

MANAGEMENT AND PROFESSIONAL LEADERSHIP

CHAPTER-1 INTRODUCTION TO MANAGEMENT

MEANING:

Management is the art of getting things done through the others. Management involves planning, organizing work, coordinating activities of different departments, providing direction through leadership, and ensuring control.

DEFINITION:

HENRY FAYOL, "To manage is to forecast and plan, to organize, to command, to co ordinate, and to control."

JOSEPH MASSIE, "Management is defined as the process by which a co operative group directs action towards common goals."

LOUIS A ALLEN, "Management is what a manager does".

FUNCTIONS OF MANAGEMENT:

1) PLANNING:

Planning is deciding in advance the future course of action. It involves determining what is to be done, how it is to be done, when it is to be done, who is to do it. It is described as a trap laid to capture the future. It is a primary function of management and helps to resolve uncertainty to a great extent. Planning involves looking into the future. Neither individuals nor organizations can achieve anything in the future without proper planning. The process of planning involves the following steps:

- A) Determination of goals and objectives.
- B) Determining the planning premises.
- C) Deciding the planning period.
- D) Identifying the alternate courses of action.
- E) Evaluation of alternatives.
- F) Preparation of derivative plans.
- G) Review.

2) ORGANIZING:

After planning, the manager has to focus on organizing. Organizing involves bringing together the resources required for achievement of objectives. Resources can be in terms of men, money, materials, machines, skills and knowledge. It is the process of identifying activities to be done and activities which are related. Related activities are grouped and assigned to a superior. The superior is provided the authority to get things done. The purpose of organizing is the efficient achievement of objectives. The following are the steps involved in organizing:

- A) Determination of objectives.
- B) Grouping of related activities.
- C) Assigning of activities.

- D) Delegation of work.
- E) Creation of accountability.

3) STAFFING:

Staffing relates to recruitment, selection, training, development, appraisal. The objective of staffing is to appoint the right person for the right job and ensure high quality of talent. The following are the functions of staffing:

- A) Manpower planning.
- B) Wage and salary administration.
- C) Training and development.
- D) Performance appraisal.
- E) Transfer, promotion, demotion etc,

4) DIRECTION:

Direction is the process by which employees are guided to achieve organizational objectives. It involves guiding, supervising, motivating and controlling employees. The function of direction is performed by all levels of management. Through direction, managers create understanding of tasks and obtain the willingness of subordinates to perform them. Directing is a continuous function of management. Every manager has to give instructions, lead, motivate and guide his staff.

5) CO ORDINATION:

It involves channelizing individual efforts towards achieving organizational objectives. It prevents duplication of work and avoids wastage of resources. In the words of Henry Fayol, "To coordinate is to harmonize all the activities of an organization in order to facilitate its working and its success".

6) CONTROL:

It is the process that monitors whether the activities of the organization are successful in achieving its goals. It is the process that monitors whether the activities of the organization are successful in achieving its goals. Control is essential to ensure. The steps involved in the control

process are:

- A) Setting standards of performance.
- B) Measuring actual performance.
- C) Comparing actual performance against standards and measuring deviations.
- D) Analyzing the cause of deviations and taking corrective action.

7) COMMUNICATION:

Communication is considered to be the life blood of business. It is the process of passing information and understanding from one person to another. Managers need to communicate orders, instructions and feedback to their subordinates. They need to communicate to their peers and also with their superiors. Communication should be clear and timely in order to be effective.

8) DECISION MAKING:

Management is essentially decision making. It is choosing the best course of action among alternatives. A manager has to consider several factors before arriving at a decision.

9) MOTIVATION:

It is the process of stimulating people's action to achieve desired goals. Motivation can be through financial incentives or non financial incentives. Considering the requirement of each individual, the right type of motivation should be used. Motivation is essential to ensure that people perform to their maximum potential.

10) INNOVATION:

In the current business world, technology, competition and customer preferences undergo rapid changes. Therefore any business which wants to survive has to be innovative. That is

why many organizations are investing in R&D (research and development). Innovation might mean development of new products or new processes.

PRINCIPLES OF SCIENTIFIC MANAGEMENT:

—The main principles of scientific management according to Taylor are:

- A) Organized knowledge has to replace the rules of thumb.
- B) Securing group harmony.
- C) Providing scientific education and training to workers.
- D) Co operation and workers is essential. This can be developed by discussion and mutual understanding.
- E) Production and productivity should be continuously increased. Inefficiency and deliberate restriction of production should be avoided.

FOURTEEN PRINCIPLES OF MANAGEMENT:

- 1) **DIVISION OF WORK:** It enables specialization leading to higher productivity, better quality, lower costs and higher efficiency.
- 2) **AUTHORITY AND RESPONSIBILITY:** There should be parity of authority and responsibility for effective job performance.
- 3) **DISCIPLINE:** It refers to following the organization's rules and regulations. It is an essential requirement for productivity and better performance.
- 4) **UNITY OF COMMAND:** A subordinate should receive instructions from only one superior. Unity of command ensures discipline, stability and fixing of responsibility. If a subordinate receives instructions from more than one superior it would lead to confusion.
- 5) **UNITY OF DIRECTION:** Each group of activities with the same objective should have one head and one plan. Unity of direction would help in better coordination.
- 6) **SUBORDINATION OF INDIVIDUAL INTEREST TO GROUP INTEREST:** Common interest is superior to individual interest. The organizational interest is supreme. This requires continuous and exemplary supervision and fair agreement
- 7) **REMUNERATION OF PERSONNEL:** Remuneration should be fair and based on efforts. It should satisfy and motivate employees to increased levels of performance.
- 8) **CENTRALIZATION:** The decision with regard to centralization or decentralization is based on the organization. The model (centralization or decentralization) which would give the best results should be adopted.
- 9) **SCALAR CHAIN:** Denotes the flow of authority and communication step by step from the top management to the lowest level. There should be a clear line of authority from top to bottom. Communication should flow through each position along the scalar chain.
- 10) **ORDER:** It means a place for everything and everything in its place. The workers and materials should be at the right time and at the right place.
- 11) **EQUITY:** It refers to the blend of justice and kindness. The organization should act in an impartial manner. Superiors need to act in a fair and human manner towards their subordinates. Equity would build a sense of loyalty towards the organization.
- 12) **STABILITY OF TENURE:** There should be reasonable job security. Employees need time to settle down, learn the job and perform better. Job insecurity would affect performance in a negative manner
- 13) **INITIATIVE:** Managers should nurture initiative among employees. They should be open to ideas on new processes and improvements. Initiative of employees should be encouraged.

- 14) ESPRIT DE CORPS:** It means 'union is strength'. Managers should encourage a spirit of togetherness among employees and stress its importance.

LEVELS OF MANAGEMENT:

- 1) TOP LEVEL MANAGEMENT:** It comprises of the CEO, Executive Directors, Vice Presidents, General Managers etc. The top level management has complete authority in the organization. It establishes the goals and policies of the enterprise. It is responsible for formulation of strategies, long term planning and co ordination. Top management is accountable to the owners for running the business in an efficient and profitable manner. The top management issues orders and instructions to the other levels of management.

FUNCTIONS:

- A) Determination of business objective.
- B) Formulating policies and strategies.
- C) Long term planning.
- D) Appointment of departmental managers and fixing their terms of service.
- E) Coordinating the activities of different departments.
- F) Establishing necessary controls to ensure protection of shareholder's interests.

- 2) MIDDLE LEVEL MANAGEMENT:** It comprises of the heads of functional departments. For example, production manager, sales manager, purchase officer, quality control officer, chief accountant etc form part of middle management. They are accountable to the top management for the efficient functioning of their department. They are responsible for implementing the policies laid down by top management.

FUNCTIONS:

- A) To explain the policies framed by the top level management to the lower level management.
- B) To motivate subordinates to work towards the organizational goals.
- C) To issue detailed guidelines of work activities.
- D) Medium term planning.
- E) Sourcing and effective usage of resources.
- F) Increasing skill level of workers through training and development.
- G) Improving job satisfaction through suitable incentives and rewards.
- H) Build team spirit and co operation among employees.

- 3) LOWER LEVEL MANAGEMENT:** Comprises of front line supervisors, foremen, superintendent etc. They carry out the instructions given by the middle and the top management. They receive orders and instructions from the middle level management. They implement policies of the top management. Officials at the lower level management are in direct contact with the front line employees. They are focussed on getting things done. Therefore they are more involved in the functions of direction and control.

FUNCTIONS:

- A) Planning day-to-day production.
- B) Arranging resources such as material, machines, tools etc for workers.

- C) Assigning jobs to workers.
- D) Training workers.
- E) Supervising and guiding subordinates.
- F) Maintaining discipline among workers.

MANAGEMENT AS ART AND SCIENCE:

MANAGEMENT AS AN ART: What is art? Art is the skill and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. The basic features of an art are as follows:

- 1) **EXISTENCE OF THEORETICAL KNOWLEDGE:** Art presupposes the existence of certain theoretic knowledge. Experts in the respective areas have derived certain basic principles which are applicable to a particular form of art. For example, literature, dancing, public speaking, action or music is widely recognized.
- 2) **PERSONALIZED APPLICATION:** The use of this basic knowledge varies from individual to individual art therefore is a very person allied concept.
- 3) **BASED ON PRACTICE CREATIVITY:** All art is practical. Art involves the creative practice of existing theoretical knowledge. We know that all music is based on seven basic notes. However, what makes the composition of a musician unique or different is his use of these notes in a creative manner that is entirely his own interpretation.

MANAGEMENT AS SCIENCE: Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.

- 1) **SYSTEMATIC BODY OF KNOWLEDGE:** Science is a systematic body of knowledge. Its principles are based on a cause and effect relationship.
- 2) **PRINCIPLES BASED ON EXPERIMENTATION:** Scientific principles are first developed through observation and then tested through repeated experimentation under controlled conditions.
- 3) **UNIVERSAL VALIDITY:** Scientific principles have universal validity and applicable. They can be applied under different situation barring a few exception which can be logically explained.

APPROACHES TO MANAGEMENT:

- 1) **THE EMPIRICAL OR CASE APPROACH:** This is based on the belief that experience is the best guide to knowledge. This approach analyses management by studying the case histories of successful managers. A study of the successes and failures of outstanding managers is made.
- 2) **THE INTERPERSONAL BEHAVIOUR APPROACH:** Since management involves getting things done through people, this approach concentrates on the human aspects of management. This believes that when people work together to accomplish objectives, people should understand one another. This seeks to solve problems by applying psychology to management. Thus this approach lays emphasis on the importance of leadership, motivation of people at work and the influence of work environment.
- 3) **THE GROUP BEHAVIOUR APPROACH:** This approach is concerned primarily with the behaviour among individuals. Persons belonging to a particular social group have common feelings and attitudes and they form an informal organization. Problems created by them cannot be resolved by authorities in the formal organization. Therefore it attaches importance to the need for co operation and positive interaction among such groups of people so that work flow will be smooth.

- 4) **THE OPERATIONAL APPROACH:** This approach views management as an activity based on certain unique management functions. Management is regarded as a process for getting things done through the functions of planning, organizing, staffing, leading and controlling. It involves co ordination of human and material resources. These functions of management are universal regardless of the type of enterprise.
- 5) **THE DECISION THEORY APPROACH:** This approach concentrates on the decision making of function of management. According to this, the central focus of management is on decision making. The decision of what to achieve and how to achieve it are the real challenges before a manager. It is concerned not only with making of decisions but also with everything that precedes a decision and everything that follows it.
- 6) **THE COMMUNICATION CENTRE APPROACH:** This approach views management as a centre receiving information, processing it and disseminating it thus emphasizing the rules of communication in management of business.
- 7) **SYSTEM APPROACH:** This approach regards an enterprise as a system. A system is composed of related and interdependent elements forming a unitary whole. Every system is made up of an organization is also viewed system made up of several parts in the form departments while each department is independent and accomplishes specific pre determined goals all are coordinated by the top management.
- 8) **THE MATHEMATICAL OR MANAGEMENT SCIENCE APPROACH:** This approach managing or planning or decision making can be expressed in mathematical symbols and relationship. Modern managers face problems arising out of increase in the size and complexity of organizational structures. The scientific and technological advance has thus brought management and mathematics closer to each other.
- 9) **THE SOCIO TECHNICAL SYSTEM APPROACH:** This approach is based on the belief that personal attitudes and group behaviour are influenced by the technical system. This approach, thus lays emphasis on production, office operations etc. Change in the technical system is called for if the social and technical systems do not go hand in hand.
- 10) **CONTINGENCY APPROACH:** This approach is the very latest approach of existing approaches. According to this approach where is no single way or best way to address a given problem situation. This approach is opposed to size fits all formula approach. Managers should not labour underrule managerial principles and techniques have universal applicability.

CONTRIBUTION TO MANAGEMENT BY F.W.TAYLOR:

F.W.TAYLOR: Taylor is acknowledged as the father of scientific management because of his significant contribution to the field. Here he conducted his important experiments to improve productivity. To improve the productivity. Taylor examined the time and motion details of a job. He developed better method for performing jobs, and trained the workers.

FEATURES OR SCIENTIFIC MANAGEMENT:

- 1) **SEPARATION OF PLANNING UNDOING:** Taylor focused on the separation of the planning function and the doing function. Instead of the worker planning and also doing the work, the supervisor should 'plan' and the worker should 'do'.

- 2) **FUNCTIONAL FOREMANSHIP:** Taylor developed the concept of functional foremanship. It was based on specialization of functions. Eight supervisors direct the activities of workers. At the shop and planning level there are:
- A) Gang boss: To assemble and set up machines. Before the actual operation explain the workers.
 - B) Repair boss: To keep machines in working order.
 - C) Speed boss: To ensure completion of work within time.
 - D) Inspector: To inspect the quality of work.
 - E) Time and Cost Clerk: To fix the time for completing the work and work out the costs.
 - F) Route Clerk: To specify the route for the production process.
 - G) Instruction card clerk: To specify the method of doing a task.
 - H) Disciplinarian: To ensure discipline and deal with indiscipline.
- 3) **JOB ANALYSIS:** Job analysis should be done to find out one best method of doing a particular job.
This is done through:
- A) Time Study: The work measurement is designed to establish the standard time required to carry out a job under specified condition to avoid guess work. Involves observing and recording the time required for doing a job
 - B) Motion Study: Motion study involves studying the movements involved in doing a job. Unnecessary movements wastage should be avoided.
 - C) Method Study: It is conducted to find out the best method to perform a job.
 - D) Fatigue Study: Tasks should be set in such a way that workers get rest in between continuous work and their fatigue is reduced.
- 4) **STANDARDIZATION:** Standardization should be maintained with regard to the methods, tools, period and amount of work.
- 5) **SCIENTIFIC SELECTION AND TRAINING OF WORKERS:** Workers should be selection based on their qualification, experience and capacity. They should be assigned suitable jobs. Workers should be trained to become efficient.
- 6) **DIFFERENTIAL PIECE RATE SYSTEM:** Taylor applied the differential piece. To encourage workers to complete work within the standard time. Taylor introduced two piece rates. If a worker completes the work within or less than the standard time he is paid a higher rate. If he does not complete the work. Within the standard time he is given a lower rate.
- 7) **ECONOMY:** The focus should be on economy and profits. Resources should be used in an efficient manner. Cost control and cost reduction measures should be followed.
- 8) **MENTAL REVOLUTION:** Both the management and the workers should realize that they are partners in progress. They should avoid the path of conflict and cooperate with each other.

SKILLS OF A MANAGER:

- 1) **TECHNICAL SKILLS:** Refers to specialized knowledge and skill to perform jobs. For example a quality control manager should have knowledge and skills to apply quality control techniques. A sales manager should be skilled in preparing sales budgets, setting sales quotas, advertising, sales promotion and motivation of salesmen. These skills are important for lower level managers.
- 2) **HUMAN SKILLS:** It is the capacity to understand human needs, emotions and interact effectively.

The success of an organization depends on the dedicated efforts of its employees. It is through human skills managers create a dedicated work force. The manager should be able realise that each employee is different in terms of needs and emotions. He should spend time to understand the problems faced by employees.

- 3) **CONCEPTUAL SKILLS:** Refer to the ability to understand the whole be creative and innovative. It refers to having a clear idea inter relationship between various management functions. Concept skill enables a manager to study the environment and prepare suitable plans, policies and strategies.

A manager with good conceptual skills will be able to analyze issues and take intelligent decisions. These skills are important for top level management.

ROLE OF MANAGER:

- 1) **TO HAVE CONTACTS:** He has to establish and maintain contacts with many people both within and outside the business. The persons with whom he has regular contacts within the organization include his subordinates, fellow managers and so on. Government officials, suppliers etc., are the outsiders with whom the manager may have frequent contacts.
- 2) **TO SUPERVISE:** Every manager has to supervise the work of his subordinates while the latter are doing their work and offer necessary help. Supervision also needs to be undertaken to ensure that the subordinates do not waste their time during working hours.
- 3) **TO ATTAIN TARGETS:** Managers may work under pressure most of the time as they have targets to achieve. This is particularly true in the case of production and sales managers who are the line managers.
- 4) **TO DELEGATE AUTHORITY:** Managers have to get things done by their subordinates. For this they have to delegate authority to the latter to enable them to perform the tasks assigned. The managers must ensure that the authority delegated is just sufficient to carry out the duties by the subordinates.
- 5) **TO HOLD MEETINGS:** Managers often may have to hold meetings to put forth their views before their subordinates. Such meetings are also necessary to get feedback information from the subordinates on the progress of their work. Managers of different departments also may have to meet at regular intervals to secure proper co ordination and to review progress.
- 6) **TO ACT AS A LEADER:** As a leader the manager has to set an example to his subordinates. He must be sincere, honest and committed to his work. Only then he will be able to guide and motivate the subordinates under him.
- 7) **TO ENSURE PROPER USE OF RESOURCES:** The manager has to ensure that the organizational resources such as men, machines, materials and money are optimally utilized.
- 8) **TO RESOLVE CONFLICTS:** Whenever there are conflicts between the employees over certain organizational matters, the manager is expected to resolve all such conflicts and arrive at an amicable solution.
- 9) **TO UNDERTAKE TRIPS:** Managers particularly those in charge of sales may have to undertake business trips frequently and as a result they may not be able to remain in hometown always. In the same manner, the managers cannot work strictly according to working hours. They may have to work even beyond working hour sometimes in view of a higher quantum of work.

- 10) **TO MAKE DECISIONS:** Managers also have to make certain routine decisions in connection with matters pertaining to the daily operations of the business. Purchase of raw materials, payment of wages, sanctioning of leave to subordinate staff, etc., are examples of such routine decisions.
- 11) **TO ACT AS A SPOKESMAN:** The manager also acts as a spokesman of the organization and conveys certain information to the public whenever necessary.
- 12) **TO HANDLE CRISIS:** The manager is also expected to handle crisis that may arise in the organization. Strike-call by the workers, breakdown of machinery, fire accident in the godown or in the workplace are examples of critical situations that may arise in any organization at any time. In such a situation the manager has to act wisely and swiftly and find a remedy.

CONTRIBUTION TO MANAGEMENT BY HENRY FAYOL:

HENRY FAYOL: He is known as the Father of Modern Management. Henry Fayol, born in 1841 in France started his career as a coal mine engineer in 1860 in a mining company. He rose to become the Managing Director of the company. He wrote three books and many research papers in the management area. His book, "Industrial Management". His contributions came to be known as operational management or administrative management.

CONTRIBUTION TO MANAGEMENT BY ELTON MAYO:

ELTON MAYO: Elton Mayo was the leader of the team that conducted the famous Hawthorne Experiments. The human problem of an industrial civilization 'Management and Morale'. The Social Problems of an Industrial Organization' are some of the books brought out by Mayo. The Hawthorne Experiments were conducted in four stages. These are given below:

- 1) **ILLUMINATION EXPERIMENTS:** The main objective of the illumination experiments was to study the effect of the quality of lighting in the workroom on the efficiency of the workers. For this purpose, the workers were divided into two groups. One group of workers was made to work in a room where lighting remained constant. The other group was made to work in a room where lighting was varied. The experiments revealed that production increased in both the rooms therefore the quality of lighting had no impact on the efficiency level of the workers.
- 2) **RELAY ASSEMBLY TEST ROOM EXPERIMENTS:** These experiments were conducted in an assembly department where telephones relay unit was assembled. The object of the experiments was to ascertain the relationship between working conditions and productivity. The study revealed that output of each individual and also that of the group increased due to the changes introduced.
- 3) **INTERVIEW PROGRAMS:** A massive interview program was conducted covering more than thousand workers to find out their views on their jobs, working conditions, supervision, etc. The interview programs revealed that the morale of the workers improved as they had the satisfaction their views heard.
- 4) **BANK WIRING GROUP OBSERVATIONS:** The main aim of the study here is to find out the influence of the group on a worker to restrict his output in spite of the existence of incentives for higher output. The working conditions were not altered for the sake of the investigation. The incentives given for the work were attractive. But neither an individual worker nor the group as a whole made an attempt to increase output. The group also did not let any worker exceed his output.

CONTRIBUTION TO MANAGEMENT BY PETER DRUCKER:

PETER DRUCKER: Peter Drucker was one of the influential management thinkers of this century. He was well known for his great ability to spot and predict future trends.

- 1) **CUSTOMER ORIENTATION:** According to Drucker, management has two important functions. One is marketing and the other is innovation. He said that the purpose of business is to create customers. According to him, new products should drive out the existing products.
- 2) **MANAGEMENT FUNCTIONS:** The basic functions which a manager has to perform are:
 - A) The achievement of specific purpose and mission of the institution
 - B) Making the work productive and the worker achieving.
 - C) Effectively managing social impact and social responsibilities.
 - D) Setting of Objectives.
- 3) **FEDERALISM:** He advocated the concept of federalism. Federalism involves centralized control in a decentralized structure.
- 4) **MBO:** The concept of MBO was pioneered by Peter Drucker in 1954. It involves setting and achieving objectives through mutual consultation, continuous review and feedback.
 - A) Advised replacing bureaucratic structure with an effective structure.
 - B) Suggested gradual adoption of change.
 - C) Stressed on the importance of innovation.
 - D) Stated that innovation distinguishes between a leader and a follower.
 - E) Focused on the importance of decision making. Stated that whatever a manager does he does through decisions.
 - F) Introduced the concept of knowledge workers.
- 5) **ORGANISATION STRUCTURE:** Organisations are the backbone of modern society. He suggests that an enterprise should be organised for business performance.
- 6) **DECISION MAKING:** Management is always a decision-making process. There are two types of decision
 - Tactical
 - StrategicDecision making has five phases: defining the problem, analysing the problem, developing alternatives, solution, converting the decision into effective action.

CONTRIBUTION TO MANAGEMENT BY C.K. PRAHALAD:

- 1) **CORE COMPETENCE:** Prahalad has contributed the basic concept of core competence. Core competence is a bundle of skills and technologies that enables the company to provide particular benefit to customers. He focused on specialty, neatness, special capacity etc. where relationship management, risk management, skills, services, transaction processing etc., factors are considered. Prahalad has narrated that one should know employee's core competence and work accordingly for getting more benefits in the competitive world.
- 2) **BOTTOM OF PYRAMID:** This contribution has focused on a new business model targeted at providing goods and services to the poorest people in the world. The fastest growing new markets and entrepreneurial opportunities are being found among the billions of poor people at the bottom of the pyramid. It is focused on low income markets that provide opportunity for the world's wealthiest companies to seek their fortunes and bring prosperity to the aspiring poor. Innovations, access to information, deregulation, effective distribution, qualitative in

production, reduction in resource intensity, responsibility, renewable energy and profitability are the tools for development of the poor masses.

- 3) **BUSINESS STRATEGY MAKING:** Prahalad has focused on business strategy making. It is highlighted that at all levels of the management should accept the business strategy making philosophy. New strategic skills should be adopted, which includes risk, financial, talent management and trading skills which are useful for business strategy making.

UNIT – 2

PLANNING, ORGANIZING AND DECISION MAKING

MEANING:

Planning is an important managerial function and is the primary function of management. It involves deciding in advance and what is to be done, who is going to do it and how is to be done. Planning involves looking into the future.

DEFINITION:

KILLEN, “Planning is the concept of deciding in advance what is to be done, who is to do it, how it is to be done and when is to be done.

LOUIS A ALLEN, “Management and planning involves the development of forecasts, objectives, policies programs, procedures, schedules and budgets.

PLANNING PROCESS:

STEP-1 DETERMINATION OF GOALS OR OBJECTIVES: The first step is determining of goals or objectives for the entire organization. Goals can be set to make use of opportunities or to solve a problem.

STEP-2 DETERMINING THE PLANNING METHODS: Planning premises refers to assumptions made about environmental factors. It comprises of two components they are internal and external. Internal premises are about the internal environmental factors such as suppliers, employees etc. External premises are assumptions made about the external environment such as legal, political, technological environment etc.

STEP-3 DECIDING THE PLANNING PERIOD: The third step is to decide the planning period. Operational planning focuses on the short term, while strategic planning focuses on the long term.

STEP-4 IDENTIFYING ALTERNATIVE COURSE OF ACTION: Alternative courses of action should be identified. This would provide more flexibility to the management in deciding a course of action.

STEP-5 EVALUATION OF ALTERNATIVES: The benefits and drawbacks of each alternative as to be analyzed. It should be verified whether the organization has the resources to carry out alternatives

STEP-6 CHOICE OF AN ALTERNATIVE: The alternative which can help in efficient achievement of objectives should be chosen. Managers have to be very careful in this step.

STEP-7 PREPARATION OF DERIVATIVE PLANS: The plans developed for the various levels down the organization are called derivative plans. The plan set for the organization has to be broken down into departmental unit and individual plans.

STEP-8 PERIODIC REVIEW: Periodic reviews have to be conducted. Sometimes the planning premises might have changed. Then the plans have to be revised accordingly. Periodic reviews help to take the required corrective action.

TYPES OF PLANNING:

1) BASED ON TIME PERIOD:

A) SHORT TERM PLANNING: Planning is for a period of up to one year. Short term planning is undertaken by the lower level of management to achieve short term goals. It relates to the current and near future operations. Short term plans are used for achieving the long term plans. It refers to: **A) Training of employees. B) Purchase of raw materials. C) Production planning.**

- B) MEDIUM TERM PLANNING:** Plans are prepared for a period of more than one year up to five years. They support the long term plans for the firm. Medium term plans are prepared by the middle level management. Medium term plans relate to:**A)** Development of new products. **B)** Entry into new markets. **C)** Better publicity.
- C) LONG TERM PLANNING:** Plans are prepared for a period of time more than five years. They relate to establishment of long term goals and framing strategies to achieve them. The long term plans are prepared by the top level management. Long term plans refers to:**A)** Becoming a technology leadership. **B)** Achieving markets leadership. **C)** Building strong image and reputation.

2) BASED ON SCOPE:

- A) CORPORATE PLANNING:** It is strategic in nature and covers the entire organization. Corporate plans are prepared considering the resources of organization and its environment. They are prepared by the top level management.
- B) DIVISIONAL PLANNING:** It is related to a particular divisions or department. The divisional head prepares the divisional plans. Divisional plans are prepared on the basis of corporate plans.
- C) SECTIONAL PLANNING:** It refers to detailed plans for a particular unit relating to day to day operations. The unit managers are responsible for preparing sectionals plans. Sectional plans are specific in nature and are prepared to achieve divisional goals.

3) BASED ON FOCUS:

- A)STRATEGIC PLANNING:** It is undertaken by the top level management and covers a long period time. It is planning to utilize resources, respond to the environment and achieve long term objectives. It covers the entire firm.
- B)OPERATIONAL PLANNING:** It is concerned with efficient use resources to achieve objectives. Operational plans are focused on the internal environment of the firm.
- C)TACTICAL PLANNING:** It is also known as intermediate planning. Strategic planning determines what an organization would be in future tactical planning involves the measures to take it there.

PLANNING METHODS:

OBJECTIVES

MEANING:Objectives are the ultimate goals towards which the activities of the organization are directed at. Objectives are the end point of planning. Objectives determine the organization structure the kind of personnel to be recruited the control systems to be established etc.

DEFINITION:**DALTON E. MCFARLAND**, "Objectives are goals, aims or purposes that organizations wish to achieve over varying periods of time."

NEED OR IMPORTANCE OF PLANNING:

1) PRIMARY OF PLANNING:

Planning precedes all other managerial functions. Planning is required to decide the type of organization structure, employees required, the leadership style and motivators to be used etc.

2) TO OFFSET UNCERTAINTY AND CHANGE:

Planning helps to minimise the risk effects of uncertainty. Organizations need to face continuous change. Planning helps organizations to adapt to change.

3) TO FOCUS ATTENTION ON OBJECTIVES AND PURSUITS:

Planning helps to focus attention on the objectives. It enables managers to realize the goals of the organization.

4) TO HELP IN OTHER FUNCTIONS OF MANAGEMENT:

Planning makes the process of co ordination, control direction and decision making easier. An effective plan reduces the tension on other functions of management.

5) TO INCREASE ORGANIZATIONAL EFFECTIVENESS:

Planning aids in increasing organizational effectiveness. It enables the firm to use opportunities and achieve its objectives.

6) TO ACHIEVE SUCCESS:

Planning enables a firm to take measured steps towards objectives. Firms which plan and go according to plans enjoy better success. Plan enables an organization to adapt to the environment in a better manner.

7) HELPS IN CO ORDINATION:

Planning is the best stage for the inter grathar and co-ordination of the activities of

An organisation .planning makes in easier to co-ordination the activities of an enterprise.

8) EFFICIENT RESOURCES UTILIZATION:

Planning helps an organization to use its resources efficiently. Wastages and duplication of efforts are avoided.

9) ECONOMY IN OPERATIONS:

Planning helps an organization to operate in an economical manner. It can be passed on to the consumers as lower prices.

10) BETTER CONTROL:

Planning is the basis for control. Planning helps an organization to have efficient control over its operations. Plans and goals serve as targets which performance can be measured.

ABSTRACLES FOR EFFECTIVE PLANNING:

- 1) COSTLY AND TIME CONSUMING:** Planning is an expensive and time consuming process. Small organizations would not be able to spend the time and resources required for planning. Moreover there is no guarantee that plans would be successful.

- 2) **CURBS INITIATIVE:** Since managers have to follow plans it restricts their initiative. They cannot try things which are not included in the plans. This reduces the scopes for innovation.
- 3) **INACCURATE PREMISES:** Plans are based on certain assumptions. These assumptions are termed as planning premises. The assumptions made at the time of preparing plans may change. So plans based on such assumptions may not be useful in the future.
- 4) **RESISTANCE:** Planning may face resistance in some organizations. Managers would find it difficult to implement plans because of employee resistance.
- 5) **DIFFICULT:** Planning may be difficult for firms operating in fast changing environment. For e.g. in new technology sectors such as telecom, software etc. Changes take place very fast. In such industries planning would be difficult.
- 6) **NOT ERROR FREE:** Planning is based on facts available. If the data contains errors plans based on such wrong data would also be as wrong.
- 7) **FALSE SENSE OF SECURITY:** Plans provide a false sense of security against uncertainties of the future. Some organizations feel that once they have prepared plans their future is certain. But it is not true. Changes taking place in government policy, technology, competition etc may make plans ineffective.
- 8) **DELAYED DECISIONS:** Plans may cause delays in decision making. In emergency situations on the spot decisions have to be taken. A manager facing an emergency may not take immediate decisions. It is because he has to follow various rules and procedures.
- 9) **RIGIDITY:** Planning might sometimes lead to rigid organizational structures. Everyone would be bound by the plans laid out. The organization would loss flexibility. It would not have the capacity to use emerging opportunities.
- 10) **NON AVAILABILITY OF DATA:** Planning is based on facts and data. Sometimes data may not be available or may be difficult to obtain. In such cases preparation of effective plans is difficult.
- 11) **LACK OF ABILITY:** Planning is an intellectual process. It requires the ability to analyze information, judge and decide. If managers do not have such skills they would not be able to plan in the right manner.

STEPS FOR EFFECTIVE PLANNING:

1. **ACCURACY OF FORECASTS:** Plans are based on forecasts. Effective planning depends on the accuracy of forecasts. If forecasts are accurate planning would be a success. Forecasts should be prepared considering the present and future changes.
2. **FLEXIBILITY:** Plans relate to the future and future is uncertain. Organizations operate in a changing environment. Therefore plans should flexible to adapt to changes. Rigidity in planning would make planning ineffective.
3. **REGULAR REVIEW:** Planning process should provide for regular monitoring and review. Plans should be reviewed considering the internal and external factors. Based on the review if required plans have to be revised.
4. **CONTINGENT PLANS:** To take advantage of changing conditions contingent plans are prepared. Contingent plans would enable the firm to function in a changing environment.
5. **REALISTIC:** Plans should be realistic and practical. They should be prepared taking into account all relevant factors into account.
6. **PARTICIPATIVE PROCESS:** Plans should be prepared after obtaining inputs from all concerned. It would ensure that plans are based on the correct information. There would be better communication and commitment from employees.
7. **TOP MANAGEMENT COMMITMENT:** Top management support is essential for the success of planning. The top management should actively participate in the planning process. It should communicate that planning is essential for success.

8. **COPE WITH CHANGE:** Plans should be prepared in such a way that they help managers to cope with change.
9. **EFFICIENT MIS:** The organization should have an efficient information system. It should provide required information regularly. Availability of reliable information would improve effective of planning.

FEATURES OR CHARACTERISTICS OF PLANNING:

- 1) **PERVASIVE IN NATURE:** Planning is pervasive in nature. Every organization plans in future action. Every department and manager at all levels undertakes planning.
- 2) **INTELLECTUAL PROCESS:** Planning is an intellectual process. It requires careful thought and analysis on the part of the manager. Several factors have to be considered before plans devised, and it is not guesswork.
- 3) **CONTINUOUS PROCESS:** Planning is a continuous process. Right from the start of a firm till its end, planning is required. The manager should constantly plan for the future. Sometimes which plans are based change old plans have to be revised or new ones have to be prepared.
- 4) **BASED ON FACTS:** Planning is based on facts. Planning is not based on facts on guess work or vague assumptions. It is based on relevant and reliable information.
- 5) **FLEXIBILITY:** Plans must be flexible. The reason is plans are laid for the future and future is uncertain. Plans have to be flexible in order to suit changing conditions.
- 6) **FORWARD LOOKING:** Planning involves looking ahead into the future. It is carried out to achieve objectives in the future. Planning helps a firm to bridge the gap between the present and the future.
- 7) **GOAL ORIENTED:** Planning is focused on achievement of goals. It helps to achieve goals in an efficient and effective manner.
- 8) **INVOLVES CHOICE:** Planning involves choice among the alternatives courses of action. The alternatives are evaluated and the most suitable among them is chosen. Plans refer to decisions taken after evaluating alternatives.
- 9) **INTEGRATED PROCESS:** The various divisions of an organization have plans of their own. These difficult plans are inter related in nature. They have to be integrated to achieve the objectives of the organizations.
- 10) **DYNAMIC:** Organizations operate in a changing environment. Changes happen on a continuous basis. Therefore plans should not be rigid and should be flexible in nature.

FEATURES OF OBJECTIVES:

- A) Objectives can be multiple in natures. For e.g. an organization can have quality improvement, cost reduction, innovation and customer satisfaction as its objectives.
- B) Objectives should take into account the requirements of stakeholders such as shareholders, employees creditors, suppliers, customers etc.
- C) Objectives can be both tangible as well as intangible. Tangible objectives can be set in terms of production units, profits, sales etc. Intangible objectives relate to moral, motivation, attitude, commitment level of employees etc.
- D) Objectives can at times be in conflict with each other. For e.g. the objective of new product innovation can be at conflict with the objective of cost reduction.

- E) Objectives have a hierarchy. Organizational objectives are at the top followed by departmental objectives then objectives of each unit or section and then come the individual objectives.

ORGANIZING:

MEANING: An organization represents a group of people who have come together to achieve a common purpose. An organization is a system made up of interdependent sub systems. The organization brings together and co ordiates the activities of the sub systems to achieve common objectives. Organizations differs respect to their nature, size and purpose. Organizing is the process of identifying activities to be done and activities are related.

DEFINITION:

G.DESSLER, "An organization consists of people who carry out differentiated tasks are coordinated to contribute to the organization's goals.

MCFARLAND, "It is an identifiable group of people contributing their efforts towards the attainment of goals."

FEATURES OR CHARACTERISTICS OF ORGANIZATION:

- 1) **AS A PROCESS:** Organization is the process of defining and grouping activities and establishing relationships. Relationships are created in terms of authority and responsibility. Each member is assigned a responsibility and the authority required to perform it.
- 2) **STRUCTURE OF RELATIONSHIPS:** Organization is a structure of created for achieving a common purpose. Through this structure management directs co ordiates and control the enterprise.
- 3) **FUNCTION OF MANAGEMENT:** Organization is a basic function management. It is the process of integration and co ordination of efforts for achieving objectives.
- 4) **INTERRELATIONSHIP:** Organization is formed by establishing inter relationships between people, activities, positions and departments.
- 5) **DEFINITION OF AUTHORITY AND RESPONSIBILITY:** Organization clearly defines the responsibility and authority of employees. It creates accountability for performance
- 6) **COMMON PURPOSE:** Organization refers to a group of people working together for a common purpose. Members contribute their efforts achieving common objectives.
- 7) **TWO OR MORE PERSONS:** It is a human association of two or more working together. An individual seeks the co operation of others have similar goals and an organization is formed.
- 8) **DIVISION OF WORK:** Work is broker of down into tasks and activities. Departments and divisions are created to perform the tasks.
- 9) **CO OPERATION :**Co operation the essence of organisation co operate with each other and work smoothly to achieve common goals
- 10) **RULES AND REGULATIONS:** Group members lay down the rules and regulations of the organization. They regulate the behaviour of and specify what is acceptable and unacceptable. Rules are essential for the orderly functioning of organizations.
- 11) **COMMUNICATION:** An organization exists because people are able communicate with each other. Through communication, objectives set and authority responsibility relationships created.
- 12) **POOLING OF EFFORTS:** Organizations function by pooling of efforts of the members. They are created and survive because of members efforts.

- 13) CONTINUOUS PROCESS:** Organization is a continuous process. Managers are continuously engaged in organizing and reorganizing. It is through the organization a firm is created and is required till its end.

IMPORTANCE OF ORGANIZATION:

- 1) FACILITATES ADMINISTRATION:** Organizing aids in the creation of a suitable organizational structure. It enables development of policies, procedures and establishing proper communication channels. Administration becomes efficient and decisions can be implemented in a better manner.
- 2) AIDS INNOVATION:** According to Peter Drucker , Marketing and innovation are the two primary functions of business. To succeed in innovation, creativity of employees should be encouraged. An organization structure that provides freedom and flexibility would encourage creativity and innovation.
- 3) FACILITATES GROWTH:** Organizations can grow and expand if they have a suitable organization structure. If the organization structure is unsuitable growth and expansion would not be possible.
- 4) OPTIMUM UTILIZATION OF RESOURCES:** Through division of work and specialization resources can be used in the best manner. Wastages are avoided and all facilities are used well.
- 5) ENCOURAGES INITIATIVE:** A good organizational structure would bring out the hidden talents of employees. These talents can be used for the further growth of the organization. It would aid employees to become more creative and contribute towards success.
- 6) IMPROVES EFFICIENCY:** In a good organization, proper systems and structures are in place. There are clear lines of communication and guidelines relating to tasks. This results in efficiency and better chances of growth.
- 7) OPTIMUM USE OF TECHNOLOGY :** Well structured organizations would make optimum use of technology. A good organization structure which adapts to changes can make the best use of technology.
- 8) IMPROVES CREATIVITY:** Strong organization structure improves creative thinking by providing well defined relationships. Routine tasks can be delegated to subordinates. Superiors can come up with creative ideas and solve challenging problems.
- 9) FREE FLOW OF COMMUNICATION :** Well designed organizations promote free flow of communication. This enables free exchange of ideas and removes confusion and mistrust.
- 10) ENABLES SPECIALIZATION:** Organizations provide for division of labour. Division of labours enables specialization and better usage of skills and talent.
- 11) BETTER CO ORDINATION:** Clear arrangement of facilities duties and responsibilities help in co ordination. Co ordination is possible among departments through better integration of activities.

PRINCIPLES OF ORGANIZATION:

- 1) DETERMINATION OF OBJECTIVES:** The first step in organizing is determination of objectives. The nature of the organization depends on the objectives. Objectives should be stated in clear terms. They should be understandable and communicated to all concerned.
- 2) CLEAR LINES OF AUTHORITY AND RESPONSIBILITY:** Everyone in the organization should be made clear of their authority and responsibility. When responsibility is assigned adequate authority should be delegated. Responsibility should correspond with the authority assigned.

- 3) **SCALAR PRINCIPLE:** The line of authority should be clear and unbroken. Every employee should know the reporting relationships. He should know who reports to him and to whom he reports to.
- 4) **SPAN OF CONTROL:** A superior should only manage that number of subordinates whom he can effectively control. Fewer level of authority should be preferred. It would speed up communication and enable quick decisions.
- 5) **COMMUNICATION:** The organization should provide for free flow of communication between members. This would reduce the impact of rumours and create better understanding.
- 6) **UNITY OF COMMAND:** Each subordinate should report to only one superior. Dual reporting should be avoided as far as possible.
- 7) **MANAGEMENT BY EXCEPTION:** Management by exception should be followed. Only complex problems should be taken to the top management. Routine problems should be solved by the middle and lower level managers.
- 8) **SPECIALIZATION:** Specialization offers several advantages such as better quality of work, increase in productivity, lower costs etc. Therefore the organization should promote specialization.
- 9) **EFFICIENCY:** The organization should be designed for efficiency. Duplication of facilities and wastages should be avoided.
- 10) **FLEXIBILITY:** The organization should be flexible and be able to adapt changes. It should provide for expansion diversification as well contraction. Rigid structures should be avoided.
- 11) **UNITY OF DIRECTION:** For activities with the same objective there should be one leader and one plan. It would avoid duplication of efforts and wastages. It would also aid in better co ordination and control.
- 12) **FUNCTIONAL DEFINITION:** Authority and responsibility of every member should be clearly defined. Relationships between jobs should be specified. Line and staff functions should be clearly differentiated.
- 13) **DELEGATION OF AUTHORITY:** When a task is assigned to a person, the required authority should be delegated. Authority should be according to the responsibility assigned. Responsibility without the required authority would lead to frustration. Authority without responsibility would result in misuse of power.
- 14) **ABSOLUTENESS OF RESPONSIBILITY:** Even if a superior delegate authority he continues to be responsible for the task. He cannot avoid responsibility. The superior is accountable for the actions of his subordinates.

ORGANIZATIONAL STRUCTURE:

MEANING : Organization structure defines the manner in which tasks are divided, grouped and coordinated in organizations. It specifies the roles, responsibilities and reporting relationships of members. The organization structure is directly related to the achievement of organizational objectives. An organization chooses a specific structure based on its size, nature and purpose and environment.

DEFINITION: KOONTZ AND O'DONNELL, "An organization structure should be designed to clarify the internal environment so that everyone knows who is to do what and who is responsible for what results."

FACTORS INFLUENCING ORGANIZATION STRUCTURE:

- 1) **COMPANY'S VISION AND GOALS:** It is vision and goals that influence the organization structure. The organization structure should be designed to achieve its vision and goals. If the structure is not suitable it would not be able to fulfil its vision and goals.
- 2) **STRATEGY:** Strategy is a long term plan for allocation of resources and achievement of objectives. The top management prepares strategies based on opportunities threats and the organization structure. Any change in strategy would require change in the organization structure.
- 3) **TECHNOLOGY:** Technology influences the organization structure. Technology influences the equipment used, work flow, chain of command and span of management. If the firm adopts latest technology it can go for virtual and network organization etc.
- 4) **NATURE OF ACTIVITIES:** The nature of activities performed influences the type of organization structure. The organization structure suitable for a product based and a service based organization would not be same.
- 5) **SIZE:** The size of the organization influences the organization structure. The organization structure required for a large organization and a small organization is different. For a small organization, line organization would be suitable. Line and staff organization and functional organization can be adopted by large organizations.
- 6) **DELEGATION AND DECENTRALIZATION:** The level of delegation and decentralization influences the organization structure. Line organization is suitable in case of centralized structure.
- 7) **LEADERSHIP STYLE:** The organization structure is influenced by the leadership style. In case of autocratic leadership style line organization would be suitable.
- 8) **EMPLOYEES CHARACTERISTICS:** In case employees are not well qualified, inexperienced or in disciplined line organization should be adopted. If it has functional experts it can adopt a functional organization.
- 9) **ENVIRONMENT:** An organization is an open system. Environmental factors influence the functioning of an organization. Organizations which operate in stable environment can adopt mechanistic structure. Those operating in dynamic environments adopt organic or flexible structures.
- 10) **PHYSICAL FACILITIES:** Physical facilities are considered while deciding an organization structure. Virtual and network structures can be adopted only if firms have good communication facilities.

IMPORTANCE OF ORGANIZATION STRUCTURE:

- 1) **CLARITY OF AUTHORITY RELATIONSHIPS:** Organization structure provides clarity of authority relationships. It allocates authority and responsibility. It shows who reports to whom and the role and responsibilities of each employee.
- 2) **ENABLES COMMUNICATION:** Organization structure group of similar activities people and facilities. It enables communication sharing of information and joint efforts for solving problems.
- 3) **LOCATION OF DECISION CENTRE:** It is the organization structure which determines the decision centre. The organization specifies where decisions would be taken. In a departmental organization important decisions would be taken by respective departments.
- 4) **BALANCING OF ACTIVITIES:** Organization structure creates proper balance between activities of the enterprise. Activities of equal importance are placed at equal levels in the structure.
- 5) **STIMULATES CREATIVITY:** Organization structure stimulates creative thinking and initiative among employees. Every employee will know his area of focus.

- 6) **PROMOTES GROWTH:** A sound organization structure will enable growth. A suitable structure would provide the basis for expansion and diversification.
- 7) **ABILITY TO MEET THREATS AND OPPORTUNITIES:** A good organization structure would help a firm to utilize opportunities for growth. It would be able to counter its threats in an effective manner.
- 8) **ADAPTABILITY TO CHANGE:** An organization structure which is flexible would be able to better adapt to changes. It can innovate and create change and get benefit from it.
- 9) **BETTER TEAMWORK:** Teamwork would aid in sharing of efforts and knowledge for organizational success. Organization structure aids in improved team work among organizational members.

DECISION MAKING:

MEANING :

Decision making is the process of selecting one alternative from among a number of alternatives available. The need for decision making will arise only when there are options. If there is only one way of doing a task there is nothing to decide.

DEFINITION:

In the words of **GEORGE TERRY**, 'Decision making is the selecting of an alternative from two or more alternatives to determine an opinion or a course of action'.

ALLEN defines decision making as 'The word a manager performs to arrive at conclusions and judgment'.

STEPS INVOLVED IN DECISION MAKING:

- 1) **IDENTIFYING AND UNDERSTANDING THE PROBLEM:** Decision making is to identify and understand the actual problem. If only the actual problem is identified, it will be possible to provide a remedy by evolving a suitable decision.
 - A) Inherent product defect.
 - B) High price.
 - C) Lack of sales promotion.
 - D) Intense competition.
 - E) Faulty distribution system and so on.
- 2) **MAKING AN ANALYSIS OF THE PROBLEM:** Once the actual problem is identified the next step is to make a detailed analysis of the same. Analysis of the problem requires data which may be obtained from both internal and external sources. They are:
 - A) Is the allocation for promotion adequate?
 - B) Does the organization have the required number of sales personnel?
 - C) Are the salesmen doing their job well?
 - D) Is the choice of the medium of advertisement right?
- 3) **IDENTIFYING ALTERNATIVE SOLUTION:** After the problem has been analyzed in detail, the next step is to develop alternative solution. Any organizational problem has many solutions. It is therefore necessary that the decision maker identifies the alternative solutions.

The problem of lack of promotional efforts can be solved by adopting any of the following solutions:

- A) Making further allocation of resources for media advertising if the allocation is made.
 - B) Employing additional sales staff if the existing number is insufficient.
 - C) Participating in trade fairs and exhibition etc.
- 4) **EVALUATING THE ALTERNATIVE SOLUTION:** Evaluating the alternative is done by seeing pros and cons (merits and demerits) of each. Each alternative has its own advantages and drawbacks.
- 5) **SELECTING THE BEST SOLUTION:** The solution considered the best and the most viable one under the circumstances are selected. In addition to the merits of each alternative solution, the following factors to influence the selection of the best alternative:
- A) Resources available.
 - B) The value and belief of decision maker.
 - C) Opinions of the staff.
 - D) Past experience etc.
- 6) **IMPLEMENTING THE DECISION:** Implanting the decision by communicating the same to all concerned. The responsibility for carrying out the decision must be fixed on individuals. Necessary procedures should be laid down for executing the decision. Suitable provisions must be made to watch the progress of the decision.
- 7) **REVIEW:** Periodic review of the decision during the period of its implementation is necessary. This is done by comparing the actual results with the expected results.

TYPES OF DECISIONS:

- 1) **PROGRAMMED DECISIONS:** These decisions are routine in nature and are used for dealing with recurring organizational problems. There are clear rules or guidelines to follow in taking programmed decisions. Since managers have made such decision many times before they are relatively easy to decide.
- 2) **NON PROGRAMMED DECISIONS:** These involve decision making in case of complex and non routine situation. Problems are generally unstructured and not well defined. There are no clear rules or guidelines to follow since the situation is unique. Decisions are based on incomplete information. The decision maker's intuition judgment, knowledge and experience play a major role in taking decisions.
- 3) **OPERATING DECISION:** They are repetitive in nature, decentralized and decisions are taken by the middle and lower management. They relate to the present and are taken to run the business in a more efficient manner.
- 4) **STRATEGIC DECISIONS:** They are long term, non -repetitive, centralized decisions. They are taken by the top management. Strategic decisions have long term impact and greatly influence the success and failure of organizations.
- 5) **PERSONAL DECISIONS:** Personal decisions attempt to achieve personal goals. They cannot ordinarily be delegated to others. Personal decisions generally affect the individual taking the decision. It can also affect the organization for instance if the head of a particular division decides to quit.
- 6) **GROUP DECISIONS:** Decisions are taken by a group to achieve organizational goals. Important and strategic decisions are taken by a group. They are generally delegated to others. Group decisions influence the entire organization and in a few remote cases the individual.

- 7) **POLICY DECISIONS:** Policy decisions are of vital importance and taken by the top management. They affect the entire organization and have long term impact. For instance providing financial incentives to employees is a policy decision.
- 8) **OPERATING DECISIONS:** They are concerned with the day-to-day operations of the business. They have short term impact and are taken by the middle and lower level management. Operating decisions relate to execution of policy decisions. While providing financial incentives is a policy decision its calculation is an operating decision.
- 9) **ORGANIZATIONAL DECISIONS:** Taken by managers to achieve the objectives of the organization. Authority for taking organizational decisions can be delegated to others.
- 10) **INTUITIVE DECISIONS:** Intuitive decision is based on gut feel, past experience etc. They are subjective in nature and are taken without careful evaluation of alternatives. Intuitive decisions may suffer from the personal bias of the decision maker.
- 11) **RATIONAL DECISIONS:** It is a decision taken after careful analysis of the problem, collection of data, review of key factors, evaluations of alternatives and choice of the most suitable alternative. Rational decisions are taken on the basis of systematic and logical approach.

DECISION TREE:

DECISION TREE:

A decision tree is a graphical presentation of the alternatives available in a given decision situation together with the outcome of each alternative. With the help of probability the payoffs are calculated. The alternative with the highest payoff may be finally selected. Ex: Linear programming, Programs, Evaluation and Review Technique (PERT), Simulation, etc., are some of the other important techniques used in decision making. They are:

- 1) **COST BENEFIT ANALYSIS:** The cost involved and the benefit expected from all alternatives is compared. The alternative which provides the higher benefit compared to costs is chosen.
- 2) **MARGINAL ANALYSIS:** This involves comparison of additional revenues and additional cost if output is increased by one unit.
- 3) **BREAK EVEN ANALYSIS:** Break even analysis is concerned with finding out the break-even point. Break-even point is that level of production at which income is equal to expenses and there is neither profit nor loss. At a broader level break even analysis is used for finding profits for any given level of activity. Break even analysis is used extensively for decision making.
- 4) **RISK ANALYSIS:** When a decision is taken under uncertain conditions risk analysis is required. The probability of occurrence of each variable crisis found. Based on this suitable decision is taken.
- 5) **OPERATIONS RESEARCH:** It is a quantitative approach to decision making. Techniques such as linear programming, assignment, transportation, sequencing, simulation etc., can be applied. Linear programming techniques can be used to maximize production, sales and profits or minimize costs, time and resources. By applying operations research technique, the manager can arrive at optimal decisions.
- 6) **BRAINSTORMING:** A problem is placed before a group of people. Each one of them is encouraged to come out with creative solutions. Participation is encouraged and no idea is

criticized. The group members come out with innovative and creative solutions. The ideas are then evaluated and the best among them is chosen.

- 7) **DELPHI TECHNIQUE:** A panel of experts is chosen. The experts would be in different locations and not known to each other. The problem is placed before the experts who come out with solutions and their justification. The solution received is placed before the panel of experts. They are encouraged to revise their solution considering the other solutions. Finally the group will converge towards the best answer.
- 8) **DECISION TREE:** It is a graphical method which shows the alternatives for a decision with its risk and outcomes. The payoff for each event is calculated. The decision maker chooses the best alternative based on analysis.

UNIT-3

COMMUNICATION

COMMUNICATION:

MEANING: Communication is the process by which ideas, feelings, opinions, beliefs and messages are passed on to one or more persons. It is said to be a bridge of meaning between people. We keep communicating on a regular basis. Communication happens through words as well as signs, symbols and gestures.

DEFINITION:

LOUIS A. ALLEN, "Communication is the sum of all things, a person does when he wants to create and understanding in the mind of another. It involves a systematic and continuous process of telling, listening and understanding"

KOONTZ AND O DONNELL, "Communication is the exchange of facts, ideas, opinions or emotions by two or more people".

ELEMENTS OF COMMUNICATION: The communication process involves six basic elements. They are:

- 1) **SENDER (ENCODER):** The person who starts the communication process.
- 2) **MESSAGE:** Ideas, opinions, feelings etc that are communicated by the sender. Message is the information that the sender wants to transmit.
- 3) **MEDIUM:** It is the means of communication.
- 4) **RECEIVER (DECODER):** Person getting the message.
- 5) **NOISE:** Anything that interferes with the communication.
- 6) **FEEDBACK:** The transfer of information from the receiver back to the sender.

PROCESS OF COMMUNICATION: A minimum of two persons, the sender and the receiver are essential for communication. The communication process is complete only when the receiver understands the message in the sense in which the sender wants him to understand. The process of communication involves the following steps. They are ideation, encoding, transmission, receiving, decoding, and feedback.

- 1) **IDEATION:** The sender initiates the communication process and decides what is to be communicated.
- 2) **ENCODING:** It is translating a message into words or images. Encoding of messages can be done verbally or non-verbally.
- 3) **TRANSMISSION:** Messages are transmitted over a medium to a receiver. The means of communication can be face to face, print, electronic or digital. The channel is the path a message follows from the sender to the receiver.
- 4) **RECEIVING:** The receiver is the person or group for whom the communication is intended.
- 5) The receiver should be receptive understand the entire message.
- 6) **DECODING:** The receiver decodes or makes out the meaning of message. The communication process will be purposeful only if the understand the message correctly.
- 7) **FEEDBACK:** Feedback is from the receiver. It states that the message is understood or that it must be re-sent. In the feedback loop, the receiver becomes the sender and the sender becomes the receiver.

ESSENTIALS OF COMMUNICATION:

- 1) **CLARITY:** Communication should be clear and understandable. The sender should be clear about what he wants to communicate, to whom and why? He should be able to convey the message in clear language.
- 2) **IMPORTANCE OF PRACTICE:** Actions speak louder than words. Therefore communication should be backed up with actual practice.
- 3) **MUTUAL PARTICIPATION:** Both the sender and receiver should actively participate in the communication process. The sender should take care to communicate in a clear manner. The receiver should clarify his doubts. He should understand messages in the right way.
- 4) **TRANSMISSION:** The sender should choose the suitable medium for transmitting the message.
- 5) **CONTINUOUS PROCESS:** Communication should be continuous in order to create understanding. Intermittent communication would not be able to achieve the desired results.
- 6) **HARMONY:** Harmonious relationship between members is essential for effective communication. Communication would achieve the desired results only if there is mutual respect and trust.

FUNCTIONS OF COMMUNICATION:

- 1) **INFORMATION FUNCTION:** Communication informs members of the organization of their roles and responsibilities. The management is able to inform employees its vision, mission, objectives, future goals.
- 2) **COMMAND AND INSTRUCTIVE FUNCTION:** The superiors are able to guidance and control performance through communication. Instructions are passed down through communication.
- 3) **INFLUENCE FUNCTION:** It can motivate Communication employees for is better used to performance influence feelings and emotions. It is used to remove doubts, mistrust and create self confidence.
- 4) **INTEGRATIVE FUNCTION:** Communication plays an important role in integrating various departments. It acts as unifying force role in the organization.

NATURE OR FEATURES OF COMMUNICATION:

- 1) **INVOLVES ATLEAST TWO PERSONS:** One is the sender and the other is the receiver.
- 2) **IS A TWO WAY PROCESS:** Communication is a two way process. The sender transmits information to the receiver. The receiver provides feedback to the sender.
- 3) **TRANSFER PROCESS:** Involves transfer of ideas, messages, information or opinions between the sender and receiver.
- 4) **OBJECTIVE IS TO CREATE UNDERSTANDING:** The basic objective is to create understanding in the minds of the receiver. The sender and receiver should understand the message in the same sense.
- 5) **MAY BE IN VARIOUS FORMS:** Can be in the form of instructions, orders, grievances, complaints, suggestions etc., Messages can be transmitted through words spoken, written or by gestures.

PRINCIPLES OF COMMUNICATION:

- 1) **PRINCIPLE OF COMPLETENESS:** The message communicated should be complete in all respects. Incomplete communication causes confusion, conflicts and delays.
- 2) **PRINCIPLE OF TIME:** Communication should be timely in nature. It should reach the right person at the right time. Timely communication results in prompt action and success.

- 3) **PRINCIPLE OF CLARITY:** Messages should be clear. They should create understanding in the minds of the receiver. Technical terms should not be used frequently.
- 4) **PRINCIPLE OF UNDERSTANDING:** Communication should create understanding in the mind of the receiver. The sender should create messages which can be understood by the receiver.
- 5) **PRINCIPLE OF OBJECTIVE:** The purpose of communication should be clear. It can be to provide information and give instructions. Clear purpose enables choice of correct type of communication, channel and timing.
- 6) **PRINCIPLE OF CONSISTENCY:** Communication should be consistent with the plans and policies. It should not be in conflict with earlier messages. Lack of consistency would create confusion and delay action.

BARRIERS TO COMMUNICATION: In any organization there are certain barriers which hinder the flow of communication. The following are the barriers to communication:

- 1) **ALTERATION OF INFORMATION:** When communication is sent through a third party, the information may be distorted intentionally or unintentionally. This is generally found in the case of upward communication.
- 2) **UNCLARIFIED ASSUMPTIONS:** The sender might have assumed something when sending the message. This assumption may be understood in a different manner by the receiver.
- 3) **MISSING INFORMATION:** The sender might miss out some important points due to stress or lack of time. Focus might be on unimportant issues leaving out the most important ones.
- 4) **NOISE:** Noise refers to anything which hinders the communication process. Noise may be caused by machinery or an office appliance or the loud conversation of someone.
- 5) **LACK OF ATTENTION:** The receiver may not pay complete attention to the message received. His attention may be diverted by some external factor. He might be lost in thought or may be thinking of something else.
- 6) **STATUS DIFFERENCES:** Status differences also cause communication barriers. Generally employees pay great attention to any communication, received from superiors. Communication received from subordinates may not receive attention.
- 7) **SELECTIVE ATTENTION:** The receiver may listen to only that portion of the communication which he is comfortable with. He may ignore messages that are not according to his beliefs.
- 8) **PREMATURE CONCLUSION:** The receiver of the communication may arrive at premature conclusion. He may conclude without understanding the entire communication. In such cases, the conclusion would be wrong.
- 9) **LACK OF TIME:** The sender might not have time to communicate in detail. The receiver might not have time to receive or understand the communication.
- 10) **BADLY EXPRESSED MESSAGES:** Sometimes messages might be sent in an unclear language. The receiver may not be able to understand the content of the communication.
- 11) **POOR RETENTION:** The receiver due to work pressure or fatigue might retain only a certain portion of the communication. He might ignore or forget a major portion of the communication.
- 12) **LACK OF CONFIDENCE:** If the receiver does not have confidence in the sender he would ignore the communication. He may not give importance to messages received.
- 13) **SEMANTIC BARRIERS:** Semantics refers to the science of meaning. Certain words have more than one meaning. Sometimes the same word can be understood differently by the sender and receiver. In such cases, communication will not create the desired understanding.

14) PERCEPTUAL ERRORS: Perception differs from person to person. The same message can be understood differently by different people based on their perception. This may create confusion.

UNIT – 4

BASIC CONCEPTS OF LEADERSHIP

LEADERSHIP:

MEANING: Leadership is influencing behavior of others in such a way that they willingly to achieve group goals. Leadership is the unifying force which holds the organization together. Leadership plays an important role in inspiring and motivating people to perform to their fullest potential.

DEFINITION:

GEORGE R TERRY, “Leadership is the activity of influencing people to strive willingly for group objectives.”

KOONTZ AND O DONNELL, “Leadership is the ability of a manager to induce subordinates to work with zeal and confidence”.

CHARACTERISTICS OR FEATURES OF LEADERSHIP:

- 1) **IMPORTANT FUNCTION OF MANAGEMENT:** Leadership is an important function of management. It plays an important role in deciding the success or failure of organizations. The effectiveness of other management functions depends on the effectiveness of leadership.
- 2) **ALL PERVASIVE FUNCTION:** Leadership is required wherever individuals work as groups to achieve common goals. Leadership is essential in the government, business firms, non-profit organizations, sports teams, trade unions etc.
- 3) **PERFORMED BY MANAGERS AT ALL LEVELS:** Managers at the top level, middle level and the lower level are leaders to their subordinates. Subordinates look up to them for direction and guidance.
- 4) **PROCESS OF INFLUENCING OTHERS:** Leadership is the process of influencing others. The leader through his words and actions influences the attitude and behavior of his followers. This influence enables him to secure the willing co-operation of his followers.
- 5) **DYNAMIC:** Leadership is dynamic in nature. The leader has to adapt his style according to the changes in the environment. If the subordinates are indisciplined or the organization is facing a crisis, autocratic leadership style would be suitable. In case subordinates are disciplined and knowledgeable, democratic leadership style can be adopted.
- 6) **FORMAL OR INFORMAL:** Leadership is found in formal and informal organizations. Formal leaders derive authority from their position in the organization. Informal leaders influence group members because of their skills and talent. They do not have official job description.
- 7) **EXISTENCE OF FOLLOWERS:** Existence of followers is an essential requirement of leadership. Followers are those who willingly accept the influence the leader. If there are no followers there is no requirement of a leader.
- 8) **ACCEPTANCE OF FOLLOWERS:** The authority of the leader depends upon the acceptance of his followers. The leader should have capacity, talent and be inspirational. If followers have confidence on the leader's ability they would accept him as their leader.
- 9) **LEADERSHIP IS SITUATIONAL:** Leadership is situational in nature. One particular method or style of leadership may not be suitable in all situations. The leader has to adopt the leadership style according to the situation.
- 10) **ON GOING ACTIVITY:** Leadership is an ongoing activity in firms. Leadership is required wherever there is group activity.

- 11) GOAL ORIENTED:** Leadership is a goal oriented activity. The basic objective of leadership is the achievement of group goals. The leader encourages his followers to voluntarily contribute to group goals. Goal alignment: Individual members have goals of their own which might be different. The group has a common goal. It is the leader who aligns the individual goals with the group goal.

OBJECTIVES OF LEADERSHIP:

- 1) ACHIEVEMENT OF GOALS:** The basic objective of leadership is achievement of goals. The effectiveness of leadership depends on timely goal achievement.
- 2) IMPROVED EFFICIENCY AND EFFECTIVENESS:** The leader aims to achieve efficiency and effectiveness. Goals should be achieved with minimum effort and resources.
- 3) INSPIRES SUBORDINATES:** The subordinates consider their leader as the role model. Therefore the leader should be able to inspire subordinates to perform better.
- 4) PROVIDES TRAINING:** Training improves skills and performance. Therefore the leader has to ensure that regular training is provided to his subordinates.
- 5) MAINTAIN ORDER AND DISCIPLINE:** The leader should maintain order and discipline. He should ensure that subordinates follow the rules and regulations.
- 6) CLEAR COMMUNICATION:** Clear communication creates understanding and ensures that subordinates follow instructions. Therefore the leader should communicate regularly and clearly.

FUNCTIONS OR ROLE A LEADER:

- 1) THE VISION AND MISSION:** This he does by scanning the Environment to find out strengths, weaknesses, opportunities and threats. The vision and mission should be set after discussion with the members of the organization.
- 2) DETERMINATION OF GOALS:** It is the leader who determines the goals of the organization. Goals are determined considering business objectives and factors in the environment.
- 3) EXPLANATION OF GOALS AND OBJECTIVES:** A leader explains the goals and objectives to his subordinates. The role and responsibilities of the subordinates are made clear to them by the leader.
- 4) PREPARATION OF POLICIES AND STRATEGIES:** It is the leader who prepares the policies and strategies. He has to ensure that the policies are communicated and followed by all.
- 5) ASSIGNING TASKS:** The leader identifies the tasks to be performed. He then assigns tasks according to skills, talents and experience to his people. There should be proper match between job requirements with skills and talent.
- 6) PROVIDING DIRECTION:** The leader directs and guides his team members towards achievement of organizational objectives. He acts as their mentor, friend, philosopher and guide. He advises and provides the right counsel to his subordinates.
- 7) MOTIVATION:** Through motivation, a leader can secure co operation from followers. Motivated followers put in their maximum efforts to achieve group goals.
- 8) BUILDING TEAM SPIRIT:** Today most of the organizations are team based. A leader has to create the right environment for the team to function. He builds team spirit and teaches the right values to his team members.
- 9) COACHING:** Leaders provide advice and guidance to their followers. They clear the doubts and concerns of followers. They coach and direct their subordinates in the right direction.

- 10) INITIATING CHANGE:** Organizations operate in a changing environment. The leader prepares his team members for change. He communicates the benefits and the necessity of accepting change.
- 11) MAINTAINING DISCIPLINE:** One of the important duties of a leader is to maintain discipline. He lays down the rules and communicates them to his subordinates. He instills self discipline and self control in his subordinates. In case of indiscipline quick and strict action should be taken.
- 12) SUPPORT EFFORTS:** The leader has to support the efforts of his followers. In case of doubts or confusion, the leader has to clear them. He should encourage his followers to put in sustained efforts.
- 13) REDUCE BARRIERS:** There might be barriers which might hinder goal achievement. The leader should remove them or guide his followers to overcome them.
- 14) REWARDS AND PUNISHMENT:** The leader has to support positive attitude and behavior. He does this through rewards and punishments. He rewards discipline, right attitude and good performance. Indiscipline, negative attitude and poor performance are punished.
- 15) RESOLVING CONFLICTS:** There can be difference of opinion or conflicts among followers. These might affect the team spirit of the group. Therefore the leader should resolve the conflicts among his followers. He should be able to create understanding and better co operation.
- 16) REPRESENTING THE GROUP:** The leader is the representative of the group. He communicates the opinions, ideas and grievances of the group. He takes steps so that the needs of the group are fulfilled.
- 17) CO ORDINATION:** The leader acts as the unifying force. He integrates the efforts of his group members. He channelizes individual efforts to achieve group goals.
- 18) ROLE MODEL:** The leader serves as the model to his followers. He should set a personal example through his words and behavior. The leader's actions carry more importance than his words.

LEADERSHIP QUALITIES OR QUALITIES OF A LEADER:

- 1) INTELLIGENCE:** The leader should be intelligent. He should be able to understand the situation, analyze information and take suitable decisions.
- 2) HIGH LEVELS:** The leader should have high energy levels. He should be physically strong and active. Only then he would be able to tackle the challenges of leadership.
- 3) ABILITY TO INSPIRE FOLLOWERS:** The leader should have a strong personality. He should have the right attitude and behavior and serve as an inspiration to his followers.
- 4) SELF CONFIDENCE:** The leader should be determined to face all problems and challenges. He should have the self confidence to overcome problems and win in all situations.
- 5) VISION OF THE FUTURE:** The leader should be able to visualize the future. He should have the capacity to decide the vision for his followers.
- 6) EMOTIONAL CONNECT WITH FOLLOWERS:** The leader should have an emotional connect with his followers. The leader should inspire and be respected by his followers. He should have emotional balance and treat success and failure in the same manner.
- 7) EFFECTIVE COMMUNICATION:** The leader should be a good communicator and have effective communication skills. Only then he would be able to direct and influence his followers.
- 8) GOOD INTERPERSONAL SKILLS:** The leader should have good interpersonal skills. He should be able to understand the feelings and emotions of his followers.

- 9) **POSITIVE SPIRIT:** The leader should be optimistic and have a positive outlook. He should be able to convert problems into opportunities. This positive spirit will influence the entire team to achieve success.
- 10) **PERSISTENCE:** The leader should have strong determination. He should be persistent in his efforts and approach.
- 11) **PATIENCE:** The leader should be patient in his approach. Even if his followers commit mistakes he should avoid anger and guide them.
- 12) **INTEGRITY:** The leader should be a person of honesty and integrity. He should be truthful and ethical in his behavior and actions.
- 13) **FOCUS:** The leader should have single minded dedication towards achievement of goals. Even if there are problems he should find solutions to overcome them. He should never lose sight of the goal.

SKILLS OF A LEADER:

- 1) Goal Setting.
- 2) Communicating a vision.
- 3) Human relations skills.
- 4) Motivation.
- 5) Influencing behavior.
- 6) Team building.
- 7) Problem solving.
- 8) Creativity.
- 9) Flexibility.
- 10) Listening.
- 11) Communication.
- 12) Managing conflicts.
- 13) Handling crisis
- 14) Decision making.
- 15) Delegation

DIFFERENT KINDS OF LEADERSHIP STYLES: The following are the different kinds of leadership styles that have been identified autocratic, democratic, laissez faire, functional, paternalistic.

AUTOCRATIC LEADER: An autocratic leader wants his subordinates to work in the manner he wants. He tells them what they should do, where, when and how. He does not let his followers offer any suggestion. He specifies the goal, makes available the resources that he thinks are enough and sets the deadline within which the subordinates will have to complete the task. The subordinates have to report to him at regular intervals to show the progress of work. The autocratic leader does not have confidence in his subordinates. He thinks that they are basically lazy, have an inherent dislike for work and are not ambitious and creative.

MERITS:

- 1) Such a leadership style is suitable when subordinates are basically lazy and shirking duties
- 2) It helps to make quick decisions as decision making is the prerogative of the leader alone.
- 3) As subordinates are under constant threat of disciplinary action, they are always cautious.
- 4) Inefficient and insincere workers can easily be identified and removed.

DEMERITS:

- 1) Subordinates normally show resistance to this type of leadership style as it curtails their freedom to act.
- 2) It kills initiative for work and results in frustration among workers.
- 3) It often gives scope for conflicts between the leader and his followers which is bad for the organization.
- 4) At some stage, the subordinates may stop obeying the orders of the leader and start showing their protest. If such a stage is reached, the leader will become helpless.

DEMOCRATIC LEADER: Such a style of leadership is also known as 'participative leadership'. A democratic leader does not make unilateral or one-sided decisions. He provides scope for his followers to participate in the decision-making process. He allows his subordinates to discuss the problem and put forth their views freely. If any subordinate does anything that is opposed to the interests of the group, the other members of group take the initiative to correct him.

MERITS:

- 1) As the followers are able to participate in the decision-making process they feel motivated.
- 2) The decision finally made is mutually acceptable. The followers do their work for its implementation wholeheartedly.
- 3) There is no resistance from the subordinates.
- 4) It improves the job attitudes of the subordinate staff.
- 5) As the subordinates do not have ill-feelings of any kind the labor management relationship is bound to improve.

DEMERITS:

- 1) There may be delay in arriving at a decision, as consensus among the individuals is necessary.
- 2) Democratic leadership is suitable only if the subordinates are all capable of making worthwhile suggestions. If they are less efficient and prefer to work as per the leader's directions, participative leadership will not serve the purpose.
- 3) It may sometimes be very difficult to evolve a solution that is acceptable to everyone.

LAISSEZ FAIRE LEADER: The dictionary meaning of laissez faire is policy of non-interference. Also as a 'free rein leader', a laissez faire leader gives full freedom to his followers to act. He does not lay down guidelines within which his followers have to work. He neither influences the subordinate's decisions nor does he interfere in the process of decision making. The laissez faire leader does not exercise the formal authority of a leader.

MERITS:

- 1) Obviously as the subordinates have full freedom to act their level of motivation is bound to be very high.
- 2) Those subordinates who are highly efficient can make use of the freedom given to them to excel.
- 3) The superior subordinate relationship is bound to be very good.

DEMERITS:

- 1) The laissez faire leadership style will produce good results only if the subordinates are all highly efficient and capable of doing their work independently.
- 2) As the leader does not involve himself at all in the activities of his subordinates, control may become difficult.
- 3) The leader does not exercise his formal authority. As a result, the work place may lose its official character.
- 4) The subordinates are deprived of the expert advice and moral support of their leader.

FUNCTIONAL LEADER: A functional leader is one who an expert is in has risen to the position of a leader by virtue of certain special skills that possesses. He does not command any formal authority. Such a leader thinks of the task he has undertaken and spends most of his time finding ways and means of doing it better. The functional leader will be able to offer help to his subordinates provided the subordinates approach him for certain genuine job related problems. The leader expects the subordinates to perform to his level and if the followers are not very serious about their work, he may demand performance.

MERITS:

- 1) The very presence of an expert or a functional leader is beneficial to the followers and the organization.
- 2) As the functional leader is a specialist in a particular field of activity the subordinates can certainly enrich their job knowledge and skill provided they are as committed and sincere as their leader.

DEMERITS:

- 1) The functional leader is a taskmaster. He only believes in work. If only the subordinate is very efficient he will be able to put up with such a leader.
- 2) The functional leader will not be able to go down to the level of an average worker and offer any help.
- 3) The leader may sometimes demand performance from his followers. This may frustrate them.

INSTITUTIONAL LEADER: An institutional leader is one who has become a leader by virtue of his official position in the organizational hierarchy. For example a person appointed as the General Manager of a concern. An institutional leader may not be an expert in his field of activity. He therefore may not be able to provide expert guidance to his followers.

MERITS:

- 1) He has official authority to act.
- 2) He can demand performance from subordinates irrespective of his own credentials and the subordinates are officially answerable to him. He may initiate action against a subordinate who is shirking duties.

DEMERITS:

- 1) As the institutional leader may not be an expert in his field of activity he will not be in a position to offer proper guidance to his followers.

- 2) Although the leader has the official right to demand performance from his followers he may not have the moral right as his own credentials are less.

PATERNALISTIC LEADER: A paternalistic leader takes care of his followers in the way the head of a family takes care of the family members. He is mainly concerned with the well being of his followers and is always ready to protect them. He may provide them with all the physical amenities needed. But he will not be able to guide them to perform their job well. Thus the paternalistic leader is able to be sociable but is not able to offer intellectual help.

MERITS:

- 1) He assumes a paternal role to protect his followers.
- 2) He is always ready to provide the necessary physical amenities to the subordinate.

DEMERITS:

- 1) He is not in a position to offer intellectual help to his followers.
- 2) Those followers who are capable and achievement oriented do feel frustrated as the leader is not able to guide them to enrich their job knowledge and skill.

THEORIES OF LEADERSHIP:

TRAIT THEORY: Trait theory assumes certain traits or characteristics leads to effective leadership. There are certain traits or characteristics which make a person to become a leader. Anybody who possesses these traits would become a leader. According to Trait theory, “Leadership characteristics are inborn and accordingly some people are “born leaders” due to their psychological makeup”. Some of the important traits of leaders:

- 1) **INTELLIGENCE:** Ability to understand analyzes and solves problems.
- 2) **PHYSICAL FEATURES:** Height, weight, physique and appearance.
- 3) **INNER MOTIVATION DRIVE:** The inner urge to achieve something important.
- 4) **MATURITY:** Emotional maturity and balanced mind.
- 5) **VISION AND FORESIGHT:** Ability to see the future and act accordingly.
- 6) **ACCEPTANCE OF RESPONSIBILITY:** Being reliable and accountable for actions.
- 7) **ADAPTABILITY:** Suiting oneself to any situation.
- 8) **OPEN MINDEDNESS:** Ability to understand and absorb new ideas.
- 9) **IMPORTANCE TO HUMAN RELATIONS:** Gives importance to followers and seeks their co-operation.
- 10) **FAIRNESS AND OBJECTIVITY:** Honesty, fairplay, justice and integrity.

MERITS:

- 1) It is simple to understand.
- 2) It specifies the traits required for leadership.
- 3) Organization can train their employees on the traits specified and create internal leaders.

CRITICISMS:

- 1) It does not consider the environment of leadership.
- 2) The theory does not establish the connection between traits and leadership effectiveness.
- 3) It does not consider the situational factors.
- 4) This theory does not mention the common list of traits found in all great leaders.

5) Measurement of a trait happens only after a person has become a successful leader.

BEHAVIOURAL THEORY OF LEADERSHIP: The behavioral theory was developed as a result of the findings of the Ohio State Studies, Michigan University Studies and the Managerial Grid developed by Blake and Mouton. It is based on the theory that effective leadership is the result of effective role behavior. Leaders use technical, conceptual and human relations skills to influence the behavior of subordinates. Leaders are dynamic and they exhibit different styles while dealing with different situations and subordinates. Leaders modify their behavior according to the situation and people whom they lead.

SITUATIONAL LEADERSHIP THEORY: This theory states that leadership is situational in nature. The effectiveness of leadership depends on the situation. A leadership style which is effective in one situation may not be in other situations. There is no one best of that can be applied to all situations. An effective leader is one who can modify his leadership style according to the situation. If a leader tries to use the same style in all situations he may not be successful. The situational leadership model of Hersey and Blanchard, suggests four leadership styles and four levels of follower development. The nature of the task.

- 1) Organizational policies, climate, and culture
- 2) The preferences of the leader's superiors
- 3) The expectations of peers and the responses of followers.

UNIT-5

MOTIVATING

MOTIVATION:

MEANING: The term “Motivation” is derived from the Latin word 'movere' which mean to move. Motivation refers to those factors operating within an individual which pushes him to act in a certain way. It is that process which induces ordinary people to do extra ordinary things.

DEFINITION:

BARON AND GREENBERG, "Motivation is the set of processes that arouse, direct and maintain human behavior towards attaining some goal".

GEORGE R. TERRY, “Motivation is the desire within an individual that stimulates him or her to action.”

FEATURES OR CHARACTERISTICS OF MOTIVATION:

- 1) **INTERNAL FEELING:** Motivation is an internal feeling of an individual. It cannot be observed directly. It can only be understood from an individual's behavior.
- 2) **CONTINUOUS PROCESS:** Motivation is a continuous process. As long as organizations exist, motivation is required. Employees have to be continuously motivated to perform better
- 3) **GOAL DIRECTED:** Motivation produces goal directed behavior. Employees are motivated to willingly contribute for achieving goals.
- 4) **COMPLEX PROCESS:** Motivation is a complex process. There is no one single approach that would work in all situations. Individuals performing the same job may differ in their motivation.
- 5) **MOTIVATION DIFFERS FROM SATISFACTION:** Motivation and satisfaction are not same. Motivation is the drive towards an outcome. Satisfaction arises from outcomes already experienced.
- 6) **MOTIVES CHANGE:** Motives of an individual change even though his behavior is the same. A newly joined temporary sales man may work hard and achieve his target with the motive to become permanent. If he is made permanent he may work hard and achieve targets with the motive to get a promotion.
- 7) **FINANCIAL OR NON FINANCIAL:** Motivation can happen through financial or non financial incentives. Financial incentives include higher salary, bonus, allowances etc. Non financial incentives include better designation, challenging job, recognition, appreciation etc.

IMPORTANCE AND BENEFITS OF MOTIVATION: Motivation encourages employees to contribute their best efforts for achieving organizational goals. High motivation offers the following benefits:

- 1) **UTILIZATION POTENTIAL:** If they are not motivated employees would put in minimum efforts to survive in their jobs. Motivation stimulates employees to perform to their fullest potential. This in better performance.
- 2) **IMPROVED EFFICIENCY:** Motivated employees put in their best efforts in their jobs. The firm is able to produce more and also control cost. This results in improved efficiency.
- 3) **OPTIMUM USAGE OF RESOURCES:** Motivated employees make the best use of resources. They willingly put in their efforts to perform well and avoid wastages. The physical, financial and human resources are used in the best possible manner.

- 4) **REDUCED LABOR TURNOVER:** Motivated employees experience higher job satisfaction. They would like to continue working in the same organization. This reduces labor turnover and also recruitment and training costs of new employees.
- 5) **REDUCED ABSENTEEISM:** An organization which has provided the right type of motivation has high attendance. Absenteeism is reduced to a great extent. This results in higher labor productivity.
- 6) **BETTER INDUSTRIAL RELATIONS:** Higher production and productivity leads to higher profits. Employees receive higher pay and benefits. They would willingly co operate with the management. This results in better industrial relations.
- 7) **ATTRACTION AND RETENTION OF TALENT:** Firms with effective motivation systems perform better and are profitable. They provide higher benefits and keep their employees happy. This helps in retaining talented employees and attracting qualified employees to fill vacancies.
- 8) **BETTER IMAGE AND REPUTATION:** High motivation results in better relations and improved success. This improves the image and reputation of the organization. Better image and reputation provides several benefits.
- 9) **REDUCED COMPLAINTS AND GRIEVANCES:** Complaints and grievances arise mainly because needs are not satisfied. Through motivation employee needs are satisfied. Therefore complaints and grievances would be very less.
- 10) **STRIKES AND LOCK OUTS AVOIDED:** Motivation results in healthy relationship . between management and workers. Management takes steps to satisfy employee needs and employees achieve organizational goals. This results in better co operation and avoidance of strikes and lockouts.

TYPES OF MOTIVATION:

- 1) **POSITIVE MOTIVATION:** It refers to and recognition. It is encouraging employees to perform financial and non financial incentives. Positive motivation results in better employee satisfaction and improved team spirit.
- 2) **NEGATIVE MOTIVATION:** Negative motivation is making employees to perform on the basis of threats and fear of punishment. Employees are told that poor performance would result in unfavorable effects such as dismissal, demotion or layoff. Negative motivation can be adopted if the employees are indisciplined.
- 3) **EXTRINSIC MOTIVATION:** It refers to encouraging a person to do something through external rewards. If an employee is motivated through financial and non financial incentives or threat of punishment it is extrinsic motivation. Extrinsic motivators influence behavior through desire for rewards or avoiding negative outcomes.
- 4) **INTRINSIC MOTIVATION:** It is the internal desire to do an activity for its own sake without expecting any external reward. It is doing something because it is interesting, enjoyable and personally satisfying. Intrinsic motivation within the individual.

PROCESS OF MOTIVATION:

- 1) **RECOGNITION OF NEED:** Human needs serve as the first step in the motivation process. It is the unsatisfied needs that motivate people. Therefore a person has to identify his unfulfilled needs. He cannot satisfy all his unfulfilled needs at once. Therefore he needs to order them on the basis of priority.

- 2) **FINDING THE PATH FOR NEED FULFILLMENT:** After identifying the unfulfilled needs, the way for fulfilling them has to be found. Since there are different ways to fulfill a need, the best way should be found.
- 3) **FULFILLMENT OF THE NEED:** If the attempt to satisfy a need is successful it results in motivation. If the attempt is not successful, the need is not fulfilled. Other methods have to be found and further attempts made till the need is fulfilled.
- 4) **EMERGENCE OF NEW NEED:** Human needs are infinite. Once one need is fulfilled, the other needs emerge. A person is continuously engaged in the process of need fulfilment

THEORIES OF MOTIVATION:

i) MASLOW'S HIERARCHY THEORY:

ABRAHAM MASLOW'S HIERARCHY THEORY: In 1943 Abraham Maslow suggested his theory of motivation. In his theory, he identified five sets of human needs arranged in a hierarchy of their importance and priority.

- 1) **PHYSIOLOGICAL NEEDS:** Physiological needs are basic needs such as need for air, water, food, sleep, physical need satisfaction etc. When these are not satisfied we may feel sickness, irritation, pain, discomfort, etc. These feelings motivate us to satisfy them as soon as possible.
- 2) **SAFETY NEEDS:** When the physiological needs are satisfied, safety needs arise. Safety needs is the need for security and stability in an uncertain world. They include the need for protection against danger, deprivation, arbitrary management actions etc. Safety needs motivate people to seek job security, life time employment, take insurance etc.
- 3) **SOCIAL NEEDS:** After physiological and safety needs are satisfied, social needs become important motivators. The social needs include the need for belonging, friendship, to love and be loved. Humans have a desire to belong to clubs, work groups, religious groups, family etc. To fulfill social needs people become friends, get married, join clubs or associations.
- 4) **ESTEEM NEEDS:** They are also known as ego needs. There are two types of esteem needs. First is self-esteem, which results from mastery of a task. These needs relate to self confidence, independence, competence and achievement.
- 5) **SELF ACTUALIZATION:** It is the desire to achieve all that one is capable of achieving. It refers to maximizing one's potential and achieving excellence in one's field.

FEATURES OF MASLOWS THEORY:

- 1) Human needs are infinite and never ending. Satisfaction of one need gives rise to the next one.
- 2) Physiological, security and social needs are lower level needs. Self esteem and self actualization needs are higher level needs.
- 3) Human needs have a hierarchy. Higher level needs emerge only after the lower level needs are at least partially satisfied.
- 4) Satisfied needs are not motivators. Only the unfulfilled needs induce a person to work towards satisfying them.

MERITS:

- 1) It provides a useful framework to understand human needs.

- 2) It suggested that managers should identify the need level of employees before deciding upon motivation factors.

DEMERITS:

- 1) It is too simplistic in nature.
- 2) The theory may not be applicable in all cultures.
- 3) It lacks research evidence.
- 4) It is difficult to measure the extent to which one need should be satisfied before the next one arises.
- 5) Since man has multiple needs, it is not necessary that only one need is satisfied at a particular time.
- 6) It is not necessary that only after satisfying lower level needs the higher level needs emerge. Some people may neglect lower level needs and focus on satisfying their higher level needs.

MERITS OF HERZBERG'S THEORY:

- 1) It is focused on attention on job factors in influencing motivation.
- 2) It showed the importance of job enrichment in motivation.

CRITICISMS AGAINST HERZBERG THEORY:

- 1) Conclusions were based on responses from professionals such as engineers and accountants. Responses of ordinary workers were not collected and considered.
- 2) Respondents were asked to report very good or very bad incidents. This method is defective as it might result in bias.
- 3) Herzberg gave too much of importance to job enrichment. Off the job satisfaction of workers was ignored.
- 4) It did not give importance to pay, status and interpersonal relationships which are important for job satisfaction.
- 5) It ignored the situational variables.

ii) HERZBERG'S TWO FACTOR THEORY:

HERZBERG'S TWO FACTOR THEORY: Herzberg's theory is also known as Two Factor theory or Hygiene Motivation theory. Herzberg collected information from accountants and engineers working in various organizations. He identified the incidents when the respondents felt exceptionally happy or unhappy about their jobs. The factors that motivate people were termed as 'Motivators'. The factors the absence of which causes dissatisfaction were termed as 'Hygiene factors'. The Motivating Factors are:

- A) Opportunities for advancement and growth.
- B) Reward and Recognition Appreciation.
- C) Work it.
- D) Achievement.
- E) Responsibility.

HYGIENE FACTORS: Hygiene Factors refers to those factors, the presence of which does not significantly motivate a person. But, the absence of hygiene factors cause dissatisfaction. The hygiene factors are:

- A) Company policy and administration.
- B) Technical supervision.
- C) Relationship with superiors.
- D) Relationship with subordinates.
- E) Relationship with peers.
- F) Salary.
- G) Job security.
- H) Personal life.
- I) Working conditions.
- J) Status.

PRINCIPLES OF THEORY:

- 1) The factors which produce job satisfaction are distinct from the facts that lead to job dissatisfaction.
- 2) Hygiene factors are unrelated to tasks.
- 3) Motivating factors have lasting effect on sustaining satisfaction than the hygiene factors have on preventing dissatisfaction.

iii) VALENCE EXPECTANCY THEORY OR VROOMS THEORY:

VALENCE EXPECTANCY THEORY OR VROOMS THEORY: Expectancy Theory which was advocated first by Victor Vroom was further developed by Porter, Lawler and Others. Victor Vroom introduced three concepts that people have and which affect motivation. They are valence, expectancy, instrumentality.

- 1) **VALENCE:** It is the strength of an individual's preference for a particular outcome. The numerical range of valence is -1 to +1. For instance, if a software employee strongly wants to work abroad his valence will be high (+1). In case, he does not want to go abroad, his valence would be low (-1).
- 2) **EXPECTANCY:** It is the strength of belief that an act will result in an outcome. It is an individual's estimate of the degree to which efforts would lead to performance.
- 3) **INSTRUMENTALITY:** It represents the employee's belief that rewards will be received once the task is accomplished.

MOTIVATION = VALENCE X EXPECTANCY X INSTRUMENTALITY:

According to Vroom, Motivation is a product of valence, expectancy and instrumentality.

Motivation is a product of valence (how much one wants a reward), expectancy (one's estimate of the probability that effort will result in successful performance) and instrumentality (one's estimate that performance will result in rewards).

IMPLICATIONS:

- 1) Organizations need to clearly inform performance targets to employees.

- 2) Rewards should be clearly linked to achievement of targets.
- 3) Organizational rewards should be tailored to individual needs

MERITS:

- 1) It revealed that behavior is goal oriented.
- 2) It explains how individual's goals influence his efforts.
- 3) Recognizes individual differences in work motivation.
- 4) It stated that rewards should be equitable and tied to performance.

CRITICISMS:

- 1) It provides very less guidance to solve motivation problems.
- 2) It has not been widely tested.
- 3) The theory is difficult to apply in practice.
- 4) The efforts that individuals are willing to contribute are influenced by many factors other than valence, expectancy and instrumentality.

MOTIVATIONAL TECHNIQUES:

1. **FINANCIAL INCENTIVES:** Financial incentives involve money payments by the employer either directly or indirectly. Higher wages and salaries, bonus, profit sharing, commission, increment etc., are direct financial incentives. Provision of high quality furniture, subsidized food, separate telephone, air-conditioner, water cooler etc., is examples of indirect financial incentives.
2. **NON-FINANCIAL INCENTIVES:** Non-financial incentives do not involve money payments. These are also important in motivating employees. These are:
 - 1) **JOB SECURITY:** Nothing can motivate a worker, appointed temporarily, better than provision of job security. Even if a temporary worker puts in greater efforts, lack of job security will always pose a threat. If such a worker is given job security, he will be ever grateful to the management.
 - 2) **CHALLENGING WORK:** Workers, who are dynamic in nature, do not show Preference for routine jobs. They are always ready to accept challenging assignments. It is, therefore, the duty of the employer, to understand the capabilities of every individual in the organization and accordingly assign him work.
 - 3) **RECOGNITION:** It is important that the employer recognizes hard work. Even a word of appreciation from him would motivate the employees to maintain the same level of performance or do even better. Recognition need not necessarily be in the form of tangible benefits to employees. It may be any gesture from the employer which should come at the time.
 - 4) **BETTER DESIGNATIONS:** The designation of an employee is yet another motivating factor. Employees do show preference for certain designations. A salesman for example would like to be designated as a sales executive.
 - 5) **OPPORTUNITIES FOR ADVANCEMENT:** There should never be a stagnation point for any employee during the prime time of his career. The employer must always provide opportunities for his employees to perform well and move up in the hierarchy.
 - 6) **PARTICIPATION IN DECISION-MAKING:** Another non-financial incentive that stimulates any employee is his involvement in certain crucial decisions. For example, if

the management decides to buy new machinery for the factory the workers viewpoints may be secured before making the final decision. The management should avoid unilateral decisions on such matters.

- 7) **COMPETITION:** The management can encourage healthy competition among the employees. This would certainly motivate them to prove their capabilities. The management can also rank the employees according to performance. Such of those employees who have performed very well may be given merit certificates.
- 8) **JOB ROTATION:** By job rotation we mean that the employees will be exposed to different kinds of job. This certainly would break the monotony of employees. For example, in a bank an employee may work in the Savings Bank Section for sometime after which he may be posted to the cash section. Such a change not only motivates the employee to perform well but also prepares him to be versatile.