MODULE - I

MANAGERIAL CONCEPTS

1.0 Concepts

1.1 INTRODUCTION

Even before describing and defining the term 'management', it is useful to trace the need for it.

The need for and the concept of management are associated with the phenomenon of group activity. Everywhere in a modern society, groups of people work in all spheres of human activity. Wherever there is an economic activity or a social activity (including religious and cultural activities) or a political activity or any other type of activity undertaken by human beings for realizing certain specific objectives; we find people working together in groups. A school, a college, a university, a business enterprise (in private or public sector), a club, a hospital, a government administrative department, an army, a family, a sports association etc. are all examples of group activities. The growing popularity of group endeavor is due to the fact that individuals have multiple needs of various types; and due to physical, mental, financial and. other common limitations, no individual can plan and organize his/her actions to realise all the needs operating single handedly.

With the development of basic knowledge, the concept of division of work (or labor) lead to specialization and emergence of group-endeavor in practically all sphere of human activity. Each group of people-ranging from the smallest to the most giant one-is engaged in the performance of some specialised function or service organised for achieving some specific objectives. The phenomenon of group activity (or group endeavour) leading to' the need for management could be analysed in the following manner.-

(I) Individuals forming themselves into **groups** have their own individual objectives which motivate them to join with others. However, when a group is formed; the group, as such, has its own objectives, called group objectives 'or common objectives. The two sets of objectives as: individual and group can conflict during the functioning of group .here there is a need for an agency to reconcile differences of the two sets of objectives; and help the group to perform in a harmonious manner for the best realisation of the common objectives.

(II) The need for **assimilation of necessary inputs-men, machinery, materials, finances, technology and other resources**; and planning for their best utilization and co-ordination. An agency is required to perform this function. The agency required for a reconciliation of Individual and group objectives and for the best utilization and co-ordination of basic Inputs, might be called- management···.

1.1.1 MANAGEMENT DEFINITIONS

Definition 1: Management is the art of getting work done out of others, working in a group.

(a) **Management is an art of making people work in an effective and efficient manner.**

The science of management is taking shape as the profession of management where management is basically an art. This knowledge of science requires an intelligent application of the concepts, techniques and principles of management. This intelligent application of the knowledge of management is nothing, but the art of management. A professional manager needs expertise in

the knowledge of management science, to be a successful artist of management practice. Therefore, management had been an art in the past; continues to be an art in the present and there is all the likelihood of its remaining an art in the future - till a perfect science of management is formulated.

(b) A minimum work is performed by all people, working in a group endeavour, in order to justify their existence and ensure stability of employment. Therefore, **the art of management lies in inducing people to work to the best of their efforts and emerges for the most efficient realisation of common objectives.**

(c) Managers work is to make others perform most effectively and efficiently. In this process of driving others towards best performance, what a manager performs is called - the managerial job; which is intangible.

Definition 2

Management for the purpose of exercising the art of management has to create a climate for work. Management, accordingly, could be defined as follows - as a second step definition of it: -

Management is the creation of an internal environment in an enterprise; so that people associated with the group are helped to give their best contribution towards the attainment of common objectives. The management while creating an internal environment in an enterprise needs to take care of the vast (and mostly uncontrollable) external environment amidst which any particular enterprise - economic, social or political is supposed to function

Definition 3

Creating an internal environment is to create an environment by the performance of certain managerial functions "- collectively called the managerial job. In this context, the following simple definition of management as: **Management is what management does.**

(a) A person performing a managerial job in any group-endeavour might be called by a variety of names e.g. **the head, the president, the secretary, the administrator, the captain, the principal** etc. However, disregarding the differences in the nomenclature of such persons, the fact remains that all these are managers - performing managerial jobs in different contexts and conditions.

(b) The managerial job, in general, could be analysed in terms of certain managerial functions. Well-accepted and comprehensive classifications of managerial functions are:

(1) Planning

(2) Organising

(3) Staffing

(4) Directing, and

(5) Controlling including co-ordination as the essence of managership.

Based on the descriptions of management as made above, the same could be defined as follows:

Management is the art of inducing people to give their best contribution towards the most effective and ʹefficient accomplishment of group goals - through creating a fine internal environment in the group enterprise; by performing managerial functionʹs of planning, organizing, staffing; directing and controlling - with emphasis on co-ordination - throughout the managerial process.

Following are some definitions of management given by eminent authorities:-

1) "Management is the art of getting things done through and with people in formally organised groups. It is the art of creating the environment in which people can perform and individuals could cooperate towards attaining of group goals. It is the art of removing blocks to such performance, It way of optimising efficiency ill reaching goals". **-Harold Koontz**

2) "Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective". **James L. Lundy**

3) "Management is a social and technical process which utilises resources, influences human action, and facilitates changes in order to accomplish organisation goals".

                                    -**Theo Haimann and William G.Scott**

4) "Management is a distinct process consisting of planning, organising, actuating, and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources". **-George R. Terry**

5) "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operation of an enterprise, in fulfillment of a given purpose of task, such responsibility involving: (a) judgment and decision in determining plans and in using data to control performance and progress against plans; and (b) the guidance, integration, motivation, and supervision of the personnel composing the enterprise, and carrying out its operations". **-E.F.L Brech**

1.1.2 NATURE OF MANAGEMENT

The nature of management is with reference to the different aspects of management or the different viewpoints from which management is looked at by practitioners, scholars and authorities. We propose to examine the nature of management from, the following perspectives:-

(I) Management as an activity (or a process)

(2) Management as a discipline

(3) Management as a class, team or society

(4) Management as an economic resource (or a factor of production)

(5) Management as a system of authority.

(6) Management as an art.

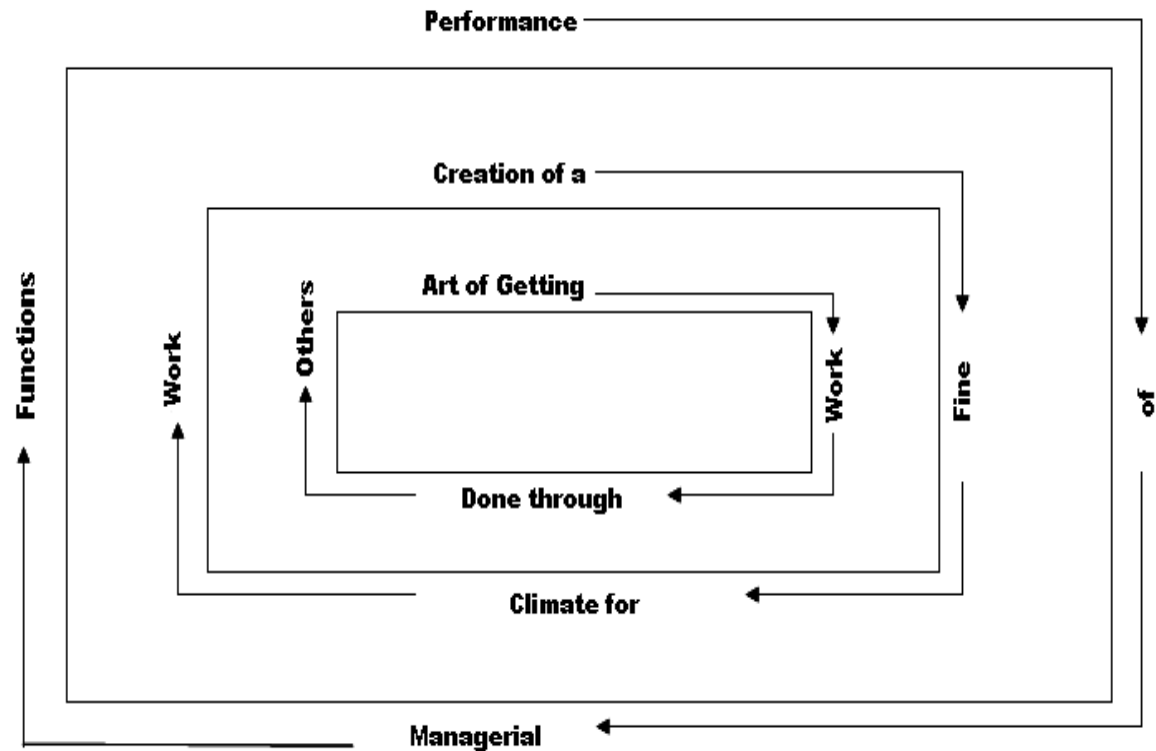(7) Management as a science

(8) Management as a profession

Figure: 1.0   Three-tier Description of Management

(1) Management as an activity (or a process)

The way a teacher performs, a teaching activity; a player performs a sports activity; in the same way a manager performs a managerial activity. The managerial activity is, the managerial job i.e., the task performed by a manager or the group of managers in an enterprise.

The managerial activity is not just a single function, rather, it is a process - consisting of a number of inter-related and interdependent functions. The functions which constitute the managerial activity are often classified as follows:

(a) Planning
(b) Organizing
(c) Staffing
(d) Directing, and
(e) Controlling Including co-ordination as the essence of managership.

Explanations

(i) The above classification of management functions is a five-fold structural classification of the managerial job; and any other function of management conceived of or practiced could be fitted into this structure.

(ii) Co-ordination is regarded as the essence of managership by modern management scholars; is a managerial function included in each of the functions comprised in the above mentioned five-fold classification.

(iii) The managerial job is a mixed complex affair and managerial functions and is performed in any order or sequence according to the managerial situations for which these are performed.

(iv) The managerial process is a continuous one; in that the performance of managerial functions is required so long as an enterprise is in existence.

(v) The management process is regarded as a social process which means, while taking decisions about any managerial situation, the management must consider the behavioural implications of the same as to the promote healthy social relations among people working in the organisation and ensuring a better success for the enterprise.

(vi) The management process In an Integrating process through which the functioning of human and non-human resources is best integrated; so as to utilise such resources in the best possible manner. That way the management might be able to extract maximum output from a minimum of inputs.

(vii) The management process is a communicative process; through which necessary orders and instructions are passed on to others to initiate action according to planned courses of action.

(viii) The managerial process is an adaptable process; which needs to incorporate the external environment influences and factors into management's own decision making; so that the internal environment created by it is not inconsistent with the external environment.

(2) Management as a discipline

By discipline it means a branch of knowledge or a subject of instruction. Management is a discipline for the following reasons:-

(i) Management education is gaining popularity in the present -day-times as being taught as a subject at schools, colleges and universities. Specialised management institutes are growing rapidly, imparting management education and training and helping people to prepare for a career in management.

(ii) Scholars are interested in the study of management discipline; for purposes of conducting research studies and making new and valuable contributions to this discipline.

(iii) Practitioners of management are much interested in the study of management discipline; so as to prepare themselves for a better practice of management.

(iv) Management discipline is growing into specialized branches of management like Production, Marketing, Personnel, Finance and several others.

(v) The Government encourages the development of education and training in management for the long-run growth and prosperity of the society.

3) Management as a group (class or team or society)

Management refers to the totality of all those persons, who are charged with the responsibility of managing a particular enterprise. In this sense, management means the group of all managers; who represent a distinct class of society called the management class.
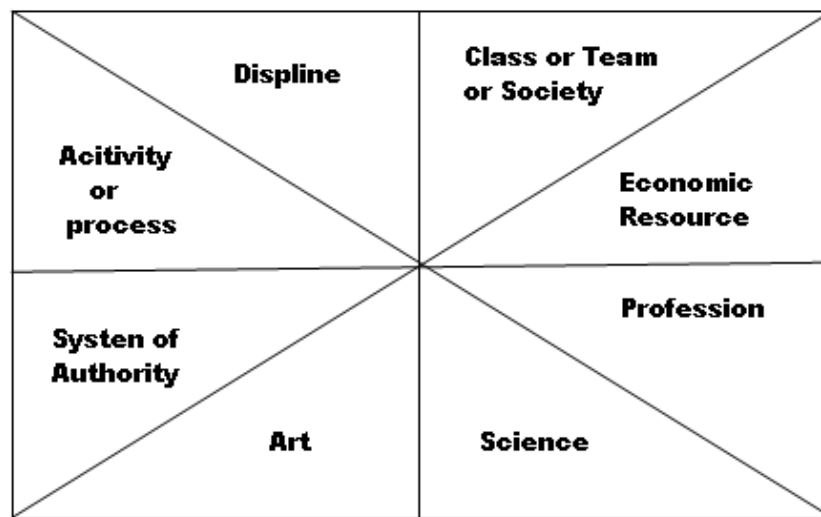
Figure: 1.1   Perspectives of Nature of Management

Management as a group or class could be considered at two levels :-

    (a) Micro-level

    (b) Macro-level

At the micro-level, management as a group refers to an managers from the highest authority to the lowest authority; who are managing a particular enterprise.

At the macro-level, management as a group or class refers to a person who are performing the managerial jobs in different enterprises - economic, social, cultural, political etc. which are located in an economy or a nation.

The significance of the notion of management as a group or class is that- At the micro-level, the economic results, in terms of the attainment of common objectives, of the group-endeavour would very much depend on the quality of the management class, the enterprise is endowed with. At the macro-level, the survival, growth and prosperity of the economy would be determined by the integrity, competence and efforts of the total management class. There is no doubt that the management class is the elite of the society.

(4) Management as an economic resource (or a factor of production)

The four factors of production are, land, labor, capital and enterprise. To this list of four, management, as a factor of production, must be added, to make it a complete list of all factors of production. The concept of an optimum combination of factors of production' for maximising production at the minimum cost. In this optimum combination of actors of production, the management must be mixed in an ideal proportion; the shortage or deficiency of which - quantitatively or qualitatively affect the success of the 'combination formula'. Here management plays a dual role. It is the agency charged with the function and responsibility of attempting a unique combination factor-resources;' and also placing itself properly and appropriately amidst the combination.

(5) Management as a system of authority

Management as a system of authority might also be referred to as the management hierarchy i.e. a gradation of managers; consisting of managers from the highest rank to the lowest one. i.e., there are various managers, with different grades of authority.

(6) Management as an art

An art might be defined as a skilful application of the knowledge of science underlying that art; requiring preferably creativity on the part of the artist - with a view to obtaining maximum concrete (or solid) results while facing a practical situation of life.

Management is an art because it is a skilful application of the knowledge of management science of whatever type it is available today. A skilful application of it requires a use of the common sense; with which the knowledge of the science is molded or attuned according to the realities of the managerial situation.

The art of management demands creativity on the part of the practitioner to develop new and unique ways of understand human behaviour; and making people work in the desired manner towards the best realisation of the common objectives.

As in any science, in management science too, the theory is never' so prefect as to provide clues to tackle all possible real situations of life. Creativity is required on the part of the practitioners to handle new situations of life in a constructive manner.

The essence of success in any art is the attainment of maximum concrete results, in management too, the success of a management practitioner is judged against the best realisation of common objectives coupled with the least amount of unsought consequences.

Specialties of the art of management

The art of management would be found to be characterized by the following specialties:-

(a) Management is the most significant of all human arts. Because the need for management is universally acknowledged in all types of group endeavour. Wherever management lacks in efficiency or skills, the objectives are either unattainable or realisable at an unnecessary cost - reckoned in whatever terms - monetary or non- monetary or both.

(b) Management is, perhaps, the most complex of all human arts. This is so because it is easier for one to work by oneself; but to drive others towards work and making them work to the maximum is certainly a tough task.

(c) The art of management is mostly intangible or invisible; except for a bit of paper-work done by a manager. In other types of arts as contrasted with management art, the performance of the artist is tangible or visible.

(d) The art of management is dynamic; as it has to consider and incorporate the dynamics of external environment into its practice to produce practical results in circumstances under which the art of management is practiced.

7) Management as a Science

A science might be defined as a body of knowledge concerning some specific field of enquiry;

knowledge which is systematized and organised around - concepts, principles, theories and techniques.

Management is a science, because:

(a) There is a large body of knowledge about management, which is further extended into specialised areas of management like production, finance, marketing, personnel, etc.

(b) There are a number of management concepts, principles, theories and techniques associated with management as: Management is fundamentally concerned with human beings - to get work done out of them. For successful management functioning, an understanding of human behaviour is imperative. Till-to-date no hard and fast techniques have been designed for this purpose. Much of the knowledge in the management science is the distilled experience of renowned practitioners.

(8) Management as a profession

A profession might be defined as an occupation, which involves rendering of services of a specialised and personal nature, for a fee called professional charges. The conceptual features of a profession are- **(a)** A profession involves rendering of services as against dealing in goods. **(b)** The services provided by a professional are of a specialised nature; in that the professional is an expert in his area of practice; and, only a person parallel to him in the profession can provide such services. Further, the services rendered by a professional are of a personal nature; and an ordinary person cannot replace him, during his absence from work.

1.1.3 OBJECTIVES (OR ADVANTAGES OR SIGNIFICANCE) OF MANAGEMENT

The objectives of management could be considered at two levels:-

    (1) Micro-level i.e. the enterprise level

    (2) Macro-level i.e. the societary level

(1) Micro-level

At the enterprise level, the objectives of management are:

(a) Maximum results with minimum Inputs:

The basic objective of management, in any enterprise, must be to secure maximum results, in terms of production, sales, employee satisfaction (or other tangible and intangible terms) with the minimum of inputs, in terms of physical resources, man-power efforts (or other tangible and intangible terms), While pursuing this fundamental objective, the management would be helping the enterprise In the attainment of its common objectives, in a most effective and economical manner. It helps in most effective utilisation of enterprise resources - physical and human maintaining a balance between the internal environment of the enterprise and the external environment (consisting of economic, social, political, technological factors etc.) obtaining in the economy.

(b) Ensuring maximum prosperity for both-employers and employees

Management must strive for ensuring maximum prosperity for both employers and employees so that the two sides to industry are happy and satisfied. For employees, maximum prosperity could be ensured through providing them with:

(i) Stability of employment
(ii) Satisfactory working conditions
(iii) Fair remuneration
(iv) Job-satisfaction
(v) Justice and humane treatment

(c) Ensuring survival, growth and prestige of the enterprise

Management must do all that which would enable the enterprise, being managed by them, to' survive both in the short-run and in the long-run. Growth and expansion of the enterprise must be planned and implemented on a gradual but systematic basis. Further, through the fulfillment of re sponsibilities to society, management must add to the prestige of the enterprise and help the latter in earning goodwill in society or even abroad.

(2) Macro-level

At the societary level, management could be expected to pursue the following objectives:

(a) To further the process of economic growth

The management class of the society has the obligation to undertake the best utilisation of the scarce resources of the nation; and plan for the fullest utilisation of the under utilised resources. This way, management would help the economy to expedite the process of economic growth.

(b) To ensure social welfare

The management class of the society must utilize the productive resources in a manner that goods and services needed by the common men of society are made available to them at reasonable prices-maintaining quality standards. This objective is a step in the direction of upgrading the standard of living of people.

(c) Generation of employment opportunities

Through efficient management of productive enterprises, the management must plan for their growth and expansion. A growing enterprise would demand increased human resources. That way, not only will the enterprise be able to enhance its prosperity; but it would also add to prosperity of the society through generation of employment opportunities.

(d) Helping maintain healthy industrial relations

The management must develop and maintain sound industrial relations in an enterprise. The management class as a whole, following this objective would ensure peace and harmony in the soci ety. This increases the overall prosperity for people.

(e) Conversion of challenges into opportunities

In the present-day society, environmental changes - economic, social, technological, political etc. are occurring slowly but continuously; so that the modern economy is labeled as a dynamic economy. Such changes pose challenges to society. The management class-through its experience, competence and expertise can convert these challenges into opportunities; and help the society survive and prosper amidst turbulent environmental changes.

1.1.4 ADMINISTRATION VS MANAGEMENT

A distinction between the terms administration and management could be with reference to analysing it into the following three categories:

(a) The American viewpoint

According to the American viewpoint (popularly called the American concept), administration is a term bigger than or superior to management. According to these experts and some others belonging to this view point hold the view that **administration is concerned with the determination of fundamental objectives of the enterprise, development of strategies and formulation of policies designed for helping to achieve these objectives. Management, according to them, is the subordinate organ charged with the responsibility of directing and controlling human efforts for achieving the objectives laid down by administration.** In simple words. It could be said that administration refers to the 'thinking agency' and management to the 'doing or executing agency'.

(b) The British viewpoint

The British viewpoint over the difference, between administration and management, is just the reverse of (or opposite to) the American viewpoint. According to this school of management thought. Management is a comprehensive term, including administration, as a part of it. According to the experts and some others belonging to this school, management is the agency concerned with the determination of fundamental objectives of the enterprise and development of strategies and formulation of policies designed for helping achieve those objectives. Administration, then, is the agency charged with the responsibility of directing and controlling human efforts for achieving the objectives laid down by management.

(e) The modern viewpoint

Many modern management experts like Henry Fayol, Koontz and O'Donnell, Louis A. Allen, Chester I. Bernard, George Terry and Newman etc. rule out any controversy on the use of terms administration and management, According to these experts and some others belonging to this category, any distinction between administration and management is only of a terminological nature. A person, responsible for optimising group efforts towards the attainment of common objective is a manager, called by whatever name-a manager, an administrator, an officer, a head, an in-charge, a vice-president, an executive etc.

A supporting for the modern viewpoint could be provided with the fact that all managers

perform both types of managerial functions of 'thinking' and 'executing'. The proportion be-tween the performance of these two types of functions varies according to the level of management at which a particular manager happens to be placed.

1.1.5 LEVELS OF MANAGEMENT

Except for a tiny enterprise, there is a need for a number of managers, to manage the affairs of an enterprise in an efficient way. In all, enterprises ranging from a moderate to a giant size, a number of managers to undertake the managerial task. Managers, exercise different amount of authority (and corresponding responsibility attached with authority) held by them. Managers with different grades of authority ranging from the highest to the lowest; could be conceived of as forming a management hierarchy.

Depending on the size of the enterprise and its constitutional features, and on the span of management (a principle of management according to which a manager can manage effectively only the work of a limited number of subordinates), in particular, there could be a number of management levels in an enterprise.

There are three broad levels of managements as:

(1) The upper level of management or the top level of management;

(2) The middle level of management or the intermediate level of management, and

(3) The lower level of management or the operating level or the supervisory level of management.

(1.1.5.1) The top level of management

The top level of management derives its powers or authority directly from the owners of the enterprise; who constitute the uppermost administrators of the enterprise. In a corporate enterprise, the owners collectively called as the body of members elect the top level of management, called the Board of Directors. The Board of Directors usually is aided by a Chief Executive (or an executive committee) for managing the corporate enterprise at the highest level of management.

Following are the **important functions** performed by this level of management:

(i) Setting out the fundamental objectives of the enterprise.

(ii) Designing strategies for the attainment of such fundamental objectives

(iii) Policy formulation for guiding the decision-making by subordinates to help the attainment of fundamental objectives

(iv) Designing the organisational set-up at a macro level

(v) Appointment of key managerial personnel at the middle and lower levels of management.

(vi) Development of master plans in areas of finance, human resource, technology, marketing and other spheres of the functioning of the enterprise.

(vii) To provide outstanding leadership to the whole enterprise; to care for coordination

throughout the enterprise and to exercise an overall control over the actions of people performing throughout the enterprise.

Features:

(a)The top management-is primarily concerned with a strategic analysis of the major environmental factors - economic, social, religious, cultural, technological and political- obtaining in the external environment, for successfully achieving the objectives of the enterprise.

(b) The top management plays the role of 'representation' of the enterprise to the world outside - the government, the society, the labor unions and other important sections of the society.

(c) The top management assumes the entire responsibility for the efficient conduct of enterprise operations.

(1.1.5.2) The middle level of management

The middle level of management usually consists of functional departmental managers like the Production Manager, the Finance Manager, the Personnel Manager, the Marketing Manager, the Accounts Manager and similar other managers.

Main functions performed at this level of management are summarised below:

1. The middle level plays the role of a linking-pin between the top management and the lower management. It explains the objectives, strategies and a policy laid down by the top management to the lower management; and communicates the problems, suggestions and viewpoint of the lower management to the top management.

2. It prepares the departmental plans, keeping in view the aspirations of and the guidance by the top   management."

3. It designs the organisational set-up of various departments; i.e. division of work among subordinates and establishing superior-subordinate relationships.

4. It provides for and looks after inter-departmental co-ordination and co-operation.

5. It performs the background managerial work to assist the lower level of management in the discharge of managerial job by the latter.

6. It submits reports on the performance of various departments to the top management.

7. It offers suggestions and recommendations to the top management for the betterment of over-all management of the enterprise.

(1.1.5.3) The Lower level of management

The lower level of management is called the operating level of management; because this is the level where actual operational work for the enterprise, in the areas of production, finance, marketing, personnel, accounting etc., is performed by operators (workers and others). It is also called the supervisory level of management; because the main job of managers here consists in overseeing the work of the rank and file. The operating level of management consists of managers

like the supervisors, the foremen, the sales officers, the accounts officers, the sectional managers and the like.

The following are the **important functions** performed by this level of management:

(i) It does day-to-day operational planning, in view of the instructions imparted by the middle level of management.

(ii) It does micro-level organising i.e. the organisation of the work of operators.

(iii) It provides necessary instructions to operators for the best performance of their assigned jobs.

(iv) It arranges for all the facilities to the operators, and provides them with an environment conducive to their work.

(v) It provides leadership to operators; and motivates them towards best-performance, It, as the name implies, supervises the work of operators to ensure that their performance is in accordance with the standards laid down in plans.

(vi) It takes care of co-ordination among the work of operators, working in a group; and also ensures inter group co-ordination.

(vii) It submits reports on the performance of operating staff to the middle management, which, in turn, incorporates these reports into its own reports to be forwarded to the top management.

(viii) It operates as a channel of communication between the middle management and the operators. The problems, suggestions and recommendations of operators are forwarded by it to the middle management, which communicates these further to the top management.

1.1.6 MANAGERIAL SKILLS

By managerial skills, we mean the skills or qualities desired in managers, the possession of which would enable them to act better as practicing managers. The following are the three broad types of managerial skills:

> (I) Technical skill
> (2) Human skill
> (3) Conceptual skill

 Following is a brief account of the above mentioned managerial skills:

(1.1.6.1) Technical skill

By technical skill it means the skill or knowledge, which is required for performing an operational activity, in the best possible manner. In short, technical skill is the technical expertise.

Technical skill is an imperative skill for management at the lower level of management; because it is actually these people who guide and supervise work of operators under their subordination. if managers at lower level are not in adept technical matters; they would not be in a position to direct the operations of their subordinates in the best manner; and lead them towards optimum performance - quantitatively and qualitatively.

Technical skill is also required in managers at upper and middle levels of management. For these managers, technical expertise is not desired; what is desired is a general acquaintance with technical matters. Managers at these levels do the fundamental planning for operational work leaving the detailed day-to-day operational plans to be made by the supervisory level. With a basic knowledge of technical matters, top and middle level managers would be in a better position to lay down fundamental operational planning in a more realistic manner; than when they are Just blank or nil In the technical Skill.

(1.1.6.2) Human skill

By human skill it means the ability to tactfully deal with human beings and mould their behavior at work in the desired manner to help attain the common objectives of the enterprise-most effectively and efficiently. Human skill requires an understanding of human behavior; which in turn, necessitates an insight into human needs and ways and means of motivating people. Since managers at all levels in the enterprise are supposed to deal with human beings in a subordinate position; human skill is equally needed by all manages - from the highest to the lowest authority in the management hierarchy.

(1.1.6.3) Conceptual skill

Conceptual skill, as the name suggests, is concerned with concepts or ideas.   The conceptual skill means the ability to:

(a) To view the enterprise as whole in its totality, appreciating the inter-relationship among its diverse components.

(b) To analyse the implications of relevant external environmental factors - economic, social, political, technological etc., - for the successful functioning of the enterprise,

(c) To consider the strength and limitations of the enterprise, and

(d) To finally take balanced and rational decisions based on an understanding of the above mentioned factors.

The conceptual skill is imperative for top management level, necessary for the middle management level and desirable for the lower management level.

1.1.7 GENERAL CHARACTERISTICS OF MANAGEMENT

Characteristics of management, has been classified into the following three categories:

(1) Conceptual features
(2) Natural features i.e. concerning nature
(3) Special features

Following is a brief account of management features, around the above three categories:

Conceptual features:

↳ Management Is as related with the phenomenon of group activity

       ↪ Management is goal-oriented

       ↪ Managerial job is a process

       ↪ Management is basically the management of the human factor

Natural features:

       ↪ Management is an art

       ↪ Management is a social science

       ↪ Management is a half-hearted profession

       ↪ Management is an economic resource

       ↪ Management is a discipline

       ↪ Management is the elite of society

Special features:

       * Management applicability is universal.

       * Management is multi-disciplinary

       * Management is complex

       * Management is dynamic

       * Management is both - tangible and intangible

       * Management is inborn

1) Concept of Management of Principles

1.2.1 Need for (or significance) management principles

A principle might be defined as a statement of fundamental truth; which is established with reference to a cause and effect relationship' between two (or more) variables or events. In the context of Management, a principle might be defined as a statement or fundamental truth, which is established with reference to a cause and effect relationship between two variables or events; such relationship however, being only of a casual nature.

To illustrate the above concept of management principles, let us consider the principle of division of work. According to this principle, if the work is divided and only a part of the job is assigned to an individual; human efficiency would increase. Admittedly, what this principle states is a fundamental truth. However, it is not possible to say and calculate how much human efficiency is likely to increase; if the work is divided in a particular manner, in the appropriate organizational context.

1.2.2 DERIVATION OF MANAGEMENT PRINCIPLES

Broadly, there are two sources from which management principles are derived:

(i) Observation and experience of practitioners and scholars of management :

One most important and traditional source from which management principles have been derived is the observation and experience of the practitioners and scholars of management. Some of the important management personalities in this context are - F. W. Taylor, Henry Fayol, Mary Marker etc.

(ii) Outcome of experimental studies conducted by researchers :

In the present-day-times, a lot of research is being conducted by the practitioners and scholars' of management. Experimental studies, in the field of management are basically of the following two types: (a) Experimental studies conducted with a view to testing the validity of some of the existing principles of management, and (b) Experimental studies conducted with a view to developing new principles of management.

1.2.3 NATURE OF MANAGEMENT PRINCIPLES

The nature of management principles could be better appreciated with reference to the following fundamental characteristics of such principles:

(i)**Management principles establish a cause-effect relationship,** only of a casual nature.

A primary reason for this nature of management principles is partly due to the fact that human behaviour is ever-changing and complex due to the fact that the present-day managerial situations are rather complex, facing a number of environmental factors, such as technology, changing social and economic values, political conditions and international business circumstances. Management principles are a useful guide to management thinking and action; but unable to provide management a sense of certainty in producing desired results by applying specific management principles.

(ii) Some management principles are a matter of common sense

Some of the management principles like esprit de corps (i.e. union is strength) or the principle of discipline-are nothing but a matter of common sense. The significance of the strength of unity in best attaining the common objectives of the group. Also if impartial discipline is enforced in an enterprise it would lead to a better human behaviour and an efficient attainment of the enterprise objectives. Conclusion of the above characteristic or management principles is that any practitioner of management could devise management principles, based on his understanding of human beings and social functioning and utilise and apply the same in the managerial context, for a betterment of the organizational life.

(iii)Management principles have the feature of universality coupled with flexibility

Management principles have the twin nature of universality coupled with flexibility. These principles are universally applicable to all group-endeavours; because, everywhere, the task of management leading the group is to help the group produce the best results towards the attainment of group objectives. Principles of management are applicable to group endeavours in all spheres of human activity-business and non-business and to all levels of management - top, middle and lower, in a particular group-endeavour. But however, a universal applicability

of management principles requires flexibility before application in different managerial contexts - for reasons of changes in the culture of different countries, changes in the organisation structures of different enterprises and changes in the fundamental economic and social objectives of different group endeavours.

(iv)Management principles aim at ensuring a better organlsational life

Management principles aim at ensuring a better organizational life. This objective of management principles can sometimes result in frustration though, the objective is accomplished. For example, the principle of scalar chain, especially when the scalar chain is too lengthy, might make for delayed decision-making and come in the way of speedy communication among superiors and subordinates. As a result, the organisational functioning might not be as smooth as could be expected by the management. Again, the principle of division of work might make the jobs of people boring and monotonous; and act as a deterrent to efficiency as against producing extra efficiency for which this principle is desirably introduced.

(v) Management principles are of a dynamic nature

Management principles are of a dynamic nature; as against being static. This observation does not apply to all principles; but at least to some of these. For example, the principle of centralization of authority held in high esteem by early practitioners of management is gradually surrendering in favour of decentralisation and participative decision making. Further, principles governing autocratic leadership are moulding into principles of democratic or laissez-faire(or free-reign)leadership. New concepts, principles and techniques of motivation are replacing the traditional viewpoint on human behaviour and motivation. Thus, there is a need, on the part of the management to constantly keep reviewing the existing principles of management; and revise the older principles and come out with newer principles - in view of the internal and external environmental changes, occurring in the enterprise and the society.

(vi) Many management principles might be of a conflicting nature

Some management principles might be found to be of a conflicting nature. For example, the principle of unity of command and the principle of specialisation might be of a contradictory nature; and not permitting the simultaneous introduction of both. Again, the principle of centralisation might go against the intentions of the principle of initiative.

(vii) Management principles are of equal importance

All the principles of management are equally significant, in their respective contexts and areas of application. It is, however, true that some principles might be more relevant for the organisation than certain other principles. To establish the superiority of some principles of management over others would only create a confusing state of affairs for the practitioners of management; and deprive the enterprise of the advantages of principles which have been belittled and not applied judiciously.

1.2.4 NEED FOR (OR SIGNIFICANCE OF) MANAGEMENT PRINCIPLES

The need for (or significance of) management principles could be highlighted in terms of the following points:-

1. To crystallize the nature of management and help in the development of a management theory : Management principles go a long way in crystallizing the nature of management; so that the concepts and techniques of management are easily comprehendable to practitioners and they can apply the same in a better manner, in the functioning of the enterprise.

2. To facilitate management education and training: Management is a growing and popular discipline in which education is imparted at the school, college and university levels. Imparting management education is greatly facilitated; were a teacher of management to proceed according to specific management principles than educating the beginners as whole mass of the un-systematized knowledge of the management literature. Training people aspiring to take up management careers, the training procedure is made more interesting and systematic when the trainer in management follows a 'principles' approach' towards explaining management concepts and techniques.

3. To increase managerial efficiency at micro and macro levels: Principles of management increase managerial efficiency, in that, these help managers' in a better understanding of managerial situations; and guide them along the desired lines of thinking and action. At the micro level i.e. the enterprise level, an increased managerial efficiency would help managers in attaining the enterprise objectives with maximum efficiency and effectiveness.

At the macro level i.e. the societal level, increased managerial efficiency would help the management class of the society to achieve social objectives like eradication of poverty, creation of employment opportunities, upgrading the standard of living of people and accelerating the pace of economic growth - through a best utilisation of the physical resources and the man-power of the economy.

4. To aid management research: Management research is greatly facilitated when conducted with reference to management principles. Researchers could be more systematic and rational in their research projects; while conducting research along the guidance provided by management principles. They can, through experimental studies, establish the accuracy and validity of existing management principles; suggest modifications for these principles and come out with newer and better principles of management to further crystallize the nature of management.

1.3 MANAGEMENT FUNCTIONS

Comprehensive and well-accepted Logical definition of management, defining it, as management is what management does; leads us to consider what managers do, during the course of managing. What managers do really refers to the job of a manager which could best be analysed

in terms of the functions of a manager (or management).

Classification of managerial functions is as:

   (i) Planning

   (ii) Organizing

   (iii) Staffing

   (iv) Directing (influencing)

   (v) Controlling Including co-ordination as the essence of managership.

This classification of managerial functions is is a five-fold structural classification of management functions; within which frame-work many other managerial functions could be fitted into.
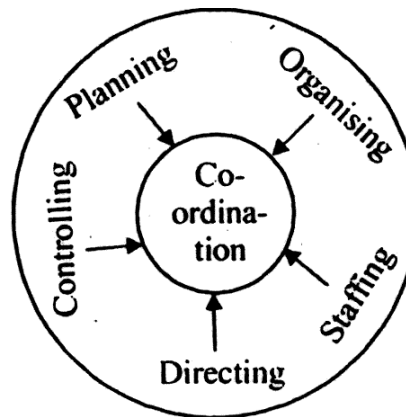

Figure: 1.3 structural classification of management

With in the structural classification of Management functions, the following activities come.

The job of a manager is quite complex and certain aspects of that job other than the managerial functions are stated in the structural classification. 'Such other aspects' of the managerial job could be called the designation of managerial roles. Such important managerial roles which are a part of a managerial job (particularly at upper levels of management) but could not properly be called management functions are:

1. Figurehead role

2. Liaison Role

3. Spokesman ship or representation role

4. Role of a disturbance handler

5. Role of a negotiator

The job of a manager is a mixed affair in which managerial functions is performed in any order-depending on the requirements of the managerial situation being handled by following is given a list of additional aspects of managerial functions pointing out their relationship the structural classification. The managerial job of co-ordination is the most significant aspect of a manager's job, and taken care of by managers during the performance of any managerial function.

Hence, it is regarded as the essence of managership.

Management Functions	Placement in the Structural classification
(i) Innovation	Planning
(ii) Forecasting	
(iii) Budgeting	Planning and controlling
(iv) Commanding	
(v) Communicating	Directing
(vi) Leading	
(vii) Motivating	
(viii) Reporting	
(ix) Evaluating	Controlling
(x) Investigation	
(xi) Decision-making	A part of every managerial function; because whatever a manager does he so through decision-making.

Figure: 1.4

1.3.1 DESCRIPTION

1.3.1.1 Planning

Planning is a mental exercise done by a manager, through which a line of thinking and a course of action is chalked out in advance, before committing the precious scarce resources of the enterprise to uses. The conceptual framework of planning consists of the following two aspects:

(a) Determination of rational objectives for the whole enterprise; and for each of its units or sub-units and

(b) Selection of best alternative courses of action for the most efficient and economical attainment of such objectives.

Planning is fundamentally choosing. It involves, a selection decision made with a sense of

rationality, depending on the intelligence and experience of management. While setting objectives, management must set rational or practical objectives as against idealistic objectives, which are capable of attainment, in view of the resources, strengths and limitations of the enterprise. While making a selection of a best alternative course of action, the management, having first developed a number of alternatives, must go in for that alternative. Which would lead to the attainment of an objective with the least consumption of precious resources of the enterprise and inviting a minimum of unsought or unpleasant consequences.

1.3.1.2 Organizing

For the attainment of objectives set via the planning function, action is required. At the stage of performing the organising function, the management is concerned with the determination of the total work-load which is necessary for the attainment of Objectives and a suitable division of such work among individuals - managers and subordinates - tied to one another through clearly defined authority - responsibility relationships.

The managerial function of organising involves the following steps-

a) Determination of the total workload which is necessary for the attainment of objectives.
b) Classification of such work-load into groupings and sub-groupings.
c) Assignment of each grouping and sub-grouping of activities to a distinct manager.
d) Provision of necessary authority and facilities to each manager, who, in turn, would divide the work assigned to him among his group of subordinates.
e) Establishment of clear-cut authority responsibility relationship among managers, and subordinates-working in different capacities throughout the enterprise.

In the organising task the management must see to it that the roles of different individuals (managers and subordinates) are co-ordinated both in a horizontal and vertical manner.

1.3.1.3 Staffing

Staffing implies the selection and placement of a most able and competent person on each position provided for in the organisational structure. The essence of staffing is the placement of the right man on the right job .and at the right time.

Technically, the managerial function of staffing is an integral part of the organising process; in as much as without staffing being completed the organisation is like a vacant house not inhabited by any persons. Staffing puts life into the organisation and converts a material and technical organisation into a human organisation. In view of the increasing size of present-day enterprises and the growing importance of the human factor, a separate specialised department known as the Personnel Department - this is established to help management in the best staffing for the organisation.

1.3.1.4 Directing

Directing might be defined as the actual management performance function. It is the stage in the performance of managerial functions where the manager Is concerned with guiding his

subordinates towards the best attainment of common objectives.

The managerial function of directing is often called 'actuating', meaning, passive are turned into active human beings. This function is also called 'influencing'; which amounts to emphasizing that the performance by people must be influenced or moulded favorably towards the most efficient attainment of common objectives.

There are four aspects of the managerial function of directing, viz.:-

(a) Leadership

(b) Motivation

(c) Communication
(d) Supervision.

In view of the above aspects of directing, the same could be defined in a comprehensive manner as follows:

Directing is that managerial function where a manager assuming the role of a leader activates his followers and influences their performance through motivating them; performing his role in a background of communication throughout the group-horizontally and vertically - and having a supervision over the performance of subordinates - so as to ensure their best contribution towards the attainment of common objectives.

1.3.1.5 Controlling

Controlling, briefly, implies that the actions of people working throughout the enterprise are in conformity with the intentions of plans; and directly and positively contribute to the best attainment of the planned objectives.

As a function of management, controlling is a process, involving the following steps:-

a) Determination of the standards of performance

b) Measurement of the actual performance of individuals

c) Comparison of actual performance with standards.

d) Locating deviations and analysing their causes.

e) Undertaking the necessary corrective action (or remedial action or follow-up action) to ensure that performance of individuals is in conformity with the pre-determined standards.

1.3.2 MANAGEMENT ROLES

Managers, especially at the top and middle management levels, perform some such functions additional to management functions. However, these functions are vital and crucial for the enterprise life. These functions, therefore, are assigned the name of managerial roles - to highlight the significance and nature of work done by managers performing these roles.

Some important managerial roles are:-

(a) The Figurehead role

(b) The Liaison role

(c) The spokesman (or representation) role

(d) The role of a disturbance handler

(e) The role of a negotiator.

Following is a brief comment on the above mentioned managerial roles:-

(a) **The Figurehead role:** A manager, being the head of a group of subordinates, performs the figurehead role, in matters like the following:

    (i) Attending the wedding ceremony of an employee of the organisation

    (ii) Entertaining VIP visitors and taking them to lunch or dinner.

    (iii) Acting as a chief guest at important social, religious and cultural functions - inside or outside the organisation.

(b) **The Liaison role**: In this role, the manager maintains or helps to maintain a link of the enterprise with outside parties, which is necessary for collecting useful information for the enterprise and developing good relations of the enterprise with important sectors of society. Some examples of the liaison role of the manager could be:-

   i.   Dealing with public grievances and complaints for betterment of 'public relations'.

   ii.   Maintaining contracts with important government officials, like income-tax and sales-tax officers, labour welfare inspectors, etc.

   iii.   Keeping in touch with financial institutions for getting latest developments in areas of finance, credit and market trends.

(c) **The spokesman (or representation) role:** Performing such a role, the manager acts as an agent of the enterprise belonged to by him. The manager explains the viewpoint of the enterprise on significant matters or answers to queries of people. Some examples of such roles are:

    (i) Participation in seminars, conferences or other meetings sponsored by Trade Associations or the Governmental agencies.

    (ii) Explaining the major objectives, policies and programmes of the company to the members, at the general meetings of the company.

    (iii) Exposing the viewpoint of the enterprise in particular and of the business community in general, at important public functions.

(d) **The role of a disturbance – handler:** The organisational life, like the life of a layman, is full of problems and complex real-life situations. The manager's ingenuity lies in handling such problems and situations in a manner that would lead to organisational happiness and prosperity. Some examples of situations where a manager would act as a disturbance handler might be :

   (i) Labor strike

   (ii) Conflicts in the organisation due to differences among superiors and subordinates.

(iii) A major power break-down

(iv) Civil disturbances affecting raw material supplies or making transportation a risky affair.

(v) A natural calamity like fire, floods etc. bringing disaster for the enterprise.

(e) **The role of a negotiator**: The manager's role as a negotiator consists in settlement of terms and conditions with various parties-particularly outside the enterprise. Some examples of situations where a manager would perform such a role could be:-

(i) Settlement about wages, working conditions, bonus, workers' participation in management etc. with labor unions.

(ii) Bargaining with suppliers of raw-materials or goods.

(iii) Settlement about price, delivery of goods, after-sales service and other issues with major customers.

(iv) Settlement of terms as to rate of interest, terms of repayment etc. with financial institutions.

Types of Co-ordination: Co-ordination might of the following two types:

I. **Internal co-ordination:** This types of co-ordination refers to the synchronization of the actions of individuals, working throughout the enterprise. There are two sub-divisions of internal coordination as :

(i) Vertical co-ordination

(ii) Horizontal co-ordination

Vertical co-ordination refers to a synchronization of the actions of people, working at different levels of the organisation; while horizontal co-ordination refers to producing harmony among the actions of people, working at the same level, in the organisation.

II. **External co-ordination:** External co-ordination refers to the situation where the Internal working of the enterprise, as a whole. is attuned to the external environmental forces - economic, social, religious, political, techno- logical etc. This type of co-ordination is imperative to ensure the survival of the enterprise operating in a dynamic economy.

Significance (or advantages) of co-ordination

(i) **Co-ordination helps in avoiding duplication of efforts** on the part of individuals. It is thus, instrumental in saving time, energies and resources of the enterprise.

(ii) **Co-ordination ensures a smooth flow of the organizational life**; which leads to timely production and distribution of goods and services. This enhances the prestige of the enterprise in the society.

(iii) **Co-ordination imparts a feeling of job-satisfaction to people:** It is, thus, a means of motivation to subordinates; and helps increasing the morale of people, at least, in the long-run.

(iv) **Co-ordination makes for better human relations**: Performance by people in a: co-ordinated manner, in all probability, is the result of mutual understanding having been achieved among themselves.Thus co-ordination helps in the development of good human relations, in the enterprise; which is a great asset of the organisation, for all times to come .

(v) **Co-ordination promotes stability, growth and prosperity of the enterprise:** An enterprise, with lack of co-ordination, cannot survive for long. Further, a well-co-ordinated enterprise can easily plan and implement schemes for the growth of the enterprise; and add to its prosperity.

1.4 DEVELOPMENT OF MANAGEMENT THOUGHT

Management has its origin from the very early times of civilization, despite the ancient origins, conceptual and organized body of knowledge was not developed till the end of 19th century. A systematic study and analysis of Management as a science began in 20th century after Industrial revolution, and Management developed as a distinct discipline as a social science.

Discussion about the development of management thought is quite a complex and comprehensive discussion; as management history is as old as civilization itself. It dates back to days when people first attempted to achieve goals, by working together in groups. One can do a little more than sketch some of the high spots in the emergence of management thought.

1. Classical approach or traditional approach to management.

      (i) F.W. Taylor's scientific management

      (ii) Henry Fayol's contribution to management

      (iii) Max Weber's ideal organisation-bureaucracy.

2. Neo-classical or behavioral approach to management.

      (i) Human relations approach

      (ii) Behavioral sciences approach

3. Modern approaches to management.

      (i) A system's approach to the study of management

      (ii) Contingency or situational approach

      (iii) Management Science or mathematical approach.

Some aspects of the development of management thought are absolutely practical, like Taylor's work or Fayol's work; while some aspects are absolutely theoretical like the system's approach or the contingency (or situational) approach. Some other aspects of management thought are partly theoretical and partly practical.

1.4.1 Classical approach or traditional approach to management.

The Classical Approach is also known as traditional approach, Management process approach or empirical approach.

The main features are:

1) Management is viewed as a systematic network process of interrelated functions. The mechanics by which these functions are performed and the interrelationship between these functions is the core to classical approach.

2) Principles are developed on the basis of experiences of practicing executives.

3) The functions, principles and skills of Management are universal and can be applied in different situations.

4) Formal education and training such as case- study method is used to develop managerial skills.

5) Emphasis is placed on economic efficiency and formal organization structure

6) People are motivated by economic gains.

The classical approach is developed through three main streams:

1) Scientific Management
2) Administrative Theory
3) Bureaucracy

1.4.1.1 Scientific Management

It was developed by Engineers and technicians like F.W Taylor, known as the father of Scientific Management .Henry Gantt, Frank Gilbreth etc viewed Management through technical viewpoint and the principles emphasized are:

- Improving efficiency in the used of man and machines.

- Science

- creating group harmony

- Corporation

- Achieving maximum Output

- Development of workers.

F.W. Taylor's scientific management Thought

In the world of management, there is no concept of management which might be called 'Scientific Management'; capable of universal application' and commanding wide acknowledgement from scholars and practitioners of management. Frederick Winslow Taylor's scientific management thought is typically a management philosophy pioneered and practised by him (and his followers) according to his own ideology, Taylor's Scientific Management is popularly called as 'Taylorism'.

↳ **Taylor and his work**

F. W. Taylor (1865-1915) was an American, who joined Midvale Steelworks, Philadelphia (U.S.A.) as a machinist; and gradually rose to the position of the Chief Engineer-through hard work and progress. F. W. Taylor conducted his experiments in three companies viz., Midvale Steel Works, Simonds Rolling Machine and Bethlehem steel Works.

Taylor's Scientific Management was, in fact, a movement known as the 'Scientific Management Movement' pioneered by Taylor and carried on by his followers. The important publications of Taylor are all combined into one book titled 'Scientific Management'.

↳ **Taylor's main observations**

Taylor had observed that there was excessive inefficiency in the management and functioning of industrial enterprises. **The** primary blame for the inefficient functioning of industrial enterprises was put by Taylor on management; therefore, he came out with his new concept of management, called-scientific management.

↳ **Scientific Management defined: Scientific management might be defined as follows :-**

Scientific management involves the application of a scientific approach to managerial decision-making (consisting of-collection of data, an analysis of data and basing decisions on the outcome of such analyses); and discarding at the same time, all unscientific approaches, like-rule of the thumb, a hit or miss approach and a trial and error approach.

↳ **F. W. Taylor defined scientific management in the following words:**

"Scientific Management consists in knowing what you (i.e. management) want men to do exactly; and seeing to it that they do it in the best and the cheapest manner".

↳ **Principles of Scientific Management**

The fundamental principles, which would support the concept and practice of scientific management, are the following:

- Science, not the rule of the thumb.
- Harmony, not discord.
- Co-operation, not individualism.
- Maximum production, in place of restricted production.
- Development of each person to the greatest of his capabilities.
- A more equal division of responsibility between management and workers.
- Mental revolution on the part of management and workers.

Following is a brief comment on each of the above principles of scientific management.

Science, not the rule of the thumb.

The basic principle of scientific management is the adoption of a scientific approach to managerial decision making; and a complete discard of all unscientific approaches.

Harmony, not discord

Harmony refers to the unity of action; while discord refers to differences in approach.

Co-operation, not Individualism

Co-operation refers to working, on the part of people, towards the attainment of group

objectives; while regarding their individual objectives-as subordinate to the general interest.

Maximum production, in place of restricted production.

In Taylor's view the most dangerous evil of the industrial system was a deliberate restriction of output. As a means of promoting the prosperity of workers, management and society, this principle of scientific management emphasizes on maximizing production and not deliberately restricting it.

Development of each person to the greatest of his capabilities.

Management must endeavour to develop people to the greatest of their capabilities to ensure maximum prosperity for both-employees and employers.

A more equal division of responsibility between management and workers.

This principle of scientific management recommends a separation of planning from execution. According to this principle, management must be concerned with the planning of work; and workers with the execution of plans.

Mental revolution on the part of management and workers.

According to Taylor, scientific management, in its essence, involves a complete mental revolution on the part of both sides to industry viz. workers and management (representing employers). In fact, this principle of scientific management is the most fundamental one ensuring success of it. It is like the foundation on which the building of scientific management must be erected.

↳ **Structure of Taylor's Scientific Management**

Though Taylor's work and practice of it is quite comprehensive and detailed; yet the major aspects of work done by him could be summarised into the following outline structure:

(1) **Determination of a fair day's task for each worker through scientific methods (including the best way of doing a job). :** For determining a fair day's task for each worker, Taylor   recommended the use of scientific methods involving the conduct of the following three types of work studies as:

      (a) Time study

      (b) Motion study

      (c) Fatigue study

An average worker (or representative worker) is first selected for conducting the above work-studies. In case otherwise, the standards of work fixed would be either too high or too low. The above three work-studies (i.e. time, motion and fatigue studies) are to be considered together to arrive at a fair day's task.

(2) Scientific selection and training of workers.

This aspect of scientific management is the staffing angle of it. The workers, under scientific management, must be properly selected by adhering to a carefully designed selection procedure. The selected workers must be imparted training in best methods of performing a job.

(3) Standardization of raw materials, tools and working conditions.

By standardisation, Taylor implies two varieties of standardization:

(i) Raw materials, tools, machines and other facilities of work must be of a reasonably   good quality; so that the quality of production is reasonable.

(ii) Another variety of standardisation which Taylor refers to is uniformity in providing work-facilities and work conditions to all workers, doing a similar type of job.

(4) Functional foremanship.

The scheme of functional foremanship recommended by Taylor, is.in fact, an introduction of managerial specialisation-at the shop-level. In Taylor's view, instead of a single foreman performing all the aspects of the foremanship task; there must be a number of foreman-each concerned with only a particular aspect of foremanship. Each foreman, being a specialist in performance of his role, is a functional foreman. Hence, the nomenclature of the scheme as 'functional foremanship'.

In the scheme of functional foremanship recommended by Taylor; there is a provision for eight foremen of the following types:

(i) **Route Clerk:** The route clerk is a foreman who would lay down the route (or journey) of raw materials from the raw-material stage to the finished product stage, as passing through different processes and machines.

(ii) **Instructions Card Clerk:** The instructions card clerk is a foreman who would determine the detailed instructions for handing a job; and prepare a card containing such instructions.

(iii) **Time and Cost-Clerk:** The time and cost clerk is a foreman who would record the time taken by a worker in completing a job; and would also compile the cost of doing that job.

(iv) **Shop Disciplinarian:** The shop disciplinarian would look after the maintenance of discipline in the workshop; and deal with cases of absenteeism, misbehaviour and other aspects of indiscipline,

(v) **Gang Boss:** The gang boss is the supervisor proper. He would see to it that all work-facilities are made available to workers and they start their work as per the instructions imparted to them.

(vi) **Speed Boss:** The speed boss is a foreman who would determine the optimum speed at which machines are to be operated; so that both-over speeding and under-speeding-of machines are avoided. In this way, less depreciation is caused to machines; industrial accidents are averted and quality of production is also maintained.

(vii) **Repair Boss:** The repair boss is a foreman, who would look after and take care of the repairs and maintenance of machines.

(viii) **Inspector:** The inspector is a foreman who would look after the quality of production.

(5) Differential piece-rate system of wage-payment.

To motivate workers - positively as also negatively-to produce the standard output, Taylor devised a scheme of wage payment, known as the 'Differential piece-rate system of wage-payment'. The inherent features of this scheme are:-

(i)   A standard output for each worker is determined in advance - through scientific work studies.

(ii) Two rates of wage-payment (based on piece rate system) are established-

(a) A higher rate per unit of output; and

(b) A lower rate per unit of output.

(iii) Workers who produce the standard output or exceed the standard, are paid according to the higher rate for all the units produced by them. Those workers who are unable to come up to the standard are paid according to the lower rate for all the units produced by them.

Illustration the working of this system of wage payment.

Suppose the standard output is 25 units; and the two rate of wage payment are -Rs, 2 per unit (the higher rate) and Rs. 1.80 p. per unit (the lower rate). Now, if a worker produces 25 units or more; he would be paid on total production done by him according to Rs. 2 per unit. If, on the other hand, a worker produces only 24 units (taking the extreme case); he would be paid on all the 24 units produced by him, according to the lower rate i.e. Rs. 1.80 p. per unit In the latter case, the worker is not only suffering a shortfall of payment on one unit produced less by him as against the standard of25 units; but also suffering a shortfall of payment of20 p. per unit on all the 24 units produced by him. Thus there is a severe penalty for the inefficient worker in being paid according to the lower rate on total production done by him.

⤶ **MERITS OF SCIENTIFIC MANAGEMENT**

Some of the merits of scientific management are:

(i) **More production and higher profits:** Scientific management makes for a more systematized way of managing-enabling employers (of course, through their managements) to have more production at the minimum cost; and ultimately reap higher profits.

(ii) Job satisfaction: Under scientific management, a standardised work-environment (raw-materials, tools, machines, conditions of work etc.) is provided to workers which would enable them to derive what is known as , job satisfaction' - the biggest happiness for workers, according to the psychologist.

(iii) Personality development: As one of the basic principles of scientific management is the' development of each person to the greatest of his capabilities' workers get an opportunity, under scientific management, to develop themselves fully according to their potential.

(iv) Higher standard of living: Scientific management is oriented towards maximum production; which would lead to more of consumption of goods on the part of people, in the scoiety. This naturally, would mean an increase in the standard of living of people.

⤶ **CRITICISM OF SCIENTIFIC MANAGEMENT**

(i) **Unsuitable for the small employers:** Scientific management is wholly unsuitable for the small employers. Techniques like time, and motion studies, introduction of managerial specialisation, etc. are too costly to be afforded to by the small employers.

(ii) **Unemployment:** Scientific management leads to unemployment of workers; especially when mechanical devices are introduced to replace manual labor.

(iii) **Retarding human development:** According to psychologist, scientific management aims efficiency at the cost of initiative. It, totally takes away initiative from workers. In fact, under scientific management, workers are reduced to the status of machines; totally deprived of the thinking function.

1.4.1.2 Administrative Theory

Administrative Theory is also known as functional approach, developed by Practitioners and thinkers like Henry Fayol, James.D Allan .C etc, they focused on development of managerial functions and principles of universal application, It adopts wider perspective by attempting to improve efficiency of total organization than Technical efficiency.

Henry Fayol's contribution to management Thought

Henry Fayol (1841-1925) was a French mining engineer who turned a leading industrialist and a successful manager. He was a mining engineer in a French mining company and rose to the position of the Chief Managing Director. His experience, in the field of managing, was reproduced in a monograph titled 'Administration Industrial and Generale'. Fayol's work gained popularity and was made known to scholars and practitioners of management; only when his monograph was published in English in the U.S.A. in 1949.

Structure of Fayol's work: Following is a brief comment on various facets of Fayol's work:
Fayol's classification of business functions

According to Henry Fayol, all the activities of a business enterprise could be divided into the following six groups:

(i) Technical activities (relating to production)

(ii) Commercial activities.(relating to buying, selling or exchange).

(iii) Financial activities (relating to search for and optimum use of capital i.e. finances)

(iv) Security activities (relating to protection of the properties and personnel of the enterprise)

(v) Accounting activities (relating to a systematic recording of business transactions,&statistics)

(vi) Managerial activities

Fayol's view had concentrated his attention only on an analysis of the sixth group of activities.

Fayol's classification of managerial functions: Henry Fayol classified managerial functions, as consisting of the following:
1. Planning
2. Organising
3. Commanding

4. Co-ordinating

5. Controlling

Qualities required in managers: Fayol mentions the following qualities required in managers; to enable them to become better and more efficient:

I. Physical

2.Mental

3.Moral

4.Education

5.Technical

6 Experience

General principles of management are the most significant contribution by Fayol is the general principles of management listed by him, in his monograph titled 'General and Industrial Administration. Based on his long managerial experience, Fayol advocates fourteen general principles of management. **Following is a brief comment on the fourteen general principles of management recommended by Fayol:**

(1) **Division of work :** Fayol had applied the principle of Division of work (or division of labour), in the management of business enterprises. Division of work leads to speciallsation - results in Increased human efficiency; as through the application of this principle, much more production is possible with the same amount of human efforts. Fayol recommends the application of this principle at both the levels in an organisation operational and managerial.

(2**) Authority and responsibility:** Authority, in management, is the key to a managerial job is the power inherent in a managerial position which enables a manager to command subordinates to work towards the attainment of enterprise objectives. Responsibility, is the reverse of authority; whose essence is an obligation owed by a subordinate to the superior (from whom authority is received) for the proper performance of the job for which authority is granted to the former.

(a) Of the two terms, authority and responsibility, the former is primary and latter is secondary or conditional. Responsibility is a corollary and natural outcome of authority; and cannot exist independently.

(b) In order that excessive authority is not misused by the holder of it, and responsibility needs to be fixed in an exact and fair manner; there must be maintained a balance between authority and responsibility - known as the principle of parity of authority and responsibility.

(3) **Discipline:** means obedience to the rules of the organisation, on the part of both-managers and subordinates. Discipline is necessary in an organisation; if the organisation is to function properly and prosper and grow.

(4) **Unity of command:** Unity of command, is one of the most useful and significant principles of management advised by Fayol. According to this principle, a subordinate must get orders and instructions, only from one superior at a time. The obvious reasons for the application of this

principle is to avoid confusion on the part of a subordinate regarding whose orders he must obey. Fixation of responsibility in an exact manner on a subordinate by the superior issuing orders and instructions is facilitated.

(5) **Unity of direction:** Unity of direction might be referred as 'similarity of guidance'. Unity of direction (or similarity of guidance) implies that for each group of activities having the same objective; there must be 'one head and one plan'; or similar activities must be guided in similar ways. For example, if in an industrial enterprise, there are 10,000 workers; then there must be only one overall production plan and only one overall Production In-charge; imparting similar instructions .to all workers. Unity of direction is essential for achieving unity of action, in the pursuit of common objectives by a group of persons.

(6) **Subordination of individual to general interest:** This principle is, the basic management philosophy, that in a group endeavour, the individual objectives of people are subordinate to the common group objectives. Whenever, there arises a conflict between individual and group objectives, the management must help in arriving at reconciliation between the two set of objectives.

(7) **Remuneration of personnel:** Remuneration of personnel is the price paid or payable to people both managers and workers for their services rendered towards the attainment of the enterprise objectives. Remuneration is of vital importance for a smooth functioning of organizational life, making for good or bad industrial relations; Fayol recommends that the system of remunerating personnel must be such as affords maximum satisfaction to both employees and employers.

(8) **Centralization (i.e. a rightful compromise between centralisation and decentralisatlon):** By the term centralization, is means a rightful compromise between centralisation and decentralisation. 'Centralization' refers to a reservation of decision-making authority at top levels of management. 'Decentralization', it means dispersal of authority from the central (top-level) points to middle, to lower levels of management. It is required to strike out a balance between centralization and decentralisation; a rightful compromise between the two is required for to yield, most efficient and smooth functioning of the enterprise.

(9) **Scalar chain:** Scalar chain might be defined as the chain of superiors (i.e. managers) with grades of authority ranging from the highest to the lowest. The following simple figure illustrates the above concept: In the scalar chain, each upper link is a superior; each lower links a subordinate. For example in the above figure, as between B and C, B is a superior and C his subordinate; as between C and D, C is a superior and D his subordinate; and so on for all other links in the scalar chain. The uppermost link of the scalar chain represents the manager of the highest rank (i.e. A in this figure); the lowermost link represents the manager of the lowest rank (i.e. H, in this figure: 1.5).

Significance of the scalar chain: The principle of the scalar chain is' significant for reasons for having systematic and orderly communication from the highest managerial link to the lower links and vice-versa; each communication passing through successive links of the scalar chain. In the figure given above, if e.g., B has to communicate a message to F; it will pass from B to C, from C to D, from D to
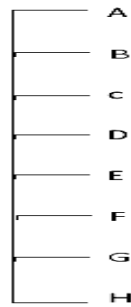
E, and finally from E to F.

Figure: 1.5 Scalar chain

According to Fayol, the scalar chain must be strictly observed in the usual course of the functioning of the enterprise; except in emergency situations; when its strict observance might be detrimental to the interests of the organisation.

THE CONCEPT OF 'GANG PLANK'

Fayol suggests the concept of 'gang plank' is a short-cut to scalar chain without violating scalar chain and here the scalar chain is represented by a double ladder. The following figure illustrates the concept of gang-plank:-
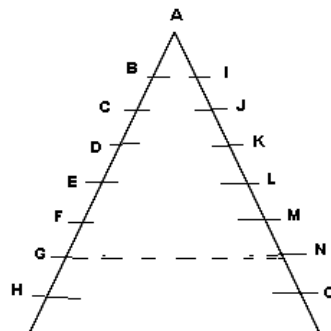
Figure: 1.6 Gang Plank

In the above figure, here a gang plank is represented by the dotted line; which links G to N, in a direct manner. A gang plank allows two employees at the same level in the organisation to deal directly with each other without, of course, violating the scalar chain. It allows speedy decisions and saves much of time and inconvenience involved were the scalar chain followed strictly. For example, in the above figure, if instead of dealing with each other through the gang plank G and N follow the scalar chain; the communication from G will first climb up to A via F, E, D, C, and B and next it will climb down to N from A via I, J, K, L and M.

(10**) Order**

The principle of 'order' implies a systematic arrangement of things and personnel. Order is classified by Fayol into two types of orders as:

(a) Material order (or physical order)

(b) Social order (or human order)

Material order is described as 'a place for everything and everything in its place'. Social order, in a similar tone, might be described as 'a place for everyone and everyone is his/her place'.

(11) **Equity**

The concept of, equity, implies a sense of 'fairness and justice' to all working in an enterprise. Observance of equity, alone would make personnel loyal and devoted to the organization made through a combination of kindliness and justice, on the part of managers, while dealing with their subordinates.

(12) **Stability of tenure**

The efficiency of organisation and management; is related to the personnel must stay in the organisation for as longer a period as possible. This might be called the principle of the stability of tenure. A minimum rate of labor turnover (movement of people into and out of an enterprise) is inevitable, for reasons to retirement, death and other permanent incapacities of personnel and also for reasons of coping with the requirements of growth and expansion of the enterprise. However, unnecessary labor turnover must be avoided at all costs; as it is both - a cause and an effect of bad management.

(13) Initiative

Initiative, in the managerial, context, refers to the freedom to think out a plan and its execution. Desire of an intelligent employee, is to have initiative in matters relating to his work. Accordingly, the management must provide initiative to employees.

(14) Esprit de corps (or union is strength)

Esprit de corps referred as union is strength is a simple common proverb, which refer to the strength or power associated with a group, when the members of the group work whole-heartedly in fun co-operation with one another. As a principle of management, esprit de corps (or union is strength) indicates a lesson to management to, take steps for promoting team spirit among the group; as it will greatly facilitate the most effective attainment of common objectives

A COMPARISON BETWEEN THE WORKS OF TAYLOR AND FAYOL

The following are the points of similarity between the works of Taylor and Fayol:

(i) Practical work

The works of both Taylor and Fayol are of a practical nature. Both have recommended concepts

and principles which had been tried by them during their managerial career. No part of work of, any of these two, belongs to the world of theory.

(ii) Human approach

There is an element of human touch to the process of managing recommended by both-Taylor and Fayol. Fayol, as e.g. suggests principles like equity, discipline, remuneration of personnel; which are founded in ideas of humanity. Taylor suggests the need for a complete mental revolution on the

part of management and workers - an 'ideal' deeply profused with a human approach to scientific managing.

(iii) Development of modern concepts

Taylor and Fayol- both, have contributed to the development of modem concepts of management;

though in different styles and fashions:. Some contributions by these two are alike e.g. emphasis on managerial specialisation; which Taylor recommends through his scheme of functional foremanship; and Fayol through one of his general principles of management called 'division of work'.

1.4.1.3 Bureaucracy

Evolved by the German sociologist, Max Weber, who has visualized a machine model of the organization, characterized by hierarchy of authority with a web of rules, regulations and impersonal control over human being.

Max Weber's ideal organization- bureaucratic Management Thought

Introduction: Max Weber (1864-1920), a German social scientist propagated his deal form of organization based on the concept of bureaucracy.

Main characteristics of Weber's bureaucratic model: Weber's ideal bureaucratic model is characterised by the following features:

(i) **High degree of division of work and speciatisation**; under which tasks are divided into very specialised jobs; and each member performs his specialised job, according to rules and regulations of the enterprise.

(ii) **Rules, regulations and procedures**; which govern the work behaviour of job-holders. Strict adherence to rules, regulations and procedures is a must for individuals for orderly performance of tasks.

(iii) **Hierarchy of authority**; which is clearly defined and is created by downward delegation of authority.

(iv) **Record keeping**; under which every decision and action in the organisation is recorded, in an array of written documents.

(v) **Technical competence**; of people (i.e. knowledge of people about their jobs) is the criterion for their selection and promotion.

(vi) **Impersonality**: according to which, in a bureaucratic organisation, there is no place for emotions, sentiments and personal attachment.

Evaluation of Weber's Bureaucratic Model

Merits: Following are the main advantages of Weber's bureaucratic model

(i) **Specialization:** Bureaucracy makes available to the organisation the advantage of increased efficiency of personnel; as it is based on a high degree of division of work.

(ii) **Democracy:** Bureaucracy leads to a democratic functioning of the organization in a hierarchy

of management, where total authority gets divided among a number of managers in a graded structural form. And, no manager can make an arbitrary use of his powers.

(iii) **Systematic and orderly functioning:** Bureaucracy makes for systematic and orderly of the organisation; because of a strict adherence to the rules, regulations and procedures of the organisation.

(iv) **Efficient functioning:** A bureaucratic organisation has the advantage of efficient functioning; because technical competence of people is the exclusive guiding criterion for their selection and promotion.

Limitations: Following are the major limitations of Weber's bureaucratic model:

(i) **Lack of flexibility**. Inflexibility in the organisational functioning due to bureaucracy; because of tight rules, regulations and procedures of the organisation.

(ii) **Organisational operational delays.** This limitation is due to the phenomenon due to strict and Complicated official rules than necessary and which prevent things from being done quickly.

(iii) **Increased-paper-work**, Because of the requirement of detailed record-keeping of decisions and actions; there is increased paper work in a bureaucratic organisation. This adds to operational costs of the enterprise.

(iv) **Lack of initiative**. There is lack of initiative for managers and employees in a bureaucratic organisation; due to strict adherence to rules, regulations and procedures of the organisation.

(v) **No place for human consideration**. A bureaucratic organisation is characterised by the feature of impersonality. of approach to organisational functioning in which there is no place for emotions, sentiments and personal attachment. The functioning of the organisation is absolutely

Advantages of Classical Approach

It provides a convenient framework for education and training to managers by deriving principles out of past experiences for future application. The approach concentrates on the activities of mangers, highlights universal nature of Management. It provides scientific basis for Management practice.

Disadvantages of Classical Approach

a) It offers mechanistic framework which undermines role of human factor.

b) The Environmental dynamics and its effect on Management are discounted.

c) Relying too much on past experiences.

1.4.2 Behavioral Approach

As the classical approach focused on jobs, the behavioral approach stressed on individuals performing jobs. It involves application of psychology to industry and Management, through advertising, marketing and personnel. The father of socio system Management approach is referred as Vilfredo Pareto and Prof. Elton Mayo is considered to be founder of behavioral school of Thought.

This approach stresses on influence of social and psychological factors on employee morale and productivity. It involves Management by getting things done with and through people and therefore is based on interpersonal relations. The development of organizational behavior involves study of attitudes, behavior and performance of individuals and groups in organizational setting. As behavioral approach is interdisciplinary, it draws knowledge from behavioral sciences. Eg: Psychology, sociology and is known as behavioral science approach. The main features are: Motivation, Leadership, Communication, Group dynamics and participative Management.

Advantages of Behavioral Approach

This model generated an awareness of role of human element in organizations, and success depends on the skill in handling human element. Behavioral approach recognizes quality of leadership, role of individual psychology and group behavior on organizational effectiveness.

Disadvantages of Behavioral Approach

➢ It limits to the social and industrial psychology.

➢ It has clinical bias and lack scientific validity.

➢ It neglects economic dimension of work satisfaction.

1.4.3 MODERN APPROACHES TO MANAGEMENT

1.4.3.1 System's approach to the study of management

The term system is very old. But the concept of its s recent application to the study of business and business management is new.

Features:-

(i) The term system is very comprehensive in nature. It provides a widest perspective to study of any phenomenon.

(ii) The entire system is applied to the study of complex phenomena.

(iii) The term system provides only a technique of analysis. It is just a viewpoint of looking at things.

The present day business management analyst uses study of management from the system's perspective-to appreciate the all-comprehensive nature of management and the complexities Involved in the process of managing. Important personalities who have made significant contributions to system's approach include: Ludwig Von Bertalanffy, Kenneth Building, Johnson, Kast, Rosenzweig, West Churchman.

Definition: The term system might be defined as follows:

A system might be defined as one whole, consisting of parts (each part being known as a sub-system within the bigger system); parts which are interrelated or interdependent and arranged in a particular order according to some definite scheme, making for the whole.

Explanation: The above definition of the term system could be analyzed as under:

(i) The term system refers to the whole of a variable under study. It refers to a phenomenon in its totality or completeness or entirety.

(ii) Each system has several parts; each part being known as a sub-system.

(iii) The most significant feature of a system is the interrelationship among its sub-systems i.e. how one sub-system affects other sub-systems and is affected by them. The totality of sub-systems making for the whole is meaningless, for analytical purposes.

(iv) Each system is separated from the environment by a boundary; which may be actual or imaginary.

(v) The term system is characterized by the 'synergy-effect' i.e. a particular sub-system, in itself, is less powerful; but when all sub-systems combine and function in a co-ordinated manner, these become very powerful.

Classification of systems: On the basis of interaction of system with environment; systems may be-

- Closed systems

- Open systems

Closed systems do not interact with the environment; while open systems interact with the environment. Business structure and business management belong to the category of open systems. According to modern management authorities, no system is absolutely open or absolutely closed. Even the most closed system is a bit open; and the most open system is a bit Closed. Therefore, instead of classifying systems into absolutely open or closed categories it must be analysed in terms of the degrees to which a system is open or closed.

Working of an open system

The working of an open system, with which we are particularly concerned, could be depicted as under. The figure is explained as, the business imports inputs i.e. raw-materials, machinery, technology, finances, information, manpower etc. from the environment. Inputs are transformed or processed into output through functioning of business sub-systems of production, marketing, finance, personnel etc.

The output is exported to the environment; and from the environment a feedback (or reaction or response) is obtained; which helps in correcting inputs, during the next phase of business system functioning.
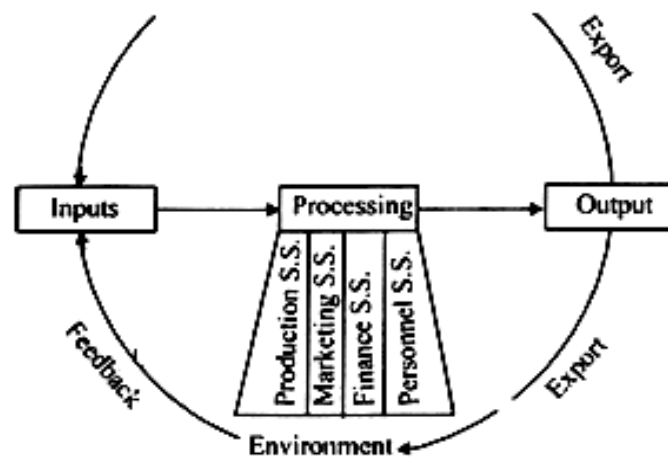
Figure: 1.6 working of an open system

Features of business management system

Following are the important features of business management system:

(i) **It is predominantly a social system**; in addition to being a physical-technical system. By social-system we mean, that a business organisation is an aggregation of people from various cultures; and people by interacting with one another influence human behaviour at work.

(ii**) It is an open system**; which interacts with the environment.

(iii) It is an adaptive system. Survival and growth of a business organisation depend on its power of adaptability to environmental changes.

(iv**) It is probabilistic system** as against being deterministic. Any action or decision of management refers to only to a probability of desired things taking place. There is no certainty about outcome of a managerial action.

(v) **It is multi-variable** i.e. the effect produced in a managerial situation is the outcome of many forces acting simultaneously; and it is not possible to isolate the precise impact of a single variable.

(vi**) It is multi-motivated** i.e. at any time, management faces a multiplicity of objectives; some of which may be of a conflicting, nature.

Evaluation of the system's approach

   Merits: Following are the chief merits of the system's approach:

   (i) It highlights the interrelatedness of various parts of the organisation.

   (ii) It makes a study of the interaction between business and its external environment.

   (iii) It permits a widest analysis of business functioning; so as to have analysis of business management.

Limitations: Following are the main limitations of the system's approach:

a) System's approach is only a tool of analysis. It does not make management thought.

b) It offers nothing new to management thinking, which highlights interrelationship among various part of business organisation.

c) It makes for unnecessary complicated discussion about business terminology, which is more valid in physical sciences.

1.4.3.2 Contingency or situational approach

Contingency approach is also known as situational approach, where managerial practice depends on circumstances, that is, contingency or a situation, it recognizes the influence of solution on organizational behavior patterns. , that is, the organization needs to cope up with different situations, and effective Management has no single best way of managing. To be effective, internal functioning of an organization needs to be consistent with the demands of external environment. The **Figure** illustrates the effect of a situation in the cause of a particular decision and the persons working in a system interacting with various parameters both internal and external.

The main features are,

1. Management is entirely situational, conditional and complexity of the situation determines the measure or technique which is applicable and effective.

2. Management should match or fit the approaches to the requirements of a situation and effective Management policies and practices are required to respond to environmental changes. That is, situational leadership style and control system should be designed.

3. Success depends on the ability to cope with environment, which needs good diagnostic skills to anticipate and comprehend the environmental changes.

4. Managers should understand there is no one best way to manage, that is, need to consider Management principles and techniques universal.

Contingency or Situational Approach

Contingency or situational approach to management is a direct contradiction to the concept of management; according to which managerial concepts, principles, to all enterprises, in all countries, in a like manner. The theme behind the contingency approach is that: there is no single which may be applicable to all managerial situations. It all depends on situation as to which principles or techniques of management will yield circumstances.

The contingency approach recommends a 'best-fit' between environment variables and management principles or techniques. Environmental variables are called **'if's and** management principles and techniques are called 'thens' of management. This approach is also called **'if-then'** approach to management.

Chart of contingency approach

We can highlight the implications of the contingency approach by means of the following chart:

Figure: 1.6 Contigency approach with 'If' 'then' variables

Situational approach is an outcome of management researches; in which practioners and researchers observed that a technique of management which worked well failed in another situation

Prominent authorities who have made significant contributions to contingency approach are Tom Bums, G. W. Stalker, Joan Woodward, James Thompson, Paul Lawren Galbraith.Based on the relationship between the organization and the environmental conditions. Two types of organizational structures are defined,

      1. Mechanistic and
      2. Organic

Two types of environment are,

      1. Stable
      2. Dynamic

Mechanistic structures are found in organization operating in stable environment, while organization in dynamic environment prefers organic structure.

Dimensions of contingency approach

(i) Principles and techniques of management which are valid in one country may not be valid in other countries, because of socio-political and cultural differences.

(ii) In the same country, principles and techniques of management applicable to business enterprises may be less relevant for non-business enterprises.

(iii) In the business sector itself, principles and techniques of management applicable to industrial enterprises may not be equally applicable to commercial enterprises.

(iv) Whether in business or non-business sector, principles and techniques of management suitable for big enterprises may be unsuitable for small enterprises.

(v) In the same enterprises itself, principles and techniques adopted at upper management levels may differ considerably from those adopted at lower management levels.

(vi) In any enterprise, in any country, at any management level; there are day-to-day contingencies. As. such principles and techniques of management valid in today's conditions may not exactly fit into tomorrow's conditions.
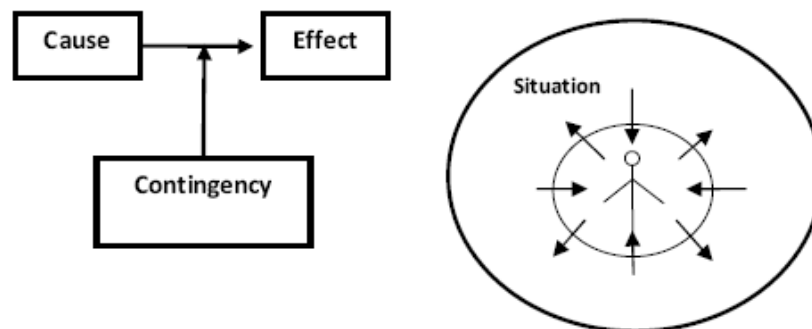

Figure: 1.7 Effect of contegial plans on situations

Evaluation of contingency approach: Merits & Limitations

Merits: Following are the chief merits of the contingency approach:

(i) Contingency approach is open approach which discounts preconceived notions and universal validity of principles, widening the horizons of practicing managers. It makes the structure alert and adaptive to the environment variables with respective styles and techniques.

(ii) It combines mechanistic and humanistic approaches to fit any situation with wide ranging applicability and practical utility in organization and Management.

(iii) **Practical approach.** Contingency approach is a practical approach; It is a open-minded and action-oriented approach.

(iv) **Managerial development**. Contingency approach facilitates managerial development. It sharpens diagnostic skills of managers and makes them innovative; as they are forced to think in terms of best practical managerial techniques to successfully tackle situational variables.

(v) **Motivational device**. Contingency approach gives freedom to managers to exercise initiative in evolving best practical managerial techniques. Such freedom to managers is, in itself, a motivational device for them.

Limitations: Following are the chief limitations of the contingency approach:

(i) **Just common sense:** It lacks a theoretical base. Contingency approach is nothing; but just managerial common sense. All managers understand and appreciate that management techniques should be based on the realities of situation.

(ii) **Not fully applicable**: Contingency approach is not fully applicable. In fact, performance of managerial functions is a universal phenomenon found in all types of enterprises, and in all countries. Several principles and techniques of management also command universal applicability. In fact, without having a basic theoretical managerial framework; nothing is

possible. If everything In management Is to devised on the spot, In view of situational variables; management may stand handicapped, in emergency situations-unable to find ay technique for coping with the situation.

A manager needs to analyze all possible alternatives as there is no straight principle to act upon. Situational approach is basically an 'If Then' approach, where If stands for environment variables whereas 'Then' denotes organizational and managerial responses. In this model a manager needs to take four sequential steps.

- Analyze and understand the situation.
- Examine the applicability or validity of different principle and techniques to the situation at hand.
- Making right choice by matching the technique to the situation, implementing the choice.

1.5 PLANNING

1.5.1 Planning might be defined as follows:

Planning is defined as deciding in advance about the objectives to be pursued by the enterprise; the selection of best alternative courses or action to reach those objectives and a specification or activities - technical, financial, personnel etc. required for the implementation or the pre-selected courses or action.

(a) **Major component parts of planning:-**

Initial (or basic) planning: this is concerned with the determination of the objectives.

(b) **Subsequent (or route) Planning**: which is concerned with the selection of best alternative courses of action; travelling through which, the attainment of objectives is desired.

(c) **Final (or operational) planning**: The planner would" analyse the technical, financial, personnel and other, aspects involved in implementing the pre-selected courses of action. Questions at this stage, may include:

   (i) What technology is required?

   (ii) How much finances are required?

   (iii)Who would be responsible for the implementation of the plan? Etc.

Planning is fundamentally choosing. However, even in situations where alternatives do not exist apparently, an Imaginative planner 'must develop a number of alternatives according to his intelligence and experience so that best 'alternative' could be selected. Therefore planning is considered to be an intellectual exercise.

Important definitions of planning:-

1   "Planning is an intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge, and considered estimates". **-Koontz and 0 'Donnell**

2 "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve desired results". -**George R. Terry**

3 **"**Generally speaking, planning is deciding in advance what is to be done". **-W.H. Newman**
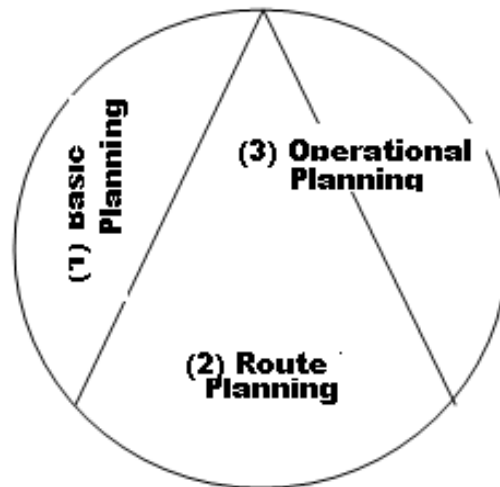

Figure: 1.8

1.5.1.1 NATURE OF PLANNING: It refers to the features of planning.

Constitutional features

1) Planning is goal-oriented.

2) Planning has a reference to future.

3) Planning is the primary function of management.

4) Planning involves choice.

5) Planning is an intellectual (or mental) exercise.

Operational features

6) Planning is all-pervasive.

7) Planning is both - long range and short range.

8) Planning is continuous.

Desirable features

9) Planning is actionable.

10) Planning is flexible.

11) Planning is an integrated system.

12) Planning is efficient.

Planning is goal-oriented

Each and every plan-major or minor- of an enterprise must make, at least, some contribution towards the attainment of the common objectives of the enterprise. A plan which makes no contribution to the common objectives is a useless plan-implying only wastage of the precious resource of the enterprise; involved in the making and the implementation of the plan.

Objectives are the beginning and end-points of planning. The planning process starts with the determination of objectives; and the attainment of objectives marks the end- point of planning- making some contribution towards the attainment of the common objectives of the enterprise.

Planning has a reference to future

All planning is done for future; and should be in the context of future conditions. Experience of the past planning could be used in improving each subsequent planning.

Planning is the primary function of management

There exists no sequence (or order) for the performance of various managerial functions; but planning could be stated 'that it is the primary (or first) function of management, because, the performance of all other managerial functions viz. organizing, staffing, directing and controlling, would depend on the nature and type of planning done earlier.

Planning involves choice   .

Planning is fundamentally choosing. It is selecting from out of several alternatives. The planner has to select the best objective from among several objectives conceived.

Planning is an intellectual (or mental) exercise

Planning requires imagination, foresight and intelligence, on the part of the planner; by virtue of which qualities the best objectives and the best courses of action, are selected by him.

Planning is all-pervasive

As a function of management, planning is done by all managers - from the highest to the lowest in the management hierarchy. It is not the exclusive function, only of the managers at the top, but managers at the top do more significant planning and the problems faced by them are more complex; while managers at middle and lower levels of management do their planning within the framework of plans laid down by top management and subject to the policies specified in this regard.

Planning is both -long-range and short-range

Long-range planning usually covers a period ranging from1 to 5 or 7 years; while plans made for a period up-to I year (or even two years) are regarded as short-range plans. Both short range plans are a part of long-range plans; and the two sets of plans must be integrated (or co-ordinated) perfectly to help realise the objectives of the over-all planning of the enterprise.

Planning is continuous

Planning is a continuous activity. Throughout the organisaitonal life, by realizing the existing plans new plans are made to further the objectives of the enterprise, in the light of changing internal and external environmental factors. As a matter of fact, the planning process con-tinues so long as an enterprise is in existence.

Planning is actionable

An ideal requirement of planning is that it must be actionable. A plan is not just a 'paper-plan'; which either is not capable of implementation (being over-ambitious or impractical) or which cannot be put into practice.

Planning is flexible

By 'flexibility' of planning it refers that the plan should be capable of modification, revision or re- adjustment, in future; when some of those future environmental factors change on which the plan is based. If a plan is not capable of revision etc. it might be rendered obsolete in the wake of changed future conditions - causing all the investment that has gone into the making of the plan, a complete waste.

Planning is an integrated system

Total planning of the enterprise must look like an integrated system i.e. various departmental plans, the plans of superiors and subordinates and the long-range and short-range plans - all must be hormonised and fitted into an integrated structure of planning.

Planning is efficient

The usual commercial 'cost-benefit formula' is employed in the context of planning also - for judging how far and to what extent, is a plan efficient. A plan is efficient, if the benefits (monetary and non-monetary) obtained from the implementation of the plan exceed the costs (monetary and non-monetary) associated with the making and the implementation of the plan.

1.5.1.2 STRUCTURE OF PLANNING

In a business enterprise, we find or hear of a number of plans; which might seem to be different in their contents and application. However, a careful analysis of various plans would reveal them to be closely connected and forming a sort of structure. Accordingly, a basic structure of planning could be conceived of the following type;

Basic Planning

1) Mission

2) Objectives (or goals)

3) Strategies

Aids to Planning

4) Policies

5) Rules

6) Procedures

7) Methods

Expression to Planning (or Plans of Action)

8) Programmes

9) Projects

10) Budgets

↳ **Basic Planning**

The basic planning refers to the most fundamental types of plans made by a business enterprise which **consist of mission, objectives and strategies:**

(1.5.1.2.1) Mission

The word 'mission' as a type of plan explains the **most fundamental purpose of an enterprise**. It is the reason for the existence) of an organisation. For example, the mission of the Government of a country might be eradication of poverty; the mission of a university might be imparting higher level education to the largest possible number of people of society and encouraging research maximally; and the mission of a manufacturing enterprise might be producing high quality goods for the common men of society at the most affordable prices and so on.

(1.5.1.2.2) Objectives (or goals)

Objectives are the results which management wants to achieve through the making and imple mentation of a plan. These, in fact, are the goals towards which a plan is directed. Objectives pro- vides a sense of direction to the thinking process of the planner; and to the action process of the operators of the plan. Objectives must be formulated keeping in view: The mission of the enterprise, and resources and-limitations of the enterprise.

The objectives must be rational and must contribute to the mission of the enter- prise. Specific objectives relate to different functional areas of management like production, pur- chase, finance, marketing personnel, research etc. Further, objectives in different functional areas are planned on the basis of time, being short-run, intermediate or long-range objectives.

(1.5.1.2.3) Strategies

The concept of strategy in the field of business management means a grand plan designed in view of the likely actions and reactions of the competitors predicted in advance. i.e., the basic concept of 'strategy-planning' is competition-oriented, suggesting or forcing a management to adopt those ways and means for realising its objectives which will ensure maximum success; avoiding and beating competitive element as much as possible.

A strategy might be defined as deployment of emphasis and resources of an organisation, towards the best realisation of enterprise objective and contributing to its fundamental mission.

Observations:

1) There is a close connection between objectives and strategies. Objectives might be revised or reformulated, in view of the strategic considerations; or sometimes even the strategy, as such, might be given a new format, in view of the essential objectives of the enterprise.

2) Success of the enterprise very much depend on the success (or failure) of the strategy adopted by the management. Management must, therefore, keep reviewing its strategies off and on and Introducing modifications into these, In view of the happenings of the competitive scenario and other external environmental forces.

Aids to Planning

Those plans which help in the implementation of the plans of top management, in a systematic manner; and also help the subordinate management levels to do their planning according to the expectations of the top management. The major 'aids to planning" planning types include: **Policies, Rules, and Procedures**

(1.5.1.2.4)Policies

Planning is done by all managers in the organisation - from the highest to the lowest and it is required that planning by managers at lower levels must be within the limits of planning done at upper levels of management. For achieving this policies are formulated by the top management. As a type of plan, a **policy might be defined as a statement of guidance and instruction**; **which defines and confines the area of discretion of subordinates in matters of decision making**.

Illustration of Policy:

A policy of the marketing manager to extend credit to customers for a maximum period of 30 days, authorizes salespersons to extend credit to their customers for any period say, a week, a fort- night, or 20 or 25 days; but not more than a period of beyond 30 days, which amounts to the boundary line of policy of credit to customers.

A policy allows freedom to subordinates to decide issue within the limits laid down by it, but does not authorize them to take decisions which cut-across the boundaries of the policy. Thus policies ensure consistency and co-ordination in the planning done at various levels of management; and at the same time provide the much-desired freedom to subordinates, in matters of decision-making, of course, within the boundary lines of policies.

(1.5.1.2.5) Rules

Rule is a type of management plan, is a statement of action specified by the top management, to be undertaken in situations, covered by the rule. For example, there might be rules of the organisation governing the calculation of overtime payment to workers, rules for dealing with un-authorized absence from duty or rules concerning the breach of discipline in the enterprise, etc.

Difference between Policies and rules:

	Policy	Rules
Basic Nature	A statement of guidance and instruction (i.e. it is an aid to thinking on the part of subordinates)	A statement of action, for subordinates to behave (or act) in a specified manner by the rule covering a specific situation.
Discretion	A policy leaves scope for initiative on the part of subordinates; but within, the limits of the policy.	Provides no discretion to subordinates; so far as the application of it: in specified situations, is concerned.
Universality	different types of policies for different cadres of subordinates	a rule is a rule for all

Table: 1.0

(1.5.1.2.6) Procedures

A procedure, as a type of management plan, which specifies the manner of handling an organizational activity - in terms of various steps to be undertaken. The essence of a procedure is the chronological (i.e. in order of time) sequence of actions. For example, there might be specified procedures for handling inward mail; procedures for executing orders of customers; procedures for employees to proceed on to leave and so on, for various other organisational activities. Procedures are guide to action; rather than a guide to thinking. Adherence to procedures on the part of personnel in the enterprise will ensure a systematised and orderly functioning of the organizational life.

(1.5.1.2.7) Methods

A method, as a type of management plan, which specifies the detailed and best manner of performing a particular step, comprised in a procedure. A method is the best planned way of performing one step of a procedure. Methods are usually found in the technical aspects of the functioning of an enterprise, like manufacturing, accounting, cost accounting, research etc. Adherence to methods, on the part of operators, is likely to lead the functioning of the enterprise, along the most efficient and economical lines of operation.

Expression to Planning (or plans of action)

'Expression to planning' means the objectives, mission and strategies of the enterprise - aided by policies, rules, procedures and methods - are converted into concrete plans to convert the planning into 'actionable'. Some of types of plans of this type are: Programmes, Projects, Budgets.

(1.5.1.2.8)Programmes

A programme is a plan of action - indicating what **work is to be done to carry out a particular objective.** For example, to popularise the product, there is a need for an advertising programme. Again, to improve the skills of personnel in performing their jobs; there is required a 'training and development programme. For undertaking the manufacturing activities, there is a production programme, and so on.

An enterprise will have a large number of programmes-each of them being developed with a focus on some specific objective. Further, within a major programme, there would be a number of minor or derivative programmes. Various programmes - major and minor - need to be integrated or harmonised in a manner that these become mutually supportive and co-operative.

(1.5.1.2.9)Projects

A project is actually, a part of some programme of the enterprise which is a special type of programme - being either of a technical nature requiring expertise in execution or of a financial nature Involving huge capital outlays, Some of the examples of projects are:

1. Establishment of a new factory

2. A 'training project' for imparting instructions in the use of some new technology.

3. A research project formulated for suggesting improvements in the quality or durability of products or coming out with some innovation, in these regards.

(1.5.1.2.10)Budgets

A budget might be defined as **any plan, expressed In numerical terms** e.g. units of output, man-hours, machine hours, sales-targets, expense estimates in money terms or revenue estimates in money terms. Budgets give a specific appearance to plans and make these understandable and actionable, a traditional (but quite popular even in the present-day-times) management device is to convert (or express) all plans into budgets.

Two important aspects of the concept of 'budgets' are:-

1. All the budgets are parts or sub-parts of one over-all budget called the 'Master budget' -to ensure co-ordination in the implementation of various budgets.

2. The system of planning through budgeting is popularly called the 'budgetary control system'; as various budgets are not only plans of the enterprise, but the standards contained in budgets furnish standards of control subsequently.

1.5.1.3 Structure of planning might be classified into the following two broad categories.-

1. Standing plans (or repeated use plans)
2. Single use plans

Standing plans are those plans which are **meant for use in the organisation for quite longer periods of time**. These are either guides to thinking or guides to action. Examples include plans like

- mission, strategies, policies, rules, procedures, methods.

Single-use plans are those **which are executed once for all; and after execution of these plans, new plans, in place of old plans, are formulated** to keep the circle of planning going on continuously. Examples of single use plans are objectives, budgets, programmes and projects.

Advantages (or significance) of planning

- Planning helps management to face future with greater strength and confidence.
- It helps to focus attention on objectives.
- It leads the operational life of the enterprise along the most efficient lines.
- It enables the exercise of controlling.
- It acts as a spur to creativity and innovation.
- It guides the decision-making process.
- It provides a sense of direction to action.
- It facilitates co-ordination.
- It fosters inter-departmental co-operation.

1.5.1.4 STEPS IN PLANNING (OR PROCESS OF PLANNING OR HOW TO MAKE A PLAN?)

Plans are made in all types of enterprises - business and non-business. Further, in case of any enterprise, specially a business enterprise, plans are made at all levels of management - from the highest to the lowest; and plans - ranging from the most strategic to the most minor (or routine) ones. Plans made at different levels of management, cover different functional areas like 'Production, Finance, Marketing, Personnel etc. Because of such unique features associated with the managerial function of planning; it is not possible nor desirable to identify any hard and fast planning process which might fit all planning situations - major and minor facing different levels and functional areas of management. Some basic steps involved in most types of plannings are as mentioned below:-

- Being watchful.
- Setting objectives.
- Establishment of planning premises.
- Development of alternatives.
- Critical evaluation of alternatives.
- Selection of the best alternative.
- Making derivative plans.
- Implementation of the plan.
- Follow-up action.
- Restarting the planning cycle.

(i) Being watchful

Being watchful of opportunities for gain is technically not a step in planning. It is referred to as a pre-step in planning or a desirable pre-condition for making a successful plan.A progressive management must always be on the alert; being watchful to opportunities appearing in the environment to maximally exploited gains. The management must, accordingly, initiate the planning process at the most opportune moments expecting gains.

(ii) Setting objectives

The real starting point of planning commences from setting objectives for the plan. Setting objectives for the plan is not only the beginning point of planning; but also the most crucial step in the planning process- as a slight mistake in setting objectives might vitiate the whole course of subsequent action planning. While setting objectives for the plan; the following points must be kept in mind:-

a) Objectives for the plan might be in line with the fundamental mission of the enterprise; and must contribute to the latter.

b) Objectives must be 'expressed in numerical terms to   render these more effective for communication, action and control purposes

c) Objectives must be realistic and not idealistic.

(iii) Establishment of planning premises

After determination of rational objectives for the plan, the next step in planning process is the establishment of planning premises. By planning premises, identification of assumptions of the future conditions-economic, social, political, technological etc. subject to which the plan is expected to operate and reach. When different levels of organisation, are involved in the making of a plan; the concept of 'common premising'(i.e. making similar assumptions about relevant future events and conditions) done by all managers. Forecasting is essential to premising and is the heart of planning, the failure of forecasting would imply a virtual collapse of planning. After establishment of planning premises, the revision of 'objectives' set in the light of forecasting must make the objectives more compatible with the established planning premises.

(iv) Development of alternative course of action

The next step in the planning process is the development of alternative courses of action, for the attainment of the objectives set in the plan. Some of the guidelines for developing alternatives are as following:-

(a) There must be a search, on the part of management, for the best alternatives; in view of its experience and expertise.

(b) Other than maximizing the number of alternatives; as large number of alternatives might become a problem. The guiding principle in this regard is what is known as the Principle of Limiting Factor/ Factors. According to this principle some of the factors e.g. technology, skilled manpower, finances etc. might be a limitation for any management, and only such

alternatives,must be developed so as to overcome the limiting factor/factors.

Illustration: If a management wishes to buy a new type of machine for the purchase of which adequate finance are not available with the management, at the moment. In view of this limitation of finances facing management, some of the alternatives which overcome the limiting factor be developed might to be of the following nature:-

(a) Buying a good piece of second-hand machinery, and getting it remodeled.

(b) Arranging for the purchase of new machinery on credit through systems of payment like the hire-purchase or the installment system.

(v) Critical evaluation of alternatives

After the development of alternative courses of action for the plan, the next logical step, in the planning process would be to undertake a critical evaluation of each alternative developed by the management. A critical evaluation of alternatives involves going into the plus and minus points of each alternative; and to find out the net worth of each alternative - in terms of its contribution to the objectives of the plan.

(vi) Selection of the 'best' alternative

Having evaluated all alternatives the next step, in the planning process is the selection of one 'best' alternative course of action. The management while selecting the best alternative might base its decision on one or more of the following bases:-

(a) Experience: The management might base its final selection of the best alternative, on its experience as an an experienced manager knows what types of alternatives were adopted by him in the past; and with what implications and consequences. However, a caution about taking a decision on experience would be not to rely blindly on experience; but to refine and weigh, the same, in the light of future contingencies.

(b) Experimentation: Experimenting with the 'best' alternative; and analyse the outcome of the experiment, before finalising the decision. This experimentation, as the basis for selection may not be possible in all cases and is subject to time, cost and technological implications. if possible and feasible, experimentation as a basis for final selection is superior to the experience basis.

(vii) Formulation of derivative plans

A major plan, has a number of derivative plans; i.e. plans derived from the main plan. Derivative plans might also be called - supporting or minor or secondary plans. Formulation of derivative plans is a crucial step in the planning process; as without these plans, the major plan would remain incomplete and. not capable of implementation with success. A plan e.g. relating to the installation of a new plant for manufacturing a new product might call for the following derivative plans: -

(a) A plan for 'design' and manufacturing of the new product

(b) Plans of recruitment, selection and training of personnel for operating the plant.

(c) A plan for the repairs and maintenance of the plant.

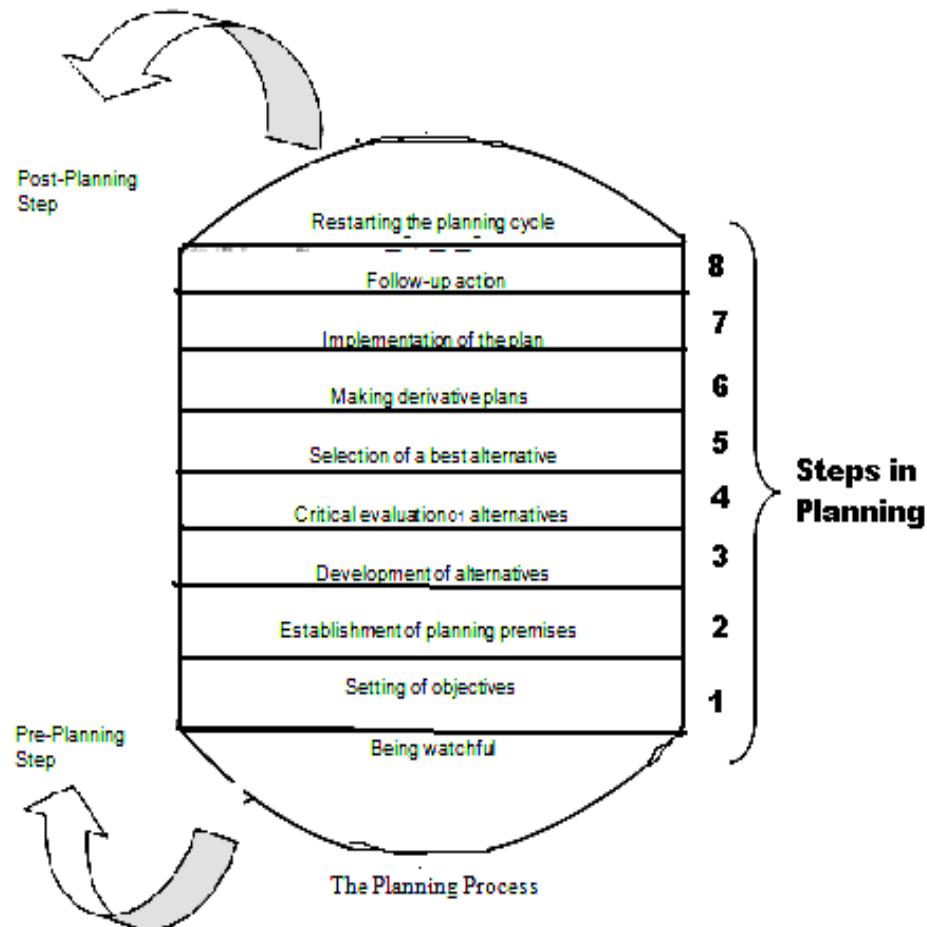(d) A plan for advertising the product to be produced by the plant, etc.

Figure: 1.9 The various steps in planning process

(viii) Implementation of the plan

The step which gives a finishing touch to the planning process is concerned with the implemen-tation of the plan; which implies 'putting the plan into action'. This step is, perhaps, the most significant one; as without taking this step, the plan would remain merely a paper plan incapable of attaining anything and only involving wastage of the precious enterprise resources which have gone into the making of the plan.

For ensuring the implementation of the plan, the management must-

(a) Communicate the plan to those who are supposed to initiate action according to it.
(b) Provide necessary instructions to operators.

(c) Arrange for all the facilities - materials, machines, technology etc. which are required for plan implementation.

(d) See to it that people have actually started working according to the plan.

(ix) Follow-up Action

When planning process comes to a close with the implementation of the plan; a desirable step to be taken relates to the follow-up action (or the feedback action or the remedial action or the corrective action) on the implementation of the plan. 'Follow-up action' implies watching the consequences (both good and bad) - economic, social or psychological etc. which arise from implementation of the plan, so that -

(a) Necessary corrective action could be taken in time, and

(b) Better planning done in future, in the light of the consequences observed.

(x) Restarting the planning cycle

Once a particular plan of the management is realised; steps must be taken to conceive of and implement some new plan to take place of the 'accomplished plan'. This is known as restarting the planning cycle; as planning is a continuous activity and new and better plans must be made by the management throughout the life-time of the organisation.

Characteristics of a sound plan

1. Simple to understand and operate

2. Based on rational forecasts

3. Consistent with the environment

4. Realistic and non idealistic

5. flexible

6. Efficient (or economical)

7. Imply best utilization of the resources of the enterprise

8. Must provide scope for initiative

9. Must win employees favour and confidence.

10. Must contribute to fundamental mission of the enterprises.

1.5.1.5 Making Effective Planning

Some of the useful hints to make planning effective could be as follows:

The planning process must start at the top

The planning process must start at the top management level; where the initiation of planning must be done, in terms of setting the basic objectives of the enterprise. Such basic objective setting should become the primary concern of managers at the middle and lower levels; and must not deviate from the fundamental philosophy of the top management - while formulating plans their own levels. In the absence of such guidance from the top management, subordinates' planning might be over-ambitious or narrow-minded; and not making any substantial contribution to the mission of the enterprise.

Planning process should preferably be launched under favorable conditions

For making planning effective, the management must be watchful of the favourable conditions obtaining in and out of the enterprise; so that the planning process could be initiated at the most favorable time.

Objectives (or the plan should preferably be expressed in numerical terms

The objectives for a plan should be stated in numerical terms e.g. production, quantity, costs, man-hours, machine-hours, sales-quotas etc. Those objectives difficult to be expressed in to numerical terms (as qualitative objectives) also must be converted into precise numerical terms. When objectives are In numerical terms, It is easier for management to communicate plans to subordinates; It Is easier for subordinates to initiate action according to plans and It is, again, easier for management to review progress of subordinates against objectives which are so specific.

The planning process must be based on common premises

All managers involved in the process of formulating a plan, must assume and utilise common premises; while setting objectives for the plan and developing alternative courses of action. This concept of common premising i.e. required in securing harmony of thinking and action of various managers; and is the ground for assuring the effectiveness of planning.

The process of planning should be participative

The management, in the process of planning, should invite subordinates participation at different stages of plan-formulation. i.e., the plan-making should not be a sole prerogative only of the upper-level management. When subordinates have a hand in setting objectives or alternatives during the planning process; they are likely to feel psychologically committed to work for objectives or work according to alternatives which they have set for themselves. This will make planning more effective.

All plans must be parts of a single 'Master-Plan'

For making planning effective, it is essential that different plans of the enterprise pertaining to functional areas and levels of management must be parts or sub-systems of a well-devised master plan. The advantage of this requirement for effective planning is that different plans should not work at cross purposes. A unified structure of planning would better assure the most effective attainment of the objectives and the mission of the enterprise.

There should be an integration of long-term and short-term planning

Short-term plans of an enterprise are divisions of long-term plans. The long-range objectives of long-term plans are sought to be achieved through analysing long-term plans into a suitable number of short-term plans. The two types of plans must be perfectly integrated for making the planning process effective.

There must be a feedback on planning

The feedback on planning refers to the controlling. Once the plan is put into practice, the management must watch the consequences arising from the implementation of the plan and also should note down the deviations and should analyze their causes. Feedback action on planning would prompt immediate corrections on the part of management; and facilitate more effective planning.

Flexibility' must be Introduced in planning

Effective planning is always flexible planning which means under changing external environmental conditions. By infusing flexibility into the plans and assuring the quality of flexibility in a plan; it is possible to operate the plan despite the change of environment. That would save the enterprise from the total loss of investment made in the making of the plan; than when the plan is found to be wholly inoperative under the changed circumstances and abandoned.

There must be some basic communication system for planning

Sound planning requires sound information on which it is based, should be based on some basic communication system in the enterprise; which would impart knowledge about objectives, policies, rules and procedures of the enterprise to different levels of the organisation. Besides, relevant information information - about markets, consumers, competitors, Government, society etc. must be collected and disseminated among the personnel responsible for planning- to equip them with knowledge essential to effective planning.

1.5.2 Special aspect of planning

The various aspects of planning include:

↳ Forecasting

↳ Planning premises

↳ Management Information System (MIS)

↳ Management by objectives (MBO)
SWOT analysis

Forecasting: Meaning and Techniques

Forecasting is an integral part of the planning process. Since plans have to operate in future: it becomes imperative for management to make an accurate forecast of likely future events and conditions with which enterprise plans may have confrontation, in future. In fact, the more accurate the forecasting is; the more sound will be the planning premises on which the plans will be based.

Forecasting is the heart of planning process; and the best laid plans of the enterprise might fail when substantial inaccuracies are discovered subsequently in the forecasts of future conditions made by the management. Management of a business enterprise is advised to make as accurate forecast as possible, of the following factors:

- Likely governmental policies, refers operational life of the enterprise.
- Price-trends (including general economic conditions).
- Population trends.
- Degree of likely competition.
- Inputs availability - raw-material, manpower, power etc.
- Technological advancements.
- Consumers' buying behaviours, needs and preferences etc.

Techniques of Forecasting

Some techniques for making a best estimation of relevant future conditions and events might be suggested to be the following:

➢ Historical analysis of past events: in the some country and other countries; as to some extent, history is likely to repeat itself.

➢ Astrological analysis of relevant future conditions. Managements in the western countries even have been depending on astrological forecasts of likely business conditions and events. In fact, basics of astrology are deeply rooted in perfect mathematics.

➢ Mathematical and Statistlcal techniques; e.g. index numbers, time-series analysis, cor-relation and regression techniques, probability etc. may greatly aid management in having a trend of relevant business events.

➢ Collections of data through surveys; and making forecasts on the basis of collected data, is also a good technique of forecasting.

➢ Seeking opinions of experts; e.g. from the fields of finance, marketing, technology, politics, taxation etc. - on relevant issues concerning their areas of specialisation; might help management in better appreciating and judging future business conditions.

Premising

Premising is key step, in the planning process. Premising refers to establishment of assumptions by management about relevant future conditions--economic, social, political, technological etc. on which the plans will be based. Premising is based on forecasting. The relationship among forecasting, premising and planning is depicted below:
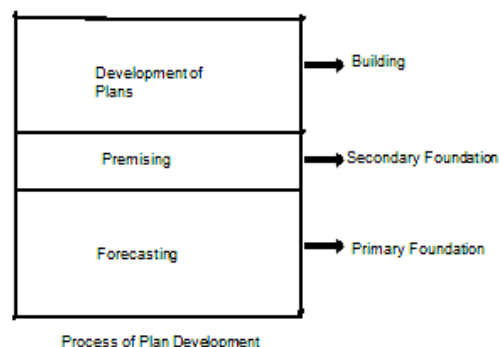

Process of Plan Development

Figure: 1.10

Planning premises can be classified into the following categories:

(I) Internal premises : Internal premises are relevant internal conditions of the enterprise on which plans will be based. Some examples of internal planning premises may be

- Management strategies, policies and programmes.
- Organisational structural flexibilities
- Human relations in the enterprise.
- Manpower potential
- Availability of finances
- Approved sales forecasts etc.

(2) External premises: External premises are relevant external conditions on which plans will be based. Some examples of external planning premises may be-

- Political conditions
- Social conditions
- General economic conditions
- Technological conditions
- Competitive conditions
- Factors market conditions (e.g. labour availablility, raw-materials availability etc.)

Controllable and uncontrollable premises

Controllable premises are those over which management has control; while uncontrollable premises are those which are beyond the control of management. There may be semi-controllable premises also; which are partly within the control of management and partly beyond the control of management.

Controllable premises: Some examples of controllable premises may be-
- Advertising programmes and policies
- Expansion programmes
- Policy of centralization and decentralisation.

Uncontrollable premises: Some examples of uncontrollable premises may be—

- Acts of Good
- Population growth
- Price trends
- Political environment
- Technological environment

Semi-controllable premises: Some examples of semi-controllable premises may be-
- Labour turnover
- Labour efficiency

■   Pricing policy

Quantitative and Qualitative premises

Quantitative premises are those factors which can be expressed numerically; while qualitative premises are factors which could not be so expressed. Quantitative premises are tangible; while qualitative premises are intangible.

Quantitative premises: Some examples of quantitative premises may be-
*   Finance availability
*   Sales forecasts
*   Population trends
*   Price trends
*   Plant capacity utilisation

Qualitative premises: Some examples of qualitative premises may be
*   Human relations in the enterprise
*   Morale of employees
*   Prestige or reputation of the enterprise
*   Political stability

1.5.2.1 Management by Objectives (MBO)

The term management nor the term objectives is new, only new about these terms is a distinct philosophy of management built around these terms; and popularised as management as objectives (or MBO). The credit for developing this philosophy of MBO is upon Peter F. Drucker.

MBO might be defined as follows:

MBO Is a distinct philosophy of managing any business enterprise in which (under a short-term management-programme) objectives for subordinates are worked out through it process oCmutual consultation between subordinates and concerned superiors, In verifiable (Le. numerical) terms; nd such objectives subsequently becoming standards oC control Cor measuring performance oC individuals against these.

Concept of MBO:

(i) **MBO is a distinct philosophy of management**. In fact, there is no universal scheme of MBO that could be applied to all organisations, alike.

ii) **MBO is a short-term management programme**. MBO schemes may range from a week to a year. A year is the maximum time period for an operational system ofMBO.

(iii**) MBO is based on principles of democratic management**. Under MBO, objectives are set through a process of mutual consultation between subordinates and concerned superiors

(iv) **Verifiability is the key to MBO**. Under MBO, objectives are determined in numerical or quantitative terms; which adds an element of verifiability.

(v) MBO is a complete philosophy of managing. **It is both a technique of planning and a technique of controlling.** It is a technique of planning in that objectives become assignments for people. And it is also a technique of controlling; when these very objectives are used as standards of control for measuring performance of individuals against these.

George Odiorne defines MBO as follows:

MBO is a process whereby the superior and the subordinate managers of an enterprise jointly, identify its common goals, define each individual's major areas of responsibility in terms of the result expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members".

The Process of MBO

Formulation of a MBO scheme in a typical enterprise, entails the following usual steps:

(I) Preliminary setting of objectives at the top management level

The MBO scheme is launched by the Top management by identifying the fundamental objectives of the enterprise as a guide to superiors and subordinates throughout the organisation for setting their own objectives,

(ii) Clarification of organisational roles

As a background step to MBO, each role in the organisation is clarified; so that each organisational roles responsibility is made clear.

(iii) Setting individual objectives

Superiors and subordinates throughout the enterprise determine their individual objectives- through a process of mutual consultation. Such setting of individual objectives is the core aspects of MBO.

(iv) Matching goals with resources

To make MBO scheme realistic, goals of individuals are compared to the resources available for their implementation. At this stage, objectives might be revised suitably, in view of limitations of resources.

(v) Recycling objectives

Recycling or reshuffiing objectives under MBO is done to take care of the interconnection among related objectives. i.e. objectives of individuals in one department may not be inconsistent with related objectives of subordinates, in other departments.

(vi) Performance appraisal

As a final step of MBO, performance of people is judged against objectives (which now become standards of control) determined initially.

Merits of MBO: Some major merits ofMBO are as follows:

(i) Overall improvement in organisational performance: aproppriately designed scheme of MBO will lead to an overall improvement in the organisational performance.

(ii) Specific Planning: As MBO scheme utilizes numerical expression of plans, planning becomes more

specific. Subordinates better appreciate as to what exactly is expected of them.

(iii) Elicits commitment: The biggest advantage of MBO is that it is a great motivational device, as it elicits commitment to objectives on the part of subordinates; as subordinates feel achieving those targets which they have determined for themselves.

(iv) Better controlling: MBO leads to better controlling in two senses-

   (a) Controlling is immediate; as standards of controlling are the objectives themselves,

   (b)There is least or no resistance to controlling; because objectives (i.e. standards of controlling) are determined by subordinates themselves in consultation with superiors.

Limitations: Some serious limitations of MBO are:

(i) Failure of teach philosophy of MBO

It is difficult to explain the philosophy in MBO because of the technical processes involved in making a scheme of MBO. It is not possible to expect success of a scheme; as if basics of which are not fully comprehended by people.

(ii) Tug-of-war phenomenon

Setting of objectives under MBQ creates chances for 'tug-of-war ' situation among superiors and subordinates, as Subordinates prefer objectives to be set on a lower side; superiors would like more work to be assigned 'to subordinates.

(iii) Over-emphasis on short-run goals

Under MBO, there is an over emphasis on short-run goals to the exclusion of long-run goals, which might be critical for the survival and, growth of the enterprise.

(iv) Over-quantification of management

Because of the need to quantify objectives under MBO, qualitative aspects of managing may be completely overlooked.

(v) Wastage of time

MBO involves wastage of a lot of valuable time of managers in joint consultations; and is left with little time for efficiently discharging jobs.

1.5.2.2 SWOT Analysis:

SWOT analysis is a key concept in the world of corporate planning, strategy formulation and other practical spheres of management. SOWT is also called TOWS by same management people. The acronym SWOT stands for the following elements of environment as shown below:

The first two refer to the internal equipment of the company; while the last two refer to the external environment of business.

Purpose of SWOT analysis:

(i) To capitalize (i.e. to take best advantage) on the strengths of the company
(ii) to overcome the weaknesses of the company

(iii) To exploit fully the opportunities available in the external environment

(iv) to manage successfully the threats posed by the external environment.

Figure: 1.11 SOWT Variables

Environmental analysis: For a better appreciation of SWOT analysis, it is necessary to have an overview of the environmental analysis, consisting of-

> **(I) Internal Environmental analysis and**

> **(II) External Environmental analysis.**

Internal Environmental Analysis: The entire environment which is found within the business enterprise itself may be termed as the internal environment of business. The following major factors of the internal environment are:

 (i) Philosophical Environment, consisting of the mission, values, beliefs and long-term goals.

 (ii) Managerial Environment, consisting of the management hierarchy, quality of managerial talents and the process of managerial development.

 (iii) Structural Environment, consisting of-

- Rules, policies and procedures of the organisation
- Authority-responsibility relationships found in the organisation
- Communication network
- Controlling techniques etc.

 (iv) Production Environment, consisting of-

- raw material availability and utilisation system
- technology available to the organisation
- plant capacity utilization
- quality control system

 (v) Marketing Environment, consisting of-

- o marketing research system and procedures
- o training and compensation of salesmen
- o advertising and other sales promotion techniques

(vi) Personnel Environment, consisting of-

* Quantity and quality of manpower

* Systems of training, promotion and compensation of workmen

* Type and nature of manpower planning.

(vii) Financial Environment, consisting of-

- Working capital management

- Capital budgeting-techniques and procedures

- Financial discipline enforced in organisation.

(viii) Human Relations Environment, consisting of-

✐ Line-staff harmony and conflicts

✐ Management labour relations

✐ Workers' relations interse

✐ Public relations etc.

External Environmental Analysis: That entire environment which obtains and prevails outside the business enterprise may be termed as the external environment of business. The various features of external environmental factors are as stated below:

(i) External environment is unlimited.

It extends beyond national frontiers. It is required to analyse and consider only relevant factors with appropriate dimensions, obtaining in external environmental scenario.

(ii) By and large, external environment is beyond the control of management.

Management has no control over the external environmental features. Only a few hero industrial giants' may have an influence over external environment; but only in a limited way.

(iii) External environment is very complex, and various factors comprised in the external environment are highly interrelated and Interdependent. For example, there is considerable overlapping among political and legal factors; social and economic factors and so on.

(iv) External environment is highly volatile and turbulent, there are lots of sudden changes, which can become quite dangerous. This feature of external environment is a serious challenge to management requiring it to remain highly cautious, alert and adaptable.

(v) External environment is subject to perception values i.e. one environmental expert may perceive a particular factor to be favorable; another expert may regard it to be most unfavorable. As such, decision-making based on environmental influences may become highly confused.

The following major factors of the External environment are:

(i) Political factors: Major sub-aspects of political factors may be-

☛ Whether there is a united front government or a single party government

- Political stability
- Ideology of the government towards business reflected in its economic and business policies
- Taxation attitude towards business
- Policies of liberalisation
- Import-export orientations etc.

All the political factors have legal implications, as any of the ideologies of the government may be enforced on business through enactment of appropriate pieces of legislation.

(ii) Legal factors

Legal factors constitute the existing legal framework; as applicable to business enterprises. The functioning of a business enterprise is seriously constrained by legal requirements; as non-adherence to these invites fines, penalties and punishment. Some important laws which vitally affect the functioning of the enterprise is-

- Commercial laws, especially the Companies Law
- Industrial laws
- Taxation laws
- Import-export regulations
- MRTP (Monopolies and Restrictive Trade Practices Act)
- Monetary and 'fiscal policies etc.

(iii) Social-religious-cultural factors

The social, religious and cultural factors are intertwined i.e. they cannot be separated from one another. All business enterprise operates in a socio-cultural environment; and is a sub-system of it; it becomes necessary for business enterprises to tune their functioning to meet the aspirations and needs of society to ensure their survival and growth. Some major aspects of these factors may be-

- Population growth and trends
- Level of education in society
- Craze for a higher standard of living
- Urbanization tendencies
- Demonstration effect carried from the Western economies
- Consumer awareness
- Changing social and cultural values etc.

(iv) Competitive factors:

Competitors are the most significant component part of external environment. Policies, strategies, actions and reactions of competitors vitally affect the functioning of the enterprise.

The biggest problem of an enterprise is to ensure its survival amidst intensely competitive conditions. Companies especially target consumers, who become buyers of the goods/services produced and provided by the business enterprise which is the most critical component part of this environment. The analysis of business products (services), buying capacity, likes, dislikes, preferences etc. vitally ensure profitability for the business enterprise; and help business in realization of the ultimate objectives.

(v) Technological factors

Science has advanced with Technology, and this is the era of 'technological revolution, in which the   commercial world is passing through. Technological factors create a dilemma for business enterprise due to the following reasons:

(a) If business enterprises do not adhere to latest technology; they might lag much behind under competitive conditions and become obsolete, and

(b) The plan to adhere to new technology, may result to face problems of resource crunch, re-organizational problems, resistance to organisational changes by workers etc.

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(vi) General economic factors

Inflationary tendencies are the most significant aspect among general economic factors. Such tendencies are observed all over the world, in the present-day-times. Certain social tendencies which emerge from inflationary tendencies; which require serious consideration by business enterprises are:

- A craze for low priced products

- Tendency to save, rather than spend, as a measure to provide for future contingencies.

    - Managing purchasing on hire-purchase and installment basis etc.

An issues related to these situations inflationary tendencies; is that on the one hand producers face problems of higher operational and production costs, and on the other hand, consumers prefer cheaper products. This is tough situation on the part of management to reconcile the situational factors, under these circumstances.

(vii) Financial Factors: Financial factors include the following major sub-aspects-

      ⊕ Policies of banks and financial institutions

      ⊕ Stock market environment

      ⊕ Control of Central Bank (RBI) and SEBI (Securities and Exchange Board ofIndia) over financial institutions and stock market

      ⊕ Structure of interest rates

      ⊕ Foreign capital etc.

(viii) Natural environmental factors

   Natural environmental factors usually include the following:

      * natural resources

      * climate

      * Geographical features whether the area is hilly or plain etc.

The factors which affect the functioning of a business enterprise include the mode of living, for example the requirements of people in cold-climate regions are much different from those living in hot areas. Likewise, the system of transportation in hilly regions and plains are much different requiring businesses to adapt their productive and marketing operations.

Example of SWOT analysis:

To illustrate the concept of SWOT analysis, analysis of strengths and weaknesses in the internal environment and opportunities and threats in the external environment according to the major categories of factors obtaining in both these types of environments, as explained below:

STRENGTHS

  (i) Philosophical Environment

    ☞ Organization's mission based on considerations of ethics and social responsibilities

    ☞ Emphasis on long-term goals

  (ii) Managerial Environment

    ☞ Honest and dedicated management class:

    ☞ open minded management

(iii) Structural environment:

☛ Open lines of communication i.e. two way communication

☛ Controls of a bread nature to minimize disturbance for subordinates

(iv) Production environment:

☛ Latest technology used

☛ An efficient inventory control system in use

(v) Marketing environment:

☛ An excellent marketing research organisation

☛ A wide distribution network

(vi) Personnel environment

☛ Sound promotion policy

☛ Satisfactory system of employee remuneration

(vii) Financial environment

☛ Plentiful financial resources available

☛ An excellent budgetary control system in use

(viii) Human relations environment

☛ Excellent labour management relations

☛ Good relations among workers interse

WEAKNESSES:

(I) **Philosophical environment**

♀ Poor organizational culture.

♀ Values held by upper management class being extremely traditional and orthodox.

(ii**) Managerial environment**

♀ A large number of competent managers in the retirement age group

♀ No satisfactory system of managerial development.

(iii) **Structural environment**

♀ Mechanistic organizational structure

♀ Organizational policies not evaluated and revised.

(iv) **Production environment**

♀ Inadequate plant capacity utilization

♀ Not much attention to quality control

(v) **Marketing environment**

- Poor advertising campaign
- Lack of training system for salesmen.

(vi) **Personnel environment**

- Emphasis on traditional sources of recruitment
- No provision for refresher training

(vii) **Financial environment**

- Improper management of working capital
- Capital structural not properly designed

(viii) **Human relations environment**

- Ever-growing line-staff conflicts
- No attention to public relations.

OPPORTUNITIES

(i) Political factors

- Favorable policies of liberalization
- Huge incentives and tax concessions for export promotion.
- Legal factors
- Welcome relaxations in MRTP
- Recent amendments in company law suitable for the enterprise.

(ii) Social-religious-cultural factors

- Craze for higher standard of living encouraging investment in production of luxurious consumer goods.
- Availability of educated and professionally skilled managers and workers.

(iv) Competitive factors:

- Company's products enjoying popularity among target consumers, weakening competitors' morale
- Unpopular and poor pricing strategies followed by competitors

(v) Technological factors:

- Availability of advanced technology
- Technology suitable to the organisational set-up of the enterprise

(VI) General economic factors:

- Optimistic economic outlook ensuring good investment opportunities.
- Opportunities for market enlargement in backward areas because of overall progressive outlook of society, everywhere.

(vii) Financial factors:

- ☛ favorable lending policies of financial institutions
- ☛ Availability of foreign capital and initiative,

(viii) Natural environmental factors:

- ☛ Good climatic conditions conducive to hard work
- ☛ Easy availability of water for production requirements.

THREATS:

(I) Political factors:

- ♀ United Front Government with politically oriented business policies, harming long-term business interests.
- ♀ High rates of corporate taxation, with no relief in sight.

(ii) Legal factors:

- ♀ Strict provisions of Company Law resulting in delayed and inferior corporate decision making.
- ♀ Many pieces of labour laws falling heavy on company's functioning and finances.

(iii) Social-religious-cultural factors:

- ♀ Changing social values, specially fashion, making for uncertain and irregular demand.
- ♀ Rising population creating problems of space, accommodation and unduly high rentals.

(iv) Competitive fact:

- ♀ Competitors trying to capture market through exaggerated advertising claims.
- ♀ Competitive threats from Multinationals, assuming serious proportions.

(v).Technological factors:

- ♀ Danger due to Technological obsolescence due to rapid scientific inventions.
- ♀ Changing technology likely to lead to managerial obsolescence.

(vi) General economic factors:

- ♀ Rising prices discouraging demand and investment.
- ♀ Workers' demand for higher and higher wages creating severe financial implications for management, because of present day inflationary tendencies.

(vii) Financial factors:

- ♀ Craze for investment in companies virtually disappearing because of securities scams.
- ♀ Strict regulations of SEBI creating problems for corporate management.

(viii) Natural environmental factors:

- ♀ Much needed natural resources disappearing
- ♀ Increasing environmental pollution creating problems for health and hard work.

1.6 ORGANISING

Organising might be defined as follows:

Organising is that managerial process which seeks to define the role of each individual (manager and operator) towards the attainment of enterprise objectives; with due regard to establishing authority responsibility relationships among all and providing for co-ordination in the enterprise-as an in-built device for obtaining harmonious group action.

1.6.1 Process of Organizing:

As a function of management, organising is a process; broadly consisting of the following steps:

(i) Determination of the total work-load

The first step in the process of organising is to make a determination of all the activities which are necessary to be undertaken for the attainment of the enterprise objectives. This step of organising is, nothing but an estimation of the total work -load that must be done for realising objectives.

(ii) Grouping and sub-grouping of activities i.e. creation of departmentation

Total activities determined for achieving enterprise objectives must to classified i.e. making similar or related activities at one place in the form of a group or sub-goup. This step of organising directly leads to the process of **creating departments**.

(iii) Creation of managership-through delegation of authority

After the scheme of departmentation is finalised; the next step in the process of organising would be to entrust the responsibility for the functioning of each department to a distinct manager. Creation of managership, requires delegation of authority to each manager to enable the manager to take care of the job assigned to him.

(iv) Division of work within the departmental set-up-Human organisation

No single individual can undertake the performance of the whole work of any department; therefore it is necessary to resort to division of work, which is assigning to each person only one part of the total job. This results in undertaking division of work for all departments; there emerges a human organisation within the enterprise.

(v) Arrangement of physical facilities to personnel within the departmental set-up-Material organisation

Every individual of the enterprise, working in all capacities, of various departments, require some basic physical facilities-raw materials, machines and tools, technology and other inputs-for the proper execution of the assigned task. When physical facilities are made available to all personnel in all departments; there emerges a material organisation (or a physical-technical organisation) within the enterprise.

(VI) Definition and establishment authority-responsibility relationships

After creating managership and a human organisation within be enterprise; it is necessary to

devise a system which provides for defining and establishing authority-responsibility relationships among all personnel-managers and operators, which must be defined and established throughout the enterprise both-horizontally and vertically.
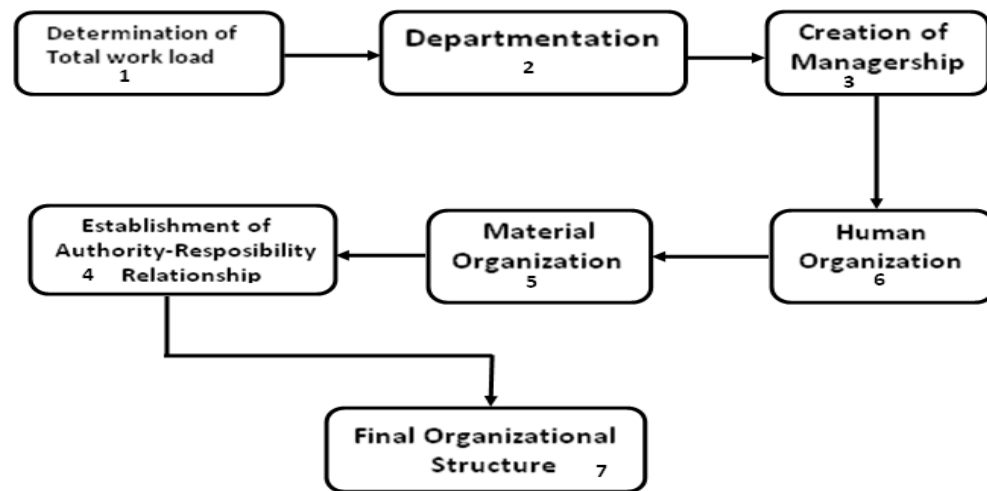

Figure: 1.12

Popular definitions of organizing:

(I) "Organising is the establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure". **-Koontz and 0 'Donnell**

(2) "Organising is the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people work most effectively to accomplish the objective".

1.6.1.1 STRUCTURE OF ORGANISATION

The structure of organisation, refers to the chart of organisation, is an outcome of undergoing the process of organization.This structure of organisation is based on certain fundamental as described below.

   (i) The structure must reflect the fundamental objectives, policies, procedures etc. of the enterprise.

   (ii) It must reflect the authority and resposibility of managers and their subordinates.

   (iii) It must be designed to reflect the environment - economic, social, political, technological etc. amidst which the enterprise has to function. it must help people gain objectives efficiently, in a changing future environmental scenario.

   (iv) It must take into account people's capabilities and limitations.

There is no single organisation structure which can be fitted into all enterprise situations. Depending on enterprise situations, an organisation structure may take many variations as described below:

(a) Nature or Authority - responsibility relationships

Depending **Authority - responsibility relationships**, an organisation structure may be:

- Line
- functional or
- Line & staff

(b) Typical nature of enterprise activities

Depending on this, an organisation structure may be - :

- Project,
- matrix or
- Network type.

(e) Management philosophy about decision making

Depending on this consideration, an organisation structure may be highly:

- Centralized or
- Decentralized.

(d) Basis of departmentation

An organisation structure will be different-for different enterprises; depending on the basis of departmentation adhered to by management

(e) Other Considerations: An organisation structure may take a new look depending on technology utilised by enterprise.

- ➢ Availability and competence of manpower.
- ➢ System of communication installed in the enterprise
- ➢ System of controlling enforced in the enterprise etc.

PRINCIPLES OF ORGANISATION

Principles of organisation, have been classified in the following manner.

Overall Principles

(i) Principle of unity of objective

(ii) Principle of simplicity

(iii) Principle of flexibility

Structural Principles

(iv) Principle of division of work

(v) Principle of functional definition

(vi) Principle of optimum departmentation
(vii) Principle of unity of direction

(viii) Span of management principle

Operational Principles

      (i) Principle of adequate delegation

      (ii) Scalar chain principle

      (iii) Authority-level principle

Principle or unity or objective: this principle requires that individual and departmental objectives throughout the enterprise to be perfectly harmonized; and all objectives need to be mutually supportive and collectively contributing to overall common objectives.

Principle or simplicity: The observance of this principle requires that the management must, as far as possible, design a simple organisational structure: A simple structure facilitates a better understanding of superior-subordinate relationships; and provides background for better co-operation among people.

Principle or flexibility: While designing the organisational structure, the. Management must provide for in-built devices within the structure itself; to facilitate changes in the organisational structure to be affected as and when environmental factors-internal and/or external-so demand.

Structural Principles: Structural principles of organisation relate to those aspects of the organisation; which have a bearing on the structuring (or the development) of the organisation; its fundamental design and shape.

Principle of division of work: The total work of the enterprise cannot be performed by only one person; such works must be suitably divided among a number of persons. The total managerial work need to be divided among a number of managers; and the total operational work being divided among a number of operating personnel.

Principle of functional definition: This principle implies that the role (or job) of each individual and of each department of the enterprise must be suitably defined, in terms of the-work content, the authority and facilities required for job performance and the relationship of the job with those of others, In the enterprise.

Principle of optimum departmentation: According to the principle of optimum departmentation, departments of an organisation must be created and maintained to facilitate the best attainment of the common objectives of the enterprise.

Principle of unity of direction: This principle implies that each group of activities having the same objective must have only one overall head and only one overall or master plan.

Span of management principle: The span of management principle is called as-the span of control or the span of supervision. The span of management principle Implies that there is a limit to the number of subordinates; whose work could be effectively managed (controlled or supervised) by a superior.
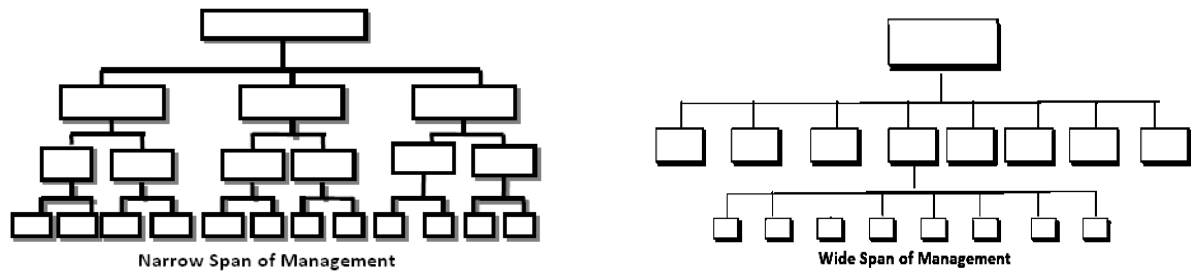
Figure: 1.13 Types of Management Span

ADVANTAGES OF ORGANISATION

The Advantages of an Organization can be referred with the role it plays in the Enterprise life:

⤷ Basic role of the organisation
⤷ Other Aspects of role

The Basic role of the organisation is for the attainment of the enterprise objectives. This attainment of enterprise objectives, action is on the part of individuals, comprised in a group activity, is necessary; and undertaking such action is facilitated in a planned and systematic manner by the organisational structure.

The various aspects of the role include:

Facilitates specialization: An organisation structure facilitates and implements the division of work of various types-among managers, subordinates and operators and this division of work, leading to specialisation in various all areas is instrumental in bringing about increased human efficiency in the organizational functioning.

Avoids omissions, overlapping and duplication of efforts: While dividing work among departments and individuals, in the process of organising, care is exercised by management to see that-

   (a) No part of work, necessary for attainment of objectives, is lost sight off.

   (b) There is no overlapping or duplication of activities and efforts, while assigning work to individuals and departments. And thereby, the organisation leads to an economical, effective and efficient functioning of the enterprise.

Defines (or clarifies) authority-responsibility relationships: An organisational structure defines and clarifies, authority responsibility relationships among managers and subordinates in the enterprise-all through-horizontally and vertically, which is a means a smooth functioning of the oganisational life and also promotes good human relations, in the organization through facilitating mutual understanding among one another.

Facilitates staffing: The organisational structure is a great aid to efficient staffing. It clearly defines various organizational positions both managerial and operational and also specifies the requirements to be sought after in various personnel-in terms of the abilities and skills needed to perform those jobs.

Provides for co-ordination: An organisation facilitates co-ordination through the well designed and

defined organisational structure, where thorough co-ordination-horizontally and vertically enables management to exercise the essence of managership and take the enterprise to the heights of success.

Establishes channels of communication: Communication among the personnel in the enterprise, is not only the basis of the operational life of the organisation; but also is instrumental in fostering good human relationship-through creating of understanding.

Facilitates 'Management by Exception': Management by exception is a philosophy in which the top management would concentrate only on exceptional or critical matters (like strategy formulation, policy-making, controlling significant deviations in performance by personnel etc.); leaving the rest of routine and operational matters to subordinates throughout the enterprise. This brings in the highest state of decentralization of authority.

Copes with environmental changes : Environmental changes within the fast changing technology, increasing competition, emerging latest social and cultural values, extending State regulation of trade and industry etc.-are well taken care of by a sound organisation, The organisation will face challenges but with resorting to changes in the systems of management styles, reorganisation of departments, providing facilities for research and development and effecting improvements in the operational life and undertaking other like measures can result in advancement.

Leads to growth and expansion: A sound, organisation leads an enterprise to growth and expansion for survival in a highly dynamic economy facilitated by the organisation through-creating more departments, enlarging existing departments, widening span of management, providing for better and more effective co-rodination and communication devices within the existing system, structure and functioning of the enterprise.

Produces synergism

A sound organisation through ensuring effective integration of departmental functioning, helps the enterprise to take advantage of the synergy feature of the business system. The more compact and responsible is the organisational structure; the more would be the advantages of the synergy effect.

1.6.2 FORMAL & INFORMAL ORGANISATIONS

Formal Organisation

It is a deliberately designed structure of roles; which is built by management through assigning a matching role to each one of the group for facilitating individuals-to best attain the objectives of the enterprise.

Definitions of formal organisation:

Definition 1: "Formal organisation is a system of consciously co-ordinated activities of two or more persons towards a common objective. The essence of formal organisation is conscious common purpose and formal organisation comes into existence when persons (a) are able to communicate with each other, (b) are willing to act, and (c) share a purpose", -**Chester I. Barnard**

Definition 2: "The formal organisation is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability". **-Louis A, A lien**

Informal organization

An informal organisation is a social group of lndivlduals which comes Into existence automatcally as a result of the operation and Interaction of certain socio-psychological factors, among persons who are working In various capacities within the four walls of the formal organization.

Definitions of informal organisation :

Definition 1: "Informal organisation is the network of personal and social relationships not established or required by formal organisation." **-Keith Davis**

Definition 2: "Informal organisation is joint personal activity without conscious common purpose though contribution to joint results".

FACTORS RESPONSIBLE FOR THE EMERGENCE OF INFORMAL ORGANISATIONS

Some' of the important reasons/factors responsible for the emergence of informal organisations are as follows;

(i) Desire to socialize with others

Man is a social animal i.e. man prefers to live in a society, in the company of others. People in an organisation i.e. a formal organisation, often make friends with others, with a view to socialising with others; and enjoy in their company.

(ii) Necessity for exchanging information

Man is curious, by nature. People have a natural tendency to exchange views and news, with others. Such news and views to be exchanged mutually among themselves, might relate to organisational matters, social environment or religious or political affairs, and the like. The result of this necessity for exchanging information, of course, leads to the emergence of informal affiliation among individuals.

(iii) To release boredom caused by modern specialization

The modern industrial or commercial society is highly specialised; as a person gets chance to undertake or engage in only one small single aspect of the whole job. Repeated performance of specialised routine jobs, over a period of time, causes psychological fatigue and boredom; and results in the emergence of informal groups in which individuals seek to discover a forum for entertainment e.g. by exchanging gossips or playing idoor/outdoor games outside the organisation, during leisure hours.

(iv) Need for collective action against the high-handedness of Management

In the organisational life sometimes the employees feel oppressed by the behaviour, policies or practices of management on matters like-wage/salary determination, a claim for bonus, betterment

of working conditions, fairness in deciding promotions etc. Under such ituations, there is a need for initiating collective action against the high handedness of Management; and thereby providing background for the emergence and strengthening of Informal groups, specially a labour union etc.

(vi) Inborn leadership

Leadership, to some extent, is inborn. Persons in society, who are with inborn leadership talents, when they do not find a status i.e. a managerial rank in the formal organisation; plays a crucial role in collecting and uniting people under a common banner and lead to the formation of informal groups.

(vi) Mutual protection under emergency situations

People combine into informal/social groups, for ensuring protection-financial or otherwise to the members of the group under emergency situations confronting any of the members. The formation of an informal group on the above mentioned ground is in the nature of application of the general principle of co-operation i.e. independence and self-help.

(vii) Consultation on work-matter

As part of the formal organization setup, new and inexperienced workers join to the organization results in the emergence of informal groups, to consult on some senior or skilled worker about work-related matters and problems. The need for consultation is required for many new workers to find out way in the problems to successfully discharge their formally allotted jobs and stay in the organisation 'comfortably'.

(viii) Common link or affiliation among a group of persons

Certain common link or affiliation among a group of persons, might provide a background for the development of an informal group among them. A large number of factors could be mentioned under this head such as: common eating/playing habits, common religious or political ideology, common mode of transportation, common work-place, common habits or manners in social/family lives etc.

ADVANTAGES AND LIMITATIONS OF INFORMAL ORGANISATIONS

Informal organisations have merits and limitations, in some situations they are imperative for the successful functioning of the formal organisation.

(a) Advantages of informal Organizations

Advantages from the viewpoint of management : Some advantages of informal organisations from the viewpoint of management are as follows :-

(i) More productivity and production

By winning the co-operation. of informal groups and their leaders, management is assured of more productivity on the part of workers-leading to higher production.

(ii) Communication feedback

Through the forum of informal organisations, management could get the reaction ofthe employees of the organisation i.e. the communication feedback, on the communications transmitted by it. Such communication feedback could not be availed of by the management, otherwise, in the normal course of the functioning of the enterprise.

(iii) Innovation and creativity encouraged

Informal groups and their leaders might often come out with suggestions or recommendations for the betterment of organisational functioning. The advantage of such creativity, ultimately goes, towards the betterment of the organizational life.

(iv) A more humanistic formal organisation

The emergence of activities and growth of informal organisations lead to the development of a 'human-touch'; which in turn makes the formal organisations more humanistic or prevents dehumanization of the personnel and contribute for better personnel and better organizational life.

(b) Advantages from the viewpoint of the members

Informal organisations offer certain advantages to their members; which are as follows:

(i) Bulwark against management

Informal groups such as labour unions, act as a bulwark of employees-against the undesirable practices and actions of management. As such, these groups provide a sense of protection to the members of the formal organisation against oppression of isolated individuals by management.

(ii)Management made Alert and responsible

The existence of informal organisations and the fear of their likely actions, makes management more alert and responsible-while designing its plans, policies and actions.

(iii) Solutions to work-problems

Informal groups provide a forum for discussion; where members can discuss their work - related problems with senior and expert members of the group. In most of the cases, a solution to work- problems might be found with reference to the consultations had by members with experts, comprised in a group. Making away emotional tensions, Informal groups, provide a forum for entertainment, gossips etc. help members do away with their emotional tensions-caused by personal affairs and family circumstances

(iv) A system of self-help in emergency situations

Many informal groups might devise schemes e.g., like maintenance of a 'Common Fund', for purpose of helping needy members, in emergency situations. In this way, an informal organisation serves as a system of self-help for members, in emergency situations; not only financially but also emotionally.

(b) Limitations (Drawbacks) of Informal Organisation

Despite their usefulness to the formal organisation, these suffer from certain limitations, which could be stated as under:

Limitations from the view point of management

(i) Spread of rumors

The type of communication found in an informal organisation, there is no prescribed channels of communication or rather there is no system of communication within an informal organization, where the communication carries with itself, has a natural possibility of spreading rumours, and might injure the interests and intentions of management.

(ii) Resistance to change

Human beings, are psychologically, resistant to change informal organisations can make it their central task to oppose management's new policies and programmes with a strong determination manifested in collective resistant action.

(iii) Less than optimum production

Actions and activities of informal organisations lead to a wastage of the productive time of members. Time is wasted in gossips, by the members and as a result, the working time of the organisation is wasted-leading to only less than optimum production.

(iv) Reduces predictability of human behaviour

Informal organisations exert 'behavioural influence' on members; because of their policies and actions. This 'behavioural influence' reduces the predictability of human behaviour substantially on the part of management; and the latter might face problems, in various managerial contexts and situations.

(v) Problems of indiscipline

Informal organisations my-a-times invite and encourage rash and reckless behaviour on the part of members. This creates long-run problems of indiscipline for the organisation and within the management.

Limitations from the viewpoint of members

(i) Role-conflict

Informal organisations create a situation of 'role-conflict', specially for the serious workers; who, might, all the time, be in a fix-whether to obey the management or the instructions of the informal leader. This situation distrubs the balance of mind of a worker; making him unfit for the organisation and for his personal affairs also.

(ii) Political domination of informal groups

Due to lack of organising ability and financial resources, political leaders, find their way into informal organisations. They mould the functioning of Informal organisations to serve their own petty selfish political interests-injuring the interests of members

badly.

(iii) Loss of self-entity

     A vast majority of the members of informal groups are less educated, unskilled and semiskilled seek pleasure in being blind followers of the leaders of these groups. tend to lose their self entity in the long-run; and cause themselves retard the growth of their mental faculties.

Comparison between Formal and Informal groups:

NO:	FORMAL	INFORMAL
1. Origin	Deliberate Creation	Self-Generating Process
2. Objectives	Specific Objectives	No Specific Objectives
3. Functioning	According To Preplanned Rules, Policies & Procedures	No Rules
4. Authority – Responsibility R/S	Clear-Cut	Not Clear-Cut
5. Work Role	Deliberately Assigned Work Role	Personal Role Of Casual Nature
6. Behavior Molding	System Of Rewards & Punishments	Shaped By Conventions ,Values & Beliefs
7. Leadership	By Virtue Of Official Status & Authority	Personnel Power & Personality
8. Communication System	Planned Through Scalar Chain, Authentic & Reliable	Least Authentic & Reliable
9. Stability	Most Stable	Least Stable
10. Size Of Orgz'n	Moderate Or Large Size	Except Labor Orgz'n, Small Size
11. Political Domination	No Political Domination	Politically Dominated
12. Membership & Status	Member Of Only One Formal Group Within The Official Status	Various Informal Groups- Big Or Small

Table: 1.1

1.6.3 TYPES OF ORGANISATIONS

The nature of authority-responsibility relationships found in an organisation, makes for a particular pattern of the organisational structure. Accordingly, an organisation is labeled of that particular type which corresponds to the authority responsibility relationships guiding the functioning of that organisation.

On the basis of authority-responsibility relationships, organisations might, broadly one be of the following basic types:

(I) Line organisation

(II) Functional organisation

(III) Line and staff organisation

1.6.3.1 Line Organisation

Concept of line organisation

In the theory of management literature, a line organisation is defined as that organisation; in which line-authority responsibility is round-excluding any other type or relationship. This type of organisation presumably first originated in the military. Hence, this type of organisation is histoically also called as the military organisation.

Features or line organisation

(1) A line organisation is governed by the following principles:

(a) **The scalar chain principle (or the line or command)** which forms a channel for communication, decision-making and action-on the part of managers and subordinates throughout the enterprise; who are also linked to one another via different links of this scalar chain.

(b) **Unity or command**, according to which principle, an employee or a subordinate must get orders and instructions, only from one superior i.e. his most immediate superior; and would be held accountable (or responsible) only to that superior.

(c) **Span or management**, according to which principle, the number of subordinates, under one superior, is kept limited; in view of the managerial competence of that particular superior.

(2) In a line organisation, there is no scope for managerial specialization.

Each manager, located at a particular point in management hierarchy, is supposed to undertake all functions, pertaining to his area of functioning i.e. each manager would look after production, finance, marketing and other functions within his area of authority. Hence, such a type of organisation is suited only where routine type of business is conducted-not requiring much of specialisation.

(3) Variations or line organisation

The line organisation could take the following **two variations**:

      (a) Pure line organisation
      (b) Departmental line organisation
      (c) Pure line organisation

A pure line organisation, which is without any departmentation, could be illustrated by means of the following simple chart:
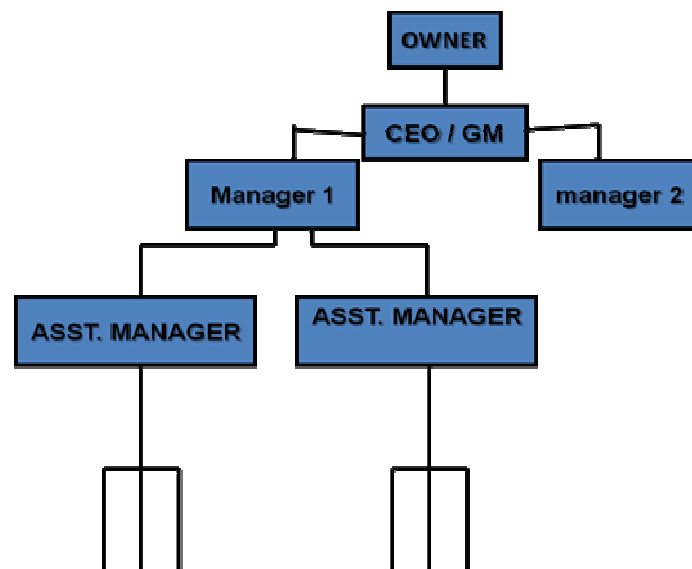
Line Organization Chart

Figure: 1.14 Line Organizations

Explanation to the chart

    The application of the line element in the above structure could be explained as : Suppose Assistant Manager (2) has to communicate something to Manager (2). He should, follow the scalar chain, will proceed upwards and communicate his message to Manager (I). From Manager (1) the message would be routed to the ChiefExecutive/General Manager; who would communicate to Manager (2) what Asstt. Manager (2) wanted to communicate to Manager (2).

(b) Departmental line organisation

    When the scale of operations of an enterprise is wide, owing to geographical dispersal of activities or otherwise; a departmental line organisation is created to take care of the span of management. Each departmental manager, performs similar functions, pertaining to his department; and is absolutely independent of other departmental managers, and all of them being related to one another only through the ChiefExecutive/General Manager. The following chart illustrates this type of organisation:
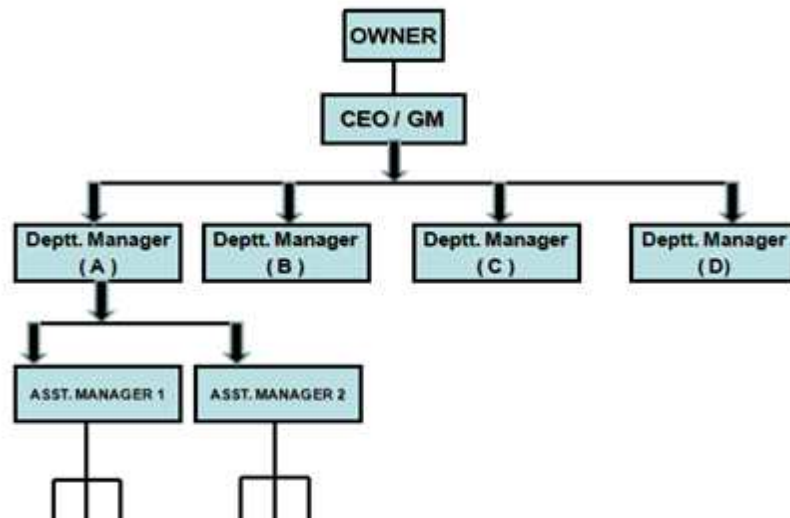
Departmental Organization Chart

Figure: 1.15 Departmental line organisation

Merits of line organization: Merits of the line organisation could be stated in terms of the following points:

(i) Simple: A line organisation is simple to design; as also simple to understand and operate-on the part of all, working in the enterprise.

(ii) Quick-decision-making: Because of independent status, each manager in a pure line organisation and each departmental manager, in a departmental line organisation; can make quick decisions within his are of authority and functioning.

(iii) Fixation of responsibility: Fixation of responsibility is facilitated in a line organisation; because of the observance of the 'principle of unity of command.

(iv) Smooth flow of work: Since there are clear orders and instructions to a subordinate by a single superior; therefore, there is smooth flow of work in the organisation.

(v) Two-way communication: The scalar chain, which is the backbone of a line organisation permits two-way communication in the organisation i.e. downward and upward communications, in a systematic manner. The fact of such communication helps to develop good human relations among subordinates and superiors, throughout the enterprise.

(vi) Effective management: When span of management principle is followed properly, in a line organisation; the result is more effective and efficient management, due to the fact that the number of subordinates under every superior is rational, corresponding to the managerial competence of each manager.

(vii) Executive development: Executive development, under line organization as each manager is supposed to manage and take care of a variety of managerial activities viz. production, finance, marketing and others.

(b) Limitations of line organization: Some of the major limitations (or drawbacks) of a line organisation could be summarised, in terms of the following points:

(i) Over-loading on managers: In a line organisation, too much is expected of every manager; who has to perform a wide variety of functions. A manager does not have much time to be devoted to the 'thinking function'. and over-loaded rather than a leader.

(ii) Lack of specialization: In a typical line organisation, there is absolute lack of managerial specialisation. As a result, the operating efficiency of a line organisation is on a low end.

(iii) Dictatorial management approach: Because of unity of command, there is excess authority over subordinates, exercised by a manager. Managers, therefore, are more likely to adopt a dictatorial approach towards subordinates; causing to weaken the motivation and morale of the latter.

(iv)Delayed communication: When the scalar chain is too lengthy; there is delayed communication in the line organization and the organisational operational efficiency suffers. .

(v) Unsuitable under present-day-environment: The line organisation is wholly unsuitable for a large scale business enterprise, operating in the modern turbulent environmental forces; which require a technologically based specialised organisational structure.

1.6.3.2 Functional Organisation

Concept of Functional Organisation

In functional organisations is all business functions are divided among various activities or functions; and each of the function is entrusted to a specialist. Each such specialist is known as a **functional specialist**, by virtue of, the expertise in the function assigned to the specialist, and the authority possessed and enjoyed by each specialist is known as **functional authority**. For example, the business functions in a functional organisation, divided into sub-functions like production, purchasing, marketing, finance, personnel, accounting, research etc. Each function is entrusted to different specialists like production manager, purchase manager, marketing manager, finance manager, personnel manager, accounting officer, and research officer respectively.

The highlight of a functional organisation is exercise of functional authority by a functional manager or specialist which is not only on the respective subordinates; but over all other subordinates in every other departments, for the particular function, pertaining to his specialisation is performed. For example, the production manager has functional authority over all subordinates throughout the organization for the production matters are concerned. A likewise explanation holds good for other specialists.

(i) In a functional organisation, the functional specialists are related to one another, via the line of command starting from the Chief Executive i.e. no functional specialist can pass orders or instructions or even advice to other functional specialist, in a direct manner.

(ii) The credit for initiating the concept of a functional organisation goes to F. W. Taylor-the father of scientific management, who suggested a scheme of 'functional foremanship'.

Features of Functional Organisation

The following are the fundamental features of a functional organisation:

(i) A functional organisation is based on the following principles:

(a) The principle of 'total departmentation', according to which principle all the business functions must be divided among different distinct departments; and that there must be no such activity or function as might be overlooked (or ignored).

(b) The principle of 'precise departmentation' or clear-cut departmentation, which suggests that the activities or functions of each department must be clearly identified; and that there must be no overlapping of activities.

(c) The principle of 'related departmentation', according to which related activities must be allocated to one central department.

(ii) The functional organisation makes **extensive use of managerial specialisation**; as each business function is entrusted to a distinct specialist**.**

iii) A functional organisation is regulated by the 'multiple-command-system ' which is absolute violation of the unity of command, where each subordinate in the organisation is subject to multiple orders by different functional specialists each one regarding their own functional area.

Merits: Following are the merits of a functional organisation:

(i) Benefits of specialisation

A functional organisation provides the advantages of managerial specialization like-

       - Best decisions due to expert knowledge of functional specialists.

       - Increased efficiency of both managers and subordinates.

       - Reduced cost, due to efficient operations

       - Higher production, due to better planning by functional specialists.

(ii) Relief from over-burdening

Under a functional organisation, managers are not over-burdened with work, where each manager is supposed to take care of only the activities, pertaining to his functional specialisation area.

(iii) Healthy competition among experts

A functional organisation encourages healthy competition among functional experts; as each of them has a psychological tendency to over-shadow others-by demonstrating his high performance towards the attainment of the common objectives of the enterprise.

(iv) Dictatorial approach avoided

Under the functional organisation, a dictatorial approach on the part of managers is avoided, as the total authority for managing the enterprise, gets divided among a number of managers.

(v) Suitable in the present-day-times

A functional organisational structure is highly suitable for managing and operating a large-scale business enterprise in the present-day times, with expanding markets, super-fast changing technology, increasing consumer and labour awareness, increasing government regulation of trade and industry and the like factors. Operations of business under these circumstances require the serivces of specialists on several grounds, which require aptly fulfilled by the functional organisation.

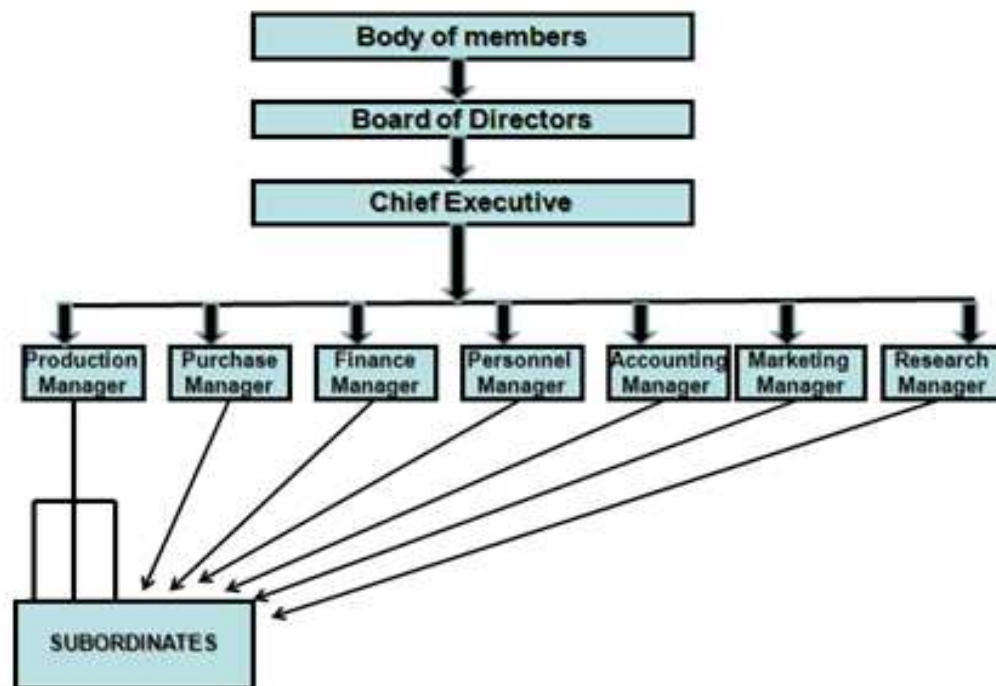**A chart of the functional organisation**

Figure: 1.16 functional organisation

Limitations of Functional Organisation

A functional organisation suffers from serious limitations; some of which are as follows:

(i) Drawbacks arising from multiple command system

Due to multiple command system, which is the dominant in a functional organization, a number a   disadvantages can occur in a functional organisation, which includes:

➢ Confusion in the minds of subordinates, as to whose orders to obey first.

➢ Conflicting instructions issued by several functional specialists

➢ Fixation of responsibility is a problem

➢ The subordinates could be held exactly responsible by any functional specialists, because of the violation of the unity of command.

(ii) Higher costs of administration

The functional organisation leads to higher costs of administration as they are required to pay high remuneration to functional experts.

(iii) Narrow outlook of specialists

Specialists, in a functional organization will have narrow outlook, with providing concentration only on the efficient functioning of their respective functional areas. It results in a neglect or scarifice of the overall general interest of the enterprise, at the hands of specialists.

(iv) Overall managerial development retarded

As a functional specialist operates in a particular managerial area entrusted to him, the overall managerial development of specialists is retarded.

(v) Problems of co-ordination

The Chief Executive, in a functional organisation, might face serious problems of co-ordinating departmental activities; because of rigid and narrow-outlook of departmental specialists.

1.6.3.3 Line and Staff Organisation

As the functional organisation, making for a multiple command system, creates so much complexity of superior-subordinate relationships, a smooth functioning of the organisation is hard. Therefore resulted in developing a typical organisational structure, which combining the good features of line and functional types of organisations into a system, which is a organisational structure that is 'practical-type'-conductive to operational-efficiency.

Line and staff type of organisation is one structure, designed by organisational experts; which seeks to combine the positive side of both-line and functional organisations, in a unique manner.

Concept of line and staff organisation

Line and staff organisation is one, in which there is basic departmentatlon for primary business functions, operated on the concept of the scalar chain, with provision for specialised activities performed through staff officers, the managers acting in advisory capacity.

Features of line and staff organisation

(i) The scalar chain is the fundamental principle of a line and staff organisation; which is applied towards the operational manner of line departments.

(ii) The principle of specialisation is observed, in the creation of activities called functions or services (also called staff functions), as are helpful to the 'line' -in contributing better towards the attainment of common objectives of the enterprise.

(iii) Staff officers, under the very conception of line and staff organisation, play only an advisory role.

(iv) Staff officers are usually attached to the Chief Executive or the General Manager. They are

also provided to line departmental managers. For example, a cost accountant or an engineer might be attached to the production manager.
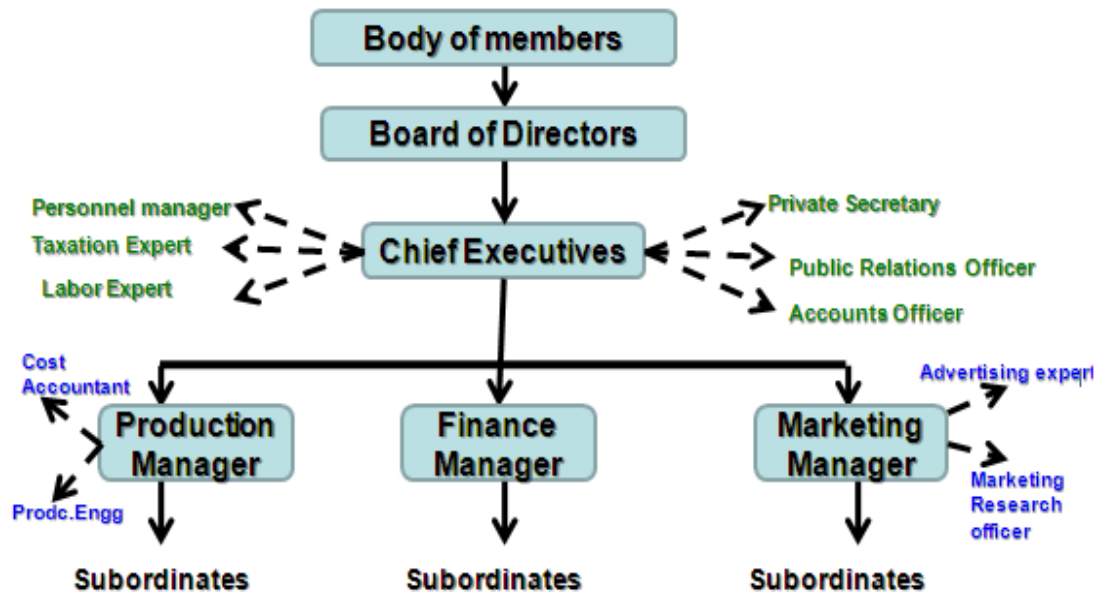

Figure: 1.17 line and staff organization

Explanation of the chart:

In the above chart complete lines indicate line authority relationships ruled by the scalar chain principle; whereas the dotted lines exhibit staff relationships, of an advisory nature. The staff is attached to both-the chief executive and the departmental managers. The staff officers will render their advice to the line executives, to whom they are attached. The line executive mayor may not accept their advice.

Merits of line and staff organisation:

(i) Advantages due to line of command

Application of the principle of scalar chain, in the line and staff-organisation, the organization effectively achieves the enterprise objectives.

(ii) Advantages due to managerial specialisation

Managerial specialisation which is embedded in a line and staff organisation through staff specialists.

(iii) Undisturbed line of command due to advisory role of the staff

The staff officers play only advisory rule to the line and staff organisation, making the advantage of managerial specialisation in the line of command.

(iv) Sharing of organisational burden

Under line and staff organisational structure, neither line nor staff an officer is over-burdened with work.

(v) Growth of enterprise facilitated

The development and growth of the enterprise are facilitated, under the line and staff organisational set-up, as the functioning of the organisation is the outcome of a 'joint-venture approach' pursued by the line and staff officials.

Limitations of Line and Staff Organization

(i) Problem of conflict

The serious-most limitation of a line 'and staff organisation, is, perhaps, the problem of conflict between line and staff; because of the conflicting attitudes of the- two. This problem takes the soul out of the line and starr organisation; and creates a tense atmosphere In the organlsationallife; which puts a question mark on the very efficiency of this format of organisation.

(ii) Higher organisational costs

There are a large number of managers, in a line and staff organisation, consisting of line of and staff officers. This makes for quite a high cost of administration.

(iii) Problems of co-ordination

The problems of co-ordination are accentuated, in a line and staff organisation; as line and staff officers have their unique styles of functioning. Both are supposed to have their own approach and orientation towards organisational functioning.

(iv) Limited, functional authority-a source of displeasure and misuse

In case, when some limited functional authority is granted to a staff spcialist; the subordinates in the line departments might be displeased with the same, because of an attack on their operational freedom. Further, an egoistic staff officer, endowed with functional authority, might even misuse the opportunity to unnecessarily dominate over the line subordinates.

(v) Over-dependence on staff services

Sometimes, line officers might develop a tendency for over-dependence on staff advice and services. This is likely to curb the initiative of the line officers, to think constructively for the betterment of the organizational life.

Modern types of organisations

On the basis of authority-responsibility relationships, two popular modern types of organisations are:

(I) Project organisation
(II) Matrix organisation
(III) Project organisation

Traditional organisational structures are unsuitable for undertaking big projects of a technical

nature, in the present-day volatile and turbulent external environmental conditions, Hence, project organisational structures are required.

Project organisation is defined as follows:

"A project organisation is a preferred means whenever a well defined project must be dealt with or the task is bigger than anything, the organisation is accustomed to."

Functioning of project organisation

Under a project organisation, a team of specialists and workers is drawn from various functional areas, out of the permanent functional structure of the organisation-to work on a project. The project manager can take assistance from outside sources also. The project team functions under the overall control and leadership of the project manager. During the continuance of the project, functional managers renounce their authority over subordi-nates (comprised in the project team) in favour of the project manager. Time factor is a critical factor, requiring project-completion within a limited prescribed time. Conditions requiring a project organisation are:

(i) Project is of a technical nature, requiring utmost precision and accuracy.

e.g. ship-building,   designing and launching of satellites, aircraft manufacture etc.

(ii) Project completion requires huge costs.

The chart illustrates the permanent functional structure of the organisation, consisting of production, finance, marketing, engineering and research departments. There are two project managers for project I and II. Each project manager has a project team consisting of personnel drawn from various functional departments; and working under the leadership and control of their project managers.

Merits of a project organisation:

(i) Concentrated attention on project work

In a project organisation, full concentration and attention of the project manager is on project work; as the project manager has no work other than attending to project management. He has full powers to co-ordinate and control project activities. During continuance of the project, functional managers renounce their authority over their project-team personnel, in favour of the project manager.

(ii) Advantages of team specialisation

The project team formed for the purpose of under taking project work, consists of specialists drawn from many functional areas. This phenomenon makes available to the project organisation, the advantages of team specialisation.

(iii) Ability to cope with environmental influences

Due to the leadership of the project manager coupled with specialised knowledge of project team members, the project organisation is in a better position to cope with environmental

challenges.

(iv)Timely completion of the project

The project organisation ensures timely completion of projects; without disturbing the normal functioning of the whole organisation.
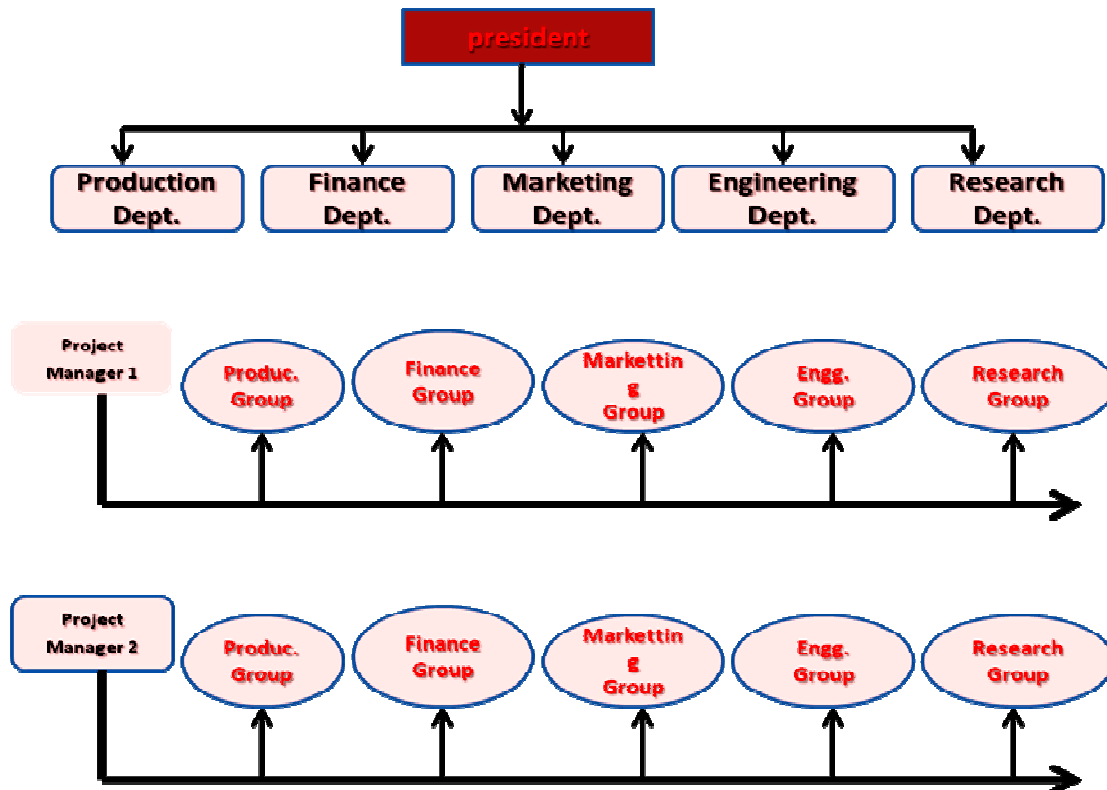

Figure: 1.18 Matrix Organization

Limitations of a project organisation:

(i) Accentuated problems of co-ordination

In a project organisation, there are increased problems of co-ordination; because of the diverse viewpoints of team specialists.

(ii) Unclearly defined relationships

In a project organisation, the relationships between the project manager and functional specialists are not clearly defined. This situation may lead to tension resulting in poor human relations, in the project organization and result in reduced project work efficiency.

(iii) Feeling of insecurity among personnel

Uncertainty in the minds of the project team personnel on completion of each project assignment creates a feeling of insecurity among personnel tending the personnel to stretch the existing project work-causing delays in timely completion of the project.

(iv) Duplication of efforts

The limitation of duplication of efforts, involved in the completion of project activities ultimately ends upon the overall organisational efficiency and profitability.

Matrix Organisation

When an enterprise undertakes a large number of small projects, a matrix organisation is more suitable. A matrix organisation is characterised by two major features:

(i) It undertakes large number of small projects

(ii) There is dual line of command, in a matrix organisation

Except the differentiating feature of single or dual line of command as applicable to a project or matrix organisation respectively; the basic manner of functioning of both these organisations is almost the same.

Matrix organisations may be defined as follows:

Matrix organisation is the imposition of a project structure over the permanent functional structure of the organization, and members of the project team being subject to a dual line of command (that of the project manager and the concerned functional specialist whose depart ment they originally belong to) forming a matrix or a grid. Hence called a matrix organization.

Conceptually, a matrix organisation is illustrated below:

Matrix organisation = Dual line of command + matrix culture + matrix behaviour.

Definitions of matrix organisation:

(I) "Matrix organisation represents a combination of functional departmental organisation and project organisation"· **Fred Luthans**

(2) "Matrix organisation is any organisation that employs a multiple command system, that includes not only the multiple command structure but also related mechanims and an associated organisational structure and behavior pattern". -**S.U Davis and P.R. Lawrence**

Functioning of the matrix organisation

Under a matrix organisation project teams are formed, drawing personnel from the permanent functional department or structures. Different project managers share resources and authority with functional heads. The project team members are subject to a dual line of command-that of the project manager and the concerned functional specialist whose department they originally belong to-during the Continuance of the projects. When one project is over; its personnel and resources are diverted to some new project; as undertaking a large number of small projects; is a typical features of a matrix organisation.

Chart of the matrix organisation

There are four project managers-I, II, III and IV. Each one has a project team consisting of

personnel from-production, marketing, finance and engineering functional departments. Project team personnel are subject to double command-that of project manager and the function heads-as shown by arrows in the diagram.
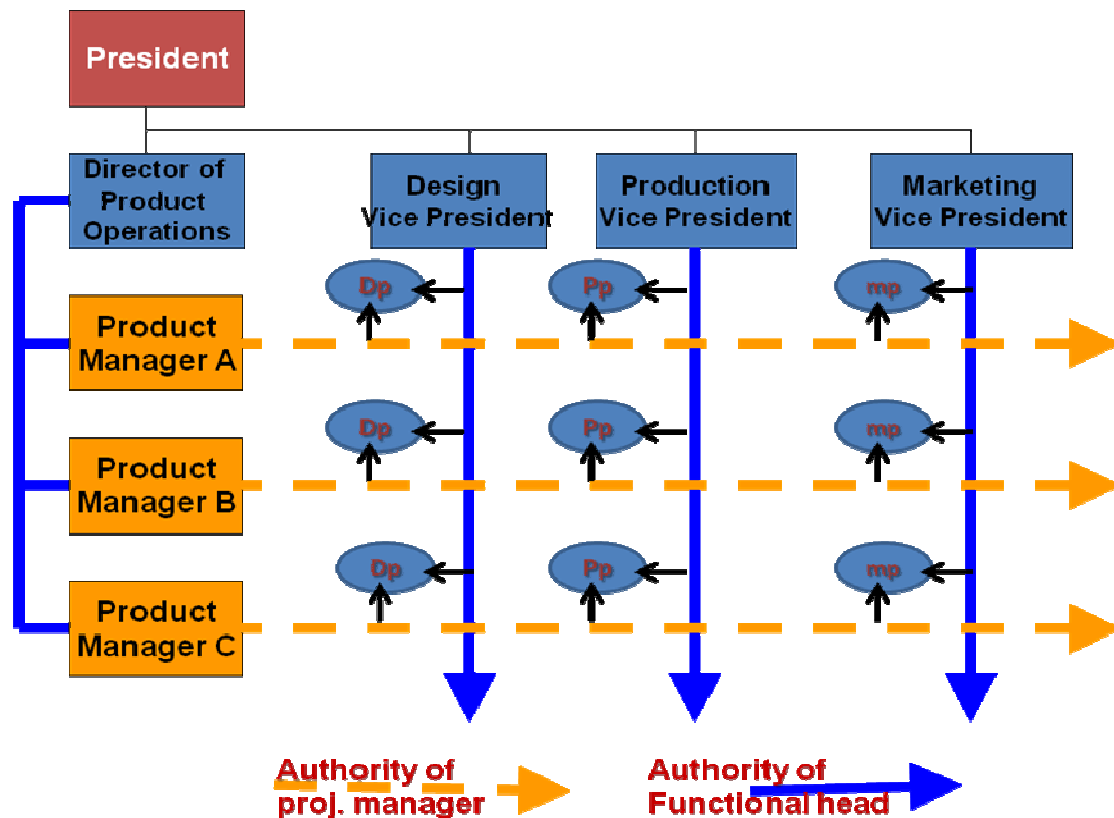

Figure: 1.18 Matrix Organization

Merits of a matrix organisation:

(i) Best utilisation of organisational resources

Under a matrix organisation, there is best utilisation of organisational resources such as manpower, machines, raw-materials, technology etc., since after completion of one project the resources are diverted immediately to some new project. This avoids wastage of precious organisational resources, and adds to the overall profitability of the enterprise.

(ii) Flexible structure

The matrix structure is a flexible structure. It undertakes the completion of a large number of small projects. Depending on needs of environmental situations and other organisational factors; more projects could be undertaken by the organisation by forming additional project teams. Also, the number of projects undertaken by the enterprise may be limited or restricted to a small number, as is practical under the circumstances.

(iii) Development of personnel

Matrix organisation provides a system of organisational functioning; under which people learn new skills through involvement in many projects. This leads to development of personnel. In fact, a matrix organisation becomes a training ground for personnel for developing a diversity of professional skills.

(iv) Elevated motivation and morale of employees

Under a martrix organization, the motivation and morale of people are heightened; as they have no problem of insecurity about job assignments. Immediately after the completion of one project, people are assigned to some new project. As such, people in a matrix organisation work with enthusiasm and dedication.
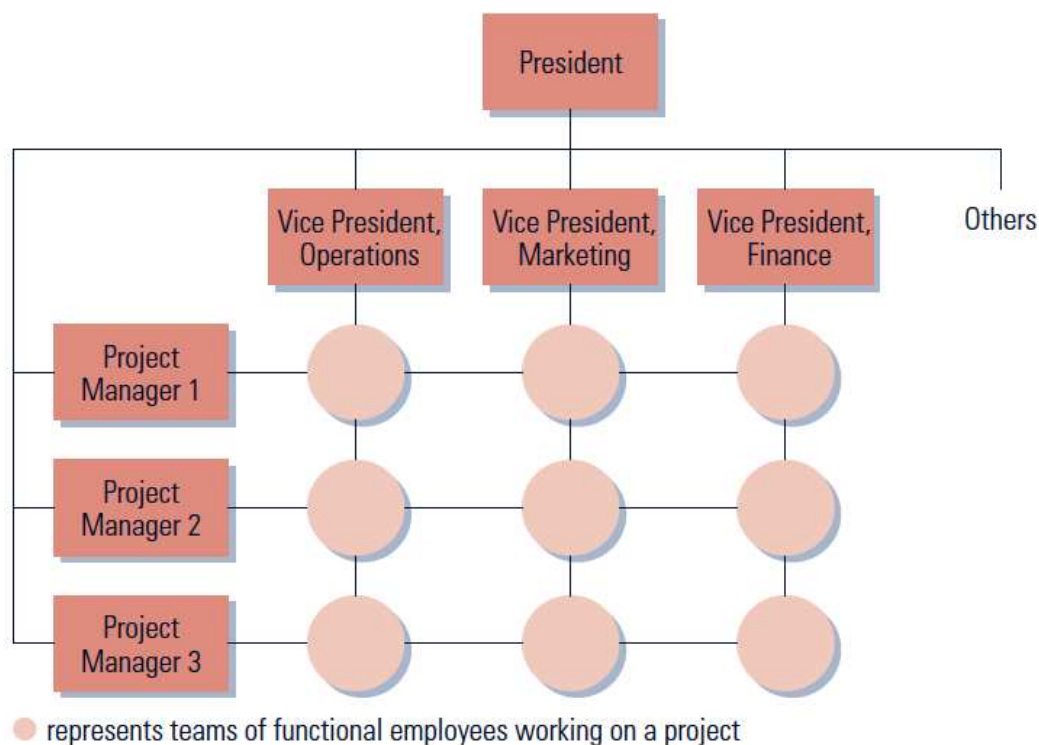

● represents teams of functional employees working on a project

Figure: 1.19

Following are chief limitations of a matrix organisation:

(i) Confusion caused by double line of command

The most serious limitation of a matrix organisation is the confusion caused by the double line of command.

(ii) The phenomenon of friction and passing the buck.

In a matrix organisation, if something goes wrong, in the progress of a project-work, Project managers and functional heads believe in passing, the buck to one another during the project work and results in conflicts between project managers and functional heads.

(iii) Conflicts over division or authority and sharing or resources

In a matrix organisation, usually the authority relationships between project manager and functional heads are not properly defined resulting in conflicts between the two over the questions of division of authority.

(iv) Increased paper work

In a matrix organisation, there is usually continuous communication-horizontally (from the project managers) and vertically (from the functional heads). This causes increased paper work, and the conflicting communications from two quarters, can result in completion of projects more costly and time consuming.

(v) Problem of adjustment

In a matrix organisation after the completion of one project, people are reassigned to some new project. Many persons may face a problem of adjustment to the new project; because of entirely new conditions surrounding the new project. A best fit in one project, may be a misfit in a second project.

1.7 DEPARTMENTATION

Departmentation may be defined as follows:

 Departmentatlon is the organisation wide division of work, under which the a single, very large **organisation is divided into manageable units by grouping contiguous activities** and employees (to perform those activities) at one place - under the charge of a specialist departmental head.

Louis Allen defines departmentation as follows:

 "Departmentation is the means of dividing a large and monolithic functional organisation into smaller, flexible, administrative units".

Organization Chart

 A graphic illustration of the organization's management hierarchy and departments and their working relationships.

NEED FOR DEPARTMENTATION:

Need for departmentation arises because of the span of management principle; according to which no manager can effectively manage and control an indefinite number of subordinates. Hence the need for creating departments in an enterprise; so that each department could be made the responsibility of a distinct and specialised manager.

1.7.1 BASES OF DEPARTMENTATION

Following are the different bases for departmentation:

 Departmentation by-

- ✓ Functions

- ✓ Territory

- ✓ Products

- ✓ Customers

- ✓ Process or equipment

- ✓ Time

- ✓ Simple numbers

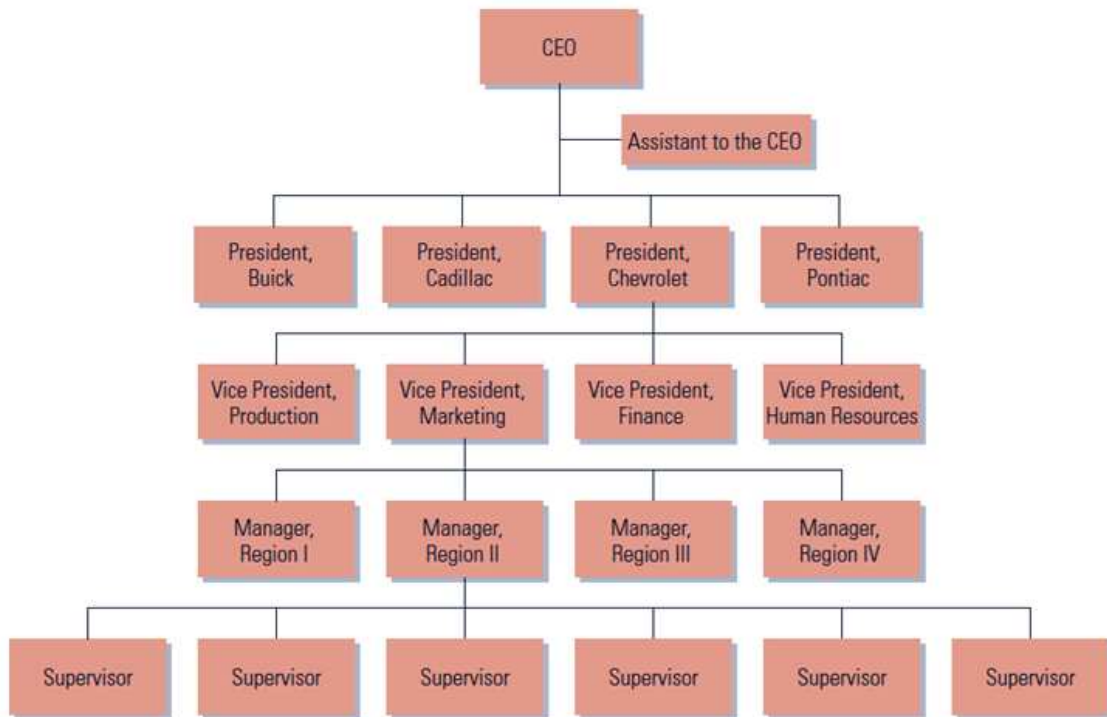## Organization Chart

Figure: 1.20 Organization Chart

Advantages of departmentation

(i) Advantage of managerial specialisation:

Departmentation enables an enterprise to avail of the advantages of managerial specialization, with each departmental head as a specialist

(i) Among all bases of departmentation, departmentation by functions is a widely adopted practice in many enterprises.

(ii) No single basis of departmentation is the best, in all situations. It depands on management policy as to which basis of departmentation yields best results, in terms of origanisational efficiency.

(iii) Some departmentation may be of composite bases, For example, in a large organisation, at the top level, there may be the product divisions; at the next level, there may be functional departmentation and at a third level, departmentation may be based on geographical location or customers.

1.7.1.1 Departmentation by-

✓ **Functions (Functional Departmentation)**

The basic or primary business functions are normally confined to four functions as, production. marketing, finance and human resource development (or personnel function). Production provides the beginning point to business life; while marketing gives the finishing touch to it. production Initiates a business; and marketing completes it. Finance is a function which, being compared to the life-blood of business, supports both -production and marketing. Personnel is a function which, by providing adequate manpower, in quantitative and qualitative terms, supports all departments of organisation-production, marketing, finance etc.

Merits of Functional Departmentation

Following are the chief merits of functional departmentation.

(i) Logical

Functional departmentation is a logical and time proven basis of departmentation, It is a widely accepted practice as here the departmenation is done based on what enterprises typically do, in their normal course of functioning.

(ii) Occupational specialisation

Functional departmentation is built around the concept of occupational specialisation i.e. departmental managers are specialists in their particular functional areas like production; marketing, finance, personnel etc. This system of departmentation is, the best training ground for imparting practice in training of business management functional areas to grow with experience for the , specialist functional managers acquiring practical training in their functional areas, In addition to , their theoretical training possessed by them in advance.

(iii) Top management's overall control

In functional departmentation, the top management is in a position to exercise overall leadership and control over the functioning of major business activities.

(iv) Flexibility in set up

Functional departmentation basis permits the departmental set up to cope with the require-

ments of rapidly changing environmental conditions. Depending on changing conditions, more departments could be added to the existing set up or more sub-departments added to major departments or some departments or sub-departments deleted from the main structure.

(v) Economical

System of functional departmentation is economical for the operational life of the enterprise; in that a single department serves all product areas. For example, marketing department does marketing of all products- purchased or produced by the organisation; instead of needing a separate marketing division for each product.

(vi) Maintenance of prestige of business Functions

Functional departmentation helps to maintain power and prestige of basic business activities . Under this system, people in various departments are quite clear about their specific tasks or roles.
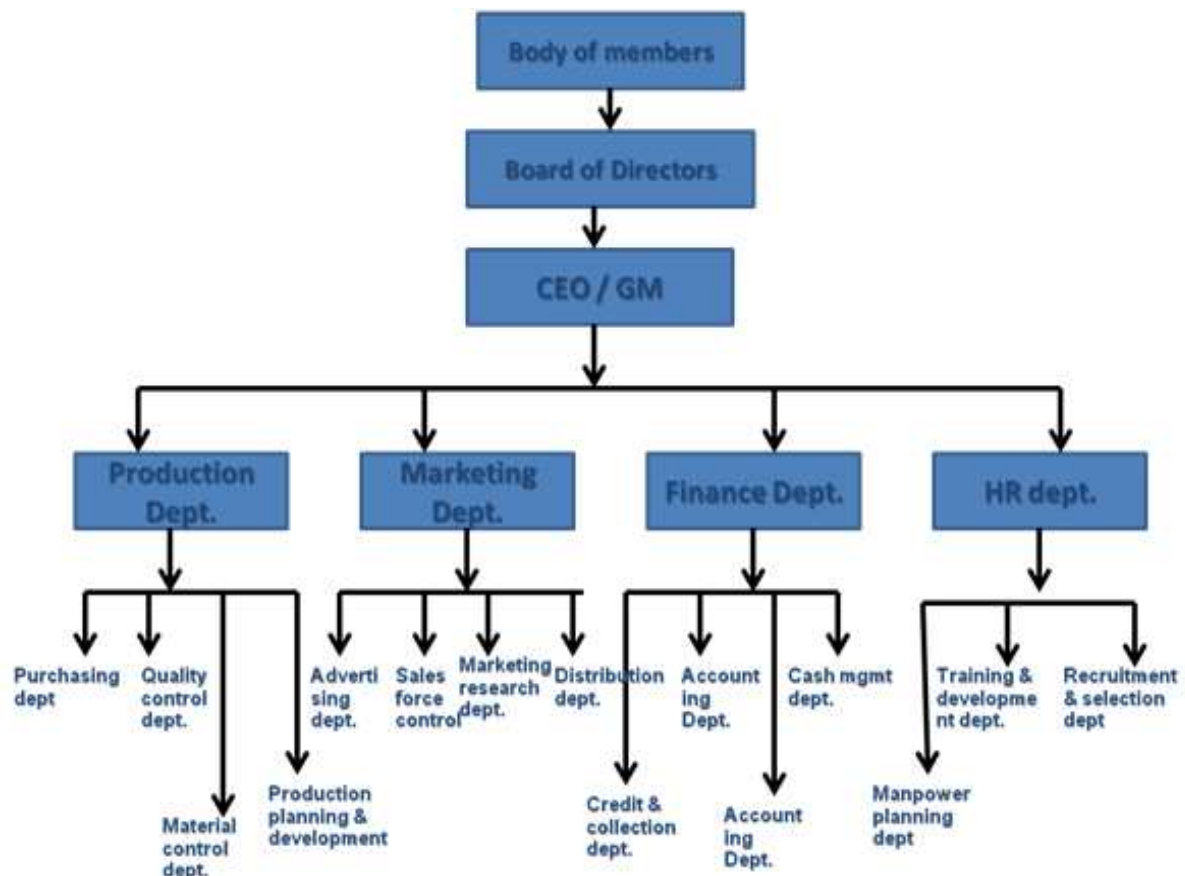

Figure: 1.21 Functional Departmentation

(vii) Simplicity

Functional departmental basis has the advantage of simplicity. Functional departmentation structure is simple to design; simple to understand and simple to operate.

Limitations of Functional Departmentation

(i) No universal basis

Functional departmentation is not a universal basis of departmentation. Many organisations, other bases of departmentation e.g. territory or products or customers, are more suitable than departmentation by functions.

(ii) Loyalty to function and not to the enterprise

Departmental heads who are specialists tend to-be narrow-minded, and over-emphasize on the smooth functioning of their own departments; even at the cost of the general interest of the organisation, as a whole.

(iii) Departmental heads non-promotable to top positions.

Departmental heads, in a functional departmental basis, get practical training only in their respective fields of specialisation, They often lack general conceptual management skills; which renders them unsuitable for promotion to higher top-ranking managerial positions.

(iv) Problem of unmanageable units

Due to changing environmental conditions, expansion of work within a department, may become unmanageable by the departmental head. This phenomenon leads to operational inefficiency in the department.

(v) Inter-departmental conflicts

In functional departmentation basis, a problem of inter-departmental conflict. For example, there may be conflict between the production department and marketing department over the question of the design or quality of the product.

(vi) Problems associated with creating sub-units

Creation of sub-units or sub-departments within a major functional department is a big problem of functional departmentation basis. This is due to the contiguous nature of activities performed in a particular department. If a large number of sub-departments is created in a major functional department; there may a problem of 'sub-unit conflicts' affecting on the operational efficiency of the whole department.

1.7.1.2 Departmentation by-

✓ **Territory (Territorial based Departmentation)**

Under this structural design, an organisation is divisionalised according to geographical areas or territories in which it operates. This structural design is suitable to a large scale firm whose activties are physically or geographically dispersed; and similar operations are undertaken in different geographical areas. E.g. banks, insurance companies, transport companies etc.

Organizational charts of territory based departmentation

Merits of territory based departmentation

(i) Heads of various territory departments can take prompt action on local Issues.

(ii) There is participation of local people lit decision-making.

(iii) Management can recruit local sales people; who know better as to how to deal with area customers

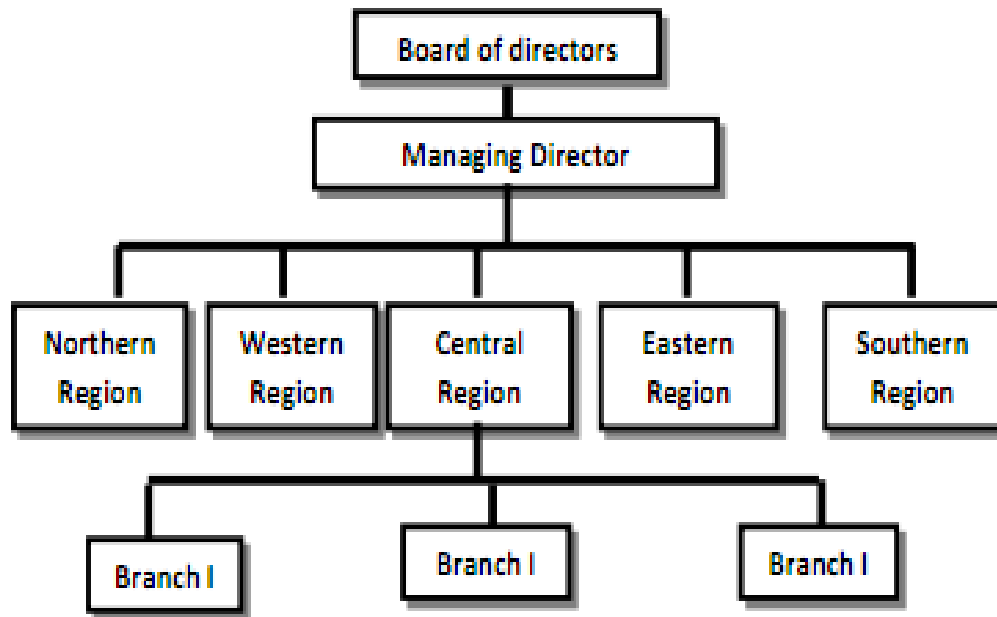(iv) There is reduced transportation costs, in case of an undertaking engaged in manufacturing activities.

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Figure: 1.22 territory based departmentation

Limitations of territory based departmentation:

(i) Differenence in organisational methods followed by various regional heads; creating overall problems of co-ordination for top management.

(ii) There is duplication of many services which may be performed centrally; thus reducing overall profitability of the enterprise.

1.7.1.3 Departmentation by-

✓ **Products (Product based Departmentation)**

Under this structural design, an organisation is divisionalised according to the major products in which it deals. This structural design is popular in **multi-line large scale enterprises**; whose major objective is product expansion and development. Each product manger has exclusive authority over manufacture, sales, service, engineering functions etc. that relate to a given product or product line.

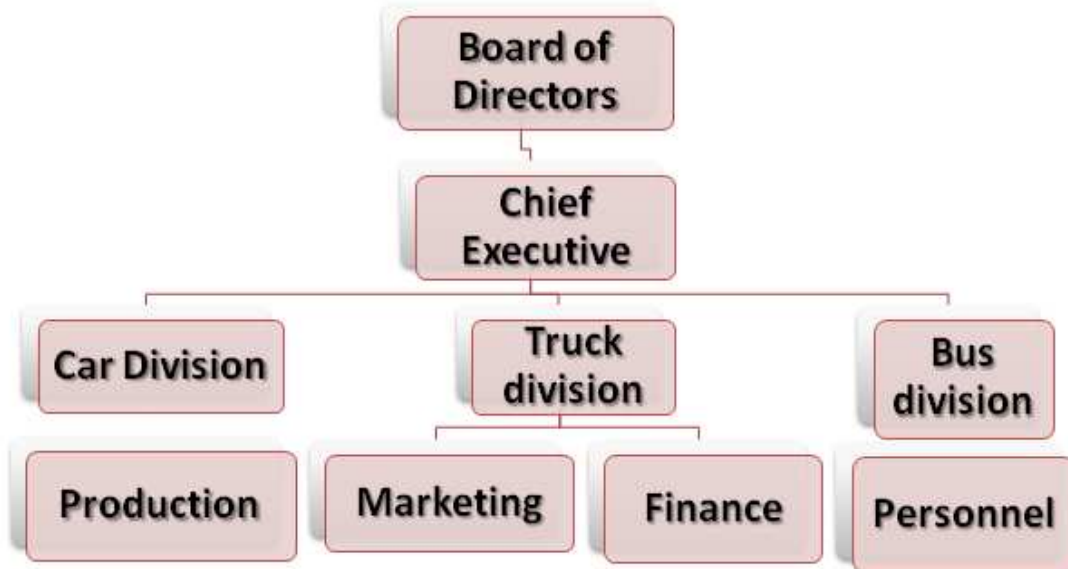**Organizational charts of product based departmentation**

Figure: 1.23 **Product based Departmentation**

Here in the chart mentioned in the above Figure Separate Production, marketing, finance and personnel sub-departments are there in car division and bus division also.

Merits of product based departmentation

(i) There is Individual attention of a specialist manager on each product.

(ii) Employment specialists available for, man-power and capital goods suited to each product division.

(iii) Responsibility for profits-losses in each product line can be exactly fixed on each product manager.

Limitations of product based departmentation

(i) There is unnecessary duplication of services (in areas of production, marketing, finance, personnel etc.); resulting in higher operational costs and reduced profitability.

(ii) Competition among departmental heads trying to overshadow each others.

(iii) There is usually under-utilisation of plant capacity; when there is inadequate demand in a product line.

1.7.1.4 Departmentation by-

✓ **Customers (Customer based Departmentation)**

In this structural design, an organisation is divisionalised according to customer categories whose needs it to be catered. This design is suitable; where in a large business enterprise there are clearly defined customer groups. There are many divisions in this structural design, depending on the availability of other specified customer groups.
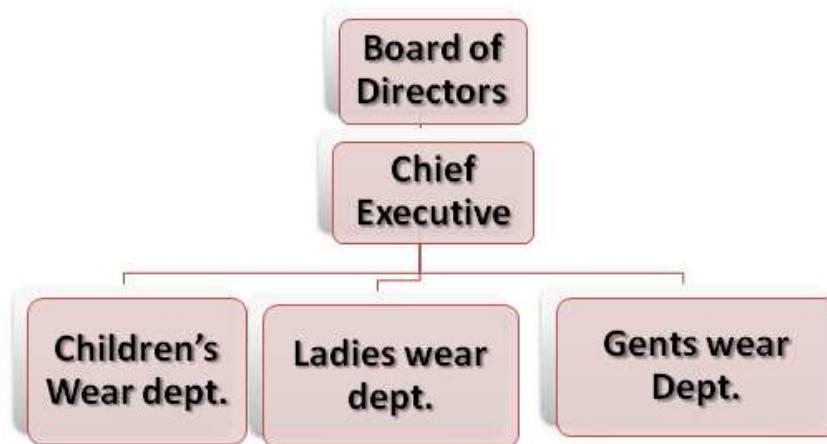
Figure: 1.24 Customer based Departmentation

Merits of customer based departmentation

(i) There is a focus on special needs of customer's comprised in a specific customer category.

(ii) There is a greater satisfaction imparted, to customer which adds to the goodwill of the enterprise.

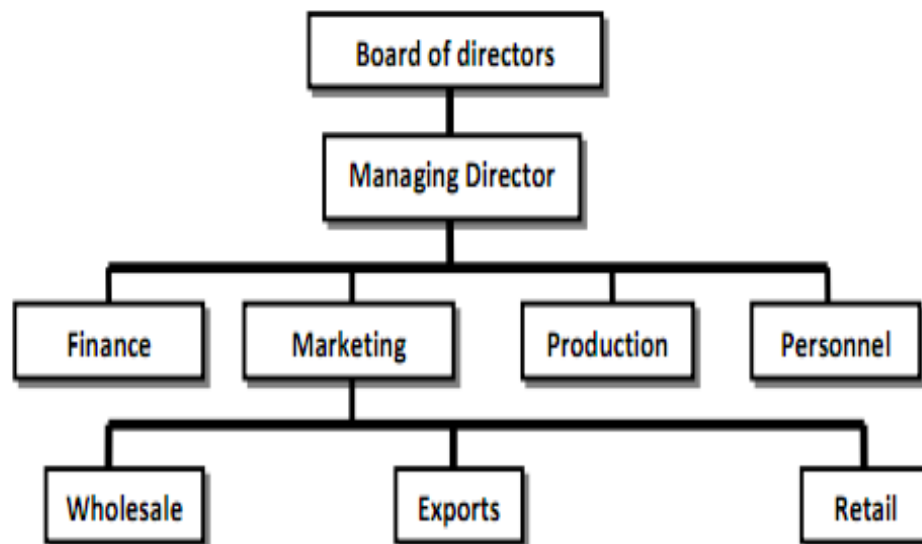(iii) Advantages of appointment of personnel who are experts in needs of various customer groups.

Figure: 1.25

Limitations of customer based departmentation

(i) Constant pressure for management with specialized treatment for various customer groups.

(ii) There is under-employment and wastage facilities when some customer groups disappear.

(iii) There is greater emphasis on needs of customers than on optimum use of space, equipment and personnel.

1.7.1.5 Departmentation by-

✓ **Process (Process based Departmentation)**

Manufacturing enterprises groups activities around a process or on the type of equipment to bring together people and materials at one place to carry out a particular operation. For example a textile mill maybe organised into - ginning spinning, weaving, calendering dyeing and finishing departments as depicted below:

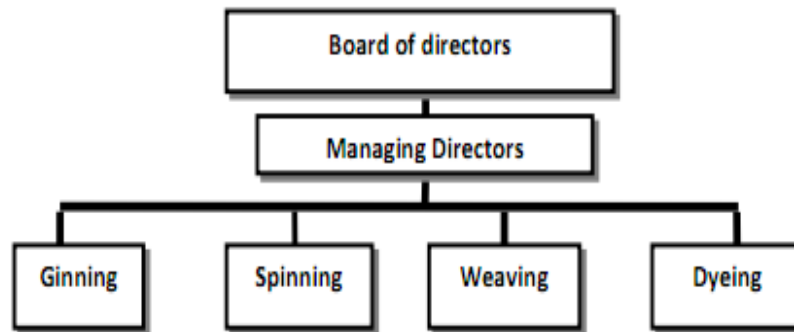**Organizational Chart of Process based Departmentation**

Figure: 1.26 Process based Departmentation

Merits of process or equipment based departmentation

(i) There is clear-cut technical division of work, and it is possible to appoint persons with special education and experience for each process.

(ii) Location of similar types of machines at one place results in economies in costs of repairs and maintenance.

(iii) Various processes are set in such a way, that machines and manpower can be utilised most effectively.

Limitations of process or equipment based departmentation

(i) Difficultly in co-ordinating the processes, when conflicts among departmental managers arise.

(ii) A breakdown is one process department may bring the entire production system to a halt; as all processes follow each other, in a sequential work flow.

(iii) This basis of departmentatlon retards human development; as people performing one process do not get any expertise or skill relating to other processes.

1.7.1.6 Departmentation by-

✓ **Time (Time based Departmentation)**

When the activities are grouped on the basis of the time of their performance; it is called time based departmentation. For example, a factory operating twenty-four hours may have three depart ments, one each for morning, day and night shifts. For Example: Hospitals and other public utility

companies, which work around the clock are generally departmentalised on the basis of time shifts. For each shift, a different department may exist; even though all departments are alike in terms of objectives and functions.

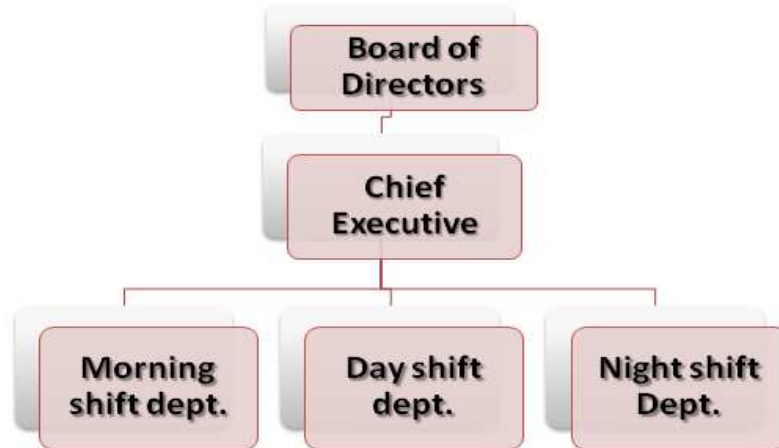**Organizational Chart of Process based Departmentation**

Figure: 1.27 Time based Departmentation

Merits of time based departmentation:

(i) Services can be provided beyond the typical 8-hour day often extending up to 24 hours a day. This is a big social service, for example rendered by hospitals, fire departments etc.

(ii) Costly equipments can be most effectively utilised; as people working in different shifts make use of the same machines and other facilities.

(iii) Evening and night shifts departments provide employment to people; who for one reason or the other, cannot work during the day.

Limitations of time based departrnentation:

(i) Supervision may be difficult during night shift; making staff lazy and careless.

(ii) There may be lack or co-operation among persons working in different shifts. For example, night shift people may not properly clean up machines etc to be used by morning shift people, can cause problems.

1.7.1.7 Departmentation by-

✓ **Number (Simple number based departmentation)**

Under this basis of departmentation, a specific number of persons (making for a suitable group) who perform the same duties are separated out and put under the supervision of a manger. For ex- ample, in an army, soldiers are grouped into squads, battalions, companies, brigades and regiments needed there on the basis of the number prescribed for each unit.

Departmentation by simple numbers is suitable when:

(i) Work is repetitive and is of an unskilled nature.

(ii) Success of the undertaking depends only upon the number of persons involved in a group.

(iii) Group efforts are more important than individual efforts.

1.7.1.8

✓ **COMPOSITE OR COMBINED DEPARTMANTATION**

Departmentation gives design to the organisational structure and should facilitate attainment of enterprise objectives. The basis of departmantation which is best when it facilitates the attainment of organisational objectives most economically and efficiently. In practice, most of the big enterprises follow a composite or combined base of several departmentalisation philosophies; as no single pattern is ideal to meet their organisational require-ments. This is known as composite departmentation. The above shown figure depicts composite departmentation, a hybrid of product and territorial bases.

Figure: 1.28 Combined Departmentation

1.8 DELEGATION OF AUTHORITY

1.8.1 Concept of authority

Authority is the right vested in a managerial position; which enables the manager occupying that managerial position to command subordinates, to take decisions and to use organisational resources-all for the purpose of facilitating and ensuring the attainment of enterprise objectives.

Salient features of the concept of authority:

(i) Authority lies in managerial positions; and not in managers, in their personal capacities.

(ii) Authority is the key to a manager's job; without which no manager is enabled to command and instruct subordinates, for ensuring the attainment of enterprise objectives.

(iii)Authority is hierarchical in nature i.e. the extent or amount of authority goes on declining as coming down the management hierarchy.

'Authority' and 'power' distinguished

Basis of Distinction		Authority	Power
(i)	Meaning	Authority is the right to command subordinates & influence their behavior favorably.	Power is the capacity/ability to command subordinates and influence their behavior favorably.
(ii)	Location	Authority lies in managerial positions; and not in managers in their personal capacities	Power rests with persons, in their individual capacities. It is the outcome of the personality and competence of a person.
(iii)	Nature	It is formal	It is informal
(iv)	System	It is hierarchical in nature. Authority goes on declining as we come down the management hierarchy.	It does not have any system. A manager at a lower level might have more power over his subordinates than a manager at a higher level.
(v)	Enforcement	Authority is enforced either by holding out threat to subordinates or promising them rewards.	Power is exercised and yields suits through the process of personal charisma and persuasion.
(vi)	Delegation	Authority can be delegated	Power, being a personalized at tribute cannot be delegated.

Table: 1.2 Differences between Power and Authority

1.8.2 Concept of Responsibility

, Responsibility is the reverse of authority. It is the obligation or duty or liability owed by a subordinate to the superior (who grants authority to, the former) for the proper and efficient discharge of the job; for which authority has been granted to the former i.e. the subordinate. In other words, when a subordinate is granted authority by a superior; the subordinate is answerable to the superior for the non-performance or poor performance of the assigned job. The essence' of responsibility is a duty of explaining one's performance to one's superior.

Salient features of Responsibility concept:

a. Responsibility is a corollary of authority; and cannot exist independently.

b. Responsibility is a natural and logical duty of a subordinate to explain his performance to the superior from whom the Authority is derived.

c. Responsibility follows an anti-hierarchical route i.e. it proceeds from subordinates to superiors.

d. Responsibility is something fixed or absolute; and can never be delegated by any superior to any subordinate.

Authority and Responsibility distinguished

The two basic terms of management called authority and responsibility that define and maintain superior - subordinate relationships, in any group endeavour, could be distinguished as follows:

Basis of Distinction	Authority	Responsibility
Meaning	Authority is a light vested in a managerial position;' which en able the manager to command subordinates, for furthering enterprise objectives.	Responsibility is a duty or obligation owed by a subordinate to the superior, from whom the former derives authority for the proper discharge of the assigned job.
Nature	Authority is primary	Responsibility is secondary or conditional. It is a corollary of authority; and cannot exist in dependently.
Flow	Authority flows from top to bottom via the management hierarchy.	Responsibility follows a reverse course. It proceeds in an anti-hierarchical manner from subordinates to superior.
Delegation	Authority is and can be delegated by superiors to their subordinates for organisational purposes.	Responsibility is fixed or absolute. In no case and to any extent can it be delegated by any manager to any subordinate.
Termination	Authority granted to a manager can be terminated by the superior.	Responsibility cannot be terminated, at least for the acts for which a person is already responsible to his superior.

Table: 1.3 Differences between Authority and Responsibility

1.8.3 DELEGATION OF AUTHORITY

Delegation of authority could be defined as follows:

Out of the total authority held by a superior, a portion of which is passed on by the superior to enable the subordinate to perform some job on behalf of the superior, for organisational purposes, is known as **delegation of authority**.

Salient features of the concept of delegation of authority:

(i) No manager can delegate his total authority to a subordinate. Only a portion of his authority is delegated to the subordinate.

(ii) No manager can give that authority to a subordinate, which he himself does not possess.

(iii)The idea behind delegation of authority is that of representation of the superior by the subordinate.

(iv) Delegation of authority is made by a superior to a subordinate, only for organisational purposes; and not the fulfillment of the personal purposes of the superior, resulting in misuse of authority by the superior, and would result in gross corruption.

(v) Delegation of authority does not imply a reduction in the power of the superior.

Following are some popular definitions of delegation of authority:

(I) "Delegation is the dynamic of management; it is the process a manager follows in dividing the work assigned to him so that the performs that part which only he, because of his unique organisational placement, can perform effectively, and so that he can get others to help him with what remains". **Louis A. Allen**

(2) "Authority is delegated when enterprise discretion is vested in a subordinate by a superior-
Koontz and O'Donnell

Nature of Delegation of Authority

To understand the nature of delegation of authority, it could be considered from two perspectives:

      (a) Delegation as the basic process for creating an organisational structure, and

      (b) Delegation as the personal art of a manager.

Aspects of delegation of authority

(a) Delegation as the basic process for creating an organisational structure.

    In a group enterprise, with moderate to giant size, it is not possible for any one person (or a small group of persons) to perform all the activities - managerial and operational. Therefore organisational structure is created; and different roles be assigned to a number of individuals. Delegation of authority is the very basic process, which is employed in creating such an organisational structure. Delegation of authority is based on the elementary principle of division of work.
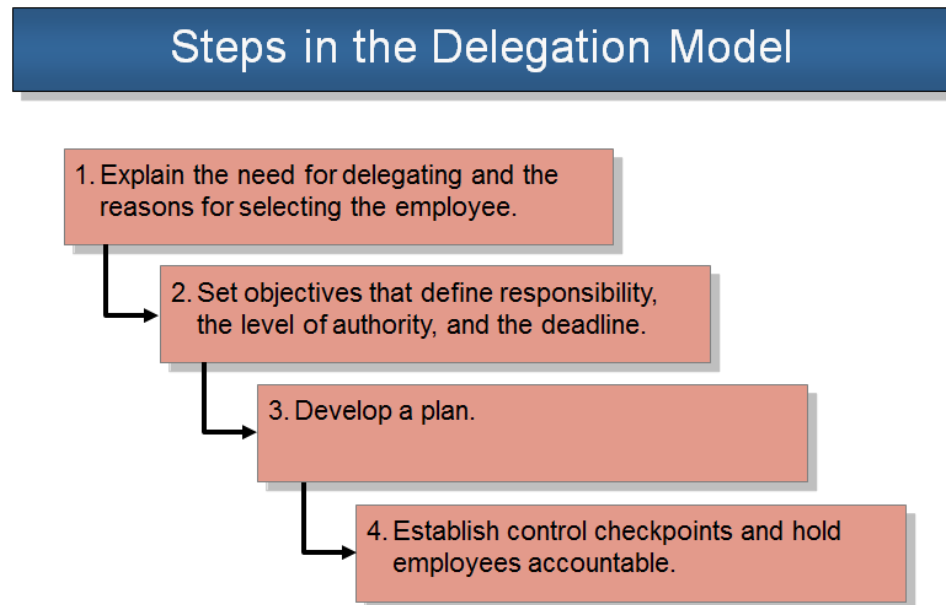
Steps in the Delegation Model

1. Explain the need for delegating and the reasons for selecting the employee.

2. Set objectives that define responsibility, the level of authority, and the deadline.

3. Develop a plan.

4. Establish control checkpoints and hold employees accountable.

Figure: 1.29 Models for Delegation of Authority

(b) Delegation as the personal art of manager.

Delegation of authority to a subordinate; reduces the burdened with work of any manager, by suitably selecting competent subordinates and delegating authority to them, however, how well a manager delegates and how effectively he ensures best results out of the subordinate; is really the personal art of the manager concerned.

Hierarchy of flow of Authority in an Organization

Responsibility and Authority → Top Management → Middle Management → First-Line Management → Operative Employees

Accountability

Figure: 1.30

Process of delegation of authority

The entire process of delegation of authority entails the following steps:

- ☛ Determination of the results expected of the subordinate.

- ☛ Assignment of duties/tasks/job to the subordinate.

☛ Delegation of authority to the subordinate.

☛ Fixation of responsibility on the subordinate.

Brief comment on each of the above steps

While planning to delegate authority, the superior has to make a **determination of what results i.e. how much performance and of what quality, could be expected of the subordinate** who is to be delegated authority. This step naturally requires an estimate of the apparent competence of the subordinate. Delegation of authority, without due regard to the competence of the subordinate, would lead to poor delegation incapable of yielding the desired results. **Assignment of duties/tasks/job to the subordinate:** In view of the competence of the subordinate, duties or tasks or job is assigned to him. The duties assigned to the subordinate might concern some specific job or certain functions or a certain target to be attained. **Delegation of authority to the subordinate:** As the next logical sequence in the process of delegation, necessary authority is granted or delegated to the subordinate-to enable the subordinate perform the assigned work effectively and without interruption.   **Fixation of responsibility on the subordinate.** Delegation of authority becomes effective when the subordinate to whom authority is delegated is made answerable to the superior, for the proper and efficient discharge of the assigned work.

These four steps of the process of delegation is regarded as the four pillars supporting the delegation of authority.
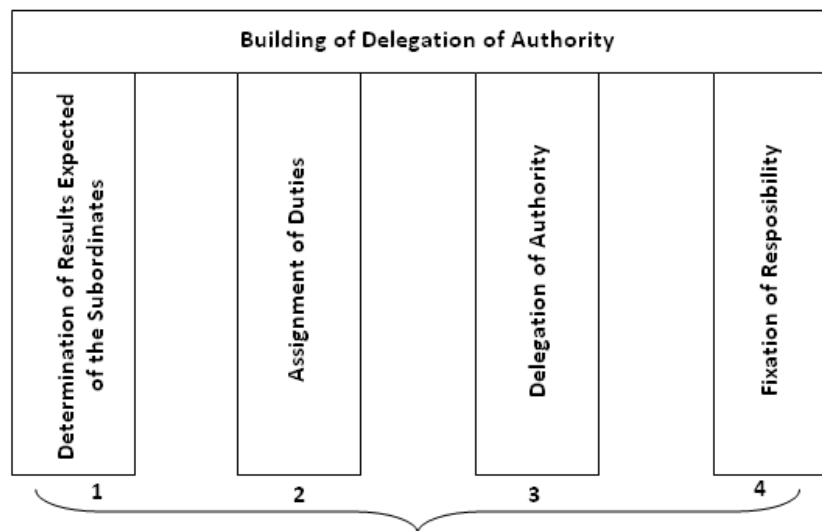

Figure: 1.29 Four Pillars of Delegation of Authority

Principles of Delegation

In order to ensure effective delegation of authority, observance of some principles is but necessary. Following are suggested to be certain principles, for effective delegation:

(i) Principle of non-delegation of personalized matters.

(ii) Principle of delegation by the results expected.

(iii) Principle of unity of command

(iv) Principle of scalar chain.

(v) Principle of parity of authority and responsibility.

(vi) Principle of absolute responsibility

Advantages of Delegation of Authority

The importance of delegation of authority could be stated, in terms of the following advantages, which it provides:

(i) Basis of organisation

Delegation of authority is one of the most significant steps involved in the process of designing the organisational structure. Delegation of authority is not only the basis of organisation; it also the very basis of enterprise life.

(ii) Reduction in the work-load of mangers

Delegation of authority leads to a reduction in the work-load of big managers. Delegation enables to concentrate more effectively on significant aspect of managing. Therefore, in this way, delegation of authority helps improve managerial efficiency and effectiveness; and take the enterprise to the road of progress.

(iii) Training of subordinates

Delegation of authority is a step towards the training and development of subordinates, for higher managerial positions, by which the subordinates perform tasks on behalf of their superiors and act in a manner, in which superiors would have acted otherwise on their own. Subordinates at lower level could be, promoted to higher ranks.

(iv) Motivation and morale of subordinates

Delegation of authority enhances the status of subordinates; and provides a motivation to them, to improve their performance. Motivation of managers leads to a high morale on their part. Therefore, such motivation and morale of managers, created by delegation, induce them to put in their best efforts towards the best attainment of enterprise objectives.

(v) Organizational growth and expansion facilitated

Delegation of authority provides flexibility to the organisational structure. More layers to the existing organisational structure can be added - through the process of delegation - to cope with the requirements of growth and expansion of the enterprise.