the managers and workers should be taken care of. Henri Fayol contributed immensely to the growth of professional management. Hence, he is hailed as the *father of modern management*.

Centralisation and Decentralisation

② Centralisation

- It is a hierarchy of formal authority for making all the important decisions for the organisation.
- Delegation of authority lies with main head.
- The responsibility lies with one person.
- The authorisation can strictly enforce uniformity of procedures and policies.
- Decision making is faster.
- flow vertical flow of information.
- Relatively stable as decisions are made by central authority sharing a common ideology.
- It is ideal for small size organisation.
- Demotivated employees.

Decentralisation

- The decision making is left for the lower level of organisation.
- The authority is distributed among more than one.
- Responsibility lies with departments.
- Each department will look over the procedures and policies.
- Decision making is ^{faster} slower.
- Open and free flow of organised information.
- Prone to instability due to multiple conflicting.
- It is ideal for large size organisations.
- Highly motivated employees.

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Steps in Planning

- 3**
1. *Identify the opportunity:* Real planning starts with knowing the availability of different opportunities. For each opportunity, assess carefully the size of markets, type of customers, degree of competition, needs of customers, finances required and the strengths and weaknesses of the firm. Then, identify the right opportunity.
 2. *Define goals:* Once the opportunity is identified, define the goals you want to achieve for the entire organisation. Goals, in turn, will throw light on what objectives, strategies, policies, procedures, rules, budgets and programmes you should follow.
 3. *Consider the planning premises:* Planning premises refers to the assumptions about the environment in which plans have to be carried out. Correct assumptions about markets, competition, product technology, prices, volume of sales, costs, tax rates etc are essential for business planning. Government policies, annual budgets, economic indicators, survey of specific industries etc. provide valuable insights on the basis of which 'premises' can be worked out.

Premises may be *internal or external* to the firm. Internal premises refer to the assumptions about the firm's finances, employees, technology-in-use etc. External premises are assumptions about competitors, lenders, changes in technology, government policies and procedures.

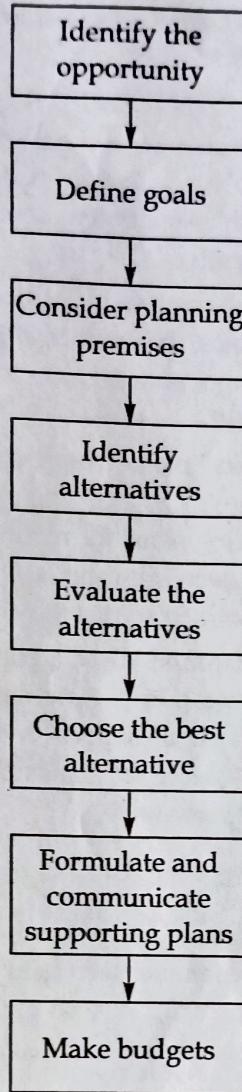


FIGURE 3.1 Steps in planning

Premises may be *controllable or non-controllable*. Managers can exercise control over internal premises but not over the external ones. For instance, a firm can decide about the wages and salaries of its employees but not on the taxes payable. The government determines taxes and the firm has just to follow the prevailing tax rates.

Premises may be *tangible or non-tangible*. Tangible premises refer to what can be quantified as sales, number of employees etc. Intangible premises refer to what cannot be quantified such as employee morale or the goodwill of the business.

4. *Identify alternatives:* There may be more than one alternative to reach a goal or objective. Search for and identify all the available alternatives. Work out the requirement of resources under each alternative. In most cases, finding alternatives may be easier. Shortlisting the promising ones is a relatively complex task.
5. *Evaluate the alternatives:* Examine each alternative in relation to the other and identify the merits and demerits of each. One alternative may look very profitable but it may involve a large capital investment and also take longtime to return the original investment. It may also involve a high degree of risk. There

may be some good alternatives which cannot be considered even though they fit into the long term interests of the organisation.

Evaluation of given alternatives is a complicated process as the business environment is full of uncertainties. Government policy may change, technology may change, adequate funds may not be available etc. The alternatives have to be evaluated in the light of many variables and constraints. There are some modern techniques such as operations research and computing which can be gainfully employed in evaluating the given alternatives.

6. *Choose the best alternative:* The best alternative is decided on a given situation. Normally it involves optimum utilisation of resources. At times, the number of best alternatives could be more than one. To eliminate errors in judgement, the manager may even decide to follow more alternatives than confining himself to one.
7. *Formulate and communicate supporting plans:* Supporting plans are also called derivative plans. These are derived from the best alternative chosen. When a company decides to launch a new product, it also has to formulate several supporting plans for recruiting and training more staff, mobilise more infrastructure and working capital for advertising and insurance. Managers have to communicate these supporting plans to the employees concerned so that they can be involved in their implementation.
8. *Make budgets:* Budget is “numerical expression” of a plan. Budgets can be formulated for the entire organisation and also for each department or programme. When cash, sales, production and other budgets are integrated, it results in an overall budget for the entire organisation, popularly known as Master Budget or Integrated budget. Budgets set standards for measuring and controlling the actual performance of the employees in an organisation.

LEVELS OF MANAGEMENT AND THEIR FUNCTIONS

In most business organisations, three broad levels of management can be identified. These are often termed as the management pyramid as shown in Figure 2.1.

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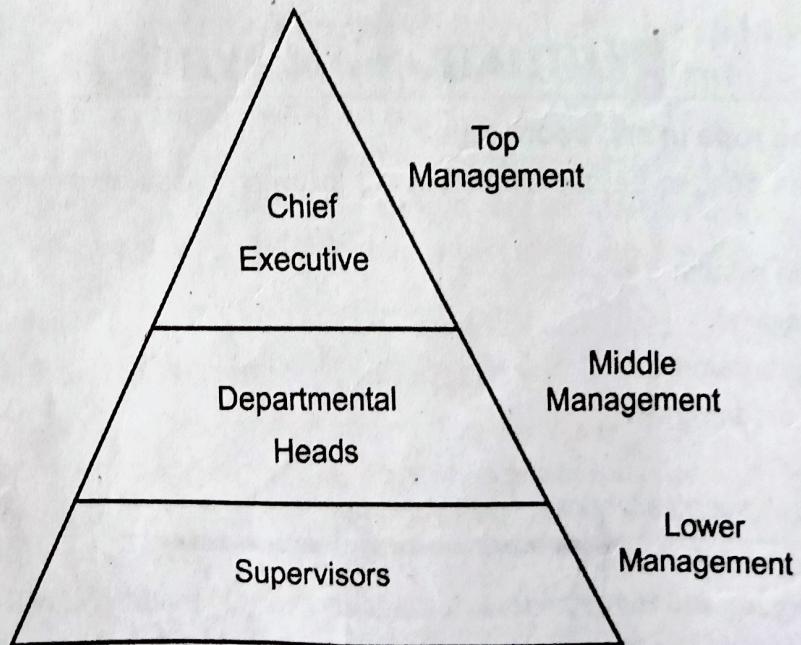


FIGURE 2.1 Management pyramid

The top level management constitutes the chief executive and the directors. At this level, the mission, goals, and corporate strategies are formulated. Long term plans are made. Major policy decisions are taken. Basic organisation structure (this explains number of departments in the organisation, number of people at each level, authority relationships, and so on) is outlined. The employees are adequately motivated to strive for meeting organisational objectives. The performance of the middle level managers is evaluated and controlled by the top management.

The time horizon for this level of management is often 5–10 years. In business organisations, the top management is solely responsible to the shareholders for the conduct of the business and also for the welfare of all employees.

Middle level management is responsible for carrying out the decisions and policies made by the top management. It includes departmental managers, functional managers such as marketing manager, production manager, and others. Here, the managers *plan, organise, direct, and control* for the activities within their respective departments only. The time horizon for this level of management is commonly one year. They are responsible to their superiors for the operations of their department or unit only.

Lower level management is also called operational level, which includes foremen, supervisors, and the like. Managers at the operational level supervise their workers in their day-to-day tasks. As a part of this, they *plan* (make targets and schedules), *organise* (allocate task and time to meet daily targets), *direct* (instruct and motivate the employees to do the job better), and *control* (ensure that the work is completed satisfactorily according to the schedules). The time horizon for this group may vary accordingly: between a week and a month. They are responsible for the work of all the employees under them.

DECENTRALISTION

5 Decentralisation is the degree to which lower-level employees are given authority to make decisions. Decentralisation brings in sense of responsibility among the cadres. Decentralised organisations transfer authority to their divisions or branches and the heads of these divisions/branches exercise authority over department coming under their jurisdiction. Take the case of D-Mart retail store. Every store has a store manager who makes decisions regarding the merchandise in their store within the framework decided by the regional manager.

With delegation of routine or less prominent functions to lower level cadres and branch heads, the senior managers can concentrate on strategic decisions. Such delegation enhances the efficiency of the branch heads also. They are trained to take better decisions and this is a form of empowerment which results in higher levels of motivation. Managers across the organisational hierarchy also develop a deeper insights and greater understanding of the business dynamics and this improves their effectiveness and efficiency. They gain knowledge, skills and experience in the process necessary to respond faster to change. Decentralisation empowers the employees work on their own with little interference or support from the top management.

Benefits of Decentralisation

- It promotes efficiency as a result of faster decision making. The branches are empowered to take decisions within the given framework.
- It improves speed and flexibility by reorganising to increase local control and execution of a service.
- It breaks away from frustrating bureaucratic ways of traditional systems.
- It is deliberate response to the faster pace of business and to meet the customer expectations through increased autonomy.
- In case of adversity or crisis, the damage can be confined to a given zone. The operations of other zones are not affected.
- Improves scope for customisation
- Offers great training ground for grooming candidates to higher level management
- Better service quality as products and services are adapted to local conditions

Centralisation and decentralisation are the cardinal principles of organisation. Organisation structures are designed based on these principles. Centralisation principle explains how the authority is centralised in a particular position in the organisation. Decentralisation principle explains how much authority is shared with the next cadres in the organisation. To sum up, while support functions such as accounting, quality control, purchasing, sales promotion through advertising, training, etc. are economical to be centralised, the main functions such as recruitment, selling, warehousing, etc. are decentralised. Modern organisations observe balance between centralisation and decentralisation of authority.

6 Levels of Planning

Planning is ubiquitous—that is, it exists in the entire organisation. All levels in the organisation carry out the planning function, but in varying degrees. In other words, the scope and timescale of planning varies. Planning commences at the strategic or top level of the management. *Strategic planning* commences with defining the purpose or mission of the organisation, establishing strategic priorities and formulating major policies. Strategic planning becomes the basis for successive levels of planning namely, *tactical planning* (at the middle level) and *operational planning* (at the lower level). These are discussed in detail here.

(a) Strategic planning Strategic planning includes plans made by the top management to pursue long term goals with the resources likely to be available. It involves:

- Formulating a mission for the entire organisation
- Identifying the business that helps to meet a mission
- Determination of financial requirements
- Working out authority relationships in terms of organisation structure
- Allocating resources effectively

It has a time horizon of five years or more. The chief executive or chairman, members of the board, managing directors, divisional heads (these constitute the top level management) take part in strategic planning.

(b) Tactical Planning Tactical planning specifies how the mission of an organisation can be accomplished. It involves the decisions in respect of:

- Products or services to be added or deleted
- Size of capital investments required

- Pricing the products and services to be provided
- Facilities, methods and systems necessary
- Withdrawing investments from, or closing down operations of unprofitable departments or products or services.

Tactical planning has a time horizon of six months to two years. It is done by the *middle-level management*, which comprises functional managers, product line managers and department heads. Tactical planning is also called *intermediate planning*.

(c) Operational Planning Operational planning works out the basic details of how the specific tasks can be accomplished with the available resources. It involves decisions in respect of

- Best suitable production methods
- Effective marketing plans
- Organisation structure in terms of customer, product or region etc..
- Facilities required in the office, factory, sales outlets etc

The time horizon for operational planning is between one week to one month. Operational planning is carried out by lower-level management comprising unit managers, foremen, line supervisors etc.

Nature and Features

The following describe the nature and features of management:

- 7**
- (a) *Management is a social process* Social process refers to the series of activities that are performed in the Society. These activities are carried out by administrators, politicians, economists, housewives, parents, doctors, lawyers and so on. Management is an integral part of social process. Management helps everyone to carryout the activities in the society effectively. To refer to an institution which is very well run, it is said that, the *management* of this institution is said to be very good. Here management is viewed as a function. In other words, management is a process of certain managerial functions in every organisation. It is a social process in particular because managers, at all levels, work with and through people.
 - (b) *Management also denotes a 'body of people' involved in decision-making* When an institution is very well run, it is said that the management of that institution takes personal interest in the institution. Here, management denotes a body of people involved in decision-making.
 - (c) *Management is omnipresent and universal* Successful organisations show that management principles apply to every kind of organisation and also to every level in it. Hence, it is called omnipresent and universal.
 - (d) *It is an inexact science* Management principles are not like those in science or maths where things are fairly clear or exact. Hence, they cannot be generalised precisely.
 - (e) *It is complex* Management functions are complex. They call for a fairly professional approach to manage a given situation or organisation.
 - (f) *Management is situational in nature* The same style of management cannot work for the same situation every time. The change in the situation may call for a change in the style of functioning of the manager. Similarly, at different points of time also, the style of functioning can be different.

(g) *Management is an art and also a science* There is considerable discussion on whether management is an art or science. An art is personal skill or deftful handling of business affairs. Art is characterised by practical knowledge, personal creativity, and skill. The more one practices an art, the more professional one becomes. Management can be considered as an art because it satisfies all these criteria of an art. The management skills are highly individual-oriented and can be sharpened with more training and practice. There is a lot of scope to apply creativity in the context of managing the affairs of a business organisation. Thus, management is an art.

A science is a systematised body of knowledge of facts. It can establish cause-and-effect relationships among various factors. It involves basic principles, which are capable of universal application. It also helps to predict the future events. Management satisfies all these criteria to be considered as a 'science'. It is a systematic body of knowledge, its principles are universally acceptable, it stands for logical reasoning, scientific testing and inquiry. It also establishes cause-and-effect relationship between the given factors. It explains what happens if the employees are not paid salaries on time. Thus, science and art are not mutually exclusive but are complementary to each other. Science and art are two sides of the same coin. Those who learn management principles and contemporary practices in an organised way, will have a far better opportunity to design a feasible solution to a given managerial problem.

Mere knowledge of science will not assure results because one must know how to apply them. Here comes the role of art or skill. Hence, management is considered more as both an art and a science.

(h) *Management is a profession* Profession refers to a vocation or a branch of advanced learning such as engineering or medicine. Management helps to carry out every profession in a scientific manner. The managers are professional in their approach and are governed by code of ethics. If the manager violates the code of conduct, he can be dismissed from the organisation.

(i) *Management is inter-disciplinary* The subject of management is heavily dependent on other disciplines, and the techniques of management are built around the techniques drawn from these subjects. The manager uses extensively for instance, the theories of consumption and production from *Economics*; linear programming, PERT and CPM from *Operations Research*; probability theories, correlation and regression techniques from *Statistics*; theories of group behaviour from *Sociology*; theories of individual behaviour from *Psychology*; the tools of decision-making such as matrices, calculus, integration, and differentiation from *Mathematics*.

(j) *Manager has four types of resources—the Four M's* Men, money, materials, and machines are the four types of resources the manager has to manage. However, this list is only inclusive.

TYPES OF ORGANISATION

An organisation can be classified on the basis of authority relationships or on the basis of its departments. The types of organisation based on authority relationships are: (a) Line organisation, (b) Line and staff organisation, (c) Functional organisation, (d) Committee organisation, and (e) Matrix organisation.

The organisation can also be divided into the following groups based on its activities or departments: (a) Functional organisation, (b) Product organisation, (c) Regional or geographical organisation, (d) Customer organisation, (e) Committee organisation, and (f) Matrix organisation. This classification is more or less needbased. In other words, there is no standard list of the types of organisation. The only thing is that the basis of creating the organisation should be a justifiable one.

Organisations Based on Authority Relationships

Line organisation Line organisation is also called military or scalar organisation. It is said to be the oldest and most traditional type of organisation, which is widely used even today. This is called line organisation because managers in this organisation have direct responsibility for the results. Based on authority relationships, a line organisation structure can be drawn as shown in Figure 6.3. Consider this example. An engineer, setting up a consultancy, employs a few young graduate engineers and

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draughtsmen to prepare designs and drawings, plans, and specifications. The line organisation is the most suitable in this case.

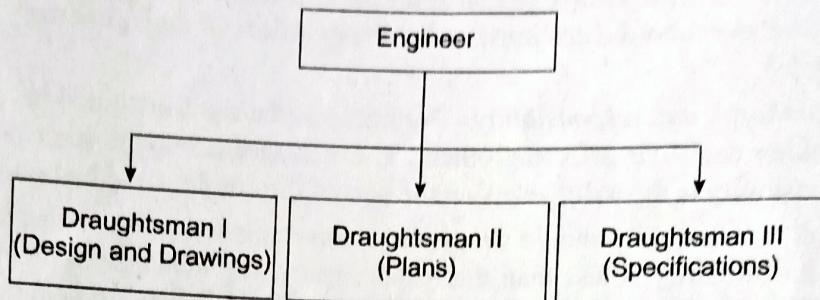


FIGURE 6.3 Line organisation

Line organisation can be evaluated in terms of the following merits and demerits:

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

Line and staff organisation This concept is drawn from earlier civilisations and armies. In this organisation, we have both the line managers and the staff managers. Staff managers support the functions of the line managers.

The word 'staff' means a stick for support. The staff managers are specially appointed to give advice, suggest, or assist the line managers in their day to day matters. The line manager may require legal updates and counselling, and for this process, he is provided with a competent specialist who can offer valuable suggestions in the matters of policy-making and providing the latest rules and regulations on a given issue. The line managers can take the support of their staff managers to get a full view of the issue under consideration.

Line and staff organisation in a service organisation In practice, it is not necessary that the line manager has to follow the suggestions offered by the staff managers. The line manager has the authority to consider or ignore such suggestions. In other words, he may or may not consider the suggestions made by the staff manager. The ultimate decision, however, is taken by the line managers. It is the line managers, not the staff, who are responsible for the final results. This is illustrated in Figure 6.4 which depicts the line and staff relationship in a service organisation. If the organisation expands, the engineer may appoint an accountant and an administrative officer to take care of the support functions such as maintaining the cost records or preparation of financial statements, and so on. They will not be entrusted with any of the line functions.

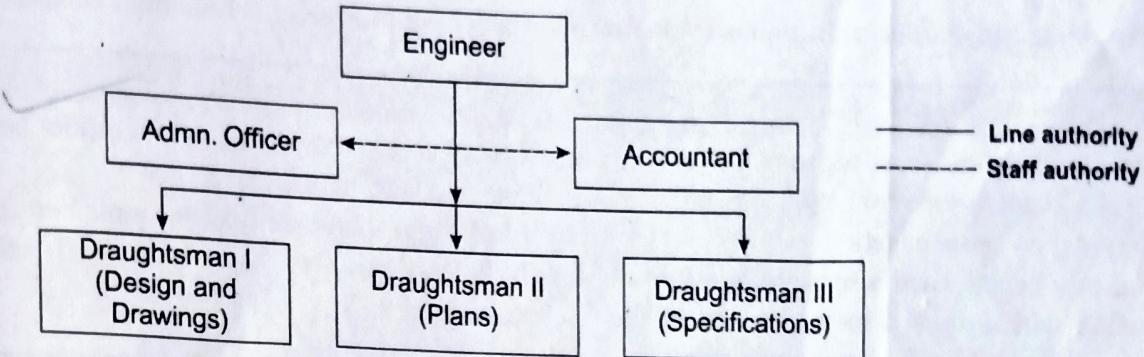


FIGURE 6.4 Line and staff organisation in a services organisation

Line and staff organisation in a manufacturing unit The line and staff organisation in a manufacturing unit is depicted in Figure 6.5. Here, the purchasing, production and sales departments are generally considered as line departments. The finance, accounting, personnel and administrative services are regarded as staff.

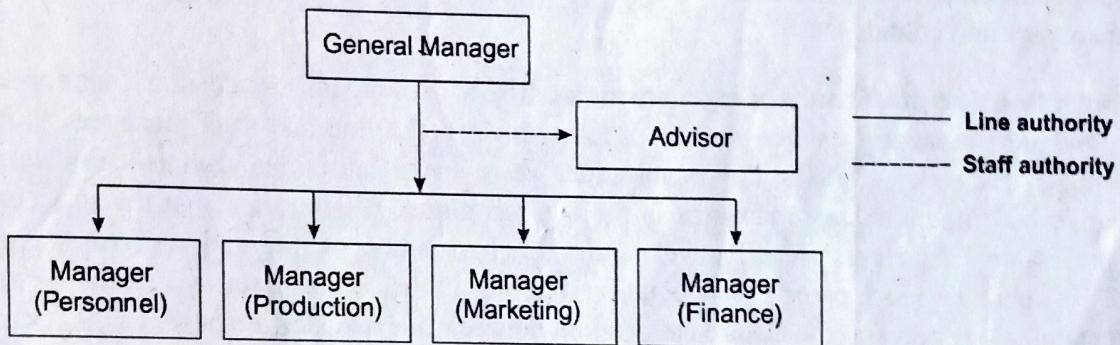


FIGURE 6.5 Line and staff organisation in a manufacturing unit

Line and staff in the armed forces In the armed forces, the roles of line and staff are relatively more clear. The line part of the organisation includes those actually doing the front line fighting. The staff roles are concerned with providing all necessary support such as supply of information, logistics and other things. Some times, it is difficult to tell which post is associated with staff role or line role by looking at the organisation chart. It is so because there could be staff roles in a line function, and vice versa. More often, the line and staff roles get interchanged in armed forces when staff managers take the command if the line managers fall in battle.

Line relationships in staff positions There could be line relationships in the staff positions also. For the organisation as a whole, personnel department has an advisory role to play. Hence, it is in staff relationship with the entire organisation. Within the personnel department, for instance, there is a line relationship between the personnel manager and his staff (from the sections of recruitment and selection, training, safety, welfare, etc). To illustrate this point, take the case of an engineer employed in construction by a private company. His job is to supervise the construction of a particular complex and he is responsible to complete the construction by a given deadline. Here, he is a line manager. Suppose he leaves this private company for good and joins a large bank as a technical advisor. Now, he is the staff manager as his job now is concerned with advising the bank on the technical aspects of the proposed new projects. His job is confined to making advice to the administration. It is upto the line managers to consider his advice or not.

Evaluation Line and staff organisation is evaluated in terms of the following merits and demerits:

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

Criticism There is criticism against staff managers, most often from line managers, about the degree of their involvement and cooperation. Similarly, even staff managers complain about the behaviour of line managers. Staff managers are criticised on the grounds that they do not come out with practical solutions and fail to realise the ramifications of the entire problem. Line managers are criticised approaching the staff managers for counselling, only when they are about to sink. Quite often, it is complained that they do not take the staff managers into confidence.

Involve both line and staff managers in administration An organisation cannot function smoothly, if its line and staff managers cannot work as a team. In fact, the line and staff managers should work complementarily for better results in the organisation. There are organisations such as nationalised banks, which involve both line and staff managers in the administration. It is ensured that the services of both types of professional managers are effectively utilised. The rotation of line and staff roles provides an opportunity to appreciate each other's view points and imbibe in themselves a sense of accommodation and not confrontation. It is necessary to ensure cooperation between line and staff managers as the organisation is like a bullock cart or a scooter that runs on two wheels.

Functional organisation FW Taylor suggested functional organisation in his theory of scientific management in support of his 'one best way' of doing things.

Taylor observed that one single foreman was overburdened with all the operations such as task setting, time recording, quality inspection, disciplinary jobs and so on. He divided this job into eight functional foremen—four dealing with the planning task and four dealing with the implementation task. In other words, the planning and implementation tasks are divided to ensure the division of labour. He suggested the functional type of organisation structure as outlined in Figure 6.6.

The foremen involved in the planning task were:

- Route clerk (identifies the route for the materials to pass on)
- Instruction clerk (gives instructions to the workers about what to do and what not)
- Time and cost clerk (identifies the time and cost for each job)
- Shop disciplinarian (maintains the discipline on the shop floor)

Those involved in implementation were:

- Gang Boss (assembles the machinery needed for the worker)
- Speed boss (standardises and sets the speed of the machines)
- Repair boss (repairs the machinery in case of breakdown)
- Quality inspector (responsible for the matters relating to quality)

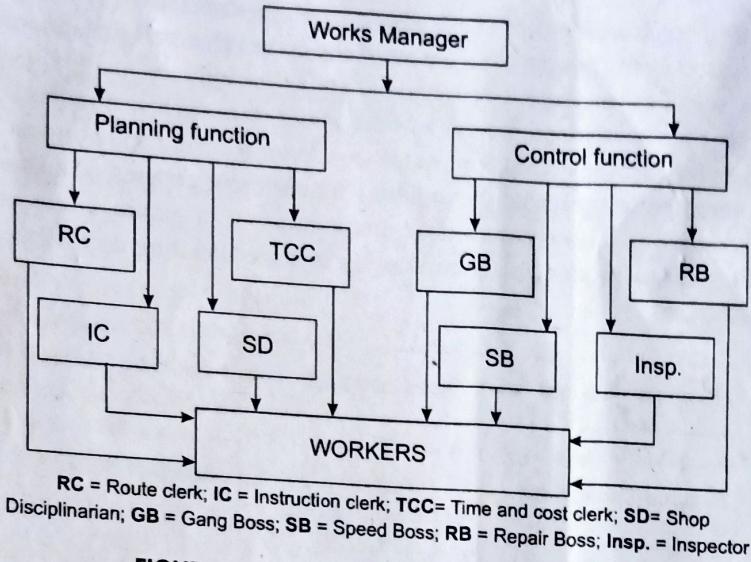


FIGURE 6.6 Taylor's functional organisation

All were in charge of workers as far as their functional matters were concerned. The functional relationships between the functional foremen and the workers have been depicted in Figure 6.6. From this, it can be noted that the functional type of organisation violates the principle of one employee, one superior. Taylor justified this stating that the functional foremen had clear demarcation of their duties and responsibilities, and hence, they were not overlapping. The functional organisation can be evaluated in terms of the following merits and demerits:

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

Committee organisation A committee is formed when two or more persons are appointed to work as a team to arrive at a decision on the matters referred to it. It is intended to utilise the knowledge, skills, and experiences of all the concerned parties. Particularly, in large organisations, problems are too big to be handled by one single expert.

Figure 6.7 presents a typical committee organisation in a university. Here, the finance committee is responsible for executive council directly. Similarly, the Board of Studies (intended to review, revise and update the syllabus of different academic courses in the university) submits its report to the Academic Senate. The chairman of both the academic senate and executive council is the vice-chancellor. The members of

committees for selection, convocation, purchases and others, meet, discuss the issues placed before them, decide and submit their report to the registrar. Some of the issues that call for appointment of committees are revision of wages, selection of faculty or technical staff, disciplinary matters, purchase of equipment and so on. In a university, for example, there are various committees such as purchase committee (to decide which equipment is to be bought), selection committee (to recruit teaching and non-teaching staff members), board of studies (a committee to prescribe the syllabus for different courses of engineering), anti-ragging committee (to prevent ragging). These committees are supportive in nature. In an industry setting, there are several committees such as production committee, grievance handling committee, finance committee, welfare committee and so on.

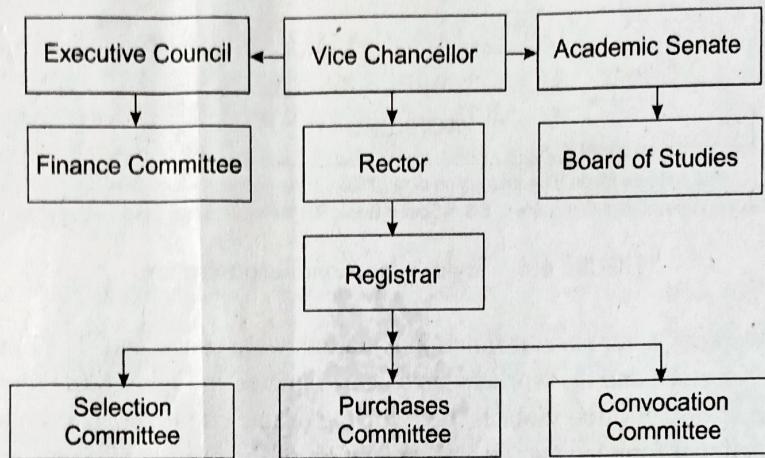


FIGURE 6.7 Committee organisation in a university .

Conceptually, the committee is intended to gain cooperation of all the parties involved, coordinate the efforts necessary, and utilise the resources of all members associated with the committee.

At times, whenever any problem arises, the management may choose to appoint a committee with the main parties associated with it as members. A time frame is fixed for submitting its recommendations to resolve the crisis. Within this time limit, the committee members consult, coordinate, and deliberate to stimulate necessary ideas in resolving the conflicts or differences.

The committee studies the nature of the problem by carefully scrutinising the office records, rule position, analysis of precedence (how such cases have been dealt with in the past), and so on.

Evaluation Though it looks very interesting to see how it should work, most often, it is painful to see how the committees function. It appears as though none of the members assumes responsibility. Everybody says that it is the 'committee's decision'. Also, it is alleged that, when the idea is not to settle the matter quickly, a committee can be constituted. More often, a committee is known for its laxity, wastage of time and resources, irrelevant discussions and indecision. In spite of all this, there are cases of exemplary performance displayed by the committees. It is necessary that the chairman must be provided with all the secretarial assistance for achieving better results. If the members of the committee are capable of handling the entrusted matters in a responsible way, the role of the committee chairman will be just to coordinate their thinking. If the members are of evasive nature or do not act in a responsible way, the chairman needs to be a taskmaster to be after them to pursue for early decisions.

It is better if the committee form of organisation is used sparingly, considering the **costs, time, and speed of taking decisions**. The merits and demerits of committee form are outlined here:

Merits	Demerits
<ul style="list-style-type: none">(a) It pools up the organisational resources in terms of knowledge, skills and experience(b) It represents all interested groups and thus, facilitates group decision(c) It yields good results if the committees are headed by taskmaster like chairman and timebound in terms of decision-making(d) It minimises the fear of too much authority vested in one person(e) It motivates all the concerned or affected groups to participate	<ul style="list-style-type: none">(a) Responsibility for decisions cannot be fixed on a particular person(b) It calls for high degree of coordination(c) It involves high cost in terms of time and money

Importance of Planning

The main purpose of planning is to minimise the uncertainty that comes with future. It is intended to clarify the implications of managerial actions or decisions. Planning done, organisations are bound to succeed in terms of increased sales, customer growth, reduced operating costs, growth and expansion.

1. *Helps to achieve targets:* Plans are expressed in terms of budgets. Budgets act as targets. Every manager strives hard to achieve a given target. Thus, planning contributes to target achievement.
2. *Minimises uncertainty and, thereby, risk:* Business environment is uncertain and risky. Planning is the only way to move towards certainty and confidence.
3. *Guide for action:* Plans direct people towards achieving goals. As part of planning, organisations keep a list of supporting plans, policies, procedures, programmes, strategies, rules and budgets to guide their people towards the goals.
4. *Ensures 'order':* Organisations walk into chaos if they do not plan properly. The only way to ensure order is to think of probable problems in advance and create the necessary infrastructure to sort them out.
5. *Improves efficiency:* Efficiency means doing things correctly and at minimum cost. Every department has a budget. It means all possible activities have been considered while framing the budget. Clear plans leave only one task for managers—their implementation. Planning is bound to improve efficiency. Despite detailed planning sometimes there can be an unexpected shortage of resources. Organisations keep a portion of their resources to cushion such crises.
6. *Facilitates control:* Plan is a means of control. The actual performance of the organisation and also its members can be evaluated based on plans.
7. *Promotes innovation and creativity:* Progressive organisations involve their staff in organisational planning. Planning is considered a means to promote innovation and creativity among the staff.
8. *Coordination made easy:* Plans indicate what the employees have to do to attain their goals. Plans make it easier for managers to coordinate the efforts of their staff.

Mintzberg identified 10 roles a manager plays in an organisation and classified them into three categories—interpersonal roles, informational roles and decisional roles. Each of these is defined in detailed.

10

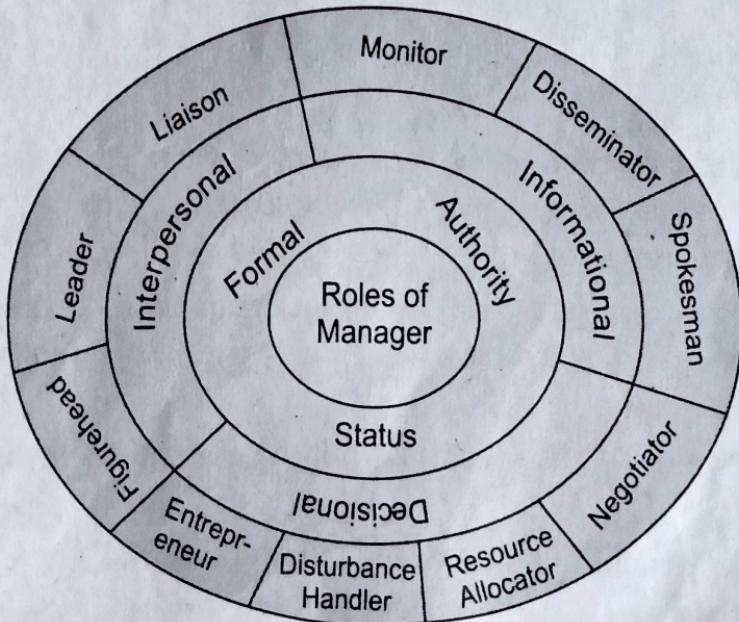


FIGURE 1.1 Roles of a manager

*Small group of people
Specialized trained*

Interpersonal Roles

Managers need to maintain good interpersonal relations with all the cadres within an organisation and all the stakeholders outside the organisation. Interpersonal roles are more ceremonial and symbolic in nature. These roles derive their authority and status associated with the position within the organisation. Interpersonal roles are of three types: figurehead, leader, and liaison.

- **Figurehead:** Manager as a figure head, performs all symbolic legal or social duties and discharges all social, legal and ceremonial obligations. The top most duty of a figure head is to inspire the cadres and the stakeholders with his vision and action plans. In other words, manager is viewed as a symbol of status and authority.
- **Leader:** Manager as a leader builds relationships with the employees and communicates with them in different levels in the organisation, motivates, and coaches them. He maintains good relationships with his followers. He motivates and oversees the progress achieved by subordinates, offers promotions (and punishes them where the performance is not satisfactory) and encourages for their development, and thus balances the effectiveness in the organisation.
- **Liaison:** Manager, as a liaison officer, maintains a network of contacts outside the department or organisation to obtain information. He is responsible to provide information and communication at the right time to right people in the organisation. To gain access to knowledge bases, the managers need to network and engage in information exchange.

Informational Roles

Manager is a nerve centre in the organisation in terms of receiving, collecting, and disseminating information. He plays the roles of a monitor, disseminator, and spokesperson.

- **Monitor:** Manager, as monitor, seeks internal and external information about issues affecting internal operations, a department's success and the problems and opportunities. All such vital information is stored and maintained at his level.
- **Disseminator:** Manager, as disseminator, transmits information received from internal and external sources across the organisation. The factual or value based external views are either filtered or highlighted across different cadres in the organisation. To be active disseminators, managers require filtering and delegation skills.
- **Spokesperson:** The spokesperson is an authorised person to update about the operations of the organisation.

Decisional Roles

The job of the manager is to take decisions in different interpersonal roles. Managers require different types of information and resources to take decisions in different capacities such as an entrepreneur, disturbance handler, resource allocator and negotiator.

- **Entrepreneur** initiates an organisation. He designs the organisation structure and encourages the tasks to be performed with creativity and innovation. He delegates, empowers and supervises teams in the process of achieving the goals.
- **Disturbance handler** brings in discipline into the organisation by sorting out all the unexpected difficulties.
- **Resource allocator** allocates and oversees the utilisation of financial, material and personnel resources.
- **Negotiator** represents the organisation in major negotiations affecting the business operations.

*group of people
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Authority and status are the major triggers that drive the interpersonal roles and these in turn facilitate the manager to play informational roles. By playing these roles effectively and efficiently, the managers control the affairs, adapt to the situation and control it in a balanced way.

PLANNING

12

Planning is the first function of a manager. It provides the necessary guidelines for effective decision making for the entire organisation. Since all future actions in the organisation will be based on plans, planning must be careful and thoughtful. Planning bridges the gap between the present (where we are) and the future (where we want to be).

Definition

In the words of Koontz and O'Donnell, planning 'involves selecting missions, objectives and the actions to achieve them; it requires decision making, that is choosing from among alternative future courses of action'.

Planning is both a managerial function and an independent process by itself. As a process, it is concerned with:

- (a) Identifying goals,
- (b) Exploring different alternatives to achieve them
- (c) Evaluating each alternative
- (d) Selecting the best alternative for implementation.

Planning is a systematic development of action. It involves choice and ends with the selection of the best alternative. Planning is 'deciding in advance what is to be done in future'. What is to be done in future becomes clear when objectives, policies, procedures and programmes are selected from the best course of action.

Steps in Planning

1. *Identify the opportunity:* Real planning starts with knowing the availability of different opportunities. For each opportunity, assess carefully the size of markets, type of customers, degree of competition, needs of customers, finances required and the strengths and weaknesses of the firm. Then, identify the right opportunity.
2. *Define goals:* Once the opportunity is identified, define the goals you want to achieve for the entire organisation. Goals, in turn, will throw light on what objectives, strategies, policies, procedures, rules, budgets and programmes you should follow.
3. *Consider the planning premises:* Planning premises refers to the assumptions about the environment in which plans have to be carried out. Correct assumptions about markets, competition, product technology, prices, volume of sales, costs, tax rates etc are essential for business planning. Government policies, annual budgets, economic indicators, survey of specific industries etc. provide valuable insights on the basis of which 'premises' can be worked out.

Premises may be *internal or external* to the firm. Internal premises refer to the assumptions about the firm's finances, employees, technology-in-use etc. External premises are assumptions about competitors, lenders, changes in technology, government policies and procedures.

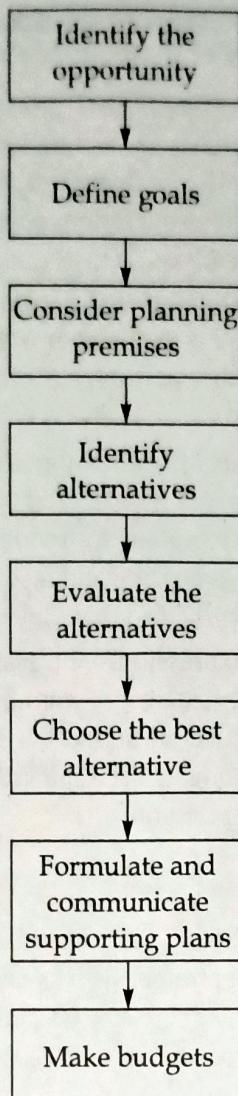


FIGURE 3.1 Steps in planning

Premises may be *controllable or non-controllable*. Managers can exercise control over internal premises but not over the external ones. For instance, a firm can decide about the wages and salaries of its employees but not on the taxes payable. The government determines taxes and the firm has just to follow the prevailing tax rates.

Premises may be *tangible or non-tangible*. Tangible premises refer to what can be quantified as sales, number of employees etc. Intangible premises refer to what cannot be quantified such as employee morale or the goodwill of the business.

4. *Identify alternatives:* There may be more than one alternative to reach a goal or objective. Search for and identify all the available alternatives. Work out the requirement of resources under each alternative. In most cases, finding alternatives may be easier. Shortlisting the promising ones is a relatively complex task.
5. *Evaluate the alternatives:* Examine each alternative in relation to the other and identify the merits and demerits of each. One alternative may look very profitable but it may involve a large capital investment and also take longtime to return the original investment. It may also involve a high degree of risk. There

may be some good alternatives which cannot be considered even though they fit into the long term interests of the organisation.

Evaluation of given alternatives is a complicated process as the business environment is full of uncertainties. Government policy may change, technology may change, adequate funds may not be available etc. The alternatives have to be evaluated in the light of many variables and constraints. There are some modern techniques such as operations research and computing which can be gainfully employed in evaluating the given alternatives.

6. *Choose the best alternative.* The best alternative is decided on a given situation. Normally it involves optimum utilisation of resources. At times, the number of best alternatives could be more than one. To eliminate errors in judgement, the manager may even decide to follow more alternatives than confining himself to one.
7. *Formulate and communicate supporting plans:* Supporting plans are also called derivative plans. These are derived from the best alternative chosen. When a company decides to launch a new product, it also has to formulate several supporting plans for recruiting and training more staff, mobilise more infrastructure and working capital for advertising and insurance. Managers have to communicate these supporting plans to the employees concerned so that they can be involved in their implementation.
8. *Make budgets:* Budget is “numerical expression” of a plan. Budgets can be formulated for the entire organisation and also for each department or programme. When cash, sales, production and other budgets are integrated, it results in an overall budget for the entire organisation, popularly known as Master Budget or Integrated budget. Budgets set standards for measuring and controlling the actual performance of the employees in an organisation.