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# **UNIT 1: PLANNING AND DECISION MAKING**

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## 1.0 Learning Objectives

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After learning this unit, you will be able to understand:

- Planning and Forecasting
- Importance of Planning
- Types of Plans
- About Decision Making
- Guidelines for making Effective Decisions

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## 1.1 Introduction

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In the previous unit, you learned about different approaches to management, i.e. how the idea of management as a thought evolved, early management approaches represented by scientific management, administrative management theory and human relations movement and modern management approaches represented by the behavioural approach, quantitative/management science approach, systems approach and finally the contingency approach. Then you learned about the nature and characteristics of the profession which included how management can be considered as a profession and professionalization of management in India.

In this unit, you will learn about the first and foremost function of management i.e. Planning and Decision Making. A proper planning is always necessary for apt decision making. Management decision making has direct connection with the value of business output.

## 1.2 Planning and Forecasting



**Fig 1.1 Planning**

In 1983, a chemistry student Ranganathan set out to sell shampoos with Rs. 15,000 in his pocket. It was a market with 200 odd companies, dominated by the 'big daddy' Hindustan Lever Ltd.

From the beginning, Ranganathan knew that many people outside the great Indian middle-class could not afford to spend sixty rupees on shampoo, but they could definitely afford a Re.1 sachet. After clearly visualising this gap, he treated the 'Chik' sachet and began selling the same on bicycle. To boost up the sales, he came out with another brilliant idea: 'Return five shampoo sachets and get one Chik sachet free.' The idea clicked in frugal rural households of Tamil Nadu. Volumes tripled, the revenues took care of distribution and the brand name stuck.

The liberalisation measures of 1990s helped him grab every opportunity to expand his market to every nook and corner of India. He began advertising first on regional satellite channels and consolidated his brands - Chik, Nyle (herbal shampoo), and the ever popular Fairever fairness cream - in the southern markets before launching them nationally.

Now, CavinKare Group (a synonym of beauty and grace in Tamil literature) has crossed a turnover of 8819 million INR in 2009-2010 with employee strength of 1520, on an all India network of 1300 Stockists catering to about 25 lakh outlets nationally.

In a market dominated by multinationals, Ranganathan created his own space through careful, elaborate planning of what prompts buyers to go after a

product. In a capital-hungry, labour-surplus market, he found the answer. Find a novel cost-effective product and position it in such a way that cannot be easily challenged. This simple chemistry student has already taught some great marketing lessons to multinationals and has proved that even small firms can grow and prosper in a tough environment if they are able to exploit their unique ideas (strengths) through proactive thinking and careful planning.

Today, CavinKare, having established a firm foothold in the national market, is increasing its popularity in the international arena. A dedicated Research and Development centre, equipped with the latest equipment and technologies, constantly supports the various divisions of this company in their endeavour. The Company, which primarily relied on contract manufacturing for many years, has now set up its own world-class plant at Haridwar to cater to the demand of both domestic and international market.

Planning: Deciding in advance what to do, how to do it, when to do it and who is to do it.

### **1.2.1 Meaning and Definition of Planning**

Successful managers try to envisage the problems before they turn into emergencies. As pointed out by Terry, “successful managers deal with foreseen problems and unsuccessful manager’s struggle with unforeseen problems. The difference lies in planning.”

Manager’s best owed with responsibility of achieving definite targets do not waste time waiting for future. Instead they carve the future through a creative collaboration of thoughts by removing present difficulties, anticipating future problems, changing the goals to suit the internal and external changes, experiment with creative ideas and take the initiative, attempting ‘to shape the future and create a more desirable environment.



**Fig 1.2 Planning and Forecasting**

A plan is a forecast for accomplishment. It is a prearranged course of action for tomorrow's activity. In other words, to plan is to prepare a blue print for future action, to bring about specific results at a specific cost in a specific period. Management thinkers have defined the term in two ways:

**Based on futurity:**

- Planning is a trap laid down to capture the future. (Allen)
- Planning is deciding in advance what is to be done in future. (Koontz).
- Planning is informed anticipation of future. (Haimann)
- Planning is 'anticipatory' decision-making. (R.L, Ackoff)

**Based on thinking:**

- Planning is a thinking process, an organised foresight, a vision based on fact and experience that is required for intelligent action. (Alford and Beatt)
- Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. (Koontz and O'Donnell)

A plan is a specific, documented intention consisting of an objective and an action statement. The objective portion is the end and the action statements represent means to that end. Stated another way, objectives give management

targets to shoot at, whereas action statements provide the arrows for hitting the targets. Properly conceived plans give a fair idea of how things are to work out.

### **1.2.2 Features of Planning**

Planning has a number of characteristics:

- **Planning is goal-oriented.**
  - Planning is the core of business.
  - Goals established should be worked out to make.
  - Planning locates action which leads to goals quickly and economically.
  - Planning shows a sense of direction to various activities.
- **Planning is looking ahead.**
  - It is done for future.
  - It requires peeping in future, analyzing it and predicting it.
  - It is based on forecasting.
  - It is a synthesis of forecast.
  - It is a mental predisposition for things to happen in future.
- **Planning is an intellectual process.**
  - It is a mental exercise which includes lucrative thinking, judgment and imagination.
  - It involves not mere guesswork but rotational thinking.
  - It depends on goals, facts and considered estimates.
- **Planning involves choice and informed decision-making.**
  - It basically involves selecting from various alternatives.
  - It is not applicable in single course of action as it attains no choice.
  - The decision-making involves an integral part of planning.
  - It gives more options to managers to select the best as per needs.
  - It basically involves selecting from various alternatives.

- It is not applicable in single course of action as it attains no choice.
- The decision-making involves an integral part of planning.
- It gives more options to managers to select the best as per needs.
- **Planning is the primary function of management / Primacy of Planning**
  - It lays the foundation for other functions of management.
  - It serves as guide for organizing, staffing, directing and controlling.
  - It carries complete functions of management inside a framework.
  - It is the main function of management.
- **Planning is a continuous process.**
  - It serves as never-ending process due to dynamic business environment.
  - It is prepared for particular time and is subject to revaluation and review.
  - It remains continuous.
- **Planning is all-pervasive.**
  - It is needed at every level of management and everywhere in enterprise.
  - It varies with scope of work.
  - Top level involves in planning, middle level involves in departmental plans while lower level will implement the same plan.
- **Planning is designed for efficiency.**
  - It leads to complete objectives at lowest cost.
  - It avoids wastage of resources and ensures good use of resources.
  - It is worth or useless till it results in value of cost which occurs.
  - It results in saving time, effort and money.
  - It leads to correct use of men, money, materials, methods and machines.

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- **Planning is Flexible.**
  - It should give enough room to cope with changes occurs with customer demand, competition, government policies, etc.
  - The original plan should keep on updating if any circumstance for change occurs.

### 1.2.3 Steps in Planning Process

#### Steps in Planning Function

Planning function of management involves the following steps:

- **Establishment of objectives**
  - The objective of planning is to follow a logically straight approach.
  - Planning should begin with setting up of goals and objectives.
  - The objectives should carry a base for doing various activities with certain direction of efforts.
  - An objective will stress on managers attention on particular result to get executed.
  - Another idea of objectives is to display clear, precise and straight meaning.
  - Objectives should be explained with clear quantitative terms.
  - The goals of objectives should be explained clearly in qualitative terms.
  - Objective should be practical, clear, adaptable, workable and achievable.
- **Establishment of Planning Premises**
  - It is an assumption of events which could happen in future.
  - It is the start of planning process.
  - It relates to finding a trend which deflects from real plans.
  - It locates the hindrances which appear in business at particular course of operations.

- It concerns with taking particular steps which broadly avoids hindrances.
- It can be internal or external which covers capital investment policy, management labour relations and socio- economic and economical changes.
- In this you can control internal premises whereas external premises cannot be controlled.
- **Choice of alternative course of action**
  - In case of forecasts and premises, various alternative actions can be considered.
  - It can be calculated based on pros and cons under light of resources present and need of organisation.
  - It examines merits, demerits and consequences of every alternative before making any selection.
  - Once objective and scientific evaluation is done, then the correct option is selected.
  - Planners with the help of quantitative techniques will be able to verify the stability of such alternative.
- **Formulation of derivative plans**
  - It is the secondary plans that are responsible for giving any help to achievement of main plan.
  - This plan moves from the main plan which will support and speed up the success of the main plans.
  - It covers policies, procedures, rules, programme, budgets, schedules, etc.
  - It shows time schedule as well as series of achieving different tasks.
- **Securing Co-operation**
  - Once the plan has designed, then it is advisable to take people into confidence who are linked with it.

- The idea of taking subordinates into confidence as get motivation and the organisation receives valuable suggestions with the idea to enhance it further.
- **Follow up/Appraisal of plans**
  - Once the action is decided, now it will be put into practice.
  - After implementation of particular plan, it is advisable to judge its performance.
  - The judgment is based on feedback or information from various departments or concerned people.
  - With this, the management can take correct deviations or can modify the plan.
  - All these make a link among planning and controlling function.

#### 1.2.4 Approaches to Planning

Managers tend to pursue approaches to planning based on the extent of participation, authority, delegation and competency level of managers working at various levels, namely:

1. **Top-down approach:** In most family-owned enterprises, authority and responsibility for planning is centralized at the top rung. The top management does approximately 60% of the job which means it defines the mission, lays down strategies, and specific action plans to achieve the stated goals and then pass on to the people working at lower level for execution.
2. **Bottom-up approach:** There are two kinds of people: Thinkers and Doers. Both are equally important. Thinking and doing aspects in the planning process are two sides of the same coin. Hence, if lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically.
3. **Composite approach:** In this approach, a middle path is chosen to facilitate the smooth implementation of the plans. Here the top management offers guidelines, sees boundaries and encourage the middle and lower level executives to come out with tentative plan.

4. **Team approach:** In this, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into account. The tentative plans are forwarded to the top management for approval.

### 1.2.5 Principles of Planning

To be useful, planning should try to incorporate some of the time-tested and inter-related principles, beautifully summed up by Koontz thus:

1. **Principle of contribution to objectives:** Every plan should help in the achievement of organisational objectives.
2. **Principle of primacy of planning:** Planning precedes all other managerial functions. It is the first and the foremost function to be followed in the process of management.
3. **Principle of pervasiveness of planning:** Planning is an all-pervasive function. It is important to all managers regardless of their level in the organisation.
4. **Principle of flexibility:** By flexibility of a plan, we need to highlight its ability to switch gears, change direction to adapt to changing situations without unnecessary cost (ability to vary product mix, shift marketing effort geographically, raise additional funds on favorable terms, reshuffle and relocate personnel quickly, change organisation structure etc. are all included in this exercise).
5. **Principle of periodicity:** Plans should be integrated and interconnected in such a way as to achieve the stated objectives economically and efficiently. A manager should review events and expectations regularly, refine and redraw the plan and keep it on track.
6. **Principle of planning premises:** Every plan is based on carefully considered assumptions, known as planning premises. “The more the individuals charged with planning, understand and agree “to utilize consistent planning premises, the more coordinated enterprise planning will be.”

7. **Principle of limiting factor:** While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower, machinery, materials, management) should be recognized and given due weightage. When ignored, the critical factor would seriously affect the process of planning and make it impossible to achieve goals.

### 1.2.6 Importance of Planning

- **Planning facilitates management by objectives.**
  - Planning starts with finding of an objective.
  - It shows the reason for starting different activities.
  - With this, the objective becomes clear and particular.
  - With planning, an employee will be more focused towards objectives and goals.
  - There will be no path, if there is no planning.
- **Planning minimizes uncertainties.**
  - In business, there occur lots of uncertainties.
  - Because of such uncertainties, there occurs risk factor in every business.
  - With planning, the uncertainties can be lowered as it anticipates any future occurrences.
  - Since future cannot be predicted 100%, so with the help of planning, the management will come to know about future activities.
- **Planning facilitates co-ordination.**
  - It is seen that planning moves around organisational goals.
  - In this, all activities are aimed at common goals.
  - There is a combined effort all the way in an enterprise in departments and groups.
  - It keeps away from replication of efforts which results in good co-ordination.

- It solves the problems related to work performance which aims as altering the same.
- **Planning improves employee's morale.**
  - With planning, an atmosphere of order and discipline originates that takes it as a serious aspect.
  - Through planning employees will come to know what is required from them which results in obtaining conformity.
- **Planning helps in achieving economy.**
  - Good planning results in safer economy as it leads to allocation of resources.
  - It makes admissible for correct use of resources for economic operations.
  - There will no wastage of resources if choosing correct use will can add to objectives of an enterprise.
- **Planning facilitates controlling.**
  - With planning it is possible to proceed with fixed planned goals and standards of presentation.
  - The basic of controlling is provided.
  - An operative system of controlling is unmanageable without presence of good thought plans.
- **Planning provides competitive edge.**
  - Planning uses change in work methods, quality, quantity designs, extension of work, redefining of goals etc.
  - The forecasting will secure the future of an enterprise and at the same time calculate the future motives of competitors.
- **Planning encourages innovations.**
  - With planning process, managers will be able to suggest ways and different means in order to improve performance.
  - It is the decision making function which accommodates creative thinking and imagination which shows innovative methods and growth operations of an enterprise.

### 1.2.7 Types of Plans

The network of various plans facilitates and guides the decision-making and actions on the part of managers.

Knowledge regarding single use and standing plan, appreciating the distinction between policies and strategies, policies and procedures and objective and strategy is very important for a manager before he starts the process of planning.

To provide guidance to the managers to make decisions, take action and solve problems, various plans are drawn up. These plans help the managers in managing day-to-day affairs, exploiting resources of organisation to good effect efficiently and in regulating the work behaviour of subordinates. Some of the plans do provide unifying and consistent base for managerial decision and action. These may be grouped into single use plan and standing plans.

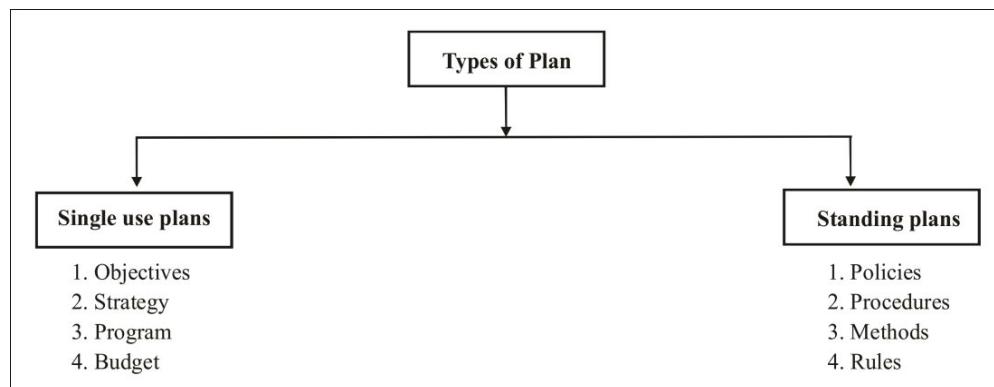


Fig 1.3 Types of Plans

#### 1. Single Use Plans

- **Objective:** Future destination or desirable undertakings.
- **Strategy:** Course of action developed by relating strengths and weaknesses of an organisation with opportunities and threats arising out of a mutable environment.
- **Programme:** A network of policies procedures, rules and budgets designed to meet specific situations and all other needful actions mandatory for implementing a given course of action is included in this phase.

- **Budget:** This is a numerical expression of plan in terms of expected revenue and expenditure over a given period of time.

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## 2. Standing Plans

- **Policies:** General statement that guides decision-making.
- **Procedure:** Administrative action guide, which sets the chronological sequence for action.
- **Method:** Detailed manner in which a specific activity will be performed.
- **Rules:** Directives for regulating and controlling the working behaviour of the employees.

### 1.2.8 Advantages and Disadvantages of Planning

#### Advantages

- Planning forces the manager to generate a blueprint of line of action for doing objectives.
- With planning, there exists order and reasonableness in an organisation.
- It encourages the employees to deliver best which led to earning of reward.
- This will develop healthy attitude in work, which further boost the morale and efficiency of employees.
- It leads to pre-determined goals that will help to compare actual performance.
- It is seen that planning and controlling are opposite sides of a coin.
- With planning, best use of resources, good quality production and aggressive strength of enterprise can be enhanced.

#### Disadvantages

- With planning the administration becomes inflexible.
- It requires progressive policies, procedures and programmes.
- It is circumscribed to individual freedom.
- It is restricted to individual interests not for an enterprise.
- Due to assemblage of data, it is a time consuming process.

- It does not work at time of emergency or crisis when faster decisions are needed.
- Planning depends on thought which is not accurate as a result of future stability.
- Planning is not cost effective as lot of time and money spends on collection, analysis and evaluation of information.

### **1.2.9 Types of Planning**

There are four types planning which are:

- Operational Planning
- Intermediate Planning
- Contingency Planning
- Strategic Planning

#### **Operational Planning**

An operational planning is a diminutive variety planning which works with daily maintenance activities that are completed at particular unit or a departmental level that will be operated in the overall strategic planning.

The basic steps involved in operational planning involve:

- Setting up of goals and objectives
- Setting priorities
- Explain with assumptions
- Review all if required
- Create main and back-up plans
- Workout with the plans
- Establish a control system with follow up on development

## Intermediate Planning

Intermediate planning principally involves time perspective that can be from one year to five years. Since the time duration is unclear with longer duration plans, intermediate plans are normally the main objective in many organisations. It is seen that intermediate planning are normally worked on and created by top managers who work in coordination with middle managers.

## Contingency Planning

Contingency Planning is related to certain activities that are persuaded to make sure about proper and direct follow-up steps that will be taken care by management as well as workers on emergency. The main motto of Contingency Planning is to make sure about:

- containment of damage or loss of personnel and property
- continuity of key operations of organisation

## Strategic Planning

Following are the steps involved in preparing contingency plan which are:

- To maintain business operations
- Define time periods
- Identify the trigger
- Keep the plan simple
- Consider related resource restrictions
- Identify everyone's needs
- Define success
- Include contingency plans in standard operating procedures
- Manage your risks
- Identify operational inefficiencies

### 1.2.10 Management by Objective

It is a type of management which is popular and result oriented technique for any organisation. It is a systematic and organized way which focuses on achievement of goals. It allows management to alter organisation learning to be more result oriented.

It has certain objectives for employees as:

- In this the management dumps the organisational goals and gives chunks to senior managers.
- It is the work of senior managers to obtain objectives for achieve as per organisational goals.
- It chunks down operational management goals and find activities needed for getting such objectives.
- After giving objectives and activities, management releases input to find objectives in a particular time with certain tracking features.
- In this all objectives are tracked and certain feedbacks related to objective were delivered to objective owner.

#### Check your progress 1

1. General statements that guides decision making –

- a. policies
- b. procedure
- c. method
- d. rules

2. Detailed manner in which a specific activity will be performed –

- a. method
- b. rules
- c. procedures
- d. policies

3. Which among the following is correct in terms of planning?
  - a. It improves employee's morale
  - b. It increases uncertainties
  - c. It makes the objectives confusing
  - d. It lowers the economy
4. Which principle describes first and foremost function that be followed in case of process of management?
  - a. Principle of contribution to objectives
  - b. Principle of primacy of planning
  - c. Principle of pervasiveness of planning
  - d. Principle of flexibility

## 1.3 Decision Making

### Pepsi-Cola's Dilemma

Many years ago, several reports surfaced stating that syringes and hypodermic needles had been found in Pepsi cans. It was a challenging problem for Pepsi-Cola's executives. Could needles have been put in Pepsi at the canning plants or were the reports a hoax?

The information was unclear and fast changing, time was running out and the executives had to resolve the issue speedily. Recalling the product meant danger for the company. However, there was no evidence produced against the company as yet. A recall would have been very costly and the company would have lost the trust of customers. The executives, after carefully analysing the facts, realised that syringes could not go into un-opened cans of Pepsi. Instead of going for a recall, the executives went on a massive public relations and education campaign.

Nationwide ad campaigns explained, "How implausible it was that syringes could have been put into Pepsi cans at the plants." They also assured consumers that there had been no injuries and not a single confirmed case of a needle found in an unopened can of Pepsi had been reported. By responding quickly and openly to public fears, Pepsi weathered the syringe-scare crisis with little damage.

Pepsi managers made the right decision, believing, based on careful internal analysis, that needle could not possibly have been put into can of Pepsi at the plants. However, it was a decision that could have backfired, if the company would have failed in its attempts to convince consumers that Pepsi products were truly safe.

### 3.3.1 Meaning of Decision Making

Decision-making can be considered as the cognitive process resulting in the selection of a course of action among several available alternatives. It is found that all decision making process will generate a final choice where the output can be perceived as an opinion.

Precisely, decision making relates to the study of discovery and selection of various alternatives which depends on values and choice of a decision maker. Further, decision making shows an option that is taken care of where the manager could simply narrow down on two factors:

- Highest possibility of success
- Excellent match of goals, desires, lifestyle with values.

In the decision making process, an uncertainty will be lower and doubt related to alternatives will make a good choice.



Fig 1.4 Decision Making

The above explanation focuses on the information gathering functions which results for making decision. In such cases, the uncertainty will be lowered instead of eliminated. Under such situations, fewer decisions are made with

complete confirmation as entire knowledge of all alternatives is rarely feasible. So all decision uses a certain level of risk some higher than the rest. If there is no uncertainty, you do not have a decision; you have an algorithm- a set of steps or a recipe that is followed to bring about a fixed result.

### 1.3.2 Characteristics of Decision-Making

The important characteristics of decision-making may be listed thus:

- **Goal-oriented:** Decision-making is a goal-oriented process. Decisions are usually prepared to attain some purpose or goal. The intention is to move towards some anticipated state.
- **Alternative:** A decision should be viewed as ‘a point reached in a stream of action.’ It is characterized by two activities- search and choice. The manager searches for opportunities, to arrive at decisions and for alternative solutions, so that action may take place. Selecting an alternative and abiding by it leads to decision making. Thus, an alternative is found fit to solve a particular problem. When no alternatives exist, the manager does not need to arrive at a decision. When uncertainty concerning a particular outcome is confronted, the manager has no choice but to put on his decision making hat.
- **Analytical-Intellectual:** Decision-making is not only an intellectual process but also an intuitive one. It involves conscious and unconscious aspects. Part of it can be learned, but part of it depends upon the personal characteristics of the decision maker.
- **Dynamic Process:** Decision-making is characterized as a process, rather than as one static entity. It is a process of using inputs effectively in the solution of selected problems and the creation of outputs that have utility. Moreover, it is a process concerned with ‘identifying worthwhile things to do’ in a dynamic setting.
- **Pervasive Function:** Decision-making permeates all management and covers every part of an enterprise. Decision-making is the crux of a manager’s job. Everything that the manager does is backed by the power of decision – making.

- **Continuous Activity:** The life of a manager is a perpetual choice-making activity. He decides things as per the gravity of the situation on a continual and regular basis. It is not a one shot deal.
- **Commitment of Time, Effort and Money:** Decision-making implies commitment of time, effort and money. The commitment may be short term or long-term, depending on the type of decision (e.g. strategic, tactical or operating). Once a decision is made, the organisation moves in a specific direction in order to achieve the goals.
- **Human and Social Process:** Decision-making is a human and social process involving intellectual abilities, intuition and judgment. The human as well as social impacts of a decision are usually taken into account while making the choice from several alternatives.

For example, in a labour-surplus, capital-hungry country like India, managers cannot afford to suddenly shut down plants, lop off divisions and lay off thousands of workers in the face of intense competition.

- **Integral Part of Planning:** As Koontz indicated, 'decision making is the core of planning.' Both are intellectual processes, demanding discretion and judgment. Both aim at achieving goals. Both are situational in nature. Both involve choice among-alternative courses of action. Both are based on forecasts and assumptions and about future risk and uncertainty.

### 1.3.3 The Decision-Making Process

Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps as shown in this figure.

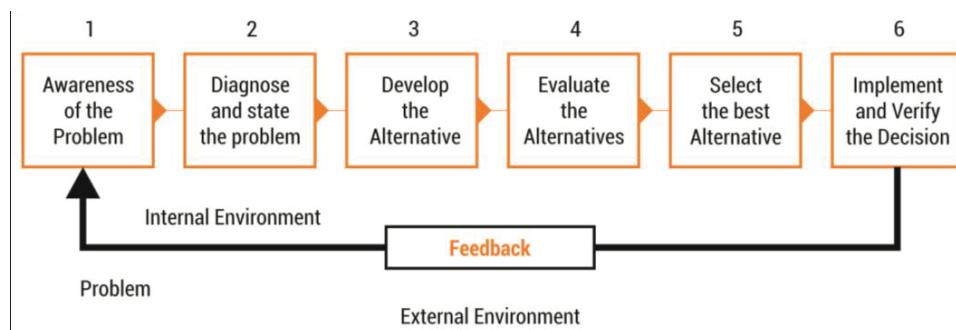


Fig 1.5 Decision making process

## 1. Awareness of the problem

The first step in the decision-making process is recognizing the problem. The manager should be vigilant enough to know that a problem exists and that it is important enough for managerial action. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, managers should look for problems that need solving. They must look for occasions to arrive at decisions. The existence of a problem thus steps up the need for decision making.

In order to recognize problems, a manager is expected to monitor the decision-making environment, understand the possible causes and try to define the real problem carefully.

## 2. Diagnose and state the problem

A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not just note down the symptoms. Quite often, managers waste time developing solutions to the wrong problem. This is because opportunities and problems in the environment do not surface so easily.

Some questions that you need to ask include:

- What is the problem? What is the difference between what is and what should be?
- Which problems should be solved?
- What is the real cause of the problem?

To avoid the danger of prescribing a wrong antidote for the organisation, the manager should consider all aspects of the issue and the decision environment properly. For example, a high employee turnover in an organisation may be due to low salaries, poor working conditions, tight supervision, poor scheduling, dissatisfaction with the jobs etc. The manager should analyses all these causes thoroughly before defining the real problem. An attitude survey may be undertaken to find out why employees are leaving the organisation. This would give an insight into what are the unknown issues left unresolved.

### 3. Develop the alternative

Quite often, executives try to take up the first feasible option. The statement of the problem in clear, measurable terms enables executives to develop alternatives.

The capability to expound alternatives is as important as making a right decision when selecting among alternatives. Ingenuity, research and creative imagination are required to make sure that the best alternatives are considered before a course of action is selected.

### 4. Evaluate the alternatives

In this step, the decision maker attempts to summarise the advantages and disadvantages of each alternative. The consequences if any, of each alternative must also be considered. Sometimes, the alternatives developed may meet internal demands but may fail to meet environmental conditions. In such cases, a manager may be forced to make a 'less than optimal-decision.'

The primary objective of evaluation is not to find out one magic solution but to find out a workable solution that would help to eliminate the problem for good. The attempt is made chiefly to limit the alternatives to a manageable and economically feasible number.

### 5. Select the best alternative

In this step, the decision maker selects the alternative that will maximise the results in terms of existing objectives.

Fortunately, Peter Drucker has offered the following criteria for making the right choice among available alternatives:

- **The risk:** The manager always plays the game of calculated risks as he has to weigh the risks of each course of action against the expected gains.
- **Economy of effort:** The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one.
- **Timing:** If the situation has great urgency, the best alternative is the one that the decision maker finds fit.

- **Limitation of resources:** Physical, financial and human resources impose a limit on the choice of selection. If adequate resources are not currently available, the decision should be deferred.

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## 6. Implement and verify the decision

After making a decision, the manager must implement it. He must see whether it has worked out or not in practicality. In other words, he must seek feedback regarding the effectiveness of the implemented solutions.

### 1.3.4 Guidelines for Making Effective Decision

This can be done if following factors are taken into consideration:

- **Categorical Interpretation:** At the very outset, it may be emphasized that logical decisions can be made if the real problem is interpreted and identified with in depth study and observation.
- **Application of Limiting Factor:** In choosing from among alternatives, the more a manager recognizes and solves for those factors, which are limiting and critical to the attainment of desired objectives, the more clearly and accurately he can select the most desirable alternative.
- **Adequate Information:** Information is the lifeblood of an organisation because all conclusions are based on this. The more the quantity of reliable information, higher is the validity of decision.
- **Considering Others' Views:** While arriving at a decision, it is desirable that all alternatives are considered before arriving at a decision.
- **Timeliness:** A decision, to be effective, must be made at proper time. A delay in decision-making may result into loss of opportunities in this fast-changing environment.

### 1.3.5 Types of Decision

There are basically 3 types of decisions, that are-

1. **Strategic decisions:** are big choices of identity and direction. Who are we? Where are we heading? These decisions are often complex and multi-

dimensional. They may involve large sums of money, have a long-term impact and are usually taken by senior management.

2. **Tactical decisions:** These decisions are about how to manage performance to achieve the strategy. What resources are needed? What is the timescale? These decisions are idiosyncratic but within clearer boundaries. They may involve important resources, have medium-term implications and may be taken by senior or middle managers.
3. **Operational decisions:** are more routine and follow known rules. How many? To what specification? These decisions involve more limited resources, have a shorter-term application and can be taken by middle or first line managers.

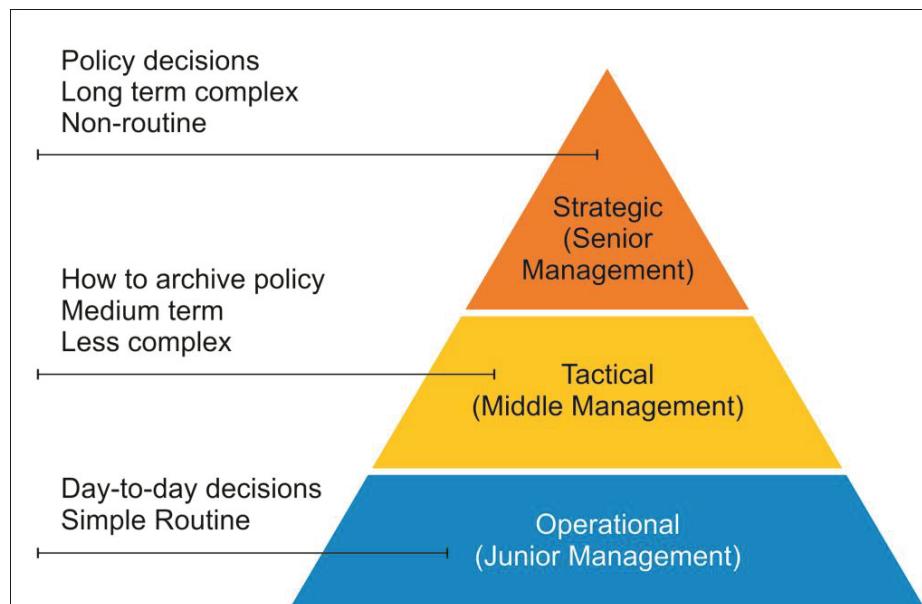


Fig 1.6 Types of decisions

### Check your progress 2

1. Which among the following is not a characteristic of decision making?
  - a. It is a goal oriented process.
  - b. It is viewed as a point reached in a stream of action.
  - c. It is an intellectual cum intuitive process.
  - d. It is related to static entity and not a process.

2. Decision making implies to commitment of:

- a. time
- b. effort
- c. money
- d. all

## 1.4 Let Us Sum Up

In this unit we have learnt, that a plan is a forecast for accomplishment which is a predetermined course of action which produces a scheme for future action in order to bring specified results at particular cost in a period.

It is seen that planning has a number of characteristics such as goal-oriented, futuristic, intellectual process, choice and decision making and serves as the main function of the management.

It is analysed that planning is a continuous all pervasive, flexible and designed for efficiency process which involves different steps in establishing objectives. In these plans, managers have certain approaches such as Top-down, Bottom-up, Composite and Team approach.

It is studied that there exists two types of Plans which is Single Use Plans having Objective, Strategy, Programme, Budget and second is Standing Plans having Policies, Procedure, Method and Rules.

Planning aids an organisation to give it a direction provide a unifying framework, economic and reduces uncertainty. It facilitates decision making, encourages innovation, and improves work morale and facilities control.

It is seen that a decision making process will include various steps such as awareness of problem, accurate diagnosis and development of feasible alternatives.

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## 1.5 Answers for Check Your Progress

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### Check your progress 1

**Answers:** (1-a), (2-a), (3-a), (4-b)

### Check your progress 2

**Answers:** (1-d), (2-d)

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## 1.6 Glossary

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- 1 **Planning** - It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.

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## 1.7 Assignment

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Define planning. What are the steps involved in planning?

---

## 1.8 Activities

---

Explain approaches to planning. What are the principles of planning?

---

## 1.9 Case Study

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Are You a Good Planner? Planning is an important skill for managers. Using a hypothetical situation and the information given above, analyses yourself as a good planner. Prepare a report on the same.

### Planning and Forecasting

Banks plan loan rate freeze to cash in on festival demand

MUMBAI: Several banks, which were earlier planning to raise their home loan rates in October, were considering deferring such plans, keeping in mind the holiday season ahead when demand for such loans is expected to soar.

After the Reserve Bank of India revised its policy rates in mid-September, several banks said they would consider increasing their lending rates in October when the base rate, on which loans are priced, came up for review.

However, on festivals most banks see a huge demand in personal, car and home loans, as it is considered as an auspicious time for purchasing homes or other assets. Discounts are offered in the form of a waiver in processing fees and lower rates for a limited period.

“Banks may not hike home rates immediately since sales are expected to pick up soon after the PitrPakshais over,” said Oriental Bank of Commerce CMD T.Y. Prabhu. During PitrPaksha, which is related to post-death rites performed by Hindus, many people consider it inauspicious and choose not to take any major investment decisions.

Although the festival season was close, banks were under pressure to raise lending rates in October as their cost of funds have gone up by 50 to 100 basis points during the last quarter. Interest rates on bulk deposits and certificate of deposits had crossed 8% for one year compared with 7% a few months ago. Mr. Prabhu said if banks are under pressure to raise lending rates, they may raise the base rate but simultaneously narrow the spread between the base rate and home loan rates. Banks have pegged their base rate in the range of 7.50% to 8%.

The special home loan scheme of India’s largest bank, State Bank of India, is due to close on September 30, but its officials say the bank is most likely to extend the scheme for another quarter to woo customers in the festive season. SBI offers a fixed rate of interest of 8% in the first year, 9% in the second and third year, after which the loan is priced on a floating rate basis.

Punjab National Bank, the second-largest bank, too has come out with a festive offer on home loans marked by a fixed rate of interest of 8.5% for the first three years and subsequently linked to prevailing floating rates.

Last week, Corporation Bank introduced a special home loan and vehicle loan scheme, known as grand festival offer, wherein for loans up to '30 lakh, the lender will offer it at base rate of 7.75% in the first year and 50 bps above the base rate for second and 8.25% in the third year. The bank will charge 0.25% more if the loan is above '30 lakh. “So far, demand for home loan has not been very encouraging, although we are better than the peers. But with this offer, we expect to deploy '1,000 crore,” said S.M. Swati, General Manager-In-Charge of Retail Lending at Corporation Bank.

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## 1.10 Further Readings

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.

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## **UNIT 2: ORGANISING AND ORGANISATION STRUCTURE**

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### **Unit Structure**

#### **2.0 Learning Objectives**

##### **2.1 Introduction**

##### **2.2 Organising Process**

2.2.1 Meaning and Definition of Organising

2.2.2 Characteristics of Organising

2.2.3 Process of Organising

2.2.4 Need and Importance of Organising

2.2.5 Principles of Organising

2.2.6 Span of Management

##### **2.3 Organizational Chart**

2.3.1 Types of Organisational Chart

2.3.2 Contents of Chart

2.3.3 Uses

2.3.4 Limitations

2.3.5 Factors Affecting Organisational Chart

##### **2.4 Organisation Structure**

2.4.1 Classification of Organisational Structure

2.4.2 Line Organisation Structure

2.4.3 Line and Staff Organisation Structure

2.4.4 Functional Organisation Structure

2.4.5 Divisional Organisation Structure

2.4.6 Project Organisation Structure

2.4.7 Matrix Organisation Structure

2.4.8 Virtual Organisation

- 2.5 Informal Organisation**
  - 2.5.1 Meaning
  - 2.5.2 Characteristics
  - 2.5.3 Importance
  - 2.5.4 Limitations
  - 2.5.5 Difference between Formal and Informal Organisation
- 2.6 Let Us Sum Up**
- 2.7 Answers for Check Your Progress**
- 2.8 Glossary**
- 2.9 Assignment**
- 2.10 Activities**
- 2.11 Case Study**
- 2.12 Further Readings**

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## **2.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- The Organising Process
- Need and importance of Organising Structure
- Principles of organising
- Organisational Chart and factors affecting it
- Classification of organisational structure

## 2.1 Introduction

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In the previous unit, you studied planning and forecasting, features, steps and approaches to planning process, importance and principles of planning. Additionally, you studied the types of plans, decision-making, its characteristics, steps and guidelines for effective decision-making with adequate examples. Both the cases employed effective and timely planning and decision-making.

In this unit, you are going to study organisation as a process of management. You will study organisational principles organisational chart and organisational structures, namely line, line and staff, functional, divisional, project, matrix and virtual organisational structures.

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## 2.2 Organising Process

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Organising is the management function wherein organisational resources are allocated and responsibilities are delegated in order to accomplish long-term organisational goals. It ensures efficient use of organisational resources. It is related with building up of a framework or structure of various interrelated parts. We can say that organising is a process consisting of a series of steps by which managers create a network of authority responsibility relationship. It helps people to work together (relate to one another) for a common objective.

### 2.2.1 Meaning and Definition of Organising

Where two or more persons work together for achieving a common goal, their activities have to be organised. Organising is a process of integrating, coordinating and mobilising the activities of members of a group for seeking common goals. It implies establishment of working relationships, which is done by assigning activities and delegating authority.

A few definitions of organisation are given below:

“Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives”.-Alien

“As a process of combining the work which individuals or a group have to perform with the facilities necessary for its execution, that the duties so performed provides the best channel for the efficient, systematic, positive and coordinated application of available efforts.”-Oliver

“Organising involves the establishment of an internal structure of roles, by identifying and listing the activities required to achieve the purpose of a enterprise, the grouping of these activities, the assignment of such group of activities to manager, the delegation of authority to carry out and provision for coordination of authority relationship horizontally and vertically in the organisation structure.”-Koontz and O’Donnell

It is evident that the term organisation has been used as a process and as a structure. Organising a process involves many stages. When the stages are completed, a formal structure comes into existence, known as organisational structure.

### **2.2.2 Characteristics of Organising**

- Organising is one of the basic and important elements or functions of management. To get things done by others, a manager has to organise their activities
- It is a goal-oriented process. It is only to accomplish certain goals that the process of organising is designed for. The structure of an organisation is designed so as to facilitate performance of large number of activities.
- The organising process chiefly deals with group efforts, which are made to achieve common goals.
- Organising is based on the principle of division of work and specialisation.
- It involves the processes of differentiation or division of activities and integration of activities by grouping them.
- The process of organising aims at interrelating, mobilising and coordinating the activities of employees.
- It establishes authority relationship of superior and subordinate among the employees by assigning the activities and delegating adequate authority to them.

- It has two basic constituents or dimensions, namely authority structure, which is created by delegation of authority from top to lower level and the activity structure, created by dividing activities into jobs and tasks, grouping them and then assigning them to the various department or individuals.

### 2.2.3 Process of Organising

Organising as a process can be described as follows:

- **Identification of Activities:** At the first stage of organising, the manager recognises those activities, which are indispensable for reaching common goals. The common goals of organisation provide the basis for determining and identifying the activities.
- **Division of Activities:** Once the events have been acknowledged, they are divided and subdivided into jobs and small tasks known as elements of activities.
- **Grouping of Activities:** After division into small elements known as tasks, the closely linked ones having similarity may be grouped to form a department.
- **Assignment of Group Activities:** Once activities are classified into groups, they are allocated to the particular department or an individual.
- **Granting Necessary Authority:** Groups of activities are assigned to various departments and individual employees' demands to grant adequate authority to them are considered.
- **Coordinating the Functioning of Various Departments:** In the process of organising, attempts are made to coordinate each small element or task with departmental activities. Further, the functioning of each department is coordinated to achieve common goals.

After completing the above-mentioned stages involved in the process of organising, it results in the creation of a structure known as organisational structure.

#### **2.2.4      Need and Importance of Organising**

The need and importance of organising and organisational structure can be understood on the basis of following points:

- Sound organisational structure facilitates effective management.
- The whole process of organising helps in co-ordinating various jobs in the department or division and by relating them to departmental work.
- Logical and clear-cut division of work and delegation of authority among the various members leads to many benefits.
- The sub-processes, differentiation and integration may directly affect operating results of the enterprise. If both the processes are conducted in a proper manner, overall organisational efficiency tends to increase.
- Creation of organisational structure also necessitates delegation of authority among various managerial positions. Decentralised organisational structure encourages prompt decision-making and efficient control.
- The organisational structure delivers the basis and framework to the manager, which permits him to cope with the changing environment.
- The structure of an organisation facilitates formal communication through line of authority, established from top to lower levels.
- Creation of staff units in the activity structure of the organisation broaden the span of control of the manager and help him in discharging his responsibility in a more efficient manner.
- Organising virtually means order and discipline both in respect of working behaviour of the employees and their role and relationship.
- Highly de-centralised structure of an organisation tends to have a strong influence on development of managers as delegation of authority to lower level managers provides opportunity to them for making decisions and exercising administrative authority.

#### **2.2.5      Principles of Organising**

Introduction of organisation discusses those well-established and accepted general statements, which are used in the process of organising to prepare a sound

organisationl structure. These principles serve as general guidelines for managers for developing sound and more effective pattern of relationship in designing the organisation. Most of these principles have classical flavour; early management writers, including F. W.Taylor, HenriFayol, Lyndall, Urwick and others have established them. With the passage of time, these principles have been refined and extended by many modern management scientists to make them more efficacious and relevant in the modern context. Some of these principles are outlined below.

1. **Principle of Division of Labour:** This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.
2. **Principle of Functional Definition:** In order to exonerate assumed responsibility by concluding the job assigned to the employee, he has to perform many functions. According to this principle, the tasks to be performed by an individual employee or by a department must be well-defined.
3. **Principle of Sealer Chain:** This principle is known as sealer chain or line of authority or chain of command. It states that there exists an unbroken line of authority or sealer chain from the top to the lowest level.
4. **Principle of Span of Control:** This principle refers to the number of subordinates to be placed under the command of the manager so that he can manage their work efficiently.
5. **Principle of Unity of Command:** The principle of unity of command implies oneness of command and single source of authority over a subordinate.
6. **Principle of Objective:** The organisation and each of its components or sub-systems should be directed towards the accomplishment of predetermined objectives.
7. **Principle of Balance:** According to this principle, all techniques and principles applied to particular structure of the organisation must be properly balanced to ensure that one principle does not contradict with another or benefits of one are not countered by the benefits of the other.
8. **Principle of Flexibility:** It proposes that the structure of an organisation should be designed to permit growth and diversification.

9. **Principle of Absoluteness of Responsibility:** According to this principle, responsibility once assumed by the manager cannot be shifted to subordinates.
10. **Principle of Delegation by Result Expected:** For creating the structure of an administration, authority should be delegated in such a way as to elucidate performance potentials in terms of cost, volume, time and efforts.
11. **Principle of Parity between Authority and Responsibility:** The principle suggests that there should be complete balance or parity between authority and responsibility; only that much authority should be delegated which is needed for carrying out the assigned job.
12. **Principle of Efficiency:** According to this principle, the organisational structure should be designed in such a way as to facilitate efficient accomplishment of objectives.
13. **Principle of Continuity:** The principle of continuity states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.
14. **Principle of Cooperation:** According to this principle, an organisation is considered as a team aimed at achieving objectives. Therefore, all members should achieve the allotted work in co-operation with each other.

### 2.2.6 Span of Management

Span of management is a way in which many people in an organisation are controlled and managed by single officer. It can be further called as:

- span of management
- span of authority
- span of supervision
- span of authority
- span of responsibility
- levels of organisation

Such principle depends upon principle of relationship. In this number of members can be more or less as per nature of work done by subordinate or ability

of supervision. In working domain with one head, nearly about four to five subordinates tends to work.

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### Check your progress 1

1. This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.
  - a. Principle of division of labour.
  - b. Principle of Efficiency.
  - c. Principle of Cooperation.
  - d. Principle of Continuity.
2. This principle states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.
  - a. Principle of Continuity.
  - b. Principle of Efficiency.
  - c. Principle of Cooperation.
  - d. Principle of direction.

## 2.3 Organisational Chart

An organisational chart (often called organisation chart/ org chart/ organigram/ organogram) is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs. The term is also used for similar illustrations, for example ones showing the different rudiments of a field of knowledge or a group of languages.

An organisational chart of a company usually shows the managers and sub-workers who make up an organisation. It also shows the relationships between directors: managing director, chief executive officer and various departments. In many large companies, the organisation chart can be outsized and extremely complicated and is therefore sometimes divided into smaller charts for each individual department within the organisation.

The following is an example of a simple hierarchical organisational chart. In this chart, a 'line relationship' (or line of command in military relationships) exists between the Manager and the two Supervisors. These two colonels are directly responsible to the General. Similarly, a 'lateral relationship' in this chart exists between "Private A" and "Private B", who both work on level and both report to the "Sergeant B".

Various shapes such as rectangles, squares, triangles, circles, etc. can be used to indicate different roles. Colour can be used for determining the borders and connection lines to designate differences in authority and responsibility and formal, advisory and informal links between people. A department or position yet to be shaped or currently vacant might be shown as a shape with a dotted outline. Significance of the position may be shown both with a change in size of the shape in addition to its vertical placement on the chart.

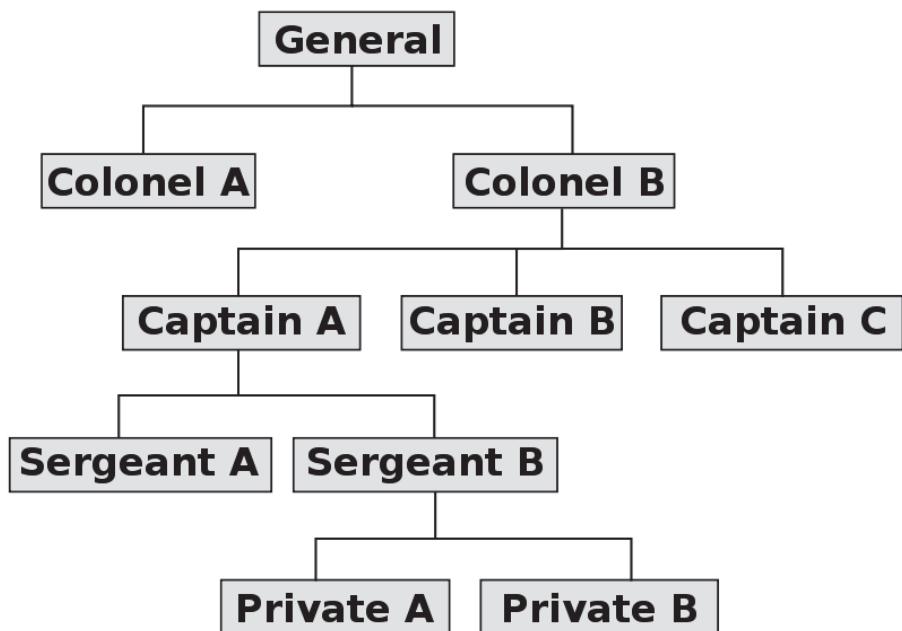


Fig 2.1 a sample Organisational Chart

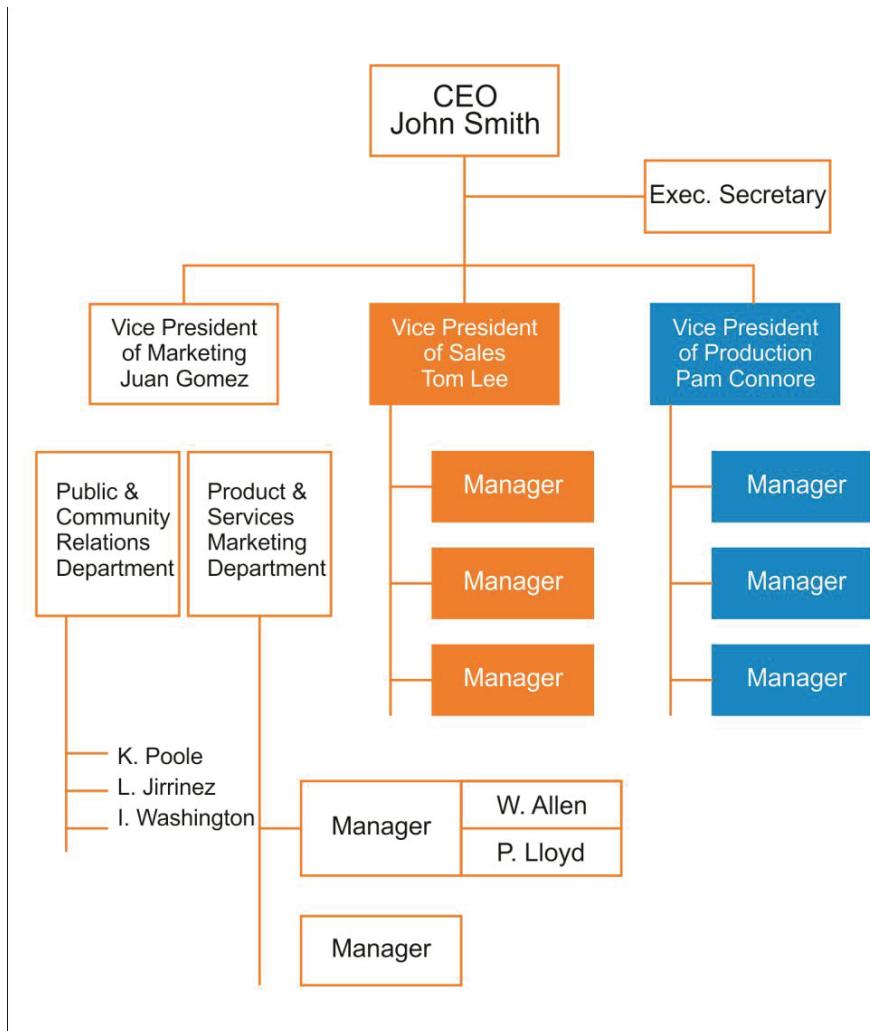
Dale has considered organisational chart "as a diagram of formal authority structure." But this definition virtually ignores the horizontal dimension of an organisation. Terry has forwarded a more suitable definition of organisational charts. In his words, "organisational chart is a diagrammatical form which shows important sets of an organisation, including the major functions and their

respective relationship and the relative authority of each employee, who is in charge of each respective function.”

### 2.3.1 Types of Organisational Charts

The structure of an organisation can be graphically presented in the following manner:

- Vertical chart:



**Fig 2.2 A Vertical organisation chart**

This is the conventional way of preparing the organisational chart. It specifies the position of chief executive on the top, to which succeeding managerial positions are attached. As the chain of command action moves

downwards, at every following stage, contents of authority tend to decrease. Vertical charts take the shape of a pyramid with fewer managerial positions on the higher side and more positions on the lower sides.

- **Horizontal chart:**

### Organisation of Forest Department

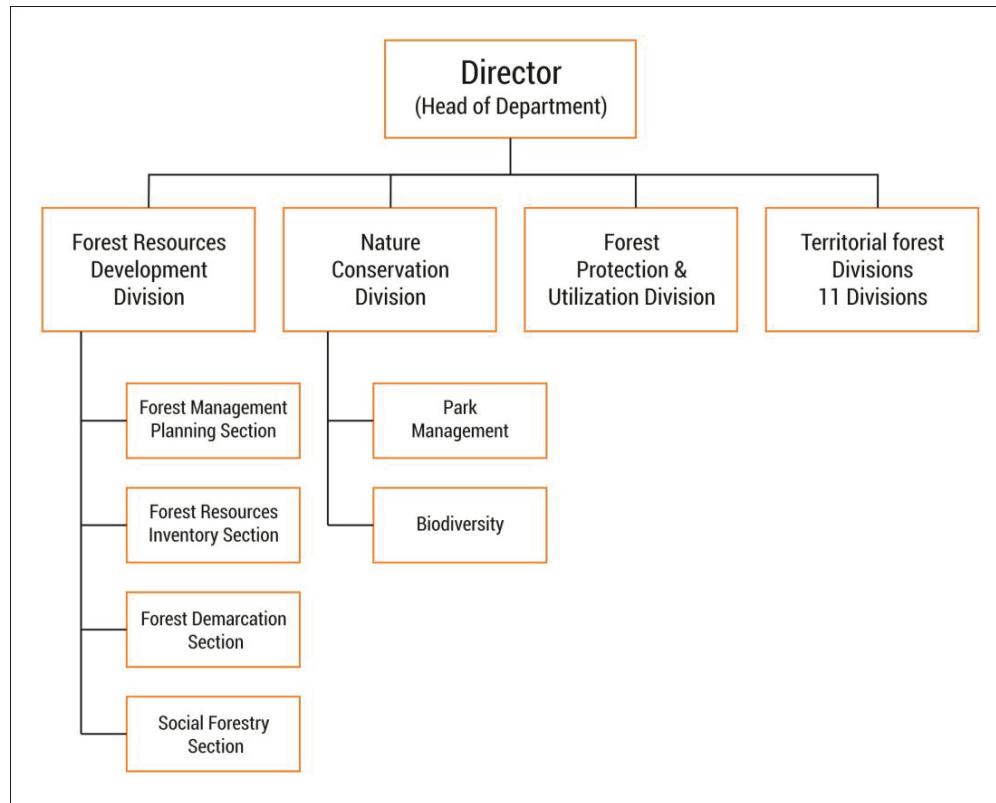


Fig 2.3 Horizontal organisational chart

There is just a minor distinction between vertical and horizontal charts. Firstly, the pyramid line remains in horizontal position in place of the vertical position. Second, the line of authority begins from left to right in the horizontal chart. The position of chief executive lies on acute left side and as it moves to right side, it represents lower level of managerial chain of command. Since horizontal charts complicate the diagram, they are less common in practice.

- **Circular chart:**

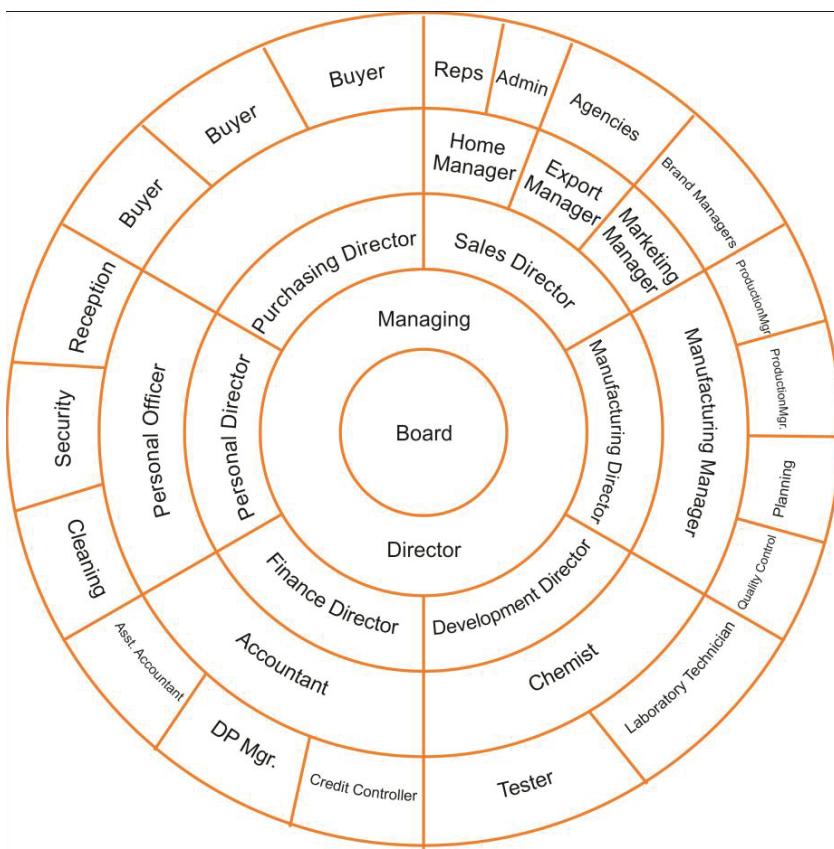


Fig 2.4 Circular organisational chart

The concentric chart indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles. Beside top position, the lowest managerial position lies on the outermost circle. Circular charts plainly show scope of each manager's responsibility and authority and eliminate status implications which are intrinsic from top to lower levels. It takes minimal space for presenting different managerial positions. But it is inundated with a weakness; it is very challenging to draw and it officially creates a lot of confusion regarding managerial positions.

### 2.3.2 Contents of Chart

The detail of content present in organisational chart includes:

- Governance
- Operating Rules of an organisation

- Distribution of work

### **Governance**

It is the basic element in an organisational structure where initially some person or group takes decisions in it.

### **Operation rules of an organisation**

It conveys certain rule by which an organisation works. There are certain rules which are dynamic while others are implied and understood.

### **Distribution of work**

In an organisation, the distribution of work can be further sub divided into formal or informal, temporary or enduring with certain division of labour. There are four tasks which is main for any group:

- Envisioning desired changes.
- Transforming the community.
- Planning for integration.
- Supporting efforts of working so to promote change.

### **2.3.3      Uses**

Organisation charts can be of use to an organisation in:

- Building and designing organisation structure to fulfil business objectives.
- Guiding employees about the knowledge related to their rights and responsibilities.
- Dividing the functions of a company, enterprise or department.
- Show relationships which appear among organisation staff members.
- Judging the officers workload.
- Locating unrelated persons having no relationship.
- Determining employee position based on competency.
- Clarity inside an organisation.
- Improving employee performance.

- Understanding and coordinating of organisation.
- Determining promotion channels.

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### 2.3.4 Limitations

The organisational chart has certain limitations such as:

In this not every communication channel is formal.

It is difficult to keep track of changes which are responsible in maintaining an organizational chart.

### 2.3.5 Factors Affecting Organisational Chart

Various factors determine the effectiveness of an organisation structure. These are organisation's environment, strategy, technology, size and people.

- **Environment:** An organisation is a system, which operates within a broader framework of an environment. Though the periphery between the organisation and its environment cannot be exact and definite, for all practical purposes, such boundary can be identified. The organisation interacts incessantly with its environment. It is influenced by the environment and in turn it influences the environment. In this interaction, the environment determines the various organisational processes including its structure. The environmental system concept regards the organisation as a part of the environment- the environmental system.
- **Strategy:** An organisation's strategy and its structure are closely intertwined. The understanding of this relationship is important so that in implementing the strategy, the organisation structure is planned according to the requirements of the strategy. The relationship between strategy and structure can be thought in terms of utilising structure for strategy implementation because structure is a means to an end and not an end in itself.
- **Technology:** Technology is another factor affecting organisation structure. Though technology is one of the components of organisational environment, it should be studied separately because technology directly affects the task structure. Before analysing the impact of technology on the organisational

functioning, it is imperative to understand the nature of technology as relevant to the organisations.

- **Size:** The subject of organisational size has been a compelling one in organisational analysis, though most organisation theorists have hardly envisaged size as an important factor. This is so since there are diverse research findings on the relationship between an organisation's size and its structure.

Theoretical proposition suggests that size of an organisation influences its coordination, direction, control and reporting systems and, hence, the organisation structure. When an organisation is small, interaction is confined to a relatively small group, communication is simpler, less information is required for decision-making and there is less need for formal structure.

- **People:** The organisational structure is the result of conscious actions on the part of people engaged in the organisation. As such, the form of organisation structure is expected to reflect the thinking and way of working of its framers and participants. The form of organisation is a major source of satisfaction or dissatisfaction for the people. Moreover, the structure is the result of the personality of its framers.

Thus to arrive at appropriate structure, the forces in people may be analysed. Such analysis may be in two ways: people in superior capacity and people in subordinate capacity.

### Check your progress 2

1. A \_\_\_\_\_ is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs.
  - a. Organisational Chart.
  - b. Chart.
  - c. Diagram.
  - d. Organisational Diagram

2. \_\_\_\_\_ indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles.
- Circular Chart.
  - Vertical Chart.
  - Horizontal Chart.
  - None of the above.

## 2.4 Organisation Structure

The structure of an organisation is a network of authority and responsibility assumed by and delegated to the employees. Organisational structure defines the pattern of formal relationship between superiors and subordinates. It may also be regarded as a network of role, relationship, assigned work and delegated authority to employees. It provides the basis on which the managers and non-managerial employees perform the job assigned to them.

The structure of the organisation has two dimensions, firstly authority structure, which comes into being by delegating authority from top to lower levels and activity structure, secondly by dividing activities, grouping them and assigning them to the various departments or individuals. It has a pyramid shape.

### 2.4.1 Classification of Organisational Structure

Various activities are grouped together to create departments and units and their relationships in the organisation is thus prescribed. On the basis of this, the organisational structure is classified. Thus, there are seven types of organisation structure:

- Line
- Line and staff
- Functional
- Divisional
- Project

- Matrix
- Free-form (virtual organisation)

Each of these emphasises different arrangements of organisational activities. Some of these are designed on mechanistic pattern, for example, line, line and staff structures; some are designed on organic or dynamic pattern, for example, matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for example, functional, divisional, etc; some emerge because of overlays denoting superimposition of one element over another, for example, matrix structure. Besides the basic organisation structure organisations may create committees taking personnel from different departments where the processes are quite different as compared to a department.

#### 2.4.2 Line Organisation Structure

It is the oldest organisational structure which is frequently associated with scalar, military or vertical structure. With this concept, it is narrated that in any organisation or hierarchy which is acquired from scalar process, there subsists one top head that will run and command the structure. Moreover it is clear that executives in an organisation will also have power to delegate work and holds responsible for output.

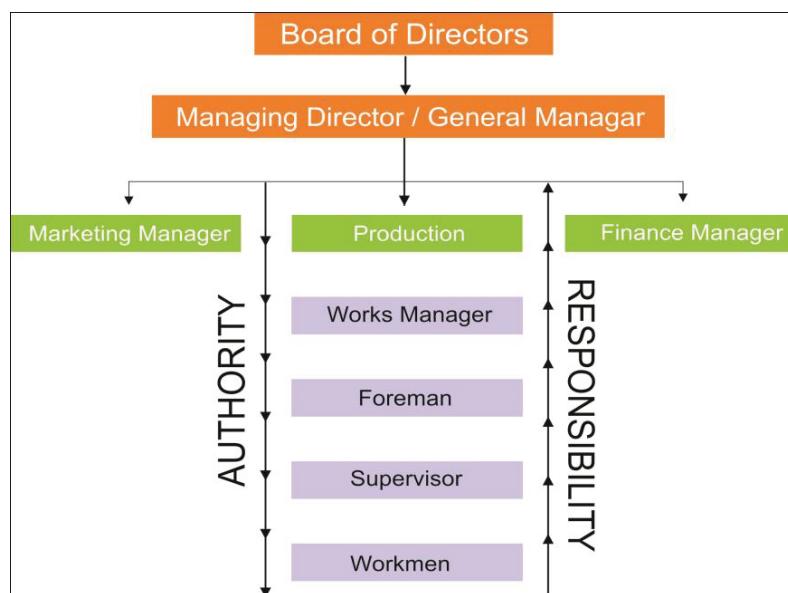


Fig 2.5 Line Organisation Structure

It is found that a line organisation can be arranged as:

1. **Pure Line Organisation:** In this, similar work is carried out at particular level. Here each subsequent group of activities is an independent unit which works for an allocated activity without the help of others.
2. **Departmental Line Organisation:** In this, the comprehensive work unites various departments as per the commonness of activities. Here each department is kept under individual departmental head. The idea of this is to get specific control, power and liability.

### **Characteristics of Line Organisation:**

Line organisation structure has following characteristics:

- Lines of influence and instructions are vertical, i.e. they flow from the top to the bottom.
- The unity of command is preserved in a straight and constant line. It implies that each junior receives instructions from his immediate superior alone and is responsible for him only.
- All people at the same level of organisation are self-governing. It implies that all the departmental heads are highest in their respective areas and self-regulating and are responsible to the chief executive. This applies to all other positions also.
- This structure specifies responsibility and authority for all the positions limiting the area of action by a particular position holder.

### **Merits of Line Organisation**

Line organisation structure has following merits or advantages.

1. **Simplicity:** This organisation is quite simple in both understanding and implementation.
2. **Discipline:** Since each position is subject to control by its immediate superior position, often the maintenance of discipline is easy.
3. **Prompt Decision:** Most of the decisions in such organisations are taken by the superiors concerned. This makes the decision-making process easier and less time-consuming.
4. **Orderly Communication:** Line organisation follows scalar chain method of communication.

5. **Easy Supervision and Control:** The line organisation provides for easy supervision and control because each subordinate is controlled by a single superior.
6. **Economical:** The line organisation is quite economical because it does not use staff specialists whose appointment is a costly affair specially for small organisations.
7. **Overall Development of the Managers:** Various functions of managers lead to the overall development of the managers concerned.

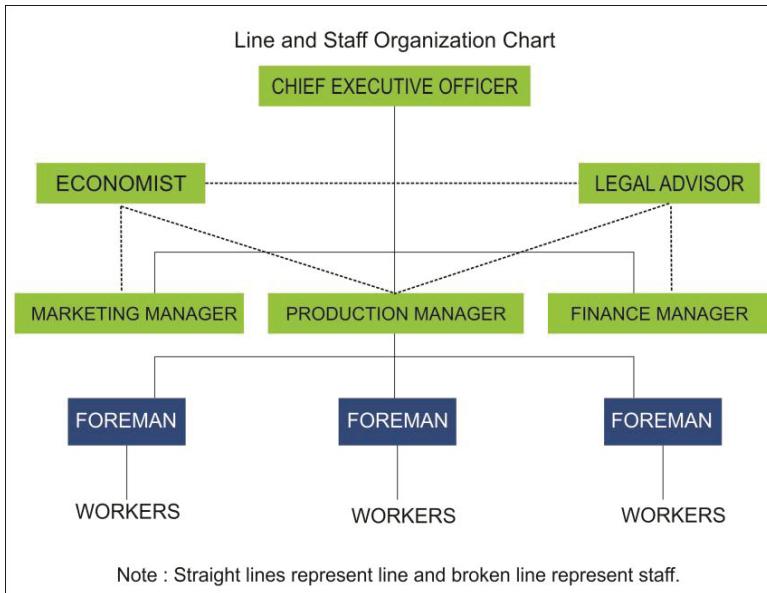
### **Demerits of Line Organisation**

Line organisations offer many problems and limitations, which are as follows:

1. **Lack of Specialisation:** The line organisation does not offer scope for specialisation. A manager has to perform a variety of functions, which may not necessarily be closely interrelated.
2. **Absence of Conceptual Thinking:** The managers in this system do not find time for conceptual thinking so essential for organisational growth and development because they remain quite busy in their day-to-day managerial problems.
3. **Autocratic Approach:** The line organisation is based upon autocratic approach of authority being direct, demands high level of obedience on the part of the subordinates.
4. **Problems of Coordination:** Coordination among various activities and the departments is achieved through horizontal relationship, whereas the line organisation stresses only on vertical relationship. Thus, there is acute problem of coordination, particularly in a large organisation.

### **2.4.3 Line and Staff Organisation Structure**

This structure narrates certain arrangement where staff experts advise their line managers to perform particular task. On increasing work of an executive, its performance will effect and service of specialists cannot able to give as of restricted capabilities. This type of advice is mandatory to deliver to line managers by staffs personal which are normally specialists in their own fields. The staff positions or departments are of purely advisory nature. They have the right to recommend, but have no authority to enforce their preference on other departments.



**Fig 2.6 Line and Staff Organisation Structure**

### Merits of Line and Staff Organisation

As against line organisation structure, line and staff structure offers the following advantages:

1. **Planned Specialisation:** The line and staff structure is based upon the principle of specialisation. The line managers are responsible for operations contributing directly to the achievement of organisational objectives whereas staff people are there to provide expert advice on the matters of their concerns.
2. **Quality Decisions:** The quality of the decision derived is superior as the decision is the product of careful thought and systematic analysis.
3. **Prospect for Personal Growth:** The system of organising offers ample prospect for efficient personnel to grow in the organisation.

### Demerits of Line and Staff Organisation

The line and staff structure has certain limitations, which particularly become acute when it is not implemented properly. Following are some basic problems and limitations:

1. **Lack of Well-defined Authority:** It becomes difficult to differentiate clearly between line and staff because, in actual practice, the authority is often diffused.

2. **Line and Staff Conflicts:** The chief problem of line and staff structure is the encounter between line and staff managers. Such conflicts may be because of various reasons and sometimes the organisational conflicts may be taken as personal conflicts resulting in interpersonal problems.

#### 2.4.4 Functional Organisation Structure

Functional organisation structure is the most widely used in the medium and large organisations having a limited number of products. This structure materialises from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is shaped by grouping the activities on the basis of functions prerequisite for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The elementary functions are essential for the organisation.

For example, in a manufacturing organisation, production and marketing are basic functions. When departments are created based on basic functions and a manager feels that his span of management is too wide to manage effectively, which invariably happens in large organisations, several departments are created on the basis of dividing a basic function into sub-functions. Marketing may be subdivided into marketing research, advertising, sales, and so on.

#### Characteristics of Functional Organisation

Relationships that include authority in functional structure may be in the form of line/ staff and functional. In fact, the concept of functional authority is very suitable for functional structure. Thus, functional structure is characterised by the following:

- Specialisation by functions
- Emphasis on sub-goals
- Pyramid growth of the organisation
- Line and staff division
- Functional authority relationships among various departments
- Limited span of management and tall structure

The organisation chart of functional structure is presented in Figure 2.7:

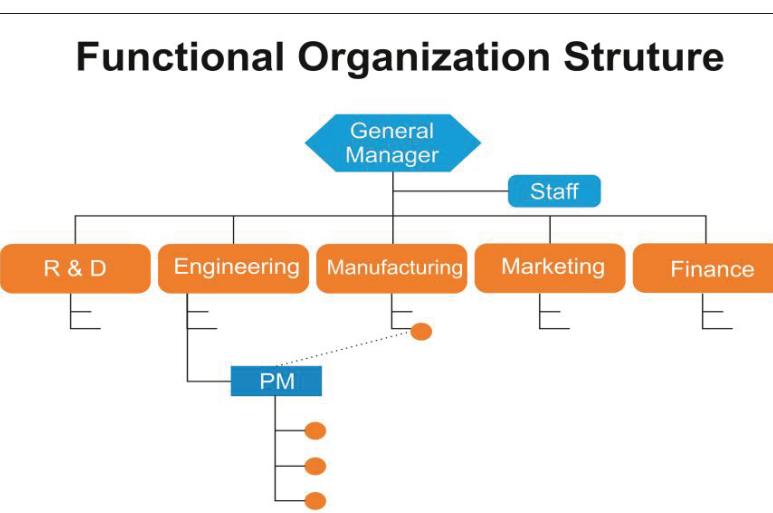


Fig 2.7 Functional Organisation Structure

### Problems in Functional Structure

The functional structure is inappropriate to an organisation, which takes up diversification. New activity may be dissimilar to the activities being performed by the organisation.

Thus, diversification cannot be achieved suitably within the context of functional structure. At least at some level, there may be violation of functional structure.

In such a situation, functional structure presents following problems:

- Responsibility for ultimate performance cannot be accorded in the functional structure because no one is responsible for product cost and profit. Each department concentrates on its contribution to the product, but not the entire product.
- Functional structure essentially produces slow decision-making process because the problem requiring a decision has to go to various departments as all of them have something to say on the matter.
- Functional structure lacks responsiveness necessary to cope up with new and rapidly changing work requirements.
- Functional structure offers usually line and staff conflict and interdepartmental conflict. The heightened degree of such a conflict becomes detrimental to organisational efficiency.

## 2.4.5 Divisional Organisation Structure

The second basic structural form employed by organisations is the divisional structure. In India, many companies have diversified into unrelated businesses and have found functional structure quite unsuitable for them. For example, companies like D.C.M. Limited, Voltas Limited, Century Spinning Mills, Gwalior Rayon, etc., have adopted the divisional structure.

Divisional structure, also called profit decentralization by Newman and others is built around business units. In this form, the organisation is divided into several autonomous units. Each unit is headed by a manager who is responsible for the organisation's investment in facilities, capital and people as well as for unit's development and performance.

Divisional structure is similar to dividing an organisation into several smaller organisations but it is not quite the same, since each smaller organisation is not completely independent. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

### Basis of Divisional Organisation

There are different bases on which various divisions in an organisation can be created. The two traditional bases are product and territory.

**Product Divisional Organisation:** In this form, each major product or product line is organised as a separate unit. Each unit has its own functional structure for various activities necessary for the product. Multi-product organisations use this as basis for divisional organisation. This is appropriate specially when each product is relatively complex and large amount of capital is required for each product. The product requires different type of efforts as compared to others in terms of marketing and/or production.

For example, Century Mills has separate divisions for textiles, cement and shipping. Reliance Industries Limited has six product divisions: textiles, polyester, fibre intermediates, polymers, chemical and oil and gas. Each division caters to different customers and has different types of competition.

**Territorial Divisional Organisation:** Under this form, location of regional offices is standalone units having its own functional departments which work under certain policies and guidelines given by corporate management. This is useful for those organisations whose activities are geographically spread such as banking, transport, insurance, etc.

For example, Life Insurance Corporation of India runs its life insurance business on the basis of territorial divisional organisation in which the entire geographical area of the country has been divided into five zones- eastern, central, northern, southern and western. Each zone has further been divided into appropriate number of divisions, e.g. north-zone into four divisions located at Jallandhar, Chandigarh, New Delhi and Ajmer.

Each division has a number of branches at different places covered by the division concerned.

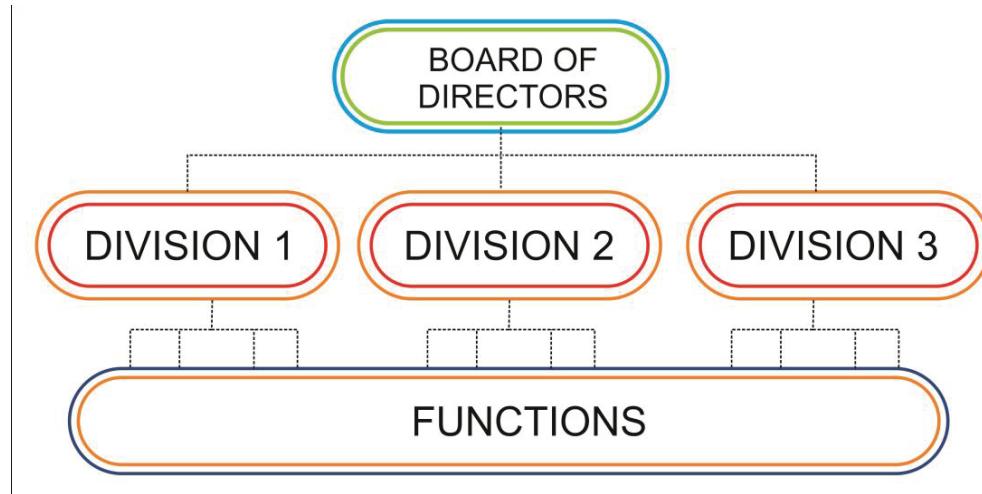


Fig 2.8 Divisional Organisation Structure

### Problems in Division Structure

There are certain disadvantages and problems of divisional structure. Some of these problems are inherent in the system while others emerge because of wrong approach of management. Following are the major shortcomings of divisional structure.

- Divisional structure is quite costly because all the facilities have to be arranged for each division.
- Since there is lack of emphasis of functional specialisation, many professionals do not feel satisfied with this structure.
- Often there is a lack of managerial personnel when a new division is opened because managers working within a division cannot work with same efficiency in other division, as they must have acquired the technical competence of that division.
- Control system is a major problem of the divisional organisation.

Many of these problems can be overcome through sharp focus on tasks and responsibilities of corporate and divisional management, measurement of performance of divisions, long-term policy for performance and incentives, creating more autonomy and decentralization of authority and the explicit strategies for both the organisations as a whole and its various divisions.

#### **2.4.6 Project Organisation Structure**

Major reforms in the traditional functional structure have come from a group of related structures such as project management. The basic idea behind this structure is that since environment changes very rapidly, the organisation must take up various activities on project basis, i.e. adding the required ones and deleting the unnecessary ones. Thus, the organisation can be organic-adaptive one.

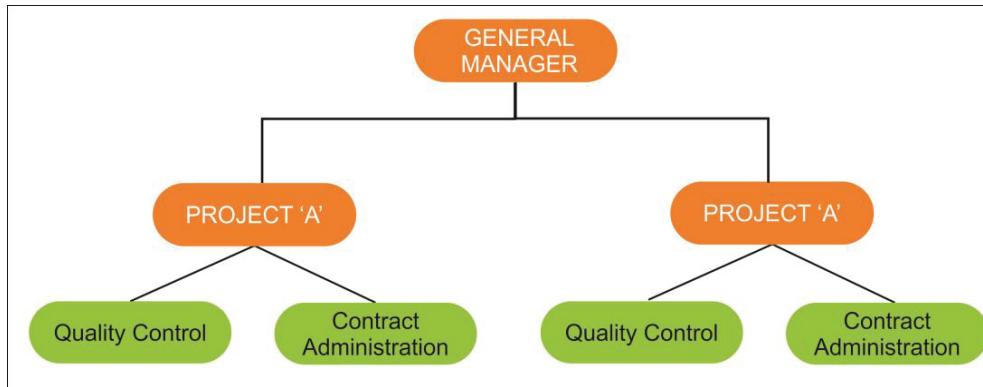
The project work can be managed in two forms of organisation: pure project organisation and matrix organisation.

The pure project organisation is suitable for taking small number of larger projects with long duration so that a separate division can be created for each project.

Project organisation appears like divisional structure except that in the latter, various divisions are created on permanent basis while in the former, they are created only for the lifetime of a project. When a particular project is completed, the concerned division may disappear. However, since a project may continue for quite long time, a project may become a sort of permanent.

For example, Middleton observes, “A project organisation can also be the beginning of an organisation cycle. The project may become a long term or permanent effort that eventually becomes a programme or branch organisation. The latter, in turn, may become separated from the parent organisation and be established as a full-fledged division, functionally organised.”

The establishment of project organisation calls for appointment of a project manager who is responsible for the completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done and how much resources are required. The functional personnel are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, project manager is a unifying and focal point for the project activities.



**Fig 2.9 Project Organisation Structure**

A project manager really does not have vertical authority on the personnel drawn from various functional departments in direct contrast to a divisional manager who has line authority over the people working in various functional departments assigned to his division. In the absence of any vertical authority, the project manager must persuade the functional department so that they help him to complete the project within time.

### Problems in Project Organisation

As a matter of fact, many of the flexibilities of a project organisation may turn into glitches if the arrangement is not prepared in anticipation for overcoming these problems. A project manager has to face unusual problems resulting from the project management. It has been observed that the following problems are usually experienced in project organisation.

- Project organisation creates feelings of insecurity and uncertainty among people in the organisation.
- People are not able to identify themselves with any particular department in the organisation because they do not have permanent tenure with any project.
- There is lack of clarity among members about their role in the organisation.
- Often project manager faces numerous problems because he has to carry responsibility without authority.

These problems are real and a challenge lies before the project manager. If he believes in traditional system of organisation, he may not be able to work. He has to change the total philosophy of managing.

## 2.4.7 Matrix Organisation Structure

Matrix organisation structure is principally a violation of unity of command and therefore, in practicality all the classical concepts related to the principle of unity of command are violated. Matrix structure is the realisation of two-dimensional structure, which emanates directly from two dimensions of authority. Two complementary structures- pure project structure and functional structure- are amalgamated to create the matrix structure.

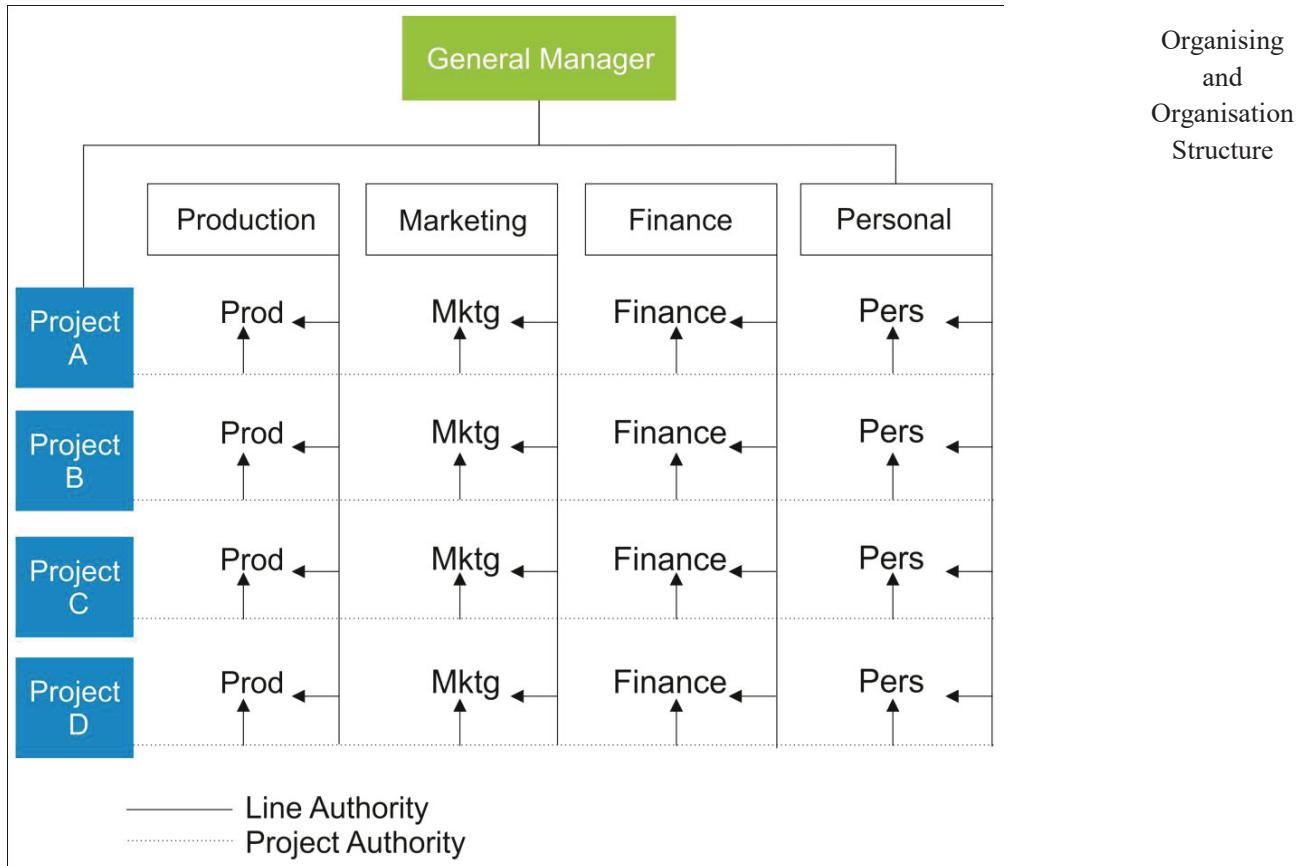
Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour. Thus, it shows many organisational overlaps, not only in terms of command system but also in terms of complete organisational processes and behaviour.

### Design of Matrix Structure

In the matrix organisation structure, a project manager is appointed to coordinate the activities of the project. Personnel are selected from their respective functional departments. Upon completion of the project, these people may return to their original departments for further assignment.

Thus, each functional staff has two bosses- his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project. Thus, a subordinate in matrix structure may receive instructions from two bosses.

Therefore, he must coordinate the instructions received from two or even more bosses. Similarly, matrix superior has to share the facilities with others. He reports in a direct line to the up, but does not have a complete line of command below.



**Fig 2.10 Matrix Organisation Structure**

### Problems in Matrix Structure

The matrix structure has a plethora of problems in practice because of its flexibility. The major problems of matrix structure are as follows and managers should take adequate precautions to overcome these.

- There is always power struggle in the matrix structure.
- Matrix structure can develop anarchy if not managed properly.
- This structure may not work very well when there is economic crunch.
- If matrix organisation is not followed properly, there is delay in decision-making.
- At the initial level, matrix structure becomes quite costly because of top heavy management.

A perusal of the various problems suggests that many of these problems arise because of faulty implementation of matrix structure. If it is executed with proper perspective, several snags will disappear. As it has been pointed out in the beginning, the matrix is not merely a structure but it includes systems, culture and behaviour, which must be in tandem with matrix philosophy.

#### 2.4.8 Virtual Organisation

The concept of virtual organisation or corporation along with virtual team and office has entered management field very recently. The literal meaning of virtual organisation is possessing the efficacy without the material part, unreal but capable of being considered as real for the purpose. Based on this concept, virtual corporation has been defined as " a temporary alliance between two or more organisations that band together to undertake a specified venture." Recently, in telecommunication sector in India, many virtual organisations have been created to provide different services.

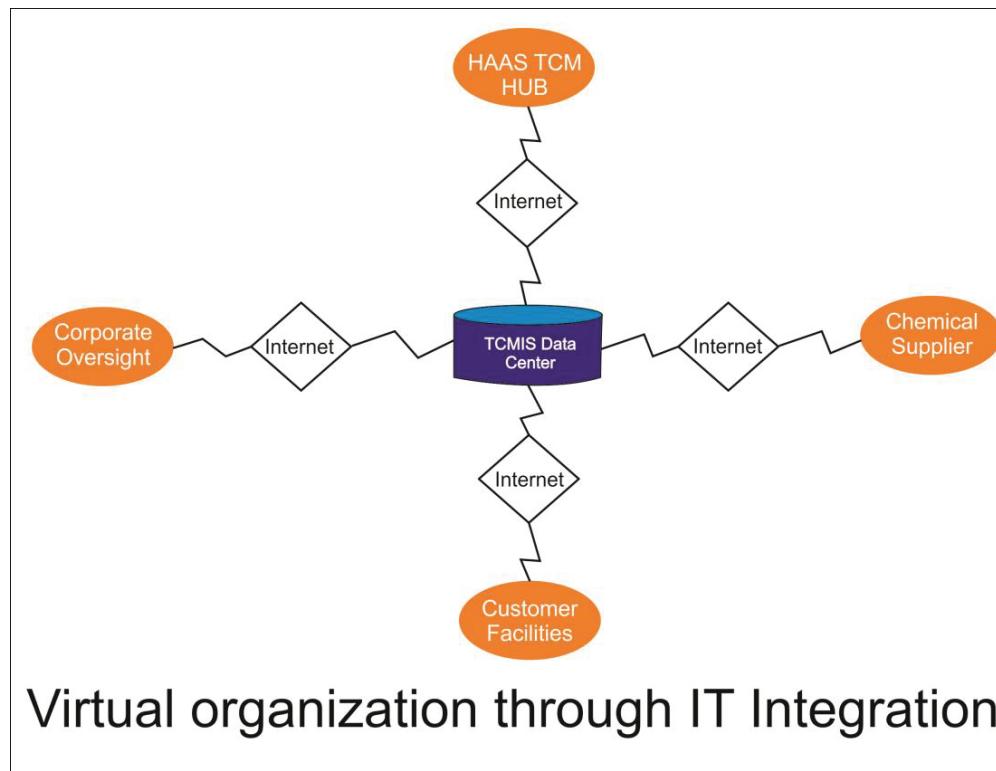


Fig 2.11 Virtual Organisation

## Characteristics of Virtual Organisation

Business Week has identified five basic features of a virtual organisation, which are as follows:

- Technology:** Informational networks will offer far-flung companies and entrepreneurs to link up work together from start to finish. The partnerships will be based on electronic contracts to keep the lawyers away and speed the linkups.
- Opportunism:** Partnerships will be less enduring, less formal and more opportunistic. Companies will link together to meet a specific market opportunity and, more often than not, fall apart once the need evaporates.
- Excellence:** Because each partner brings its core competence to the effort, it may be possible to create a best-of-everything organisation. Every function and process could be world class- something that no single company could achieve.
- Trust:** These relationships make companies far more reliant on each other and necessitate far more trust than even before. They will share a sense of co-destiny, meaning that the fate of each partner is dependent on other.
- No Borders:** The new corporate model redefines the traditional boundaries of the company. More cooperation among competitors, suppliers and customers makes it harder to determine where one company ends and another begins.

## Reasons for Virtual Organisation

The basic reason behind creating a virtual organisation is to generate synergy through temporary alliances. Creating synergy is the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This effect can be described as  $2 + 2 = 5$  effect. The synergistic effect is generated in virtual organisation because of the complementarily of competences of different partners. Some companies can do something very well but struggle with most others. Other companies can do very well in those areas where the first group of companies falls short.. If both these types of companies put their efforts jointly to undertake any project, their combined strengths could lead to better overall performance and better results than what individual companies could have achieved separately.

### Check your progress 3

1. Identify the organisation structure
  - a. Matrix
  - b. Rectangle
  - c. Triangle
  - d. square
2. Simplicity is the part of merits of the line organisation.
  - a. True
  - b. False

## 2.5 Informal Organisation

### 2.5.1 Meaning

Informal organisation endures as a relationship which survives between people in an organisation on the basis of their attitudes, emotions, prejudices, likes and dislikes etc. Such type of relation does not exist as per the standards and processing rules which ensues in a formal organisation. Normally, it is seen that a large formal groups will escalate small informal groups that are not planned earlier but will originate automatically in an organisation.

### 2.5.2 Characteristics

The characteristics of an informal organisation are:

- An informal organisation is flexible and unplanned depending on its structure.
- It carries no defined relationship.
- It carries two or more than two people.
- There exists a natural relationship.
- It carries volunteered membership.

- In this, there is no compulsion of groups as people have right to join any numbers of groups at the same time.

Organising  
and  
Organisation  
Structure

### 2.5.3 Importance

The importance of informal organisation in terms of Employees is:

- Sense of Belonging
- Safety valve for emotional problems
- Aid on the Job
- Innovation and Originality
- Important Channel of Communication
- Social Control

### 2.5.4 Limitations

- In an informal organisation, people sometimes conveyed wrong things to other person that result in horrible results.
- In such type of organisation, the changes are resisted and stress occurs when olden procedures are adopted.
- With negative thinking of leaders, the personal interest satisfies group interests then such organisation tends to function against formal organisational goals that could be dangerous.
- In this, when role in a group differs from formal goals then under such members conflict occurs in formal and informal roles.

### 2.5.5 Difference between Formal and Informal Organisation

Formal organisation	Informal organisation
It has defined objective that will save organisation and make it stable.	It does not have objectives but inspires of friendship, fame, respect, unity.
It is established with particular process.	It appears spontaneously.
In this the members are bound together with authority relation.	In this the member has duty, authority and responsibility.
It can be shown in an organisational chart.	It cannot be shown in an organisational chart.
In this the work for achieving organisational goal are identified.	In this the work for achieving organisational goal are not identified.

#### Check your progress 4

1. \_\_\_\_\_ is an example of informal communication in an organisation?
  - a. Organisation chart
  - b. Matrix structure
  - c. Gossip
  - d. Company circulars

### 2.6 Let Us Sum Up

In this unit we have learnt, that organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals.

It is studied that with organising, you can create formal organisational structure of role, relationship, position and authority. The good organisational

structure will contribute more on survival and success of an enterprise. It can be viewed as mechanism, device or indispensable means to achieve objectives.

There are several Principles of Organising such as Principle of Division of Labour, Principle of Functional Definition, Principle of Sealer Chain, Principle of Span of Control, Principle of Unity of Command, Principle of Objective, Principle of Balance, Principle of Flexibility, Principle of Absoluteness of Responsibility, Principle of Delegation by Result Expected, Principle of Parity between Authority and Responsibility, Principle of Efficiency, Principle of Continuity and Principle of Cooperation.

It is studied that an organisational chart is a diagram of official positions of an organisation and formal line of authority. It is a graphic and systematic description of formal structure of an organisation. The structure of an organisation carries vertical chart, horizontal chart and circular chart.

An organisational structure is a pattern of formal relationship between superiors and subordinates which is also regarded as network of role, relationship, assigned work and delegated authority to employees. Design of organisation structure is considered a matter of choice among a large number of alternatives.

It is seen that a line organisation structure is a scalar, military or vertical organisation which is an oldest form that believes on ruling with single head who commands it.

As seen, a line and staff organisation is a pattern where staff specialists advise line managers to perform their duties. In case of execution work increases, the performance needs services of specialists which himself cannot be done.

In a functional structure, a grouping activities takes places on basis of functions required for achieving organisational objectives. The idea of this is the functions are classified as basic, secondary and supporting functions as per nature and importance.

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## 2.7 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-a), (2-a)

### Check your progress 2

**Answers:** (1-a), (2-a)

### Check your progress 3

**Answers:** (1-a), (2-a)

### Check your progress 4

**Answers:** (1-c)

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## 2.8 Glossary

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1. **Organisation** - Two more persons engaged in a systematic effort to produce goods or services.
2. **Organisation chart** - A graphic representation of organisational structure.

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## 2.9 Assignment

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What is Organising? What do you understand by Organisational Structure?

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## 2.10 Activities

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1. Explain characteristics, need and importance of organisational structure.
2. Organisational structure provides the framework for undertaking managerial functions. Discuss.
3. What are organisational Charts? Explain their types and factors affecting organisational charts

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## 2.11 Case Study

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How does line and staff organisation structure differ from pure line organisation structure? Write in your own words.

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## 2.12 Further Readings

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hil.

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# **UNIT 1: DIRECTION AND SUPERVISION**

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## **Unit Structure**

### **1.0 Learning Objectives**

#### **1.1 Introduction**

#### **1.2 Direction**

1.2.1 Definition of Directing

1.2.2 Nature of Directing

1.2.3 Need and Importance of Directing

1.2.4 Principles of Directing

#### **1.3 Supervision**

1.3.1 Role of a Supervisor

1.3.2 Functions of a Supervisor

1.3.3 Effective Supervision

#### **1.4 Direction and Supervision**

#### **1.5 Let Us Sum Up**

#### **1.6 Answers for Check Your Progress**

#### **1.7 Glossary**

#### **1.8 Assignment**

#### **1.9 Activities**

#### **1.10 Case Study**

#### **1.11 Further Readings**

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### **1.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- Nature and need of Directing.
- Importance and principles of Directing.
- Supervision.
- Role and functions of a Supervisor.

## 1.1 Introduction

In the previous unit, you learned about Staffing which is one of the most important functions of management. It comprises managing manpower in an organisation involving the identification of requirement of personnel, their recruitment, selection, training, development, appraisal, promotion, transfer, compensation, etc. in an organisation.



Fig 1.1 Introductions

In this unit, you will learn about direction. Every manager, to get things done by subordinates, has to direct them. The directing is considered as an initiating function. Here you will study about direction and supervision. Motivation, Leadership and Communication are discussed in the next chapter.

## 1.2 Direction

In the process of management, the planning organising and staffing are not enough. These are to be supported by effective directing and efficient controlling. Every manager must direct his subordinates, to get things done. The directing is considered as an initiating function.

Organisation is the sum-total of human and non-human resources. These resources are utilised in apt ways in order to achieve the desired results. Through direction, the management conveys and motivates individuals in the organisation to function in the desired way to get organisational objectives. Without direction, other managerial activities like planning, organising, and staffing become ineffective.



**Fig 1.2 Directing and Supervising**

Here the manager will direct, instruct, guide and oversee the presentation of every workers so as to obtain already defined goals. It is the main part of the management process which is responsible for planning, organising, staffing.

Direction would primarily include human factors that explain guidance to workers in order to do work. In case of management, direction refers to activities that are shaped to inspire subordinates in order to work efficiently and professionally.

### **1.2.1 Definition of Directing**

In the words of Urwick and Brech, “directing is the guidance, the inspiration, the leadership of those men and women that constitutes the real core of the responsibility of management.”

Thus directing involves, issuing orders and instructions, overseeing of the subordinates and supervising the work being performed by them.

According to Haiman, “Directing consists of a process or technique by which instruction can be issued and operations can be carried out as originally planned.” Broadly, the process of directing involves the following elements:

- Issuing orders and instructions to the subordinates regarding the work being performed by them.
- Guiding, counselling and educating the subordinates and telling them the way of doing the given job.
- Supervising the work being performed by them on the regular basis to ensure that they have been working according to the plan.

Direction,  
Supervision  
And Controlling  
And  
Coordination

- Maintaining and inspiring the subordinates for following given orders and instructions and working in the given direction.

### 1.2.2 Nature of Directing

There are certain characteristics related to directing which are:

1. **Pervasive Function:** As directing is essential at every levels in an organisation, so it is the duty of the manager to give related guidance and to boost his subordinates.
2. **Continuous Activity:** In an organisation, direction serves as continuous activity throughout life in an organisation.
3. **Human Factor:** It is seen that directing is associated with subordinates and as human factor. As both are complex and unpredictable, hence direction serves as an important part.
4. **Creative Activity:** With direction, you can alter any plans into performance as in the absence of this; people will become stationary and physical resources results in no meaning.
5. **Executive Function:** As seen, direction is done with all managers and executives at certain levels without working of an enterprise.
6. **Delegate Function:** It is a function which is related to direction that deals with human beings.

### 1.2.3 Need and Importance of Directing

Directing is at the core of managing process. The presentations of various accomplishments in organisation revolve around it. In spite of sound planning, a suitable organisational structure, effective staffing and efficient controlling, the desired results may not be obtained without proper directing. It is only through directing process, the organisational actions are commenced for attaining its objectives.

In detail, the importance of directing can be understood on the basis of the following factors.

1. **Directing helps in achieving Co-ordination:** The Co-ordination is considered as a by-product of effective directing. In the process of directing, every manager assimilates the activities of all the subordinates through

supervision, guidance and counselling for achieving pre-set organisational goals.

Direction and Supervision

2. **It is a means of motivation:** To accomplish the-objectives of organisation, it is necessary to encourage the workforce there. The employees are motivated to work willingly and efficiently, through the process of directing. The superior who guides the activities of underlings stimulates them to follow given orders and instructions whole-heartedly.
3. **Directing supplements other managerial functions:** In the process of managing, the manager has to perform many management functions such as planning organising, staffing and controlling etc. To achieve desired results from all these functions, the directing function is crucial. Through directing, other managerial functions are initiated and actuated. With ineffective directing, the managerial functions remain less effective or completely ineffective.
4. **Directing helps in coping with changing environment:** The changing business environment may force the organisation to initiate change in its functioning, structure or goals. Such changes can be presented and managed effectively with the help of directing. Through directing, the manager provides vibrant headship and free and frank communication with subordinates as to convince them regarding the positive side of change. They may be taken into confidence and persuaded for accepting the change and giving their full cooperation for implementing it.
5. **Directing facilitates order and discipline among employees:** Disciplined workforce is needed for the effective organisational operations. Through the process of directing briefings and instructions are given to the subordinates and they are inspired and motivated to follow them. The main purpose of directing is to get things done by subordinates. By supervising, guiding, educating and overseeing the activities of subordinates, they are made to work in a disciplined manner.

#### 1.2.4 Principles of Directing

In order to make directing more effective and meaningful, certain principles are followed. Some important principles of directing are as follows:

1. **Harmony of objectives:** The establishment is a collective entity of the people. It embodies the interest of various groups of the people such as owners, employees, customers, financiers and the society etc.

According to this principle, to secure maximum prosperity for the organisation and to work for the interest of other groups in a better way, all conflicting objectives must be synchronized so that they strengthen and promote each other. In this regard, F.W.Taylor has painted out that an effective direction depends on the harmony of objectives.

Interestingly enough, Henri Fayol talks about the sacrifice of their personal interest for achieving the objectives of organisation, because their personal interest may be served better only if a common goal of organisation is achieved efficiently.

2. **Unity of command:** According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior. An application of this principle implies unified direction of subordinates' activities by one superior. In doing so, discipline can be maintained among them their activities can be controlled effectively and dual command is avoided.
3. **Direct supervision:** Directing becomes more effective if it is complemented by the personal touch of the superior. The superior maintains direct contact with subordinates, looks into their needs and requirement, helps them in performing their job and solve their difficulties promptly. The subordinates who are content tend to contribute more for the accomplishment of organisational goals.
4. **Participative leadership:** It is interesting to observe that participative leadership on the part of superior helps in making directing more effective. If the superior respects and listens to the views of subordinates, they become more loyal and sincere and give more cooperation to him. According to this principle to encourage the performance levels, subordinates should be taken into confidence and must be consulted at least on the matters that are related to them before making decision by the superior.
5. **Follow up:** Issuing orders and instructions is the chief task of direction. In order to make directing, more effective it is necessary to take up some follow up actions by the superior. He should motivate subordinates to follow given directives and work accordingly. He must be vigilant when he oversees the working of subordinates, check their performance and guide them to follow suitable course of action for doing the Job.
6. **Unity of direction:** In order to get the entire organisation functional is absolutely quintessential to make the whole process of directing more

meaningful which makes it imperative to follow the principle of unity of direction. According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective. For example, all activities related to production should have one plan i.e. the production plan and this plan should be implemented under the command of production manager. By adopting this principle, duplication and repetition of activities is curtailed and benefits of specialisation are secured.

### Check your progress 1

1. According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective. For example, all activities
  - a. Unity of direction.
  - b. Unity of command.
  - c. Direct Supervision.
  - d. Participative Leadership.
2. According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior.
  - a. Unity of Command.
  - b. Unity of direction.
  - c. Direct Supervision.
  - d. Participative Leadership.

## 1.3 Supervision

The act of supervision entails overseeing and administering the tasks of underlings who may lack full knowledge of the concept at hand. Supervision does not mean control of another but guidance in a work, professional or personal context.

There are several elucidations of the term "supervision," but typically, supervision is the activity carried out by supervisors to manage the productivity and progress of employees who report directly to the supervisors. For example,

first-level supervisors supervise entry-level employees. Depending on the size of the organisation, middle managers supervise first-level supervisors; chief executives supervise middle-managers, etc. Supervision is a management activity and supervisors have a management role in the organisation.

Occasionally, writers will substitute "leadership" and "supervision." Both activities are closely related. Supervision requires leadership. Leadership does not necessarily have to involve supervision.

### 1.3.1     Role of a Supervisor

Supervisor serves as an important role in an organisation. In an organisation, the role of supervisor is to monitor the employees working. The work of supervision is carried out at companies, factories where the supervisor will monitor products. It is found that a supervisor is part of management team which will serve as position of first line managers. First line manager is a person who will work for many functions that will help in meeting the productivity. With this reason, a supervisor is only called as manager that has important role at execution level.

**A supervisor plays multiple roles at one time:**

1. **As a Planner:** A supervisor functions as a planner as he/she has to plan for daily working schedules in an establishment. In planning, he bifurcates and delegates the work among different workers as per their abilities.
2. **As a Manager:** Since supervisor is part of management team, so ultimately to operate the working he was called as operative manager.
3. **As a Guide and Leader:** A supervisor guides the people working under him with necessary plan to be performed daily.
4. **As a Mediator:** A supervisor is a person who will communicate and work in between the management and workers. He serves as a coordinator among management as well as workers.
5. **As an Inspector:** An important function of supervisor is to monitor, standardise rules for workers, time scheduling and carried out performance for workers on daily basis. In the other way it serves as an inspector by inspecting rule, work, and production apart from the progress of workers at an individual and collective level.

6. **As a Counsellor:** A supervisor sometimes plays the role of a counsellor when he/she involves in workers problems. At that time he has to really become a person that can make the worker satisfied with responses.

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### 1.3.2 Functions of a Supervisor

To manage the function related to workers and progress, supervisor plays an important role. Being the part of management team, the supervisor works closely with concerned manager to do various functions involved. The idea behind performance of certain functions is to take care about stability and soundness to an organisation with the idea of achieving profits with more productivity. With this, supervisor concerns with following functions:

1. **Planning and Organising:** Supervisor's plans for day-to-day work and performs schedule for workers by showing and helping them about the nature of work.
2. **Provision of working conditions:** As seen, supervisor serves as an important function by doing physical settings in an organisation by arranging physical resources at correct place.
3. **Leadership and Guidance:** As studied, supervisor is a sort of leaders for workers who handle all workers problems. He persuades workers through target and production scheduling with the aid of instructions and guidelines.
4. **Motivation:** A supervisor is important management personnel that link him with workers to pursue any work and to provide incentives to workers at various levels.
5. **Controlling:** The main aspect of supervisor is to:
  - Takes care about the performance of workers against certain time schedule
  - Ensure and check the work progress
  - Locate for any deflection in making solutions
  - Involved in self-problem solving solution thereby reporting it to top management
6. **Linking Pin:** It is work of supervisor to improvise on solutions over problems that exist among management and workers. The work of communicating and passing of relevant information to workers with the demand of management is the core concept which supervisor handles.

7. **Grievance Handling:** The supervisor can handle the grievances of the workers effectively. For this, he has to do the following things :
  - He must maintain personal one-to- one contact with workers.
  - He should win the confidence of the workers by solving their problems.
  - He should tackle worker problems on humanitarian grounds.
  - If he cannot tackle them independently, he can take the help and advice of the management to solve it.
8. **Reporting:** A supervisor has an important role to report about the cost, quality and any such output, which can be responsible for increasing productivity.
9. **Introducing new work methods:** The supervisor needs to be updated and conscious of all new developments and amendments regarding the production and market trends. This makes it easier for him to inspire his workers. A knowledgeable senior will always command the respect and support of his subordinates. So, the work of supervisor is to invent latest technique which saves production time and involves less workers wastage which could result in:
  - Higher productivity
  - High morale of workers
  - Satisfying working condition
  - Improving human relations
  - Higher profits
  - High stability
10. **Enforcing Discipline:** A supervisor can undertake many steps to maintain discipline in the concern by continuous checking and necessary measures such as strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the undisciplined workers. All these above steps help in improving the overall discipline of the factory.

### 1.3.3 Effective Supervision

To be a role model one must be performing at optimum even on an individual level, the effectiveness of a supervisor is judged on the basis of how he is contributing to his organisation by his work at an individual level as well. Thus, he and his effectiveness can be measured in terms of his qualities, his supervisory process and the result of his actions. All these are to be related to the contributions to the achievement of organisational objectives. Following are some of the elements of effective supervisory practices:

1. **Leadership:** It is an act influencing activities related to individual or groups so as to attain goals in a particular manner. With this, an individual or group is able to share willingly to achieve goals.
2. **Closeness of Supervision:** It is the degree of closeness where the supervision varies from close-supervision to free-supervision. The quality of good supervisors is to monitor and supervise with less close supervision. It is seen that a close supervision will result in low morale and motivation as it stops the satisfaction as per the strongly feelings of subordinates.
3. **Employee-orientation or Human Relations:** It is studied that both employees and work are taken care with the help of two styles such as employee-oriented and production-oriented. It is seen that in employee oriented style, there exists great stress in interaction of employee's jobs where as in production oriented style, the production and technical aspects depends on jobs and employees.

Thus, effective supervision is employee-oriented which enables and enlightens the minds of subordinates assuring them that their interests are taken into consideration in organisational practices. High producing workers are also of this opinion that they prefer employee-oriented technique because supervisors take personal interest in them, which persuades them to serve better.. In this atmosphere, the various problems being faced by workers can be discussed with the supervisors concerned in order to find out their optimal solution.

4. **Group Cohesiveness:** In this, the belongingness to high-producing group enhances the members' regard for dignity of their own job. The amount of dignity assigned by group members to their own jobs is highly associated with group cohesiveness. An effective supervisor attempts for maintaining group cohesiveness by infusing confidence and trust in employees.

5. **Delegation:** Appropriate delegation leads to higher productivity, in the organisation. Effective supervision implies adequate delegation. A supervisor should not make any decision, which his subordinates can make. This not only develops confidence in the subordinates but also motivates them for better performance, making them independent and in the process saving a superior's time to concentrate for other work.
6. **Other Factors:** It is found that there are certain factors apart from discussed above where supervision serves as an effective trend. In this, the subordinates will feel that the supervisor which can set superiors and satisfy their needs in terms of promotion, recognition and work-centred will get more benefits.

### Check your progress 2

1. A supervisor's multiple roles at one time is \_\_\_\_\_.
  - a. As a Planner
  - b. As a Guide and Leader
  - c. As a Mediator
  - d. All of the above
2. \_\_\_\_\_ are the elements of effective supervisory practices.
  - a. Closeness of Supervision
  - b. Employee-orientation or Human Relations
  - c. Group Cohesiveness
  - d. All of the above

## 1.4 Direction and Supervision

Sometimes, confusion arises between direction and supervision. The basic reason for such confusion is the context in which the term supervision is used. Therefore, two terms- direction and supervision- differ in terms of context and content. The term supervision is used in two ways.

First, it is used as an element of direction and, therefore, every manager in the organisation performs the function of supervision irrespective of his level in

managerial hierarchy. In this context, supervision involves guiding the efforts of others to achieve the stated objectives.

Direction and Supervision

For example, Terry and Franklin have defined supervision as, “guiding and directing efforts of employees and other resources to accomplish stated work outputs.” Thus, the scope of supervision is much more limited as compared to that of direction, which includes motivating and leading employees and communicating with them, besides guiding them.

Second, the term supervision is used to denote the functions performed by supervisors- a class of personnel between management and operatives. When supervision is used in this context, it includes all supervisory functions, which include planning organising, staffing, directing and controlling with varying emphasis on different functions. In this context, Newman and Warren have defined supervision as the day-to-day relationship between an executive and his immediate assistant and covers training, direction, motivation, Co-ordination, maintenance of discipline, etc.

Thus, it becomes much wider than directing particularly at supervisory level.

### Check your progress 3

1. Which among the following explained supervision as, guiding and directing efforts of employees with several different resources to complete stated work outputs?
  - a. Terry and Franklin.
  - b. Peter.F.Drucker.
  - c. George.R.Terry.
  - d. None of the above
2. \_\_\_\_\_ defined supervision as daily interaction among executive and immediate assistant in terms of training, direction, motivation, Co-ordination, maintenance of discipline.
  - a. Newman and Warren.
  - b. George.R.Terry.
  - c. Peter.F.Drucker.
  - d. Terry and Franklin

## 1.5 Let Us Sum Up

In this unit we have learnt that directing serves as managerial function that is mainly related with influencing, guiding, supervising and inspiring of subordinates in a well planned manner.

It is studied that the process of directing will cover issuing of orders and instructions along with guidance, counselling, adequate knowledge to subordinates, work supervision and thereby maintaining and inspiring subordinates.

It is found that there are several important principles of directing which will include harmony of objective, unity of command, direct supervision, participative leadership, follow up and unity of direction.

The broad meaning of supervision is the style of watching over the work or tasks of another who lacks in knowledge of concept at hand. It does not effect on the control of another but will able to guide in work, professional or personal.

The scope of supervision is limited to that of direction having motivating and leading employees along with communication among them inspite of giving guidance to them.

## 1.6 Answers for Check Your Progress

### Check your progress 1

**Answers:** (1-a), (2-a)

### Check your progress 2

**Answers:** (1-d), (2-d)

### Check your progress 2

**Answers:** (1-a), (2-a)

## 1.7 Glossary

1. **SWOT analysis** – Analysis is intended to match the firm's strengths and weaknesses with the opportunities and threats posed by the environment.

- 2. **Organisation chart** - A graphic representation of organisational structure.
- 3. **Planning** - It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.
- 4. **Managers** -They are the individuals charged with monitoring the workflow, integrating efforts, meeting goals and providing leadership.
- 5. **Mission** - The organisation's purpose or fundamental reason for existence of work in order to improve worker efficiency.

Direction and  
Supervision

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## 1.8 Assignment

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Discuss the role of supervisor in making the company production double. What steps are taken by him to do so?

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## 1.9 Activities

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What do you understand by Supervision? How is it different from Direction?

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## 1.10 Case Study

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Based on your observations at workplace or at any organisation, explain the difference between Direction and Supervision in your own words.

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## 1.11 Further Readings

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- 1. Principles of Management, B.S. Moshal, Galgotia Publications.
- 2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
- 3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
- 4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hill.

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## **UNIT 2: CONTROLLING AND CO-ORDINATION**

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### **Unit Structure**

#### **2.0 Learning Objectives**

#### **2.1 Introduction**

#### **2.2 Controlling**

2.2.1 Meaning of Controlling

2.2.2 Features of Controlling

2.2.3 Importance of Control

2.2.4 The Control Process

2.2.5 Characteristics of an Effective Control System

2.2.6 Types of Control

#### **2.3 Planning and Controlling**

#### **2.4 Co-ordination**

2.4.1 Characteristics of Co-ordination

2.4.2 Essentials of Co-ordination

2.4.3 Types of Co-ordination

2.4.4 Techniques of Co-ordination

2.4.5 Principles of Co-ordination

2.4.6 Obstacles

2.4.7 Need

#### **2.5 Let Us Sum Up**

#### **2.6 Answers for Check Your Progress**

#### **2.7 Glossary**

#### **2.8 Assignment**

#### **2.9 Activities**

#### **2.10 Case Study**

#### **2.11 Further Readings**

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## 2.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- Meaning, Features, Importance, Types and Process of Controlling.
- Effective Control System.
- How Controlling is different from Planning.
- Concept, Importance, Techniques and Principles of Co-ordination.

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## 2.1 Introduction

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In this unit you will be acquainted with the basic of controlling and its necessary factors. Controlling basically is employed as an active measurement of success that is against the standards as well as correction of variation if it exists, in order to make sure about success of organisational goals. The basic of controlling appears as to make sure about all occurring in conformities along with certain standards and principles. A well-organized system of control will rather help in predicting variations which come just before when actually takes place. Apart from this, you will also study about Co-ordination and resolution of conflicts, which are essential for smooth functioning of an organisation.

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## 2.2 Controlling

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Controlling is the method of paralleling actual performance with standards and employing necessary corrective action. The emphasis of the control system comprises of feed forward-control to prevent problems; concurrent control to monitor on-going activities and feedback control to evaluate last-performance. While incorporating controls at various levels, employee reactions must, also kept in mind.

### Raghuveer's Dilemma

Raghuveer Desai is the supervisor of an engineering firm in Pune. The morale in his office was quite low, recently. The workers went back to a 9- 5 work schedule after being on flexi time for nearly two years.

When the directive came down allowing Raghuveer to place his office on flexi time, he spelled out the rules carefully to his people. All the employees were to work during the core period from 10 a.m. to 2 p.m. However, they could work

the rest of the eight-hour day at any time between 6a.m. and 6p.m. Raghuveer believed his workers were honest and well-motivated, so he did not bother to setup any system of control.

Everything went along well for a long time. The morale was high and all the work seemed to be done. In November, 2010 the chief factory manager found that Raghuveer's workers were averaging seven hours a day. Two employees had been working only during the core period for more than two months. When Raghuveer's departmental head received the factory manager's report, he told Raghuveer to return-the office to regular working hours. Raghuveer was upset and disappointed with his people. He had trusted them and felt they had let him down.

#### **What did Raghuveer fail to understand about the controlling process?**

If you look at the above narrative carefully you will realise that Raghuveer was in fact wrong in assuming too many things at the very beginning. It is good to trust your sub- ordinates and co- workers however control is equally essential. Control is the process of comparing actual performance with established standards for taking action to correct deviations.

Planning organising, coordinating and directing are only preparatory steps for getting the work done; it is only through the process of control that management is able to maintain the “equilibrium between ends and means, output an effort.”

It is the process wherein managers guarantee that resources obtained are used effectually and resourcefully in the accomplishment of the organisation's objectives (Robin Anthony), a properly designed system of control alerts managers of the existence of potential problems and allows them to take counteractive actions, when necessary.

The basic purpose of a well-designed control system ensures that results are achieved according to plan. Control is not just score keeping. It is not just manoeuvring the course and receiving locations report; It is, rather, steering the ship as a whole.

#### **2.2.1 Meaning of Controlling**

Controlling means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained. To do this, managers study the accounts and other reports and compare them to the previous plans. These comparisons may show where operations are

not proceeding as planned and who is responsible for what. It is a careful analysis of the past and the present that prepares them for a comfortable future. The feedback that management receives may suggest the need to re-plan, to set new strategies or to reshape the organisational structure.

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**Fig 2.1 Controlling**

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organisational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance discovers the causes of such deviations and helps in taking corrective actions.

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

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

Controlling has got two basic purposes:

- It facilitates Co-ordination
- It helps in planning

## 2.2.2 Features of Controlling

A careful exam of the above definitions reveals the following features of controlling.

1. **Control is a Positive Force:** The primary object of control is to find areas of failure, and who is responsible for them and remedial actions to be taken. It is thus a positive force, aimed at securing performance. Just like a thermostat in a refrigerator control automatically begins to operate whenever deviations occur. It is a constructive activity designed to check deviations and advance performance.
2. **Controls Continuous Process:** It is not a one-step action plan. As pointed by the navigator continually takes readings to ascertain where he is, relative to a planned course, so should the business manager continually take readings to assure him that his enterprise or department is on course.”
3. **Control is Forward Looking:** Control involves a post-mortem examination of past events; it is often viewed negatively, as a policing or watchdog kind of job. The whole exercised of looking back is meant to improve performance in future, as past cannot be controlled.
4. **Control Process is Universal:** Control is a primary function of every manager. It has to be undertaken at every level. Managers at every level have to check deviations from standards; set it right immediately and keep the business on course. The, process of management is incomplete without controlling.
5. **Control Process is Dynamic:** Control is not static; it is dynamic in the sense, it is amenable to change and hence, highly flexible. Between the establishment and achieving of the goal many things can happen in the organisation and its environment to disrupt or slow the pace of movement toward the goal or even to change goal itself. “A properly designed control system can help managers anticipate, monitor and respond to changing circumstances.”
6. **Control is Goal-Oriented:** Control guides activities (along desired lines) towards predetermined goals. The primary focus is on achieving results, checking deviations, if any and initiating timely remedial steps. Control, thus, is not an end in itself but only a means to achieve predetermined goals.
7. **Delegation is the Key to Control:** A manager gets authority to use resources and achieve results through delegation. Without such authority, a manager may not be in a position to take effective rectification steps in time.

In addition, it should be remembered here, to put activities along right paths; a manager requires enough authority so that he can control anything and everything under his jurisdiction.

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8. **Control is based on Planning:** A system or control presupposes the existence of certain standards. The plans provide the standards of performance, which serve as the basis of control. Thus, planning and control are closely related to each other. Once plans are made, control is unnecessary to measure the progress of work. Planning is useful only when there is effective control. Planning without control is meaningless.

### 2.2.3 Importance of Control

Control is an indispensable part of every organisation. The management process is incomplete and sometimes rendered meaningless without control function. Targets remain on paper, where people tend to use resources recklessly and managers find everything chaotic. The absence of control could be very costly and unproductive.

A good system of control, however, puts an end to all of these and offers the following advantages:

1. **Achievement of Goals:** Controlling is a goal-oriented process. It keeps activities on the right track. Whenever things go off the rails, remedial steps are undertaken immediately. Every attempt is made to confirm events, to set targets and thereby achieve results efficiently and effectively.
2. **Execution and Revision of Plans:** It is through controlling that suitable steps are taken to ensure that each plan is implemented in a predetermined way. Controlling measures progress, uncovers deviations, indicates corrective steps and thus, keeps everything on track. Of course, when conditions change dramatically, controlling helps to review, revise and update the plan. It offers valuable feedback information, reveals shortcomings in plans and thereby helps in preparing other plans for future use.
3. **Brings Order and Discipline:** In an organisation, while pursuing goals managers and their subordinates often commit mistakes. For example, problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, and poor designs are followed. A control system helps check such tendencies before they turn into serious problems. It has a healthy impact on the behaviour of subordinates. They become cautious

while discharging their duties since they are aware (that their actions are observed at every stage)

4. **Facilitates Decentralisation of Authority:** When managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A defined system of control ensures this by forcing subordinates to conform to plans. The feedback information helps managers check whether actions taken at lower levels are in line with what has been planned or not. It helps measure progress, check deviations and adjust operations from time to time. This leads to a dynamic set up with achievable goals.
5. **Promotes Co-ordination:** Control facilitates Co-ordination between different departments and divisions by providing them unity of direction. Individuals and their activities are tied to a set of common objectives. Such a unified focus ensures accomplishment of results, efficiently and effectively.
6. **Cope with Uncertainty and Change:** The business environment is dynamic and expects the organisations to be ever prepared for a new wave of science or innovation to hit them. New products emerge, innovations come up and new regulations are passed and so on. The organisation needs to keep a watchful eye on such developments and respond intelligently. A control system helps in checking whether the diversified product lines are giving healthy margins, the sales from each region are improving, the products are accepted in the market place or not. Constant monitoring of key areas helps management encash opportunities that are thrown open from time to time. Timely actions can also be initiated to prevent mistakes from becoming serious threats.

## 2.2.4 The Control Process

Controlling And  
Co-Ordination

The process of control involves the following steps:

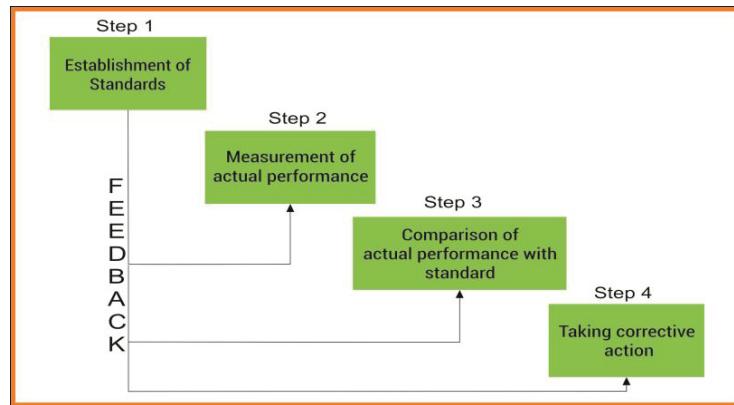


Fig 2.2 Control Process

1. **Establishment of Standards:** The first step in the control process is establishing standards. Standards are the targets against which subsequent performances will be equated with. They are, by definition, simply criteria of performance. They serve as the benchmarks because they specify acceptable levels of performance.

It is found that laying of standards for every operation is an unpreventable work which is performed by the management such as:

- In the initial phase of setting standards, it is the work of an executive to study about various characteristics related to work.
- It is the work of executive to consider simple flexible and normally accepting levels of good performance in case of work characteristics.
- On differing with amount of work related to operations, it is seen that the characteristics differs along with standards.
- It is found that there are set standards that depends on characteristics of particular task.

2. **Measurement of actual performance:** Another step in control process is measurement of actual performance where actual performance of employees is measured in terms of fixed standards as per his job. Also, measuring performance of a personnel manager at the same time is difficult.

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And Controlling  
And  
Coordination

To make the checking process effective, the manager has to concentrate on three key aspects of measurement, viz., completeness, objectivity and responsiveness.

- **Completeness:** Complete measures provide an opportunity for the manager to concentrate on all aspects of the job instead of neglecting unmeasured tasks in favour of measured ones.
- **Objectivity:** Objective measures avoid bias that is essentially found in subjective assessment of task and people.
- **Responsiveness:** Responsive measures support the belief that effort and performance lead to improvement in the systems of control.

These three types of measurement are equally important for all jobs in organisations.

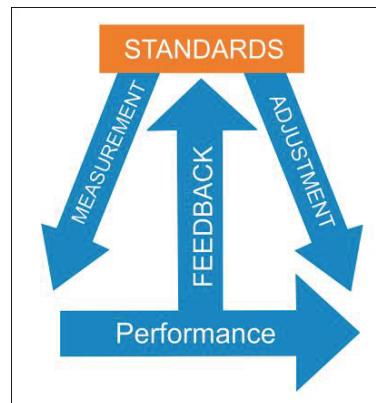


Fig 2.3 Measurement, Feedback and Adjustment during Performance

3. **Comparison of actual performance with standard:** The comparing step determines the degree of variation between actual performance and the standard. Some variation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of variation. Deviations in excess of this range become significant and receive manager's attention. All such deviations may be due to errors in planning, defective implementation or careless performance of the operatives. As a matter of fact, only major or exceptional deviations should be communicated to top management in the form of reports. This is known as 'management by exception'

4. **Taking corrective action:** The last and final step in the control process is taking corrective action, when required. Corrective steps are initiated by managers with a view to rectify the defects in actual performance. If actual performance for example- falls short of standards due to non-availability of materials, managers try to procure these materials and thus set things in order. If it is due to poor results shown by employees, it could be rectified through the introduction of attractive incentive plans. Thus, a corrective action may involve a change in methods, rules, procedures, etc. Sometimes, variations might occur due to unrealistic standards. That is, the goal may be too high or too low. In such cases, managers try to set things in order by revising the standards altogether.

Corrective action, as mentioned above, includes the change in strategy, structure, compensation practices, training programmes, redesign of jobs, replacement of personnel, re-establishment of budgets or standards, etc.

### 2.2.5 Characteristics of an Effective Control System

Effective control systems have certain characteristics. For a control system to be effective, it must be:

1. **Accurate:** Information on performance must be accurate. Evaluating the accuracy of the information they receive is one of the most important control tasks that managers face.
2. **Timely:** Information must be collected, routed and evaluated quickly if action is to be taken in time to produce improvements.
3. **Objective and Comprehensible:** The information in a control system should be understandable and be seen as objective by the individuals who use it. A difficult-to understand control system will cause unnecessary mistakes and confusion or frustration among employees.
4. **Focused on Strategic Control Points:** The control system should be focused on those areas where deviations from the standards are most likely to take place or where deviations would lead to the greatest harm.
5. **Economically Realistic:** The cost of implementing a control system should be less than or at most equal to, the benefits derived from the control system.
6. **Organisational Realistic:** The control system has to be compatible with organisational realities and all standards for performance must be realistic.

7. **Coordinated with the Organisation's Work Flow:** Control information needs to be coordinated with the flow of work through the organisation for two reasons: (1) each step in the work process may affect the success or failure of the entire operation, (2) the control information must get to all the people who need to receive it.
8. **Flexible:** Controls must have flexibility built into them so that the organisations can react quickly to overcome adverse changes or to take advantage of new opportunities.
9. **Prescriptive and Operational:** Control systems ought to indicate, upon the detection of the deviation from standards, what corrective action should be taken.
10. **Accepted by Organisation Members:** For a control system to be accepted by organisation members, the controls must be related to meaningful and accepted goals.

These characteristics can be applied to controls at all levels of the organisation.

### 2.2.6 Types of Control

Management can implement controls before an activity commences, while the activity is going on or after the activity has been completed. The three respective types of control based on timing are feed forward, concurrent and feedback.

1. **Feed forward Control:** Feed forward control concentrates on the regulation of inputs (human, material and financial resources that flow into the organisation) to warrant the standards necessary for the transformation process.

Feed forward controls are desirable because they allow management to prevent problems rather than having to cure them later. Unfortunately, these controls require timely and accurate information that is often difficult to develop. Feed forward control also is sometimes called preliminary control, pre-control, preventive control or steering control.

However, some authors use term "steering control" to separate the types of control. These types of controls are designed to detect deviation some standard or goal to allow correction to be made before a particular sequence of actions is completed.

2. **Concurrent Control:** Concurrent control takes place while an activity is in progress. It involves the regulation of on-going activities that are part of transformation process to ensure that they conform to organisational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.

Since concurrent control involves regulating on-going tasks, it requires a thorough understanding of the specific tasks involved and their relationship to the desired product.

Concurrent control sometimes is called screening or yes-no control, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action or stop work altogether on products or services.

3. **Feedback Control:** This type of control focuses on the outputs or the ultimate result of the organisation after transformation is complete. Sometimes called post action or output control, fulfils a number of important functions. For one thing, it often is used when feed forward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feed forward and concurrent control. First, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

If the deviation is great, a manager can use this information when formulating new plans to make them more effective. Second, feedback control can enhance employee's motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils a number of important functions.

### Check your progress 1

1. Control is designed to ensure that employee work activities produce the correct results
  - a. Concurrent.
  - b. Feedback.
  - c. Feed forward.
  - d. None of the above.
2. It means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained.
  - a. Controlling.
  - b. planning.
  - c. Organising.
  - d. Directing.

## 2.3 Planning and Controlling

Planning and controlling are two separate functions of management, yet they are intricately intertwined with each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In the absence of controlling, no purpose can be served by planning. Therefore, planning and controlling reinforce each other. According to Billy Goetz, the relationship between the two can be summarised in the following points:

- Planning precedes controlling and controlling succeeds planning.
- Planning and controlling are inseparable functions of management.
- Activities are hatched and tracked by planning and they are kept at right place through controlling.
- The process of planning and controlling works on Systems Approach, which is as follows: Planning → Results → Corrective Action.
- Planning and controlling are fundamental parts of an organisation as both are important for smooth running of an enterprise.

- Planning and controlling reinforce each other. Each drives the other function of management.

Controlling And Co-Ordination

Thus, control is both looking back and looking ahead. It tries to find out where things have gone wrong and initiates timely remedial steps to accomplish the results smoothly.

**Table Planning and controlling**

Sr. No.	Points of Distinction	Planning	Controlling
01.	Focus	Impersonal, long range problems	Personal, immediate issues
02.	Relies on	Estimates	Specific data
03.	Time	Top management's top priority	Operating and lower level people spend more time on this
04	Structure	Less structured	Highly structured
05.	Evaluation	Difficult takes time to visualize the impact	Results visible, especially when situations are stable and not so complex

### Check your progress 2

- Planning precedes controlling and controlling succeeds planning
  - True
  - False
- Planning and controlling are inseparable functions of management.
  - True
  - False

3. Planning and controlling are two separate functions of management, yet they are not closely related.
- True
  - False

## 2.4 Co-ordination

The concept of Co-ordination is viewed as one of the important functions of management. If every level in an organisation works independent of each other it will lead to a mess. With specialised jobs, it does not enable an organisation to attain the desired result. An organisation is not a one man army which can plan, execute and achieve everything alone. When it comes to organisational units, Co-ordination becomes necessary.

Co-ordination is the management of interdependence in work situations; it is the orderly synchronization or fitting together of the inter-dependent efforts of individuals, in order to attain a common goal. For example, in a ballet performance, all the efforts of team must be well coordinated, right from the first to the last lady in the row. This makes it worth the watch.

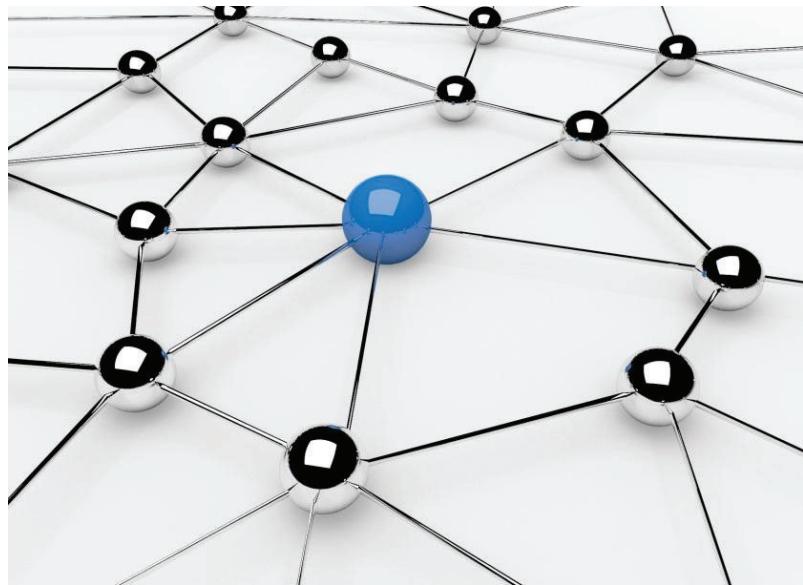


Fig 2.4 Co-ordination

Similarly, in a contemporary enterprise, which consists of a number of departments, such as production, purchase, sales, finance and personnel etc., there is need for all of them to properly time their mutually supporting activities and to ably reunite the sub-divided work.

Lack of proper Co-ordination results in inefficient operations and waste of time. To coordinate is to keep expenditure proportionate to financial resources, equipment and tools to production needs, stocks to rate of consumption, sales to production and so on. It is to build the project perfectly without flaws, neither too broad nor too narrow a road it is in brief a word to accord things and actions their rightful proportions and to adapt means to ends.

Following are the characteristics of Co-ordination.

#### **2.4.1 Characteristics of Co-ordination**

##### **1. Co-ordination Integrates Group Effort:**

The need for Co-ordination is felt when team work is desired for the accomplishment of an objective. In short, it can be said that Co-ordination is connected to group effort and not individual effort. The question of Co-ordination does not arise, if the job is done by one person only.

##### **2. Co-ordination Ensures Unity of Action:**

The nature of Co-ordination is of creating unity in action. It means during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

##### **3. Co-ordination is a Continuous Process:**

It is not a job which can be performed once and for all, but its need is felt at every step. Any business is a combination of multiple activities. Sometimes or the other, if any one of the activities goes on fluctuating either for more or less than required, the whole organisational balance is disrupted. Thus, a close watch has to be kept on all the activities to maintain the balance.

##### **4. Co-ordination is an All-pervasive Function:**

Pervasiveness refers to that truth which is applicable to all spheres (business and non-business organisations) and places uniformly. The nature of Co-ordination is pervasive. Like making of timetable in an educational institution is an apt example of establishing Co-ordination.

In the game of cricket, the placement of players at pre-determined positions is nothing but Co-ordination. In the same manner, to synchronise the activities of

different departments, like purchase, sales, production, finance, etc. in a business organisation is Co-ordination.

#### **5. Co-ordination is the Responsibility of All Managers:**

Co-ordination is needed at all the three, i.e., top, middle and lower managerial levels. Different activities performed at all the levels are equally important. Thus it is the responsibility of all the managers that they make efforts to establish Co-ordination. That is why, it could not be said that Co-ordination is of more importance to any one particular managerial level or a manager.

#### **6. Co-ordination is a Deliberate Function:**

Co-ordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but Co-ordination is also needed. For example, a lawyer aspires to practice effectively (this is cooperation) but the briefing is not prepared in time (this indicates lack of Co-ordination).

In this situation, classes cannot be arranged for. Here, the effort made by the teacher is meaningless, in the absence of Co-ordination. On the other hand, in the absence of cooperation, the workers are discontented. Thus, both are required at a given point of time.

#### **2.4.2 Essentials of Co-ordination**

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force, which binds all the other functions of management.

Management seeks to achieve Co-ordination through its basic functions of planning, organising, staffing, directing and controlling. That is why Co-ordination is not a distinct function of management because its emphasis is on achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below:

- 1. Co-ordination through Planning:** Planning facilitates Co-ordination by integrating the various plans through mutual discussion, exchange of ideas, e.g. Co-ordination between finance budget and purchases budget.

2. **Co-ordination through Organising:** Mooney considers Co-ordination as the very essence of organising. In fact, when a manager groups and assigns various activities to subordinates and when he creates department's Co-ordination uppermost in his mind.
3. **Co-ordination through Staffing:** A manager should bear in mind that the right number of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
4. **Co-ordination through Directing:** The purpose of giving orders, instructions and guidance to the subordinates is served only when there is a harmony between superiors and subordinates.
5. **Co-ordination through Controlling:** Manager ensures that there should be Co-ordination between actual performance and standard performance to achieve organisational goals.

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From above discussion, we can very much affirm that Co-ordination is the very much lifeline of management. It is required in every function and at each and every stage and therefore it cannot be separated.

#### 2.4.3 Types of Co-ordination

Co-ordination can be broadly classified into one of the following four types:

1. **Internal Co-ordination:** Co-ordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants and departments and sections is called internal Co-ordination.
2. **External Co-ordination:** Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external Co-ordination.
3. **Vertical Co-ordination:** Vertical Co-ordination is what exists in a department where the departmental head is called upon to coordinate the activities of all those placed below him.
4. **Horizontal Co-ordination:** Horizontal Co-ordination takes place sideways. It exists between different departments such as production, sales, purchasing, finance, personnel etc.

#### 2.4.4 Techniques of Co-ordination

The following are some important techniques of co-ordination.

1. **Hierarchy:** An ancient and effective practice for achieving, co-ordination is hierarchy or chain of command. By putting interdependent units under one, boss, some co-ordination among their activities is ensured.
2. **Rules, Procedures and Policies:** The specification of rules, procedures and policies is another common device to coordinate sub units in the performance of their repetitive activities. Standard policies, procedures and rules are laid down to cover all possible situations.
3. **Planning:** Planning ensures co-ordination efforts. Under planning, targets of each department do connect with the targets of all other departments. For example, by fixing the target of 10,000 units of additional production and sale for the production and sales departments respectively, the head of the organisation can be fairly sure that the work of the two departments would be Co-ordination since their target so demand.
4. **Committees:** Participative, committee or group decision-making is another common coordinating device. This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding of ideas, encourages the acceptance of the commitment to policies and makes their implementation more effective.
5. **Induction:** Inducting the new employee into the new social setting of his work is also a coordinating mechanism. This device familiarizes the new employee with the organisations rules and regulations its dominant norms of behaviour, values and beliefs and integrates his personal goals with the organisational goals.
6. **Indoctrination:** Indoctrinating organisational members with the goals and mission of the organisation. A device used commonly in religious and military organisations is still another Co-ordination device.
7. **Incentives:** Another mechanism necessitates interdependent units with an incentive to collaborate, such as a profit-sharing plan. Ardent advocates of profits-sharing privilege that it stimulates team spirit and better cooperation between employers and workers, between superiors and subordinates and between workers and workers.
8. **Liaison Departments:** In some cases where there is a large volume of contact between two departments, a liaison department evolves to handle the

transaction. This typically occurs between sales and production departments. For examples, a packaging company that is processing a particular large order of containers might have liaison department to make sure that the production department is meeting the client's specification and that delivery will take place one time.

9. **Workflow:** A workflow is the sequence of steps by which the organisation acquires inputs, transforms them into outputs and exports these to the environment. It is largely shaped by technological economic and social consideration and helps in co-ordination.

#### 2.4.5 Principles of Co-ordination

In applying techniques for achieving effective co-ordination in the organisation, managers have to observe certain principles. Observance of these principles facilitates the application of various techniques of co-ordination. Mary Parker Follett, one of the classical management thinkers, has suggested four basic principles of co-ordination: direct contact, co-ordination at early stages, continuity and dynamism. To these, two more principles in the form of timing and reciprocal relationship were added. Let us see how these principles work and aid to effective co-ordination.

1. **Principle of Direct Contact:** Principle of direct contact states that Co-ordination can be achieved by direct contact among people whose activities are to be coordinated. This is essential as working in isolation could affect the working. Such a contact can be established through the provision of effective communication system. Direct contact helps in bringing agreement on work methods, actions and achievement of ultimate objectives. It also leaves little room for gaps in communication intra- organisation. It helps to wither away the controversies and misunderstandings among organisational members as well as external parties. Principle of direct contact is based on the theme that Co-ordination is better achieved through mutual understanding and not by force order or coercion.
2. **Co-ordination at the Early Stages:** Co-ordination can better be achieved if it is attempted at the early of stage of work cycle that is at the planning stage. At the stage of planning such as objective setting, strategy and policy formulation, etc., Co-ordination can be sought from organisational members. This may be done through their participation in decision-making process. When members are involved in decision-making process, they

realise how their work performance affects other members in the organisation. This happens because participative decision-making enables members to commit and agree on various issues. Conflict and in congruency are reduced which are major hurdles for effective Co-ordination.

3. **Principle of Continuity:** The principle of continuity states that Co-ordination should be treated as a continuous process; it should be taken on regular basis. Co-ordination should be treated as never-ceasing and never-ending exercise of all managers and in all functions. Follett has stated that Co-ordination emerges with the organisation and ends with it.
4. **Principle of Dynamism:** Principle of dynamism states that Co-ordination does not work on the basis of rigid and fixed basis but on dynamic basis. Dynamism is required because changes occur in external factors, which necessitate changes in the organisation and its processes including Co-ordination. When organisational changes take place, many old organisational practices do not remain workable. This is true for Co-ordination too.
5. **Principle of Timing:** The principle of timing involves that various organisational units and members should synchronise the timing of their work performance. One member of the organisation facilitates the working of another if he synchronises the timing of his work with the working of another. For example, in a drama, the different stages of the work are interrelated in such a way that a subsequent stage can be undertaken only when the earlier stage has been completed. In such a case, Co-ordination of timing at different stages is important. Though it is just a plain drama it still requires a lot of Co-ordination in timing. How much more then does a business organisation require?!
6. **Principle of Reciprocal Relationship:** Reciprocal relationship exists between two or more parties in which each party affects the functioning of others and in turn is affected by others. In the organisational context, various departments may have reciprocal relationship though the amount of reciprocity may not be equal in the reciprocal relationship, if a department is affected by some functions of another department but the former does not have control over these functions, the problem of Co-ordination arises. At such times it becomes necessary to establish the need for direction as well. In this situation, the functions and the way of performing such functions are altered in such a way that these affect others positively. For example, the level of production in production department may be decided in consultation

with marketing department so that optimum level of production is maintained.

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#### **2.4.6      Obstacles**

Large business enterprises consist of a number of departments, such as production, purchase, sales, finance, personnel, etc. These departments find it hard to collaborate with each other due to the differences in their attitudes and working styles. Paul. R. Lawrence has identified differences:

- **Differences in orientation towards particular goals**

Members of different departments develop their own views and standards depending on their functions about how best to advance the interest of the organisation. For sales people the product variety may take precedence over product quality.

- **Differences in time orientation**

Some members of an organisation such as production managers will be more concerned with problems that have to be solved immediately or within a short period of time. Others, like members of research and development team, may be preoccupied with problems that may take years to solve.

- **Differences in interpersonal orientation**

In some organisations, activities such as production, there may be more official ways of communicating and decision making. In other activities such as R &D, the style of communication and decision may be informal. Everyone may be courageous to have a say and to discuss his ideas with others.

- **Differences in formality of Structure**

Each unit in the organization may have different methods and standards for evaluating progress towards objectives and for rewarding employees. In a production department for e.g. where quantity and quality are rigidly controlled the evaluation and reward process might be quite formal. Employees will be judged quickly on how they will need or exceed well defined performance criterion.

## 2.4.7 Need

The extent of co-ordination needed in an organisation depends on the nature of tasks and degree of interdependence of people in various units performing them. When these tasks require or can benefit from communication between units, then a high degree of Co-ordination is the best. When information exchange is less, important work may be completed with less interaction between units. This happens at the executive levels wherein most of the senior executives have years of experience to handle situations comfortably and without assistance. Also a high degree of Co-ordination is likely to be beneficial for work that is non-routine and unpredictable. The need for Co-ordination arises because of the following factors.

1. **Division of labour:** When managers divide work into specialized function departments they are at the same time create the need for the co-ordination of these activities. Generally, the greater the division of labour, the greater is the need for Co-ordination. If two people in one unit do all the work of an organization, it is clear that there is little need for Co-ordination. But if the work has been divided into ten units with hundred employees, the need for Co-ordination is much greater. Co-ordination ensures proper synchronization between activities of different units' and avoids interruptions in operations due to reasons such as delay to introduce Co-ordination into the plan at a later stage when the damage has already been done.
2. **Direct interpersonal horizontal relationship:** Co-ordination can be secured effortlessly and effectively by direct interpersonal horizontal relationship. Such a direct personal communication brings about agreement on methods, actions and ultimate achievements and removes misunderstandings and conflicts. These will involve a system in formal communication embracing all ranks and status.
3. **Continuity:** Co-ordination must be regarded as a continuous process and must be carried out at all times. It starts from planning and runs through the functions of organizing directing and controlling.
4. **Efforts of Managers:** One should not gather the wrong impression that Co-ordination can be achieved merely by giving an order. Co-ordination is something, which cannot be ordered. On the contrary, it must be brought into by the efforts of the managers by integrating all efforts, ideas and interests to some common purpose.

5. **Dynamism:** Co-ordination should be a heady mix of rigid and flexible. Its essence lies in constant experimentation with all phases of organization and operations. Good Co-ordination will remove the critical points as they arise. Excellent Co-ordination will anticipate them and prevent their occurrence. The maintenance and operations department of an airline company provide an example of this kind of relationship. Obviously, this close interrelationship leads to the strongest need for Co-ordination.

### Check your progress 3

1. Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external Co-ordination.
  - a. External Co-ordination.
  - b. Internal Co-ordination.
  - c. Horizontal Co-ordination.
  - d. Vertical Co-ordination.
2. When managers divide work into specialized functions departments they at the same time create the need for the Co-ordination of these activities.
  - a. Division of Labour.
  - b. Division of Skills.
  - c. Division of Work.
  - d. Division of Process.

## 2.5 Let Us Sum Up

In this unit we have learnt that controlling is a process of comparing of actual output with standards along with necessary corrective action.

It is analysed that Control is a positive force, which a continuous process with universal forward is looking that is mostly result in achieving dynamic goals.

It is found that a good system of control has certain advantages like achievement of goals, execution and revision of plans, facilitating decentralisation of authority apart from others.

Direction,  
Supervision  
And Controlling  
And  
Coordination

The idea of process of control results in establishment of standards, measurement of actual performance, comparison of actual performance with standard and taking corrective action.

It is seen that an effective control systems tend to have certain qualities such as suitability, simplicity, selectiveness, economical, reasonability, flexibility, objectivity, etc.

There appear three types of controls such as feedback control, concurrent control and feed forward control.

It is seen that Co-ordination is not a distinct as it shows core of management with an idea to achieve common objective that could be continuous or on-going process.

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## 2.6 Answers for Check Your Progress

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### Check your progress 1

**Answers:** (1-a), (2-a)

### Check your progress 2

**Answers:** (1-a), (2-a), (3-b)

### Check your progress 3

**Answers:** (1-a), (2-a)

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## 2.7 Glossary

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1. **Organisation** - Two or more people engaged in a systematic effort to produce goods or services.
2. **Management** - The attainment of organisational goals in an efficient and effective manner through planning, organising, leading and controlling organisational resources.
3. **Controlling** - It is concerned with monitoring employees' activities, keeping the organisation on track towards its goals and making corrections as required.

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## 2.8 Assignment

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What is controlling? Why is it so important for an organisation and managers to implement proper controlling system?

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## 2.9 Activities

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What do you understand by Co-ordination? What are the essentials, types and techniques of Co-ordination?

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## 2.10 Case Study

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How you will explain the importance of Co-ordination in your words with a suitable example?

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## 2.11 Further Readings

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hill.

## Block Summary

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In this block we have details about the directions, supervision, Co-ordination and controlling activities that are required and performed in an organization. The concept about important functions of management is also highlighted for reference of students which will be of great use to them. The understanding of direction and Co-ordination activities will therefore explained with the result that the user may require implementing such activities in their domains.

The benefit of reading this block is that the student will be aware about various qualities that a supervisor should carry in order to improve the productivity of the product for the company. The unit will explained about necessary features that exists while knowing certain rules and criteria's that a supervisor show know about Co-ordination activities that exists among workers and management. The responsibility of management in terms of achieving the desired goals is well detailed for future use.

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## **Block Assignment**

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### **Short Answer Questions**

1. Control Process
2. Effective control system
3. Types of Control
4. Guidelines for Effective Supervision
5. Functions of a Supervisor

### **Long Answer Questions**

1. What is Direction? Discuss the nature and principles of Directing.
2. Explain the process of controlling.
3. Explain Co-ordination and discuss its process.

**Enrolment No.**

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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