

1.1 INTRODUCTION

In ancient times, human beings used to hunt and pluck fruits for their livelihood. They did it themselves without any assistance. All male members of the family were engaged in such activity. The women in the family had to stay at home as they gave birth to children and also had to look after them. This might be a beginning of division of labour. Naturally, this division of labour was based on the principle of convenience, which later became the family organization pattern.

Family

Men became outward oriented and women inward oriented in the family organization. The man started providing living to the family while the woman undertook household work. The one, who provided living became dominant and started exercising authority on the family. All other household members became his subordinates. The family group which was based really on the principle of natural need of being together, gradually got converted into an organized group, laying down the functions, authority and work and thus became the initial model of an organization.

What we call today an organization, is a group which is or has got organized for a common purpose. The group which has an organized structure came to be known as an 'organization'. Any time when two or more people come together, they cannot achieve any purpose unless they get organized and slowly become a work group by getting converted to an 'organization.'

Organizations have become so much a part of our life that we do not notice that the hospital where we were born, the school where we studied, the market where we buy vegetables, the clothing which we wear, the roads that are built by local self Government have been made possible by organized group efforts. The groups were given expressed or implied permission to act as an organized body and, therefore, got converted to organizations.

In modern societies we cannot live without the assistance of some kind of organized efforts and, therefore, organizations. Thus, human beings do require organizations and all organizations require some kind of management. Individuals are controlled by their own organs such as the brain, mind. But more than one human can only be controlled externally. It requires some artificial structure of 'management'. Thus, management uses the group of humans to achieve a purpose through medium of organization and its management. Thus, management we talk about is in terms of group and not an individual. Business is a human generated organized activity and thus it has to be managed.

Activity A

If business is an exchange of goods and services, what is the business the following organizations do?

- a) A high school b) A hospital c) A gram panchayat
-
-
-

1.2 THE NATURE OF BUSINESS

- Human needs :** The starting point of any business is human needs. Human beings have physiological needs such as air, water, physical needs such as clothing, shelter, medicine and social needs such as love, affection, affiliation which need to be fulfilled to live in a group. A higher order human has needs such as work satisfaction, self-achievement and self realization. To satisfy these needs, he has to work and earn a decent living. When the higher level needs are satisfied, we call it a higher standard of living.

Business contributes to human beings by providing work opportunity and satisfies his needs by making available goods and services. These goods and services are made available by a mechanism we call a market, a place where such goods and services are exchanged. The primary job of business is to provide goods and services which are required (and which may be required) by human beings.

- The concept of value :** Human beings have to pay value for goods and services. They must see worth paying value in the goods and services. If you do not require a hair cut, even if a shop is available, you will not go for it. Business aims at increasing value of their goods and services.

The mechanism through which we recognize value and pay for it is called price. Value and price need not be the same all the time. Value also depends upon the intensity of need, availability of goods and services and availability of money to pay for such services. Money is a common resource made available to people to receive and pay price. In barter transaction, instead of exchanging through medium of money, we do it through goods and services. However, money has now become an approved medium of exchange, and prices are being expressed in terms of money.

Expressing more scientifically we buy and sale value expressed in terms of money price. When we ask the price of, say, vegetables we ask in terms of money and decide its value for us. Thus value, money and price are inter related. Business may be defined as the exchange of value in terms of goods and services for consideration.

3. **The role of business :** Satisfaction of human needs is the basis of business. If there is no human need, business will fail to survive. The production of goods and services and its distribution is a business activity. Formerly, such activities which were paid for by the customers were described as business activity and those for which customer did not pay were called non business activities. From the management point of view, it does not make any difference as to who pays. All activities which produce, and distribute goods and services, whether or not paid directly by customer are business activities.

Whether in public, private or social sector, all are businesses which exchange goods and services for value. In the public sector, may be paid goods service is by the Government, and in the social sector by someone as a charity. All these business activities need building organizations and, therefore, need management. The role of business is, therefore, exchanging goods and services for value, whether paid directly by customer or paid indirectly through Government or charitable funds.

4. **Business and economic development :** We are so much engrossed in the relation of business and profits that we neglect the major part it plays in economic development. It is found that countries that have a good business class contribute to development of a country. Business adds not only to the economic development but it renders social services making living more tolerable. Business involves value addition at every stage of working. It has to add value to make money. Thus, it is constantly looking for bettering its goods and services and converting its value to price. This it does by producing new goods and services, in terms of time and areas. Umbrellas are manufactured the whole year and then made available in rainy season. Business, makes apples in Kashmir available in Mumbai by creating the need of packing services and transportation. Thus, business adds to utility and its value.

Business locates human needs and then marches to service it through production and distribution of goods and services. Take a neighbourhood grocery store that collects many items from different sources, and then make it available at one place. Imagine what running around and cost would have been involved, if we had to go to manufacturer of these one by one to satisfy one's needs.

Another aspect we must appreciate is that each of the business activity provides employment. Increase in business leads, adds to increase in an organization, and increase in organizations needs increase in managerial personnel. Business requires resource mobilization such as money, people, equipment etc. and thus work for developing these resources. Through mobilizing resources, it also adds to economic development.

1.3 CHARACTERISTICS OF BUSINESS

- 1. Uncertainty and Risks :** The ultimate success of business depends upon the customers who are willing to use their purchasing power to meet their needs, and competitive and alternating suppliers available in the market. Most of these factors are outside business organization and more directed by situational factors. This situation is further complicated by the fact that the supplier has to keep his products and serviceability ready to offer when an opportunity arises. It necessarily means that he has to act in anticipation of sales. It involves risk taking since he is not sure whether his goods will be sold or services will be accepted. Take the small business of a cobbler. He keeps his instruments ready along with leather pieces so that any time a customer walks in for shoe repair he gets a ready service. He invests in space, time, equipment and skills first and then he can expect to get some business. All these decisions which he has taken to invest may prove a risk and he may not get any return.

Business is done with uncertainties and risks. Technological change such as use of canvass shoes instead of leather ones, may not give him the same scope to repair, and with this change his business may shrink. He can only forecast business but is never assured of its outcome.

- 2. Minimizing uncertainties and risks :** Business will always try to minimize known uncertainties and risks. It does so by keeping to minimum the scale of operation. It has to find a scale of operation which will meet the cost and earn some excess to either grow business or act as insurance for uncertain future income. The scale of operation is not entirely a businessman's choice. He has to see how a competitor is organized and may have to take decisions depending on the competitive scale of business operations. You will find big super stores and small neighbourhood shops dealing almost with identical goods or services. Thus, scale of business is a very important consideration in establishing and running business with minimum overheads.

You may find that bigger business companies may offer better scales of pay but they will also demand much hard and smart work. Business will always try to reduce impact of business overhead by getting it compensated through hard and smart work. An average businessman works longer hours, more days in a year. It needs more flexibility to face changing circumstances and demand and supply position in the market.

3. **Need for ownership and entrepreneurial characteristics :** Either an individual or a group must play a role of an owner in any business. This is the only way to safeguard continuance and growth of business. Decisions in business are such as what to exchange, at what price it is to be exchanged and how exchange price is to be recovered are very basic. This is not only done once but almost daily. Every day is different in business. Conditions change so fast that you have to take decisions in response to such changes and in fact have to forecast changes and pro-actively act on it. It is expected that they carry risks and uncertainties of business. The need to remain profitable all the time requires a calculating brain and capacity to view business in totality. We can compare this with what mothers feel about a child - a feeling of being a part of one body. Managers may leave the job if conditions worsen but owners cannot. They can only liquidate at a cost; that too as the last unpleasant act and a great social cost.

To plan for business and its implementation one has to go through so many hurdles that one requires a high achievement motivation and single purpose devotion (less emotional affiliation with people). This is more true when the business idea is new to the market. Such a person is a pioneer in the market and has to find his way out as one does in trekking when one does not know the way. The entrepreneurial activity here is that of trying out a new business activity (not formerly established in the market).

In an established market when there is no enough possibilities for new entrant in similar business he must come out with a new product or service, or a new concept in functioning business so that he can find an entry and later opportunity to grow. Entrepreneurs not only take a business risk but a risk of introducing non traditional product, service or business concept. One day we may find the market for mobile phone so competitive that we can sell mobile phones as in a vegetable market- in heaps and varieties to choose by customers on their own.

One who is a pioneer in a business is called an 'entrepreneur businessman' and the others who follow the same idea 'businessmen'.

In entrepreneurship the innovative way of doing something stands first as a business proposition. Here not only business is done but the pioneering of a new avenue to do

business is opened. It, in turn, gives the market another avenue for development. In Pune, one medical doctor established a hair cutting business and gave it a health angle instead of merely cutting hair. He can be termed as an entrepreneur. Managing business is the purpose of management of business and managing an organization is a tool for implementing business.

The large scale American business pioneered the concept of blending business and management calling it business administration, leaving business concept and its development to owners of business. If business does not survive, administration cannot. Now business is competitive and if managers only administer without caring for business, both will have their last day. The worst is that business dictates the organization design and managers try to work within organization design. This has made 'business' and its management a part of overall management. We do not consider management as only 'administration' anymore.

Activity B

Which of the following can be classified as 'Business' problems and 'Management' problems?

- a) The owner is feeling he should not have gone into business of readymade garments. *B*
 - b) Our product quality is lacking we must improve it. *M*
 - c) Workers morale is very down. *M*
 - d) We must kill competition. *B*
-
-
-

1.4 WHY MBA?

Here is the right place to understand the implications of certification of MBA. Originally, it was supposed to be a post graduate diploma and not a degree. Degree is more knowledge based and less skill based. Management education being a practicing art, learners were not only supposed to know basic knowledge but were required to be practicing managers.

The US industry when it started expanding after 1920, began facing acute problem of supply of managers. Entrepreneurs, who originally started businesses, felt the need to

have administrative managers. It was thought that entrepreneurs will take business decisions but the administrative work which requires constant presence and supervision will be handled by administrative managers. Since the basic policy and the strategy of business was to be handled by entrepreneurs/business owners, the others who would work in the organization were implementers and therefore, administrators.

The course was then called Master Diploma of Business Administration. The word 'Business' stood for indicating the field of operations and not for learning business. The students were not expected to know business at that stage. You will thus find lack of the subject 'Business' in most of the syllabi of PGDBM and what in many places is named MBA.

In a democracy there is a legislature which makes law and gives direction to the Government, the Executive wing. The Government which is the executive wing is expected to administer decisions taken by the legislature. The executive body only administers decisions and is responsible for implementation. Thus, there is bifurcation between planning and execution.

It will be logical here to distinguish between Management and Administration as follows:

a) Manager/ Management

- Deals with totality of the Business system
- Both business and administration
- Both inside and outside organization
- Strives profitability, liquidity, efficiency and effectiveness
- Orientation -Planning, organizing and implemenation
- Thrust - Development and growth

b) Administrator/Administration

- Deals with unit of operation
- Looks after administration only
- Only within organization
- Stress on efficiency and effectiveness
- Strive for implementation
- Thrust - command and control
- Overall policy decisions are outside the structure

The salient features of the above notes are :

1. The job satisfaction is now looked as more meaningful and responsible work and therefore, this distinction is not adhered to.
2. Since business has become more competitive, more eyes and ears are being needed to run business organization, so every one is welcome to contribute to business. It now requires a total view and a total coordination.
3. The flat structures are increasing the span of management. It is also reducing cost of levels in the organization. The strategic considerations are entering all levels and interpretation of business is required at all levels in management. You must have knowledge of competitive environment and business to be a good manager.

A manager faces problems arising out of business and administration. He must understand as to which is a business problem and which is an administrative problem. Managers who are trained to only administer do not even think of a problem in terms of business. For example, if there is no demand in the market for a particular product, the problem may be one related to business. But the solutions may be searched by managers, they may look out for solutions within the administration.

Management is a part of the business system and must be treated as such. In fact it is possible to give everyone a role in business to his capacity to start making him think of business so that some of them may mature as business leaders. We see that managers are more proud of organization than business they do.

1.5 IS A MANAGER A PROFESSIONAL?

To answer this question we have first to enumerate the distinguishing characteristics of a professional. We call an auditor, a pleader or a doctor a professional. The reason is that their practice is based on education received. Moreover, their conduct is governed by their professional association which has the right to terminate their profession, if they misbehave. Their profession is governed by their professional association. These we can call approved professions.

However, management training is not a condition to become a manager. Many managers may not be qualified in this sense. Managerial profession covers so many disciplines and sizes of organizations that one may find it difficult to standardize the profession. Efforts have been made in the directions but these have not been accepted. Thus, in the sense of legal sanctity and as a knowledge base, management is not standardized.

Even though people are being formally educated and given certification to this effect, it is not necessary that all these trained people can be called managers unless they manage and prove their skills. But professionalism which indicates pride, discipline and dedication to any work will always be there and managers will remain professional to that limit. We need not call ourselves professionals but can act as one. Let managers take pride as professionals without being recognized by law or any controlling professional body. They are to spread out and be varied, perform in all walks of life. Many of them prefer to get attached to specialized bodies such as those associated with materials, manpower, engineering, quality control than a very general body. Besides the fact that professional education is not necessarily a precondition to become a manager, management in a way can be said as liberal art- a profession in disguise.

1.6 HOW DOES BUSINESS INFLUENCE MANAGEMENT?

The longevity of management is decided by longevity of business. If business does not exist, there is nothing left for managing. Managers can reduce longevity of business by changing the business itself or merging it with some other business. Thus, the nature of business must be changed to make the business survive. By not managing properly and not keeping the business sufficiently competitive, the life of business can be reduced. We see many businesses failing against prematurely. Besides the longevity, the stability of management is also important upon threats and opportunities offered by environment. Acute shortage or great price rise in petroleum products may have an adverse effect on the automobile industry and transport business. It is a condition which is beyond any individual management.

The interest of various stake holders may also create pressure on management. Labour strike may paralyze management. Short sighted ownership may not work in the interest of continuity of business and, therefore, its management. Improper and untimely resource availability may affect management. There may not be capital available to purchase the latest competitive technology. The other important factor that affects management is competitive pressures that may develop from time to time. One cannot learn business just by seeing one's resources but one also needs to watch comparative competitors and their resources.

When demand was assured and increased as during the period 1976 to 1990, business planning was only seeing how one can mobilize resources. But now we have to think more of competition and see what we can do to survive and grow. From the supply side planning we have now entered into strategic planning. Planning is now no more how to produce goods and services but is how to plan tactics and overall strategies to compete with others supplying such goods and services.

The globalization of business has increased the possibilities to meet supply to the world needs and at the same time face competition even in the local market. Products can now be imported. Thus business requires a global vision. The role of the government in producing goods and services is slowly being reduced and is being given to private hands. This has increased competition.

1.7 INITIATING RESOURCE RAISING

Whether an owner or an entrepreneur, when he starts business, he not only has to create a business concept but give it a shape as an organization by providing resource to begin with. Organization cannot operate without resource. It will require capital to provide for men, money, machinery, materials, space, facilities etc. and only then can management start working. Thus, besides having the concept of business, for implementation one would require raising resources. The small business of a vegetable vendor on the street too requires someone to provide vegetables, a street corner, weights and measures, some working cash (say, change) before starting business.

The word organization denotes a structure but it must be remembered that this structure cannot work without resources. Most of the managers expect that it is someone else's job to provide resources and that managers only have to manage it. Over a period of time, resource raising has become a management job. Knowledge of resource availability and its behaviour then becomes an important part of management. Thus, in practice, ownership qualities, entrepreneurial qualities and managerial qualities almost become integrated and success in business depends on its integration.

1.8 HOW THE SCALE OF BUSINESS INFLUENCES MANAGEMENT?

When we talk of organizations and its levels, we will discuss more about scale of business operations. As a rule of thumb, bigger the business, more of managing is required and it becomes more complex. Simpler the business, simpler would be the management. When a vendor manages a tobacco shop (like the panwala in India), his management is confined to a small place (may be one square meter). He has his stock before him; he himself operates the shop and therefore, knows his customers. Agents approach him and supply him with whatever he requires. He almost attends the shop singly for 16 hours. Thus, his management is in his hands under his physical observation all the time. He has to imagine less and has, therefore, less number of human problems of getting work done from others. He has no holidays and he works for the entire week. In short, he controls management through direct observation and self work. Thus, his problems are limited.

On the other hand, a big multinational company which has plants in 17 countries, provides goods to many countries through a distribution channel of many dealers and distributors. In fact, the management handles everything indirectly and cannot physically observe the market it serves. It has complex resource problems. Management in such a case will not be simple. More the indirect management (not being observed by its managers) more organized it will have to become and more complex it will be for managing everything. Thus, business size (scale of operations) decides complexity of management.

1.9 ESTABLISHING BUSINESS NETWORK

Human factor is very dominant in the business. The owner or the entrepreneur who conceives and implements business is human. It is only human being who can think of business. Since it is the exchange of goods and services for value, a number of persons are needed to make it a success. We require suppliers; business facilitators such as bankers, venture capitalists, insurance companies, transport companies, packers; legal authorities; workers and managers, distributors and dealers, customers, beneficiaries and all constituents of the supply chain (of which we will speak later on), and people providing us with opportunities and threats. Thus, in business we deal with a great majority of people than only those directly controlled by organization and most of these are outside the organization. Relations with them and their co-operation will decide the outcome of business. Even a rikshawala (auto three wheeler driver) depends on petrol dealers, tire shops, loaning institutions extending loans, rickshaw dealers, garage mechanics, rikshaw passing authorities, customers.

Thus, business requires very wide public relation. These relations are to be networked so that they can individually and collectively involve a businessman (in this case, the rikshawala). Thus, the business involves relationship with a number of people and the more networked one is, better is one's business. A Manager, therefore, has to establish a business network of people. Since management is working for business, it has to create and work within the ambit of a business network.

Activity C

A business manager in a leading company has contacts with the following:

1. Employees
2. Marketing Manager
3. Receptionist
4. Distributors
5. Dealers
6. Outside Branch Staff
7. Suppliers
8. Walk in customers
9. Dealers
10. Customers

Which of the above are direct and which other indirect contacts?

1.10 SOCIAL RESPONSIBILITY OF BUSINESS

Business is a social activity. Any activity which is related to human beings is called a social activity. Business is not possible without having people as customers, and a social network as outlined above. The very fact that business is for a society, it also has a moral responsibility towards the society. Thus, the very nature of business makes it a social responsibility. Though business is done by individuals and their organization for its own survival, it cannot do so by going against the interest of society. In principle, that which goes against interest of society is evading social responsibility.

The first social responsibility is to supply goods and services which are qualitatively appropriate. The second is towards the various stake holders such as owners, shareholders, employees, creditors etc. who form a part of business. To give the stakeholders adequate moral satisfaction and to work for their growth and continuity becomes a business responsibility. Business organizations are corporate citizens and as such have the responsibility that citizens have towards nation, fellow citizens, and thus must act in a responsible manner.

Business is a profit motivated activity and has a number of opportunities to make profit which may at times be at social cost. Balancing thus is the moral responsibility of a business organization. Moreover, all business houses are human organizations and have the responsibility to carry their business in such a way that all people who make it remain overall satisfied with its working. Being citizens, these people also carry various legal responsibilities and must adhere to the law applicable to it.

Business can also support non-business social activities which it feels promote a social good cause. People look for their assistance. In a broader sense, they contribute to economic development and participate in development activity. Business citizenship is primarily moral behaviour but those activities which put financial burden on business should be done only to the extent that basic health of business is not affected. After all, keeping business healthy is a bigger social service and this should be the primary responsibility of any business. It is primarily through its business that an organisation serves the society and this should be its first priority.

1.11 ROLE OF PROFITABILITY AND LIQUIDITY

Many people blame business for its attitude to earn disproportionate profit and as a net draw on society. Business is taking risks in anticipation of demand, and facing uncertainty due to changing environmental factors. When you are in such a situation you look for insuring your risk through profit opportunities. Thus, business has a natural tendency to reap benefits when conditions are favourable sometimes even against the interest of the society. As human beings business succumb to the same motivations as any other human being. That is why even in country such as the United States of America, there are monopoly restrictions in the nature of anti-trust laws. If business is to be kept away from weighing its self interest in opposition to social interest, it must have a competition. It is to foster this competition that there are monopoly restrictions. These chances further get reduced if there is an adequate supply of products and services in the market. Profitability is the business test to see that you earn more than what you spend.

Since it is the social obligation of business to honour all its commitment in terms of expenses, business has to be liquid (that is one having cash). Business has to have every day liquidity to meet its outgoing cash commitment, and this becomes one of the important management aspect of business. Any business management has to worry about its profitability and liquidity. Very few managers think this as a part of their management objectives.

1.12 THE NATURE OF COMPETITION

It is felt that fostering of competition is essential for keeping business social conduct under check. At the same time, it must be remembered that it takes away business stability and increase environmental uncertainty and attendant risks. Natural competition arises out of competitive industry, substitute industry, composite industry, input and process industries. In country such as India where petroleum products are required to import on a big scale, any increase in the price of petroleum affects the price of private and public transport. An increase in the price of petroleum will affect the business of manufacturing vehicles and then transport business itself. Mangoes will become expensive if packing material for it becomes expensive. People have cell phones (mobile phones) with camera, and thus independent demand for cameras, may go down. Thus, any change in technology will affect the sale of the products that are dependent on that technology. Low cost saree market is disappearing from the metropolitan cities because young generation do not prefer to wear sarees. Such changes go on taking place every day directly or indirectly related to product and services and thus create threat to existing businesses.

Management must take an overall view of the changing environment to understand the nature of competition which apparently is not only restricted to similar products but also to

non similar products. As already mentioned, globalization and privatization have increased the intensity of this competition. In future, business will thus face increased competition, increased risks and uncertainties.

1.13 MANAGEMENT IMPLICATIONS OF GLOBALIZATION

The term globalization refers to free and unrestricted flow of products and services all over the world. The first impact of globalization as we will soon see is that unregulated world markets influence almost all businesses directly or indirectly. Management will thus have to raise its vision to global level in resource utilization. Due to competitive conditions, there will be a competitive pressure on the downward trend in prices and increase in quality and productivity in general. Economic development will be accelerated in all parts of the world. Even business will be looked to as an agency of economic development and people will watch it carefully in terms of development. Business will become more service oriented. Free flow of technology will make it possible to increase the use of technology in business and, therefore, influence the scale of businesses in human terms. All such developments will influence management.

1.14 MANAGEMENT IMPLICATIONS OF PRIVATIZATION

Privatization will generally lead to an increase in the number of small scale businesses and, therefore, there will be a number of business organizations. Existing big business too, through Business Process Outsourcing (BPO), will try to split itself in number of small units. Contracting out services in business will increase. Managers will be more self employed than employed and a class of business managers will be on the increase. In order to control overheads in terms of competition, business will be divided into manageable units. As in automobile industry, there will be perhaps large scale assembling. Thus, we will be talking managing smaller business than large scale businesses.

There would be disproportionate increase in service industries as compared to manufacturing industries. Supply chains will compete with other supply chains in the market and thus there will be an effort to establish business alliances of innumerable types and its management. Management under one roof will become secondary as against extended organizations not working under one roof or even under one management. It also means that organization changes will take place and effect its management.

1.15 ROLE OF OWNERSHIP INTEREST IN MANAGEMENT

Historically, people preferred to bifurcate ownership interest from management. The owners whose major role was to make capital available were not interested in its day to day management and therefore, people with more knowledge and specialization were chosen as managers. But it is now being realised that both supplying capital and taking business risk cannot be bifurcated and some synergetic solution is required to bring the two in unison. Thus, the role of managers has now been made co-extensive to business management as well as organization management.

This change has made management more difficult because more broad knowledge managers are now required. Due to decline in the class of traditional family business, learning through family business has declined and we have to prepare managers for this role. Everything has become knowledge and skills.

Functional part of a business is based on knowledge and skills but its practicing part is based on 'values'. The most important of these values is being trustworthy to any socially organized activity. These values do not come by teaching but by demonstration. It means that we rely on managers as leaders to establish direction towards business objective. Controlling or guiding others requires a great deal of self control by managers. May be in future it will be difficult to combine all these qualities into one manager and we will have to experiment with team management.

Whether individual or a team ownership, interest is a must in order to be dedicated to an organization. In future, it will be one of our directions of study as to how we can cultivate ownership interest in managers and management. Business and management are closely related and however pure the management, it will not succeed if managers do not consider the role of business in their managing.

1.16 SUMMARY

Management is concerned with group management. More than one person forms a group. This group has to be organized to achieve objectives for which it is formed. We call such an organized group an 'Organization'. Management manages organization and through management its objective which is called 'Business'. Business is the exchange of goods and services for value which is either paid by customers or for them by the Government or through charities. Business is continuously trying to add value to goods and services. Business organization mobilizes resources and uses these resources for producing goods and services. Each business activity provides work. Through distribution, business leads to

development of a region. Instead of seeing business only as profit making activity, it is better to understand it as an agency for economic development.

Business gives rise to a number of management concerns. Its life decides the life of an organization. Its changing nature due to environmental factors influences the stability of management; its scale of operations in terms of indirect and direct management influences management complexity and passes on its risks and uncertainties to management. Running business involves ownership interest, entrepreneurial interest along with administrative interest and thus business cannot be separated from 'Management'. The twin tests of business, namely, profitability and liquidity, forces management to manage in such a way that these objectives are achieved. The increasing globalization, privatization and liberalization is making business competitive and more strategic considerations are going into planning. Management no longer can be only equated with administration, it has to be extended to business.

1.17 SELF-ASSESSMENT QUESTIONS

- Q1. Do you think that family is an organization and requires management? Bring out similarities in family - and other business organizations.
- Q2. Name any five organizations which made you what you are today.
- Q3. How does business help to satisfy human needs?
- Q4. How will you define business?
- Q5. How does business contribute to economic development?
- Q6. Why should have entrepreneurial and ownership interests in business?
- Q7. Why managers in future cannot be pure administrators?
- Q8. Distinguish between administration and management.
- Q9. Is management is a profession? Give reasons.
- Q10. How is management affected by business? Give suitable examples.
- Q11. How would you describe social responsibility of business?
- Q12. What would you consider the future trends in management?

2.1 INTRODUCTION

Unless there is a purpose, an individual is not motivated to act. He starts feeling his need to do something and then he takes action. When he feels very thirsty he goes for drinking water. His body has been so designed that his actions are coordinated with his mind. It is so designed that his sensory perceptions move his body physically. The human body is very well designed to manage itself.

But there are a few things that man can do by himself. Some one must keep a glass and water to enable a person to drink water when he is thirsty. It is people around him who work knowingly or unknowingly for him and that is why human society exists. There are many groups operating in the society which are many times organized, that make a man's living possible and tolerable. When you switch on the TV, you get a programme to entertain you. Who organizes these programme throughout the day? If they do not have entertaining programmes, how can one enjoy TV? The TV channel is an organized channel to provide you entertainment for number of hours.

It is possible for you to convert an informal group, lay down certain rules and get social approval and work as formal organized group. Such groups are called 'organizations'. The body has been given by nature in such a way that it can sense and act. Thus, management of human body is self managed to a great extent. The group is a voluntary formation and, if we want to use it for a particular purpose, we have to get it organized like a body. The social body we create is called an 'organization'. It is through this body that we carry out an activity involving more than one person.

When an adult male and a female come together, they go in for marriage to establish the organization of family so that the two can work in unison. This organization is recognized by society so that confusion in social working is avoided. In order to give any group recognition, we must register such an organized group. Through a number of acts such as the Shop and Establishment Act, Factory Act, Co-operative Societies Act, Trusts Act, Society Acts; we give recognition to such groups to operate. Thus, we give authority to operate such groups for some purpose.

Any organization implies joint management of decisions and actions. With each organization management is born. Thus, the function of a human body in case of individuals is carried out by organized human body. In case of groups it is carried out by 'organizations'. A human body is self managed but a social group has to be managed from outside. We are more interested in knowing how people can come together and be useful for a purpose and how this coming together can be managed. The organization is a structure through management of which we try to make group efforts which produce results towards a purpose. Thus, organized efforts are needed for a human activity.

2.2 TOWARDS DESIGNING ORGANIZATION

1. **Designing against competition :** The single most priority in designing an organization is performance. The very aim of an organization is to fulfill the purpose of organization, which as said in unit 1 is 'business'. Under this priority, business will be the first consideration. In the competitive world, if competition is very keen, we must see how competitive businesses are organized. The relationship between cost, performance and time in these organizations is important. Decide what factors we must compete with. See what are their weaknesses and strengths and environmental opportunities and threats.

Many other considerations are significant. Are they going to be something special in our business? What are the minimum physical resources we have to carry? In non physical resources such as, how we are going to use, store and disseminate it? If you are going for two shifts per day, the space required will be less than in one shift working. But then the management problems would increase as if there are long hours or two shifts one may require more than one supervisor which will increase the management cost.

If a competitor is old his capital costs would be less compared to the new business you may plan. You must have something to compensate the increase in the comparative costs and, therefore, may have to include more activities and also plan to increase turnover to reduce overheads and become competitive. As you organize business, you will note that we have first to think in terms of needs, activities and results, and then plan organization.

2. **Cost consideration :** The organization decides the major overhead cost structure. The cost structure influences your performance in terms of service fees or price to be charged to the customers, and be competitive. The next consideration would be, therefore cost. Such decision making is difficult since each solution has an advantage as well as a disadvantage. It is, therefore, a matter of judgment. If you decide to appoint a young fresh graduate, say MBA his cost will be somewhat more than other young recruits having no MBA. Instead, if you take an experienced person but not a very educated one, his cost of experience will increase but he will be useful from the first day. Both these decisions will influence your performance and its costs. Some decisions may prove useful in immediate situation but some may take time and therefore, will not give immediate results. All these are matters of judgment and are personal. The cost of organizing is thus important.

3. **Division of labour :** The organization involves more than one person. In such a case, each person has to understand his role and position. Thus organization has to list activities and divide these. It is the division that pre-dominates the organization structure from a man to a group, enabling everyone to contribute. Any division promotes individual independence and makes him less dependent on others. This brings in partitions between man and man which on the face of it create dissensions among persons. While we expect unitary working and team spirit, we must appreciate this paradox as we organize. The structuring of an organization calls for division of labour and the results call for synergistic approach. Thus, process of organizing goes through division and that is why we speak of coordination in management. The more you contemplate to divide in terms of job descriptions, sections, departments, divisions, strategic business units, the more will be a co-ordination problem.
4. **Structure and flexibility :** In organizing we talk of structure and flexibility at the same time. The good example to understand structure is to imagine a building structure which is erected with pillars and slabs before the walls are built. What the engineers aim at is to make the structure as concrete as possible and the test is its rigidity. To some extent this is possible because the material used in building structure is tangible and can be given a fixed shape and design base on mathematical formulae. Thus, the trend is to make the structure so rigid that it does not give way to environmental changes. But when, during an earthquake the structure starts shaking and may come down people begin talking of a flexible building structure.

A well tightened structure may be easy for management in normal times but becomes a problem when winds of 'change' start blowing. Business requires a flexibility since it is environmentally dependent on external factors over which structure or organization has no control and we must be willing to accommodate environmental changes in a structure.

Organization is founded by humans, run by humans and thus cannot be made very concrete. Organization as a structure is purposefully kept loose to accommodate responses to both internal and external changes. When we plan a structure, we must think of flexibility by keeping its ends loose. This calls for managerial acrobatics.

5. **Designing living organization :** If the process of building organizations is dividing, then the process of running an organization is coordinating. Thus organization pieces will have to be woven by authority relationships, managerial communication, flow of resources, information distribution, systems and procedures, common objective, vision and mission, knowledge, values and skills. Any weaknesses will have to be filled by management and leadership. These are the strings through which an organization is

woven to make it vibrant and live. Thus merely organizing structure does not mean organization designing but it denotes putting a life into it and making it a live organization. To respond and improve is the purpose of designing. That is why we have used the term 'designing an organization', not 'organizing'. It is like a painter who takes a palette of colours in his hand and then draws a picture. Structure binds an organization mechanically but management puts life into it and makes it useful for performance.

- 6. Designing for human environment :** The structure of an organization has to respond to enlargement and shrinking of business and its activities. It means you must go adding to it or subtracting from it as business undergoes a change. The structure must to a reasonable extent manage these changes. These are linear changes and to some extent can be predicted. At least some changes towards these directions must be planned. Business may either grow and remain stable or shrink. The organization must be planned for these likely changes.

What is important in all these considerations is that since we are building a human organization, we must think first in terms of designing organization and then of organizing. The management must be able to put life into an organization. As an organization it is composed of people, who are alive, the organization too is alive and subject to human behaviour. The structure is inanimate while people are animate and thus an organization must remain human oriented even in its structure. It must be designed for a human environment.

2.3 COMPONENTS OF ORGANIZING

An organization is composed of people; facilities in terms of resources such as roofing, material, machines, material handling, energy and human needs like water, sewerage, lighting etc. A human organization is not only human, it is also techno commercial. A number of technical human operations are involved. Both the humans and facilities require consideration in organizing. A store keeper will require a storing space without which he cannot efficiently manage work. The task of organizing is to create work environment so that both people and facilities will be utilized. An organization aims at facilitating the use of humans, technology and its environment. Human organizing will fail if physical organizing is not good. We will require ergonomically designed furniture to make man comfortable to do his work. It is job of the management to see that human needs in terms of work are satisfied. However, it is forgotten that, if the organization does not build the requisite facilities, work cannot be done by management. If women are going to work, we have to provide separate sanitary units for them and then organizations have to plan for their maintenance. Howsoever small,

the organization building requires a careful planning plus a scope for further trial and error to make necessary changes.

2.4 CREATING A JURIDICAL PERSON

1. **Need for social approval :** As an extreme case, we can take a group formed for robbery. The purpose is not allowed by law and perhaps this group will not stand as organization before the law of the country. Any individual or a group such as suppliers, manufacturers, customers etc. requires a number of transactions to deal with members of society. If you are not accepted as an individual or a group, you cannot enter into such transactions. Therefore, the organization has to acquire this right since it is not a natural person.

This right is acquired by the organization by getting it recognized a juridical person - an organization accepted by law of the land authorized to Act as a person and do all types of transactions. That is why all organizations other than individuals try to get some legal recognition. Thus, we get organization approved under Acts catering to companies, societies, cooperative societies, trusts, partnerships, shop establishment etc. Getting an organization approved as juridical person becomes necessary. That is why people equate words such as company and organization because this is the most popular form of registering an organization. However, all organizations do not qualify as companies since these are not registered under the Company Act.

2. **Need to legally exist :** This need gives rise to a number of forms of organizations, which are legally approved. Charitable social organizations are registered under the Societies Act, trusts under Trust Act, partnership, and public and private limited companies under the Companies Act, cooperative societies under Cooperative Societies Act etc. Thus, it will be seen that there are legal aspects to forming an organization and these must be given due consideration.

The variety of legal forms put restrictions on the nature of business and its implementation in social context and must be carefully thought before registration. You are liable to the respective Acts and hence have to take the responsibility to abide by law. This brings in additional responsibility on the organization not only to go by legal provisions but also to maintain accounts and other records to the satisfaction of respective laws. This will vary from country to country, according to local laws applicable. For example, limited liability partnerships are not allowed in India while in Great Britain these are allowed. The provisions of such laws go on changing and you must know the one which are applicable to the company.

- 3. Extended organization :** So far we have talked of organizations which work directly under one management. But we must also take into account lots of loose organizations that are now required and which may be established by pure understanding between the parties. Suppliers, distribution agencies, customers may join hands in an informal way by establishing an understanding to act with pre-knowledge. Competitors may also join to exchange information. It is described many times as 'Alliance' which does not have any recognition of organization and therefore, is not a juridical person.

We now see that a sole organization that produces quality and competitive goods will not be successful if the suppliers, distributors etc. are not competitive enough. The last price paid by the customer for your products may be more and therefore, may not be competitive. The whole supply chain has to be conscious of quality and cost, if individual products in the supply chain are to be competitive.

Let us assume that you manufacture tooth brushes. Unless the suppliers of nylon threads used for brushes, the makers of moulds made for the handle of brush, the brush assembling processors, the people who manufacture cartons, the printers, distributors become a part of one chain, act jointly to deliver quality and competitive price, you will not be able to sell tooth brush as a competitive product. Thus, the whole supply chain must work as an organization to deliver the product. The future competition is not only between products but between the whole supply chain involved in such a product. It will be informal organization of alliance type.

Thus, we now work in extended organizations not under one roof or management and yet deliver the goods or services in close understanding with supply chain. We can call these extended organizations. These are created out of business necessity and with a purpose. Thus, broader view of organizations will be expected from managers in future. As long as these are not formally established we will have to call these informal extended organizations.

- 4. Informal Organizations :** The concept of extended organizations also brings us close to knowing what books describe as informal organization. The human members of any group, even if it is formally recognized will form their own informal relations. Man is a social animal and it is very difficult for him to remain isolated from other human beings who come in touch with him. When two people while going to work use the same vehicle, they are bound to exchange a number of thoughts, feelings, actions which will create fellow feelings. Thus, people who are supposed to organize formally also form informal relations with some of them. Thus, the whole organization is informally related in groups, sub-groups etc. and may get informally organized. To form such social relations, people require some place and purpose to come together and the formal organization meets this need very easily.

People who voluntarily form association with some others give rise to many informal organizations. Thus along with formal organizations you can take it for granted that some informal organizations will crop up. Though these voluntary organizations do not promote organizational work, some work talk will be exchanged amongst the people which may work favourably or unfavorably against the formal organization.

One cannot stop springing up of such informal organizations since these are a part of human social nature. What the manager can do is to provide more opportunities to people to come together and establish emotional bonds. In an emergency when the assigned person is not available for a job, a word from a friend than his superior may make others to accept the job more. One can utilize informal organizations to the benefit of formal organization structure.

Activity A

Which of the following are juridical persons?

- a) Janata cooperative bank
 - b) Women self help group
 - c) Sahara Jetways
 - d) Cricket team
 - e) All India Management Association
-
-
-

Activity B

Can the following be called a supply chain?

- a) B buys auto parts from A
- b) A buys steel for making auto parts from C
- c) B sells assemblies of auto parts to D
- d) D uses these assemblies for producing cars
- e) E as a dealer buys cars from D

- f) F acts as a service shop for D
- g) F also gives service for scooters for some other manufacturer.

Draw a supply chain from A to F

Activity C

Identify groups and subgroups in any organization of which you may be a part and make an informal relational chart within formal organization.

2.5 NEED FOR FLEXIBILITY

1. **Opportunities and threats :** When we look beyond the organizational boundary, we find that an organization is exposed to environment and breathes in the environment. All its input such as men, material, money comes from outside and all its output are passed on to the environment, namely, customers. Each of these environmental factors operates in their own interest, Many of these external agencies are themselves dynamic and as such vary their interest according to their environment. Some of the changes that are favourable to your organization create opportunities and some which are not favourable creates threats.

These changes are in the nature of technical, social, economic, political, legal etc. and go on posing threats or opportunities to the organization and its business. Technical changes largely comprise new innovations in products, materials, services. For example,

substitution of wooden furniture by steel furniture, steel furniture by aluminum furniture, or by moulded plastic furniture etc., mobile cell phone in place of fixed wired telephone, underground railways instead of public buses. In such changes the older firms lose and newer firms gain. To old firms, these changes become threats while to the new these become opportunities.

Talking of social changes, one may refer to virus bird-flue which made people scared of eating chicken and eggs, and these businesses have lost in a big way. The economic changes can be anything : levying new tax or removing one; business entering into a recessionary phase in a business cycle etc. thus affecting the demand for a product. In political changes- a country declaring a war or opening or closing its border and thereby affecting demand or supply of products can be cited as examples. The legal changes comprise banning or encouraging particular products or services. The ban on bars influenced dancers in bars, and reduced the business of such bars. It may also effect drinking as a habit - social and business wise. Managements of organizations in these cases will have to reduce the impact of threats and increase the use of such opportunities.

2. **Strengths and weaknesses :** So far we referred to external threats and opportunities in case of an organization. Within the organizations too, we witness weaknesses and strengths. An organization may have a very capable leader who dies in the accident and temporarily the organization may become weak. An organization may have good cash flow, and plan expansion. All of a sudden, one of the major buyers may be declared bankruptcy and lot of receivables may get affected, and cash availability may become a weakness. The internal strengths and weaknesses are within managerial control of the organizations compared to threats and opportunities which are beyond the organization control. We find solutions to overcome weaknesses and strengths by managerial decisions and actions.
3. **SWOT Analysis :** The analysis of such factors whether in the form of strengths, weaknesses, opportunities and threats to organization is called a SWOT analysis. This word is a short form of Strengths, Weaknesses, Opportunities and Threats. The important implication of a SWOT analysis is accepting that during the life of an organization and its business, the organization's environment continuously changes both internally and externally, requiring analysis of these factors and taking suitable action by responding to these changes. That is why organizations are supposed to be flexible structures.

2.6 BUILT TO LAST

1. **How long does an organization survive :** When we think of an organization, we do not plan for its end. It means there is no date we decide, on which the organization has to close down. Project organizations can be better structured since we know its end. However, most of the organizations are planned for a longer longevity, even surpassing the lives of those who start or work for it. Most of the organizations stay and grow with a firm belief that through better management, it can survive and grow to infinity. This firm faith makes people believe in life long opportunity for generations, if it works. Yet we see very few organizations having passed this test. We find that the survival rate of organizations varies either due to obsolescence of business idea or an organization's management. Most of the failures are blamed to management incapacity.
2. **Ways to survive :** One of the ways to increase the survival rate is mergers and acquisitions. In mergers, one organization entity merges with another while in acquisition one organization is acquired by the other. In some cases, an organization is simply sold to other organizations. Most of these processes assure continuity of business, if not its form. The other way of surviving is trimming itself enabling it to stand on its own. Thus, we retrench people, sell some assets and try to make the organization viable. Open a newspaper and you will find news regarding mergers, acquisitions, closures etc.
3. **Managing to survive:** An organization is a live system. It constantly breathes input and gives output by processing goods and services. The organization is built to manage this process which is continuous. Like a human being, it can be healthy and weak, fall sick and recover. If one has to make it live for a longer time, one will have to manage it that way. Life to an organization is given by living people through managing.
4. **Living on an organization :** It also may not be realized that employees depend for their living on an organization and as such have a stake in its life. Human beings serve an organization through the self interest of earning a living and as such are vitally concerned with its longevity. Thus, they are interested in its continuity. Even then they may not have the objectivity and the sensitivity to understand whether it is directed towards longevity or not.

2.7 BUILDING AN ORGANIZATION CULTURE

Before we discuss organization culture, we must make the concept clear. Each one of us like some things and dislike some others. This choice really is a part of one's personality. Speaking truth and also expecting the same from others is a positive value in one's personality.

As we come in contact with people such as parents, teachers, friends, relations etc., we go on making our likes and dislikes firm in our mind and therefore, in our behaviour. If your parents have taught you to be self dependent, you would not like to take a helping hand of someone else. These can be both positive and negative values that get rooted in your personality and one starts describing a person as good or bad. Thus, stabilized values which get ingrained as a part of your behaviour become your culture. Culture is accumulation of good or bad values stabilized in you.

Similarly, an organization consists of people and they formulate and stabilize some values over its working. Thus, you find some organizations very active, while some others very slow. Some organizations are task oriented instead of people oriented. But most of the organizations we establish are for work and these form certain work values and work culture. You like to work in some organizations but in some you do not. You may like your Mumbai office but not the Delhi office. You are attracted by human culture of these establishments. Values are formed by the overall behaviour of people, the type of leadership, values the organization holds and the moral state of total organization. If you feel that whatever your boss promises he carries out, it becomes his culture. If you find this is a good behaviour pattern you too follow it unknowingly. Thus, slowly it becomes the way of an organization and therefore, its culture.

Organization culture is stabilized values of an organization over a period. As you can design an organization, you can also design its culture. However, culture can be only designed by demonstration and practice. People believe in your values only if they see that these are being practiced. Organizations of the Tatas in general are thought to be more professional since the people see this culture in their organizations. In a culture which emphasises hard working, you will find hard working people.

In fact, while building an organization we also decide what culture we want. If you have a number of small business units within the organization, you will find the working environment very encouraging since these are very close to their business. In a very big organization, culture is said to be bureaucratic; no one knows where the problem is stuck up. Bureaucratic organizations are command and control models where one gives orders and others follow. In another organization, you will find plenty of empowerment and, therefore, freedom of decisions and actions. Some of these factors can be built while organizing structure and others while managing it. Organizations are liked by people working in it, if these are supportive to them.

2.8 INNOVATION AND CREATIVITY IN AN ORGANIZATION

- Need for creativity :** We find that in countries which are economically developed, basic goods and services become very common, resulting almost in saturation in the market giving rise to no new demand but only replacement demand. Thus, the old businesses do not any more offer chances to newcomers in the field. In order to break such a stalemate, business has to think of an innovation in products, services and processes. This means one must lead and change the market. Not only that new products are necessary, it is found that old products start becoming obsolete and, if nothing new is found, the old business may close down.

Business is a self survival activity for many and survival instinct also prompts many to go in for innovation. Thus, innovation and therefore, creativity becomes a necessity of business and thereby of management. Abundant research has been carried out by the human brain and its application, it may now be surmised that some purposeful efforts in terms of creativity are possible. It is now felt that human resource development can also be looked from the angle of creativity.

- Need for democratic organization :** It is felt that the first condition for creativity is that the human must get a freedom of thought and action within organization structure. It means that human resource management must decide that management must look for creativity development as one of its objectives. When anyone is given a discretion, there are bound to be mistakes and the management must tolerate some shortcomings in its execution. It also means that some leeway has to be found to give freedom of decision making and actions to employees in terms of empowerment. This discretion is not only for decisions but also for actions. Many creative ideas may develop while taking actions. It means we have to adopt a democratic style of management.
- Encouraging creativity :** In fact, some time should be given to the employees to try new ideas in their work area. For this purpose, we might encourage suggestions scheme. These suggestions must be carefully considered by management and it must try to see how it can be implemented in the same form or in some revised form. The employee must be encouraged to regularly get exposed to new learning through courses, observations etc. so that it stimulates his thoughts for new ideas and concepts. We may also try rotation methods for jobs so that new problems can be observed on jobs with fresh perspective, and which are not routine based. People should be multi tasks oriented than single task oriented. They should be exposed to so much of diversity that one starts thinking laterally.

4. **Information based learning :** Information based training by itself produces a culture of learning and adoption of learning. One of the important assets for learning is the availability and dissemination of information. These days it is not enough to have skills in operation; but we must understand in what ways things are being done. If one has knowledge of why and how things work, it is possible to apply it to other activities for which those skills may not be meant. In readymade garment factory, workers who only stitch may not think what or why they do it. If they know the use of a particular garment, they may be able to suggest some more points where stitching can be reinforced. In future, even an average worker will be expected to be a knowledgeable worker. The talent is ability of a human to apply knowledge and skill to a work area. Thus, the growth of talent must be aimed at to make people knowledge workers and then innovative.

2.9 WEAVING FLEXIBILITY IN AN ORGANIZATION

The structure by itself cannot be made flexible. It is made flexible by the type of bonding we create to hold the structure together. Thus, we can create flexibility by weaving the threads of authority, communication, material flows, information flows, management practices and systems so that it can take up pressures at different points in the organization. If authority permits participation at every stage, the structure will take a flexible form. If communication is wide spread and networked (including its feed back) the structure will remain flexible. If we make information available at all points which is relevant to the problem and its process, the organization becomes flexible. If quality circles, meetings, management by wandering around - techniques of these type are practiced it will make the structure flexible. If feed back systems such as reporting, performance evaluation are streamlined, the systems will make organization flexible. Keeping structure intact, we can still work as a team and bring flexibility. It is not the bricks and cement alone that works in the 'house', it is also the family which makes it a 'home'. If people's attitude remains flexible to a great extent, structure will not pose a problem.

Thus, management can play a very important role in keeping the organization alive and use its eyes and ears for sensing and responding to environment. The basic structure can be kept the same for a long time so long as the attitude of human beings related to management is that of learning. It may be on some occasions that one feels such limitations of organization and one may change the organization itself at that point.

2.10 MANAGEMENT OF CHANGE

- 1. Problem perspective needs change :** We have seen that environment in and around an organization changes both internally and externally, and organizations are being affected by these changes. Most of the external changes in the environment can be tackled by changing the perspectives of persons working within the organization. If competition increases we can either introduce a new product, a differentiated product or change the product line. If there is an internal change we can fix it to an extent by finding a solution such as change of people, material etc. Thus, every change requires a response by living species such as an organization.

Here we talk of changes that occur knowingly or unknowingly on their own. In case of changes which we feel are worth introducing on our own in the organization, the approach is different. Human nature seeks a change only if one feels the present has been giving one uneasy feelings. It is only when the psychological security is under threat that one welcomes any change. Human beings in groups consciously do not accept change as a way of life.

- 2. Build psyche for change :** If possible, make incremental changes within transformational changes which you are planning. No change should come as a shock. The thinking behind a change must be made popular and the response analysed. If people feel secured within the change contemplated, it may not have a big resistance. There would always be people who can become the driving force and some people who can be a negative restraining force. If a leader has the courage of conviction in what he is proposing, circumstance change in his favour. If your past actions have proved the worth of your words and if they believe your words, change will not be very difficult.

Every change involves a risk taking and you need a management which is willing to take the risk. If you have succeeded bringing about such changes previously it can fortify your change now. Many of the changes are outcome of past negligence or status quo for a long time. Management should take within its stride such changes and in fact see that these are taken as a routine. You transfer people around the jobs and they will come to know that their transfer is inevitable. Thus, you have to build within your culture a psyche for a change.

2.11 ORGANIZATION GROWTH

An organization goes through stages of inception, growth and maturity as in human life. With changes in business, these stages can be reintroduced. Thus, the same stages can

repeat. It is necessary to keep vitality of the organization structure so that we always get the opportunities to rebuild ourselves. You can plan growth and maturity as a vision for organization design but it undergoes many changes in actual practice. You may not get people of specialization you want. The technical agreement may not come through. If it comes through, they may ask for changes in the organization.

The organization is one through which you manage calls for changes from time to time, some others of radical nature and routine nature. What is important is that an organization does not remain as a static design and does not undergo change. The owners may change and hence their ideas of running business. The management itself may change and call for changes. Business changes may call for change in an organization.

In business, at the inception stage business dominates, at the growth stage, management dominates and in maturity stage, business again starts dominating. The skills required to do business are different than to manage and, therefore, an organization undergoes even management changes. We must anticipate a span of life for present and decide its end point so that we revitalize ourselves to change anew with a new bat and ball.

We have seen many times businesses are brought to the growth stage and then are sold as commodities. Some people like to work on inception stage of business and make money and get out of business. Organization design must accommodate such changes.

2.12 RESOURCE RAISING AND MANAGING AS A PART OF ORGANIZATION DESIGN

An organization is a mix of structure, technology and people. The aim of the organization is to establish a performing environment. In this performance, people play a dominant role. But people cannot play a significant role unless they are supported by resources such as material and technology. The organization, therefore, has to fashion itself to meet the needs of materials and technology before people can operate. A new cement plant has three operators and 75 maintenance engineers. Thus, it has become a push button operation. It means maintenance, the servicing and storing parts require better store space. Resource building may be a managerial job but it cannot be done without proper responding organization structure.

For the sake of convenience, we may bifurcate between business, organization and management but in practice all these are closely related and must be viewed as such in giving shape to implementation of business. Pure organization structure cannot begin to work without resources, and the resources raising has to be considered along with creating organization structure. The way to do it is to design a business plan and think in advance what structure one will have to design.

2.13 ORGANIZATION AND MANAGEMENT

We saw a relationship between business and organization. Organization comes lively because of people who design and work for it. It is only people who have the power to discriminate between situation and business, between people and people, and take decisions and act accordingly. The faculty to act according to discretion is specifically gifted to human in a big way and human beings can put a life to a structure. It is the ability of management to use a structure, make it flexible and produce results.

2.14 SUMMARY

An individual human being is managed by himself. But groups consisting of more than one person can attain a purpose, if they are organized and externally managed- and that is how management plays its role. An organization is primarily designed keeping in view performance, competition and costs. Management starts with dividing work amongst individuals and their groups, by dividing work activities so that total work can be done to achieve the purpose of an organization. But the division necessitates coordination of activities. An organization has to be flexible to accommodate internal changes within it resulting into strengths and weaknesses and external changes resulting into threats and opportunities all of which are dynamic in nature. This coordination is established by weaving authority structure, communication, information, systems, procedures and resources flow.

Planning of resources is an important part of organizing. The resources are human and technical. Though the human part dominates in an organization, they cannot perform without technical resources, and organizing involves creating environment for people to facilitate performance. Social relationships within a structured organization give birth to informal organization. Since no useful work can be done without a network of relationships, the formal organization is informally extended to organizations which are not within its management and today we manage what can be called as an extended organization. This is done through establishing informal alliances or formal ways such as mergers, acquisitions, technical collaboration etc. Since human activities are closely tied up with organization based activities, there is a need for a longer longevity of an organization so that it can offer the same longevity to human beings dependent on it. Thus, an organization works for inception, growth and stability and therefore, has to be a live phenomena.

2.15 SELF-ASSESSMENT QUESTIONS

- Q1. In order to make supply chain effective what is preferable: to establish one formal organization comprising all above, or an understanding between all above in informal way? Explain giving suitable examples.

3.1 INTRODUCTION

The contributors to managerial structure as are follows:

1. **Entrepreneurial role :** It must be seen as to who contributes to the managerial structure of the organization, and who contributes to its ultimate success at any given stage in business. Here, we are defining business as an exchange of goods and services for value. Thus, it amounts to service to society. Till goods or services exchanged, it is termed as business. The words 'at any given stage' have been added to indicate that an organization is a live entity and thus it is prone to changes and therefore, success or otherwise can be seen only at a given point of time. This also means that no one guarantees a business success forever until and unless the management continues to strive for it all along. That marks the importance of management in a business organization.

One such class which is a part of business, is 'entrepreneurs'. Entrepreneurs are those business people who are loosely described as one who ventures into something new in terms of products, services, process etc. as a business proposition in a market. They invent it not as scientists but as persons who are interested in offering them to society as business and as such ensure that a new concept is implemented. Whether the entrepreneur plays a role of an owner, a manager etc. is not of material importance afterwards since any of these roles can be played by anyone.

You will be described as an entrepreneur if you play a role for business as a pioneer of something new. The scientist tries to invent something new as an effort in itself which may be for the use of society but without having any interest in introducing it through business of his own. There is no reason why a scientist would not be called an entrepreneur if he introduces his invention as a business proposition.

When one introduces something totally new in the market, one carries a great risk of failure. He requires the courage of conviction that his invention will prove useful and will make a business. In order to succeed in such a venture, he requires achievement motivation and single purpose devotion. Thus, to bring such venture up, one requires some qualities which are specific to an entrepreneur. Every manager may not be gifted the talent to find a new way of doing something in business. Thus, all managers are not expected to be entrepreneurs.

If an idea or innovation has succeeded somewhere in USA and not in India, somebody introducing it in India can be called an entrepreneur. It is because this is the first business of that type in the market. Thus, newness of the concept is new to the destined market and not necessarily to the world. The entrepreneurs play this role in business and thus assist in giving a management role to play. This is one way an entrepreneur serves economic development of any geographical region.

2. **Role of owners :** The other category that is talked about in business is called ownership, and the one who plays that role is an owner. The owner is one who owns the business either through capital participation or through management participation, and is accepted, recognized as such by the law of the country. Even a sole proprietor has to declare himself as a owner under the Income Tax Act, Shop Establishment Act etc. It will be seen that holding capital or its equivalent worth without contributing money can also be treated as ownership. Unless defined, the partners in partnership are owners individually. In case of joint stock companies, the share holders who hold the share of capital are owners in law. The ownership interests take it for granted that owners are responsible to business, its commitments and will discharge all responsibilities needed as owners.
3. **Role of managers :** Even when an owner manages business, he is said to be a manager owner. The owners also have to discharge managerial functions and do become a part of management. Though in day to day parlance, we distinguish owners and managers as separate categories, actually all those who help in the function of management are managers. They may be give a broad direction to business management and hence may be called Managing Directors and classed as Managers. Thus, the Board of Directors of a company is a committee formed on behalf of shareholders to direct business, and its management as such is called the Board of Directors. Thus, the Board of Directors is a part of management. It must be said that whether anyone managing is an owner or not, management requires ownership interest to find inconsistencies in its working, face difficulties and overcome these, thus making managers obligatory to have ownership interest in the task they are performing and its direct or indirect linkage with the business they serve.
4. **Are non employees managers?** The consultants and specialists who assist management functions of an organization from outside organizations are also managers. Whether they do it on part time, full time or on problem-to-problem basis, in any case, their advice must be worth an implementation by the management. Thus, being employed in the organization is not the criteria of a manager.

Building up abilities to manage is the sole criteria to manage and one who is entrusted with it for any organization is a manager. Such people through whom he gets work done may not be his direct employees and can be totally an outsider to a particular organization; but yet can be called managers. A sales manager who gets work done from dealers or salesmen is a manager even though these people are not his employees.

- 5. Are supervisors managers?** The first line supervisors (it is better to name them manager supervisor) who are directly supervising operational level first line are also managers. Most of the functions which a manager has to do is also being done by them. Now when we plan flat structures, the persons working in such structures manage more tasks than those outside. Wherever an organization exists and gets its work done by organizing resources and processes towards its objectives, all humans comprising the organization are managers at some level while doing some function. We can consider the case of a watchman (security guard) who checks the incoming and outgoing goods and people, does many managerial functions related to his task and, therefore, he can be said to be a manager working at a fully automated plant. A place where people do no carry out any process but only manage it, is also a part of management. It is managing that is important than through whom the managers manage, which has more relevance to present day managers. For us, managers themselves must be human so that they use their discretion in management.
- 6. Direct task workers as managers :** Some people are selected by an organization to manage tasks. These are the ones whom we generally consider as managers. These are people who comprise a part of a managerial structure. It is their united efforts that bring results to business. If any of them neglect any aspect of management, the overall effectiveness of management is bound to suffer. It is also noticed that the owners do not consider themselves as managers and lose a very important role to be a part of a team. Majority of the organizations fail due to failure of its management. Everyone has to play a role in it. Management must work as a team if it has to achieve objectives. It is not necessary that managers should get task done from someone. The performance of task itself is a managing task and qualifies to be called a manager.

Activity A

Can the following be called owners?

- Proprietor of Swastik Shoe Mart
- Manager of Swastik Shoe Mart
- Partner A and partner B in partnership business
- Debenture holders in a public limited company
- Shareholders in a public limited company
- Members of cooperative societies
- Depositors in Bank
- Debt holders in a Bank

Activity B

Identify who can be called managers?

- Shop keeper managing his shop as an owner _____
- Consultants helping managing personnel problems _____
- Quality control advisor to the Chief Executive Officer _____
- Person in charge of automatic process _____
- Salesman paid on commission but who is not an employee _____

3.2 STAKEHOLDERS IN AN ORGANIZATION

1. **Customers :** Those who have a stake in the results of an organization are called 'stakeholders'. The stakeholders hold their interest either directly or indirectly. While running an organization, the stakeholders are the ones who have to be taken cognizance of. The most important stakeholder is the customer who is indirectly interested in an organization. It is the customer who values the products or the services offered, and pays for it. If the customers did not exist, there would be no exchange in terms of business and then the organization would have no purpose left. There would also be no need for a management. That is why worldwide customer values and customer satisfaction have become dominant considerations. The organization while offering goods and services must also see that these are offered with quality that would be satisfying the customers, and at a price for which they will think its value is worth paying.
2. **Society at large :** Society is an important stakeholder in business. The customers are a part of society and it is the society that supports business or economic activities and forms a good or bad opinion about business. It is the work of business organizations to form a favourable impression of their products and services to ensure cooperation from the society at large. Though it may do this indirectly, it is a very important stakeholder. Managers have to create favourable impression and work for it. Read under social responsibility which has been mentioned in Unit 1.
3. **Government :** Government gives rights of incorporation to business which is then responsible to its subsequent behavior under the regulations prescribed by the Government from time to time. Business owes taxes and with these taxes the Government meets its administrative expenditure, and plans economic development. It is the stability of the Government and its development work which propels economic

conditions to improve. The economic development offers a market for business and its growth. Thus, the Government indirectly is a stakeholder in business. When we say Government it also comprises all types of local Self Governments such as Gram Panchayats, municipalities etc.

4. **Owners and shareholders :** Owners and shareholders are most important stakeholders. They own the business and expect a return on their investment. These owners take risk and invest in ventures by taking risk on possible success of businesses and return, on investment. Many times business policies are dominated by what return the business should make so that it can pay for this risk capital. The return the owners get on investment is described as dividend. Their claim is important because they are responsible to provide an organization its existence. These are direct stakeholders in the organization and influence business policies.
5. **Employees :** The other stakeholders are employees. They contribute to the success of business by being active in implementation of business. They get returns in terms of wages, bonus, incentive bonus, and perquisites. Employees draw their sustenance from organization expenditure and are also contributory to its income by their efforts. One cannot make a business without keeping its employees satisfied. Even high level managers are a part of these employees and employees' interest dominates in managerial decision making.
6. **Business partners :** Others who can be classified as major stakeholders are business partners comprising suppliers, distributors and collaborators on whose service effectiveness, what the business produces and serves depends. In the past these were looked as only contractual relations and bargaining for their services was very rampant. But now, it is accepted that they are business partners and should be treated with confidence and respect. Their self interest depends upon what they earn out of any business and are, therefore, equally interested in your business policy.
7. **Stakeholders' network :** It will be now appreciated that it is the business network including its direct and indirect stakeholders that make a business success and affects a total policy with which business is done. If labour asks for a rise in wages, shareholders expect more dividend, the Government raises taxes, sellers demand more commission, one has either to increase price or dissatisfy some of the stakeholders. Thus, business is tight rope walking and keeping all the stakeholders satisfied is a big management challenge.

Activity C

Take any vegetable vendor on the street and see how many insiders and outsiders help him in management. Out of these who can be called managers?

Requirement of management

3.3 DIFFERING PERSPECTIVES OF MANAGEMENT

- Administration - organization of non-elected officials.*
- Bureaucracy :** In the past, management was looked as a command and control model whereby people from the top in succession directed their subordinates what they were supposed to do and achieve, and get feed back to control whether they are following the directions given. This model gave rise to bureaucracy. In this model, people look upward for any directions and decisions. The process of taking decisions and actions becomes very lengthy since it goes first upwards and returns downwards. Since many people are involved, the written instructions predominate for giving directions and feedback and thus involving a lot of paperwork. This created more dominance of an office in management and the approach is called a hierarchical approach. (Office in French is bureau italic and the process is called *bureaucracy*). This was a model established by the Church and military which were the first examples of human managed large organizations. This type of management structure is common in most Government organizations.
 - Organization of elected officials.**
Co-operative establishments : Some people gave importance to group effort and maintained that the task of management is to create a cooperative environment and, therefore, this aspect is given more importance. Collective farming, cooperatives have their birth in this concept. The management techniques were developed as directed by elected leaders than by pure managers.
 - Socio-technical view :** People were thought more as a vehicle of work and organizations were primarily thought as 'people' organizations. However, when resources were required in terms of process and equipment, organizations became socio-technical in nature. The human labour as well as machinery was visualized as a part of a system - without which both these could not work. The organization was therefore thought to be a socio-technical function, thereby requiring a technical process

along with people. Thus management started looking at inanimate objects at machines such as a part of the system and the organization became a united function of people, technology and structure.

4. **Human aspect of organization :** An organization is composed of people and people become the only resource needing human care. It is through them that an organization achieves productivity. The shift, therefore, from commanding people to persuading people through participation and empowerment became a key factor. Thus, supporting human environment became a management concern. This direction went on growing with the passing of time. Today, one is concerned with people not only within organization but outside organization.
5. **Information system view :** It was found that most of the actions in management were dependent on the knowledge of human beings about the processes they used. Information received a big boost. It is the collection, distribution and use of information that led management to think more in terms of information and its communication. Information technology having basis of both information and communication then made this view more feasible.
6. **Decision making system :** Since management takes decisions all the time it was felt that if we concentrate on the process of decision making as a management's main concern, it will reward in terms of results. Thus, decision making acquired a meaningful importance in management. Throughout the life of an organization, management takes decisions and thus it was felt that major management attribute is decision making.
7. **Contingent approach :** Some thinkers noticed the importance of situations which make decisions successful or unsuccessful. They thought that management must take into account the conditions within which it manages and then take steps according to the circumstances then prevailing. They thought that management principles can only work if they are expressed in terms of contingencies (circumstances prevailing) and therefore, management must consider decisions and actions as per contingency. Even today people accept that management principles are applicable depending upon contingencies.
Logical Approach
8. **System aspect of management :** An organization is simply an input-process-output system which works continuously. Inputs such as material, money, machines, people, technology etc. undergo change in terms of products or services and then are provided as output to customers. Customers pay for such services and from the money received you again buy input, again process it and offer as output. Thus, this is a continuous

system and operating this system is the management's major task. Some emphasized this system as an aspect of management.

- 9. Interpersonal role perspective :** Some thinkers emphasize the role managers play in an organization and then define management as that comprising such roles. Management is more inter-personal or are group roles in terms of human relations that dominate management. Thus, it was found that managers play major interpersonal roles and as such gave importance to this aspect. Minzberg who laid this thought visualized three managerial roles, namely, interpersonal role, information role and decisions role. Minzberg classified each of these roles further as follows:

Interpersonal role - The figurehead role (performing ceremonial and social role as organization representative), the leader role, and the liaison role (communicating with outsiders)

Informational role - The information receiver role, disseminator role, and spokesman role (transmitting information to outsiders)

Decision role - The entrepreneurial role, the disturbance handler role, the resource allocator role and the negotiator role (dealing with various persons and groups of persons)

- 10. Operation school of process management :** The above approaches do not throw light on how managers operate in view of these varied thoughts about the management. An attempt was made to classify operational activities of management and it was found that these can be grouped in suitable functions under which all of the above views enumerated can be combined. This view is known as Operational School of management and comprises largely of the following functions, namely, planning, organizing, staffing, leading, controlling and coordinating. Some feel that since managerial work is coordination by its very nature 'coordinating' need not be shown as a separate managerial function.

Fig. 3.1 combines the system view and the operation view to depict management role and we shall talk about this in greater details shortly. For such time, it is enough to know that management can be viewed in different perspectives and therefore, can create a number of approaches. However, as a manager you have to practice as one whole within any defined organization.



Fig. 3.1 : System view and the operation view to depict management role represent

Activity D

By combining all these views, write as a summary about what you feel are the manager's functions e.g. elicit cooperation.

3.4 GENERAL PRINCIPLES OF MANAGING WORK

We recognize the following principles which are of general nature than based on any specific practices:

- 1. The show must go on :** This means you cannot stop managing because of adversities. It is a continuous process and unstopped till the organization comes to an end. During all this period decisions must be taken in the interest of its continuity.

2. **The invisible nature of management :** Management is invisible and is made visible through communication. Conceptual imagination of managers is required to feel management and then only it can be applied. Managers who cannot conceptually visualize what they have to manage will fail in managing.
3. **Management is value based :** As a ^{result} corollary of the above, managers must have some thinking of good or bad, beautiful and ugly, right or wrong and it is against these value sets which are unique to them, they can find contradictions in situations and take corrective actions. If they do not see any problem, they cannot correct it. For example, if one does not have any concept of what sort of person will be able to do the work, one cannot choose a proper person. Thus, one must go on ingraining number of concepts in oneself if one chooses to become a successful manager.
4. **Self control and self management :** An individual as a manager becomes a very important consideration. If one can control oneself, it is easier for him to control others. The process of visualization is internal to man and it can only become a group vision if the rest comprising group accepts it. The visionaries only have created vision and then others have seen its worth. The vision statements are an outcome of a vision to which others contribute.
5. **Universality of management :** Management is applicable to all types of organizations, small or big, private or public, business or non-business, locally based or foreign, and specialized or otherwise. Whether it is a manufacturing company, a school or a hospital, management is applied to make tasks more effective and efficient.
6. **Managing human relations :** Human relations are common to all levels of organizations whether operational, top or specialized. The nature of activities may require additional knowledge but management would remain common. In the past, getting work from people who are directly under ones control was one of the management criterias but now even if you manage relations with people not under you, it is considered as management. Management has become management of relationship than people in particular. It is how a manager is connected with the inside and outside world of the organization through relational network. One has to manage, for example, suppliers, customers, competitors and public at large.
7. **Equity amongst people :** Management is interested in using the resources of organization efficiently and effectively, and can only judge resources on such criteria. In human resources, thus, it does not make any difference between sex, religion, caste or creed. It believes in equality for all.

8. **Limitations to surplus :** Though an organization cannot sustain without generating surplus, the nature of surplus has to be decided by competitive conditions and customer satisfaction. These two considerations will be guiding factors in surplus management.

3.5 DEFINING MANAGEMENT

1. **Towards defining management :** One will notice from the above discussion that management can be looked at from different perspectives and will have as many definitions as the variety of perspectives expressed. It will be our endeavour to work out a definition which can be of importance not only as theory but also for its practice. Further, it must be concise to adopt.

We begin with the definition as given by Koontz in his most accepted book in management *Essentials of Management*. He defines, 'Management is the process of designing and maintaining an environment in which individuals working together in groups, efficiently accomplish selected aims'.

2. **Definition of management :** We have to modify definition given by Koontz to give representation to above principles. Thus, it may read now as "Management is the process of designing and maintaining performance environment through relations building within and outside an organization by utilizing optimally all resources including human, available to it, and manage effective and efficient use for attaining selected purpose for which the organization has been established and then to achieve economic surplus, so as to promote the best interests of customers in competitive conditions."

3.6 ANALYZING DEFINITION OF MANAGEMENT

From the above definition we can summarize the features of management as follows:

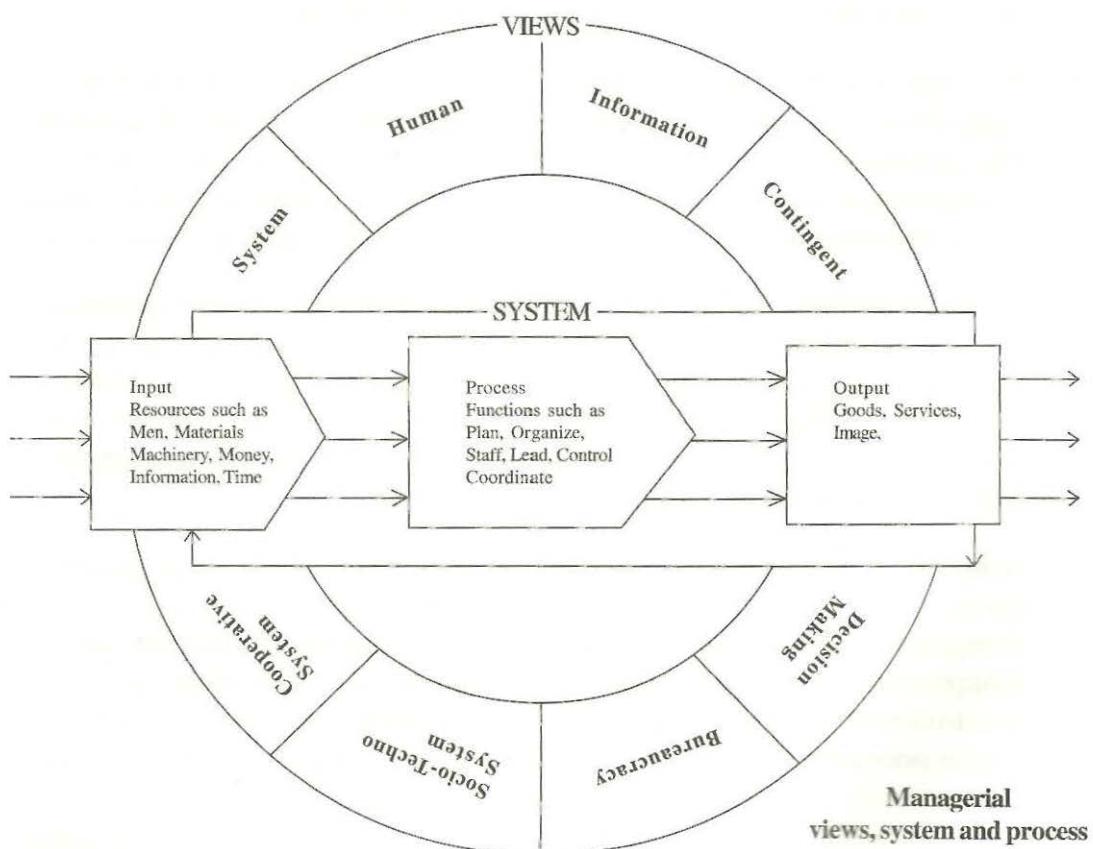
1. **Management is a process :** Thus, the activity in the process may end but the process itself is continuous. It is what gives rise to the longevity of an organization as a desirable end. Unless the end of any activity is prescribed, a management works for continuity.
2. **Designing and maintaining environment for performance :** Management has to act and the environment must be maintained so that the management is motivated to act. Management thus plays a facilitating role than the command and control role. If people work on their own the possibility of them adding their own talent and making it more effective is high. The facilitating indicates availability of resources, tools and

- technical equipment available within their reach all the time. They have not only to create but also to maintain to continue it throughout the organization existence.
- 3. Relations building within and outside :** Relations necessarily mean human and work relations. It suggests more use of persuasion than authority as a management tool. Thus, we speak of influencing people to act which in management terminology is 'power' as opposed to 'authority'. The term within and outside suggests that management is also responsible to establish useful relations outside the organization and work for it. Managing for organization now includes managing for all possible factors that assist an organization. This has become a need in view of an organization's dependence on many external factors.
 - 4. By utilizing optimally all resources including human available to it :** The resources one is talking about is money, materials, machinery, information, time and manpower. It is through human power that other resources are used and therefore, stand important. The word 'optimum utilization' suggests full utilization with optimum results, thus suggesting its conservative use to gain as much production as possible. It also suggests that facilities must be planned along with people.
 - 5. Managing effective and efficient use :** Effective use is one which produces results while efficient use is one which produces such results with the least possible resources. Thus, producing more with the resources available means increase in productivity. Productivity per person or a unit of resource must be optimized. Productivity can also be measured in terms of time and, it being a resource is included in these terms.
 - 6. Attaining business objective for which the organization has been established :** We have seen in Unit 1 that the purpose of an organization is business - making some goods and services in exchange of value. This objective may be narrowly defined or broadly defined. For example, hospitals are in the business of well-being of the patients whether these are paid for on fees basis or through charities. The selected purpose is defined and chosen by the management.
 - 7. Achieving economic surplus :** To achieve economic surplus so as to promote is in the best interest of customers in competitive conditions. Surplus is an indicator that an organization is economically efficient. Profit is a money measure showing surplus. If surplus is not made, capital will go on decreasing and one day the organization may have to close down its activities. In a competitive condition, one cannot go on adding surplus since competitors can take advantage of it by selling their goods or services cheaper.

It must be remembered that profit of any individual organization is a signal in the market to others to enter into similar business. Thus, competitors will find entry into the market easy. The customers also will start asking for a better value for a price and will put pressure to reduce prices in the market. Hence, there is a theoretical limit as to how much surplus you can make. The management must satisfy its customers as a first priority. It is then that they must care for other stakeholders' claims.

3.7 IS MANAGEMENT A SCIENCE OR AN ART?

- More of an applied art:** Since small or big organizations have operated and managed for centuries together, management has gathered rich and varied experience and built operational knowledge as to how situations can be handled. The body of knowledge giving principles, techniques and practices has been built on the basis of rational thinking which we call science of management. This rational basis was formed by studying human psychology and sociology in order to find out what are the ways to bring people together to undertake some group tasks.



For example, a person should be guided or ordered only by one superior to avoid conflict of diverse orders is a good principle and worth practicing even today. However, the situation in business changes so fast that we may have to purposefully appoint two bosses for one person for two different aspects of work. This happens in a matrix organization. Thus, principles have to be overlooked or modified in a particular situation. It is only when principles are stated that we know how far we are deviating. Again the principle may be that the authority and responsibility go together. When a manager finds his subordinate incapable of doing a particular action, he may take the responsibility and delegate the authority to his subordinate.

Like natural laws, management laws are laws of tendencies and require practical care while applying to each contingent situation. It becomes an art to manage. Management can be said to be substantially an art provided you have understood the managerial behavior through the science part of management. Let us, therefore, say that management is more of an application and is an art-some of this may be based on laws of tendencies (than natural laws) which are bound to be flexible.

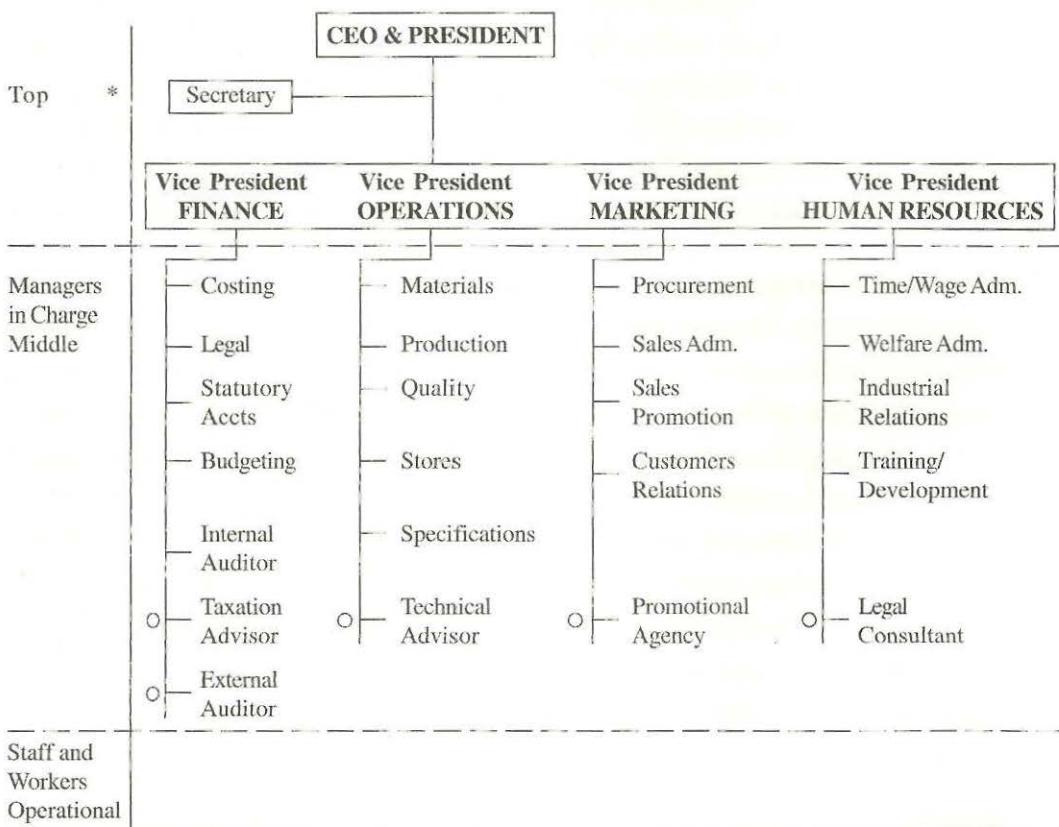
2. **Why fads emerge?** It is also necessary to talk about what are described as management fads. These techniques are over emphasized techniques which are for time being professed as 'cure all' solutions to the present management situation. Generally, these techniques are not effective over a long term and are done away with as time progresses. Each of these hold a substance of truth but cannot be applied universally and for all the time to come. For example, statistical quality control was once a very popular tool of quality control but as emphasis from inspection to assurance gathered momentum, this proved to be temporary and people no longer seem to talk about it as such. These are more in the form of buzzwords. For example, employees more innovative in approach may be called intrapreneurs. The fads are essentially a crazy follow up of a concept and professing it as a solution gives little importance to long term application.
3. **Practice based on knowledge:** It can be said that management is an art which draws on knowledge distilled through experience and yet chosen according to contingent situation. Its application, therefore, remains an art.

Management is art, science & profession

Activity E

If diploma is skill oriented application, and degree is knowledge oriented, then should management education be considered as a diploma or degree?

Organizational Chart



- Levels of Authority
- Staff Authority
- Line Authority
- * Functional Authority

3.8 A SYSTEMS APPROACH TO THE PROCESS SCHOOL OF MANAGEMENT

- 1. Anatomy of a system :** A system is conceptually understood as anything which has linked up functions forming an eternal circular movement of such linked functions, and repeating itself without end. A refrigerator is a system which stops for a while when it reaches a certain stage of freezing, and as it starts to warm up, the machine automatically restarts itself for cooling and works as such for years with electrical and gas input of a specified type. All its components go on working continuously and do the function assigned to it.

Similarly, management is a continuous system with all its parts linked, takes inputs of resources (like money, material, men etc), processes it and gives output in terms of goods and services. The system has inputs, process and outputs. This is an open system since it takes new elements in terms of inputs from outside in its system, processes them and gives them new products or services to outside by remaining flexible to the happenings. The human body is taken as an open system which breathes in, takes food, water, air, then processes it and throws out the residuals out, and is again ready for a fresh intake. It energizes itself with this process. An organization is compared to a human body system where inputs are taken, processed and supply outputs and through feedback information again prepares for the next cycle.

- 2. Importance of process :** The inputs in the case of management which come from outside are human, capital, technical and managerial capacities, information of threats and opportunities from its environment. These are processed by management through planning, organizing, staffing, leading, controlling and coordinating so that outputs such as products, services, profits etc are offered. By taking feed back of these outputs, it again plants inputs and starts the process once again. This goes on happening till the business lasts. Thus, management process is a part of an organization system within which it operates.

The advantages of understanding management as a system are that it gives proper importance to the outside conditions of the organization in terms of inputs and outputs, and management as continuous process within an organization. This makes management, both introvert and extrovert, in making it realize that it has to network relations with inside and outside the organization for its success. This process involves coordinating factors internal and external to an organization.

3. Creating work ethics : A word here about management culture. Unless, we make an organization behave in a particular way, organization which is more performance based will not adopt work ethics suitable for the performing environment. Culture and ethics are both related to human values of individuals and groups. What we consider right or wrong, good or bad, efficient or inefficient are relative values with which we produce work. Thus, organizations form work ethics. Some organizations are meticulous but slow, some fast but negligent, some quality conscious and some others not quantity conscious. This is more tuned to how management has designed environment around people who work and the way management leads them.

If competition for ones goods and service increases, you will find that your work ethics will be directed to produce better quality products. Thus, work ethics responds to both internal and external organization environment. It is the management's job to see that proper work ethics is cultivated through insistence on proper values. Work ethics is one important part of an organization culture. The organization must develop values such as trust, respect for each other and unity of purpose. We are all engaged in a culture of achieving organization.

3.9 DO WOMEN HAVE A PLACE IN MANAGEMENT?

We have already stated that management does not distinguish people on the basis of sex. Then why is this question? For all management purposes both male and female are gifted with ability to work with diligence. However, women have been entrusted with responsibility with procreation and the work of maintaining human succession. This job has created a number of hurdles in her continuous work and planning exclusive career based on her talents. It is, therefore, that a male has always found it convenient to work outside home and woman inside home. This traditional role made male more dominant in socio-economic activities and to that extent made female less prone to social economic activities. Thus, the number of women is less in managerial field. But now with more human touch to management, management is willing to consider their talents being utilized and make necessary concessions. Females can equally succeed in the field of management in the years to come and will soon work shoulder to shoulder with their male counterparts. It is already taking place.

3.10 EFFECT OF ADVANCES IN TECHNOLOGY ON MANAGEMENT

1. Evolving man-machine interface : Wherever it is possible, management uses technology as a tool for simplification of a task which enables it to do justice to volume and accuracy needed in the task. Thus lot of standardization is being achieved in performance. This has increased man-machine relationship in the organized

environment. Once upon a time, office was more clerk dominated today the use of equipment such as copying machines, telephones, computers has made management more technology oriented. Knowledge in terms of operation is becoming more technical and so is the management. Thus, it will be difficult to make future managerial career without operational knowledge of technology involved. Management has become hybrid. One has to understand software to use some computerized systems.

2. **Mathematical approach :** More computing or mathematical approaches are being used to evaluate problems, thus making some basic knowledge of mathematics essential. Most of the quality control methods are adopting mathematical techniques. More computing or mathematical approaches such as Six Sigma are being used.
3. **More based on world wide knowledge :** Along with business and organizations, management is becoming global. We are now concerned with a number of nationalities, their languages and their culture. Broad understanding of so diverse people is involved in today's management. American management has guided management trends to a great extent. But now people are talking of Japanese management as worth emulating. Thus, management is dominated by those who can show its widespread and successful application in practice and people are willing to learn from anyone who has it. Thus, we are now talking at a global level, ISO application or implementation of best practices available in the world. The availability of World Wide Web has made knowledge more free and exchangeable. Thus, managements are now operating on more information and its resulting knowledge base.
4. **Specialized functions and general management :** Certain functions such as finance, operations, marketing, human resource, information technology etc. which seem to be basic for many organizations have been accepted as a specialized functional area of management. Since these are described as specializations in management, the overall controlling of management, is being termed as 'general management'.
5. **Application specializations :** Another way of looking at management is in terms of application specializations. We can think of businesses which require intensive knowledge of the business field itself and such application has created a different type of specialized managers different for different businesses. While management knowledge remains the same, specialized knowledge of business is required to find reflection in general management knowledge. Thus, a number of management applications such as hospital, hotel, travel and tour, insurance; banking, health, education etc. have been emerging. In order to distinguish common functional organizational areas we have named these areas as applications' specialization.

6. **Increase in managerial load :** Due to mechanization and automation, the human capacity to do the work is increasing and organizations are making management leaner and flatter enabling managers to give larger and deeper scope of managing their affairs. In textiles, one manager was handling one loom but now he is managing ten looms all at a time.
7. **Recognition to processes :** This trend has also increased importance of processes as against departments. Management has now come to know that more time is lost in movement between departments if the process is considered that costs in terms of time and movements. To give order to vendors, then bringing the materials ordered in stores, to release material from stores to production is a process that takes more time and systems like 'just in time' are being introduced. Here the vendors deliver material directly on production line or the time when it is required. Computer systems have made it possible to the vendor to see what is going on in production line. Thus, the process has become a chain and is also being managed by process managers. In chemical industry, it was being managed as a continuous process but only because the technical system obliged to do so. Now it is being seen that process is being organized on a continuous basis. Processes deserve as much importance as departments in increasing efficiency and effectiveness of management.
8. **Customer satisfaction oriented work practices :** Digitally controlled production systems are making it possible to accept order tailored to custom specified products and yet offer the same standard of workmanship in a given time to each individually. One US company supplies computers according to the specifications of each customer instead of computer systems of standard type. Since the customer has become the focus of management, more of such efforts are being made by managers.
9. **Days of competitive alliances :** While managements are trying to be competitive, they are also thinking in terms of cooperation with competitors to deliver the best market product or service as far as possible. The hard lines of operations between competitors are withering away and laying foundation to cooperative structures. Alliance has become a key business word. Management today is expecting satisfied customer and using competition and cooperation as means for doing it. We are thinking of competition between alliances and not in individual units.

3.11 RESULT ORIENTATION IN MANAGEMENT

Management is interested in seeing that it performs and produces desired results planned. It is result orientation that is the crux of management's success. This must be directed

towards business objectives and at the same time be such that it will produce value worth paying by the customers.

While the end is customer satisfaction, the means are management's processes. Thus, effectiveness and efficiency are the two ways management results are measured. While efficiency involves cost and time, effectiveness involves its ultimate delivery.

Management develops an organization as means to develop the ends mentioned as above. The better we are self managed, the better we will be in managing ends. Thus, character and values in management play an important role. The result orientation is necessarily intertwined with this consideration. However, the way through which one obtains results make it obligatory that results be satisfying to customers in terms of quality, quantity, time and cost. It is indeed a delicate task!

3.12 SUMMARY

Managers are not only employees but also non-employees such as entrepreneurs, owners, consultants, Board directors, specialists, first line supervisors etc. who help management. It is not necessary that all must be a part of an organization. They can also be outsiders. Managers are those who manage tasks or activities for organizations. It is also not necessary that managers must get tasks done through other people, they themselves can do the tasks or activities. Only human beings can manage since they can use discretion while managing. Robots cannot use discretion unless designed and as such cannot claim to be managers even though they can do tasks or activities. Organizations also work for stakeholders such as customers, society at large, Government, owners, shareholders, employees, business partners etc. Management must work for their satisfaction too.

few S decide.

Management can be viewed in different perspectives such as bureaucracy, cooperative efforts, socio-technical system, as human relations function, decision making, managerial roles and operational process system. Most of these views can be accommodated in the process school of management.

Management is a continuous process. It is conceptual and invisible and one can make it visible through one's internal vision. Management must be accompanied by values such as right-wrong, good-bad, beautiful-ugly etc. so that it becomes apparent to the person who manages it and have a self control through equanimity. Management can be applied to all types of organizations and all levels of management within an organization. It can comprise managerial functions such as marketing, human resource, finance, operations, information etc. on one side and applications such as hotels, hospitals, health, education etc. on the

other. So far the division of management worked departmentwise but now division by processes covering across departments has also gained acceptance. Instead of thinking only of mass production, we also think individually customized products on mass basis. Though surplus earning is the aim of any management, the twin consideration, of customer satisfaction and competitive considerations are the two ends within which it works. The era of cooperative competition is emerging.

3.13 SELF-ASSESSMENT QUESTIONS

- Q1. Distinguish between functions of management and their application to management. Give suitable examples.
- Q2. Who are the contributors to an organization's management?
- Q3. Why can only human beings be managers?
- Q4. Who are stakeholders in an organization? Enumerate different types of stakeholders.
- Q5. Describe any three perspectives one can visualize about management
- Q6. What are the general principles applicable to management?
- Q7. Is management a science or an art?

Q8. Case Study

Mr. Rodrigues had two children and he used to bring a number of toys and games for them. He found that the boys found it easy to work on mechanical toys but not so on the electronic toys, especially working on electronic kits. He found his knowledge inadequate for guiding the children and thought that if children are to be made active users of toys, they must get someone who can guide them.

This idea made Mr. Rodrigues start a business 'Toy and Use' and started guiding children in use of toys. He found that during vacation many parents were living their children in his shop. He had to keep one junior electronic engineer who was equally interested in toys, and also had to fix charges for utilizing games and complicated toys. He had a feeling that the business was not giving much return in months other than vacation and was thinking what other activities he can start to supplement his store's expenses. He also felt that children from long distances do not come to his stores and he will have to start a chain of such stores all over the city.

4.1 INTRODUCTION

We find that a number of management programmes/courses are organized around specializations in businesses and we have now separate courses for schools, hospitals, hotels, hospitality, insurance, libraries, information, exports, human resource, finance, share markets, commodity markets etc. This trend is now on an increase and where there appears to be a new type of business, we find educational institutions in management introducing a separate course for each of such businesses. If you go through the contents of any of these courses critically, you find that they generally consist of general management programmes and then there is addition of specialized knowledge of a particular area of business.

It means that the general management knowledge is foundation of such courses and then it is supported by specialized knowledge of the subject. These courses are more career oriented than management oriented. Those who aspire to make a career in a particular area of specialization will opt for these. In short, you opt for a career and only then pursue the studies. Utility of such courses will depend upon the trend of prospects available for these businesses at any given time. Since management is application oriented, it would be worthwhile here to have a general look at the world of business applications.

4.2 ERA OF DISCONTINUITY

One of the important limitations on business specialization is that continuity of a particular business concept cannot be guaranteed. This is true particularly because technology has been changing so rapidly that many business propositions are becoming outdated. For example, film based cameras are giving way to digital cameras making films obsolete. Even the business of making photo albums is becoming obsolete since now images are being kept on compact disks for viewing through computers. The studios engaged in chemical processes have no knowledge of digital processing and the equipment which has remained the photographer's assets may not be used now. Thus, when we do very narrow specialization of business, its becoming outdated. This has also to be borne in mind. The discontinuity of process has to be understood before we jump into any business and also plan its eventual change to any other business proposition.

4.3 IDENTIFYING COMMON FACTORS IN BUSINESS ORGANIZATIONS

Irrespective of business applications specialization we find some factors common to all business organizations:

1. **Owners :** The managers have to understand who their direct or indirect owners are, under whose direction and control management any business is being operated. There

can be someone who is a figurehead but in practice the one who really carries his role may be different. For example, shareholders are owners of a company in the eyes of law but the company is really managed by Chairman, Managing Director or now popularly termed as CEO (Chief Executive Officer). The management works for business organization is run for those who own business.

The idea of ownership and its pattern is very essential to all managers. As soon as they join a new business organization, they must sense this aspect first since the real ownership would change from organization to organization. It is an owner's expectations that dominate any business. If the Government is the owner, it is the political aspect of governing that will dominate a particular business. The minimum capital size stipulated can only bring large scale owners into insurance business. One can manage insurance agencies in a small or medium scale but not insurance business in India because there is a stipulation that organization must have minimum Rs.500 crore as a capital base.

2. **Law :** This factor means that we must understand the legal base of any business if it is to be rightly managed. One must know that one operates within the frame work of many laws. These laws are based on a variety of subjects such as environmental conditions, safety, medical aid, labour, consumers, competition, income, sales, production etc. It is not necessary to know all the provisions of law but we must know what would require precautions from legal liabilities and the objectives of establishing these laws. For example, permission is needed to establish business under different acts. Labour laws may put restrictions on minimum wages that have to be paid to workers.
3. **Stake holders :** One must understand generally who the stakeholders are and with what priority these are to be satisfied. These priorities may be direct or indirect. Depending on the organization pattern, the stakeholders may vary, and some stakeholders are present in almost all organizations as customers. The needs of these customers vary with each type of business, and we must understand who are they and why they are buying from us. In fact, each class of stakeholder need to be classified and we must see what their self interest is and the way they perceive satisfaction of their self interest. While some of the stakeholders have been particularly mentioned, the other major stakeholders are owners, shareholders, employees, workers, suppliers, distributors, dealers, customers, Government and the society at large.
4. **Inputs :** A business consists of inputs, process and outputs. Inputs are the ones we use as resource for processing for final product or service. Some inputs are tangible and others intangible. The tangible inputs can be seen and touched. Tangible inputs

are studied to see as to what are the difficulties in supply, how far are these inputs critical for processing and who are the suppliers. Some of these points may be critical because of quantities, quality involved, price etc. Thus we must have a general view of inputs and its supply. To avoid investment one insists 'just in time' supply which needs a lot of management efficiency and time alertness.

In case of intangible services, the need to understand such a supply is more since we may not notice it without establishing personal relations. There are inputs which do not directly go into process but are essential to keep the organization running. For example, banks, insurance companies, transporters, consultants, advisors are these type of activities and we have to make efforts to understand these inputs. Many machinery suppliers give service at call and may not come to our notice till such services are needed. It is essential for management to understand the world of inputs affecting its business.

5. **Outputs :** What we offer to the market in terms of goods and services it should be understood. Along with outputs we also produce human relations in the market and society at large. The services we give as output may be information, knowledge and facilities. We may advise a customer what one should buy and what will save one's costs and how we are most competitive in service and price. We may employ people and extend them facilities such as medical benefits, accident insurance, or make some community donations etc. and all these do make contribution to the society in terms of output. Outputs are not merely of goods and services; we market also a number of incidental benefits we offer to the society. Many times these secondary benefits you pass on to a society and make your products or services worth its value.
6. **Internal Processes :** First of all one must learn the nature of technology used and its effect on processes. Engineering industry and chemical industry have different processes. Numerically operated machines are different than those operated non-numerically. It is the technology that one uses which makes the difference in managing such a process. Even if one uses computers in an office, the process will change along with number of people required. The processes can also be intangible such as administrative, and one has to understand them by studying manuals or by interviewing people. Technology, systems and procedures are backbone of processes and one must get acquainted with it to manage. Along with these we must also understand the people factor which operates the technology, systems and procedures. It is easy to understand internal processes since these are being controlled by management. Again in different departments and sections the processes vary radically and understanding these processes is thus also very important. The study of inputs, processes and outputs give one an overall view of needs of business and its management.

7. **Factors external to organization processes :** These consist of various stakeholders and their processes that link organization. Those which directly participate in supply to distribution are known as supply chain processes. We must understand the cost and quality of links in such a supply chain to manage business. One has to understand competitive process as well as to modify our own strategic approach. If shareholders expect better return and one thinks retaining income in business is wiser than distribution of dividends, one has to make shareholders understand and get convinced. The set of total network has to be viewed for better managing.
8. **Financial position :** One of the most important aspects is to understand the financial position of the organization one is serving. The financial position in general depends upon the industry (comprising of similar businesses) and the general picture of profitability within the industry. This makes one to understand the nature of competition, and the market share available to the business and its relationship with profitability and liquidity. Irrespective of the nature of applications to the type of business, this financial analysis almost remains common to all business applications.
9. **Manpower composition :** We must understand the type of manpower required in business in terms of skills, specializations and maturity. We must know how these factors are divided into departments and sections, and its spread in terms of geography. That gives the knowledge of extent of business and the need to overall coordination and control. Along with these we may also know what facilities management has to give employees in terms of compensation payment, training, development and job satisfaction. This may give one a general understanding of the morale of an organization.
10. **Organization structure :** Knowing how organization is divided in overall geographical areas within which business is done and how levels of authority have been formed is knowledge that is required for any application. One must understand who are in line authority, staff authority and functional authority. It gives us an analytical view of the organization while the overall view can be made aware of knowing how people regard work in terms of speed, time, results and creativity. This will lead us to form impressions about organizational culture, particularly work culture. Management is more concerned with work culture. Electronic components assembly industry dominated by female workers, it was found, has a different work culture than that in male dominated industry. Education, language, caste etc. are also factors that contribute to culture. All that we have to understand here is that the management decisions are also taken based on culture, and management decisions by itself may affect the organization culture. One has to decide trade off level between culture available and culture created. Both of these can be changed by management efforts.

11. **Threats and opportunities :** The environment around applications offer threats and opportunities. The change in application will change the structure of threats and opportunities. These changes are also dynamic in nature and require continuous watch. The mere change in application does not belittle the importance of environmental study. This is a constant factor which is to be watched by management, and such changes may be noted whether you change business or not.
12. **The competition :** The knowledge of environment in terms of competition will make us more aware of the status of business in a competitive world. It must also be accompanied by likely future trends that will affect business over time. The management, though acts in present, works always for future and it must sense its direction of growth. Management must have some compass with it to navigate in the world of risk and uncertainty. It is provided by the vision that the management may have for future. The marketing and research departments sense the impending change much earlier than any other departments.

Irrespective of the specialization in business, the factors enumerated above are common to all specializations. Unless we are generally acquainted with these points, mere specialization would not take us to understand management applied to applications.

Activity A

Distinguish between general applications and specialized applications in the following areas :

Marketing G

Power Generation S

Textiles S

Human Resource G

Pharmaceutical S

Sports S

Hospital S

Finance G

Activity B

Name the stakeholders in the following businesses:

Power loom _____

Grocery shop _____

Swastik Textiles Ltd. _____

Sole trading concern of laundry _____

Activity C

Identify self interest in the following stakeholders (for example, shareholders - dividends).

Labour - Compensation

Employees - "

Customers - Quality

Partners - Profit

Distributors - Commission

Suppliers - Profit

Government - Tax,

Activity D

Name inputs, process and outputs of an Udupi restaurant.

Inputs _____

Process _____

Outputs _____

4.4 FEATURES OF SPECIALIZED BUSINESS APPLICATIONS

Generally, we study the following aspects in specialized applications.

- Purpose of business :** Business is exchange of goods and services. The purpose of any particular specialized application is emphasizing the difference in the applications that affect goods and services. The student of management must find out what is

business to exchange and to whom, and the salient features of such products and services. If you are going to be in business of real estate (offering homes and buildings), some knowledge pertaining to construction and housing market would be essential. If you are in the business of fruits you may notice that it is perishable in nature and will require almost day to day planning. Sale of machinery is a long term deal and also involves after sales service. Thus, the nature of business will change according to application and it is noting these changes that are very important in different businesses.

2. **Orientation in business :** Though we club together goods and services, their orientation is really different. Goods are more oriented to design, to technology and to physical handling. Services are oriented to people. It is human beings who contribute directly to service and its quality, and create good or bad impressions in the market. The human behavior is difficult to standardize and responds to thinking at any given time. Managing service business depends on how each person will act and react while in production. Customers go more by product and its specifications as a first priority of purchase. Each specialization has its own orientation. For example, insurance business is more oriented towards future risks and convincing of future requires dealing with human instinct of fear. On the contrary, soap and toiletry business sale looks at the personality factor. Each business has its own orientation and one must understand the orientation of each business specialization.
3. **Technology :** The present technology being used and competitive technology differences, if any, must be studied. It should also be seen how technology changes are forecasted and its effect on business. What decisions business take today are for future and future changes must be taken note of. Valve radios gave way to transistor radios, and with micro-chips, technology is giving way to digital equipment. Business remained the same but technology went on changing. The worst is that size of the receivers decreased and so did the use of its material and consequently its price. The traditional floor mills are losing business since customers now buy floor directly from the market as a result of which business is shrinking. Social trends go on changing and this influences market. The Indian sarees are being taken over by readymade stitched clothes. Every business application must note such changes in the environment and see the life of business proposition.
4. **Industrial practices :** One look at the industry structure is essential to find out what are the common and differentiating factors in the industry that make specialized application industry sound distinct from general industrial structure. If we take the textile application, textile industry is composed of large scale units, small scale tailoring units and then powerloom and handloom users. Each of these sectors are being

operated in different conditions even though these are a part of textile industry. Knowing best practices adopted by each of these and their performance will contribute quite a lot of understanding of specialized business applications.

5. **Departmentation in vogue :** For management purposes, each business is divided into departments and sections and then levels. It is necessary to understand industry structure as to how activities are divided and what specialization it involves. In a way it is the organization study. It is also very important to see what level of subcontracting or business process outsourcing is done by such applications. Formerly these were described as make and buy decisions. The application becomes more clear when we see these factors. In a hotel industry, the chef carries a place of pride and may draw a salary equivalent to departmental head. The waiters are promoted to sectional heads easier than in many other industries. In hospitals, a group like specialists, consultants and nursing staff dominates. Only nurses may be employees; others may be advisors or consulting operating staff. Time is the essence of hospital management and is a more critical factor than hotel industry. This also gives us a look at manpower composition.
6. **Specific success factors :** We must appreciate that each business has some salient aspects which makes it somewhat different than other businesses. We have already seen human relations play very important role in services' business as compared to product manufacturing oriented business. In a tender, the contract timings, and conditions become very important. In a competitive business, knowledge of competitor's activities or what is commonly described as business 'intelligence' dominates. If the worker morale is low, steps towards improving becomes more important. These success factors will be absolute in some businesses and may be comparative in others. In some it may be ever present, and in some business it may be temporary. When one takes any application, one must identify the success factors and key result areas as a priority of management treatment. This gives management efforts a direction and tone to make focused efforts at any given time.
7. **Knowledge sources :** It is not possible to have all knowledge of application business in one stroke nor will it be possible to recollect and use it immediately. One has to keep knowledge at sleeves and must know, therefore, the sources of such knowledge. Talking with practicing people is the best source provided as they are willing to mentor or guide you in the initial stages. Library books, web sites, trade journals are some of the prominent sources of knowledge. We may go through these cursorily and make at least a note as to what is appearing where. While the books summarize the general trends in business, journals generally contribute to latest thinking and trends. Books

may not be referred to all the time and reading journals in time is the only way one can keep oneself up-date. Membership of professional associations also add to one's knowledge of business. It also gives you an opportunity to meet other people and establish a network of business contacts.

8. **Job skills :** At whatever level you may be, you require some specific skills in handling job. One is not talking here of managerial skills but of technical skills involving operations of tools and equipment. Handling E-mail or searching information on the web is a type of skill that may be required by every one working in the organizational set up. A good knowledge of computer operations coupled with handling basic communication equipment such as telephone, xerox copying equipment, manners and etiquettes are all a part of such skills. Depending on the position you are serving, these skills will vary and one has to know what skills we must have to handle for a particular job. In case of travel and tourism, knowledge of handling time tables is one requisite. In fact, to locate particular information on demand directories, handbook, brochures are all sources of knowledge referring to which requires skills.
9. **Career needs and steps :** Even though you work for today, very few people appreciate that you are also forming your future. The present becomes a base for future. As soon as you take any application, you must visualize at least one step in future in terms of vertical growth and a step side ways to find the scope of related side activities. Generally, one works for only what he sees and does not keep his eyes wide open to other areas of business. Remaining stagnant is a sure sign of imminent death of that position and career. We must go on acquiring knowledge, skills and values to remain competitive not only to survive but also to jump on an opportunity. You must, therefore, know what you must build for future in present opportunity.
10. **Key management problems :** In every application, there are key management problems which one must identify and try to attack. In business process outsourcing, there is always a consideration for what you are gaining as well as losing. You lose slowly functional specialization and the opportunities that grow with it. For example, a management which has outprocessed replies to customers and thereby loses customer contact may one day find that there is a big rift of relationship between the organization and the customers. One has saved on expenses but has lost on knowledge. One has to identify some key problems in specialization.
11. **Scale of Business :** You may enter into a particular application but it is necessary to see that the scale of business that you are thinking of is manageable. The problems of small scale and large scale businesses differ quite a lot from the management point of view. You may not have automated machinery which otherwise is used in large scale

structures. Your business scale may be so small that you may not use even a computer. In such a case, you will have to adapt yourself to manual working which may consume more time and effort. One always feel the real personnel problem is choosing persons and we think the function may start with manpower planning but in fact small units do not attract a better class people and you may have to accept the one who is available and then build his capabilities. The competitors may be advertising on TV but one may not afford in small scale business. Thus, size and capacity will guide many management decisions even within the same specialization.

- 12. Nature of competition :** The nature of competition may differ with specialization. You may enter a business of garments seeing that there are no other garments shop in the vicinity but this satisfaction does not continue for a long time. Another one, finding one garment shop thinks that there is business and at least to gain some share starts another garment shop. The nature of competition which one may have figured out is totally changed over night. Or, someone might combine something else, say, a public telephone so as to make himself known to many people and not for competition. The competition is not only in business but also in the facilities provided along with businesses. Your experienced frontdesk operator may join your competitor creating a weakness for you and adding to the strength of your competitor.
- 13. Future trends :** In each business application, there are future trends which can be envisioned at any time. The trends go on crystallizing as time progresses and may also change. In some business these trends are very discernible. In agriculture in countries such as India, the Monsoon rains play a very important role. Drop in food production and increase in prices can be predicted in case of failure of monsoons. In agriculture application this may be a trend which we may be able to forecast. It is a visualizing trend to take suitable actions and these actions are very important tools of management. There can be an overall trend, a short term trend or a trend arising out of a particular situation and may have a causal relationship to some eventuality. It can also be a long term change such as obsolescence of concept, for example, black and white TV.
- 14. Resources specific business application :** Some businesses may require a huge capital and some others more manpower. This picture changes from applications to applications. Introduction of Automated Teller Machine (ATM) by banks has resulted in the need of regular power supply, more capital investment, servicing of machines and less human labour. Until now the banking sector was intensively human resource based, now it is capital intensive. The need of money, manpower, machinery etc. will change in each business application.

The heads mentioned above give you a general idea as to what is meant by studying application oriented specialization. One who is very good in management will be successful in any specialization as long as he can gain knowledge on the above heads. The test of the pudding is in eating it. Unless, one does a specialized job one would not make any contribution and know where one stands. In fact, whatever jobs come in the way of a manager, if one thinks on the above lines, one would be able to do justice

 **Activity E**

Name the categories of jobs required for running hospitals and insurance.

 **Activity F**

Enumerate briefly the special knowledge you will require in tourism business and the sources of knowledge you will use to collect this information.

 **Activity G**

Identify the purpose of business in the following, and the likely customers:

Audit firm _____

Newspaper delivery boy _____

Panwala _____

Commerce college _____

Activity H

If you want to enter the mobile phone repair business, what knowledge will you require and what do you think your success will depend on?

Activity I

What will be the future trends in post office business? Name any two.

Activity J

What technology do you foresee for the post office?

4.5 PUBLIC ADMINISTRATION

One of special applications is Public Administration. Management by Government or semi government organizations is termed as Public Administration which indicates its ownership by publicly governed body instead by private owned entities. The policies are laid down by the legislature while its implementation is done separately which is termed as administration. It is generally dominated by bureaucratic structure. Since it is only administering the job description, it sounds more as implementation than creation. Public administration has been undergoing changes but the most important limitation is its public

ownership and, therefore, lack of individual ownership interest. If one has to manage public administration, one must know the limitations within which the management has to act. The lack of surplus motivation, costing and pricing services becomes secondary here.

4.6 VOLUNTARY SERVICE SECTOR MANAGEMENT

Here we do not refer to commercial services but to the services which are extended by the voluntary sector. The voluntary nature both of owning and servicing of this sector suggests few important considerations. These services cannot offer remuneration equivalent to those of business organization. Thus, this sector is underpaid and involves personal sacrifice. Certain activities cannot be made purely commercial, as for instance service to blind people. The beneficiaries may not necessarily afford the cost of treatment. This has to be made good by Government spending or social charities, both of which are uncertain and contingent.

While the need of goods or services may be permanent, the sources of income to undertake such activities are not adequate and continuous. As it admits in its structure the value of 'sacrifice', the overheads are generally low. But keeping morale and human satisfaction also raises a problem. It is found even where the remuneration and facilities given are adequate, these services do not attract core volunteers of dedicated nature. The volunteers may not be paid while managers are and one sees a feeling of inequality in such service organizations. The management principles are made elastic for operating such services. Anyone who accepts to work in such fields must forgo some comfort levels in work situations. Ideally, it calls for more value based management.

4.7 SELF OWNED SMALL BUSINESSES

This category of business is marked by the absence of worthwhile operational management level and combination of ownership and management. We see a number of small businesses such as petrol pumps, small dealers, retailers, commission agents, hawkers, peddlers etc. matching this description which also forms a big proportion of working population in a country. It combines both mental and physical work. Now a days, people are being trained for such type of vocations and various courses are being offered. Even attendants on petrol pumps are getting training. You get paid for your own work. These are good avenues to test and try learning business before committing for bigger tasks.

4.8 JOB SPECIFIC SPECIALIZATIONS

We consider business application as a unit by itself and therefore, try to learn jobs involving in such specializations in total. But let us take, for example, hotel management as a specific business. There would be cooks, waiters, front desk operators, administrative staff, telephone operators, caterers, dieticians, porters or bail boys and all these have their own place in specific business application. We do not see a very scientific effort done to learn the specializations and to manage. Management is expected to orchestrate all these services and produce effective results in terms of business. We find that in some hotels food is good while the service is not to the mark. The décor of the rooms is good but the gangways dark and narrow. Thus, merely studying a specialization may not build you to take interest in all its branches. When people love 'marketing' as a specialization, they find talking to people, visiting places and booking business as more challenging than seeing that delivery dead lines are met. It is when people with specialization choose a job, they find it difficult to find one initially combining all these features and find many jobs within specialization as uninviting. Thus, one must consider the variety of jobs involved within one specialized business application and be ready to manage it.

4.9 LEVELS AND SPECIALIZED APPLICATIONS

People are generally attracted towards promotions to higher levels and do not appreciate its practical implications. You may like to move about places in pursuit of a job when you are young and may prefer marketing. But as you grow old you may find repetitive traveling very disturbing in your family life. You may also find that as the results of marketing jobs are measured by turnover, your continuity in job will depend upon your selling capability. Jobs are not as they look apparently. We must analyze the qualities that go into making that job successful. It is not ones liking but ones abilities to do justice to the job that matters. Our liking for specialization is developed by the attractiveness of specialization but you can land in any position within that and these positions may not be up to your liking. Marketing is visualized as an outward bound activity but you may be asked to do desk oriented job such as sales analysis and this may not suit your liking. Thus, the overall choice of a specialized business will have lot of positions and levels which may suit or go against your inclination. Thus, all jobs will vary according to the levels and positions in the organization and this choice cannot remain permanent in any organization. One must fit the job, but rarely a job will be fit for you.

4.10 TOWARDS GENERALIZATION

Within the same specialization your prospects are towards generalization. Organization tends to become generalized at the top bringing both technical and commercial skills together. Mere specialization in the subject may not make you capable of general management even within your choice of field. General management tends to be desk oriented since it involves more conceptualization than practical work of operational nature. This also means that one will have to consider general management capabilities to make a career. Many people who opt for specialization ignore this important aspect. Moreover, it calls for a leadership which is largely an internal motivation of a manager and not creation of mere education. Doing specialization may ensure your entry into specialized field but not success within it.

4.11 KNOWLEDGE, SKILLS AND VALUES

Specialization may include facilities to earn knowledge and to some extent develop skills. But merely having knowledge and some skills do not make a career. It is the work values which you have within you that make a career besides having these two qualities. For example, regularity, punctuality or hard work are values which you have to internalize and form into habit. There is a case of a first class engineer sent abroad as a branch manager who failed because he could not decide his own work priorities because there were always others who were doing this job when he was at the head office. He got so confused that he had to be called back despite of his being a good engineer and skilled practical handyman. You are not necessarily tested on your specialization but on your overall work values in operation. Anyone joining a specialized application must understand that the general qualities required for management exists in you.

Activity K

Which of the following can be classified as values, skills, knowledge?

Discipline _____

Writing letters _____

Study how banks function from books _____

Attending computer class _____

Attaining speed in typing _____

Rapid reading _____

Punctuality _____

4.12 FAMILY VERSUS ORGANIZATION LIFE

Applications do make changes in your life style. More competition attracts tough conditions but better pay. If you choose a pay, you have to sacrifice your comfort zone and face a stiffer job. Career is not made by you alone but by your family as well. If your jobs involve a lot of moving around, you have to train your family to take care on its own and face day to day life. You may not be able to get your children to study or guide them and may be this role will have to be played by your spouse or other family member. Family career and organization career generally move in opposite directions and there is considerable pull and push within the two. One has to make ones mind along with other members of family to face reality as it is and not to regret the choice. Besides there are job hazards in every career and one must take it within its stride. These factors are being stated just to balance your choice so that you can make it with more open arms. It is not peculiar to specialization alone but since you are making a choice you should be realistic about such a choice.

4.13 JUMPING TO OTHER LINES OF BUSINESS

Is specialization the last choice of your life? In reality, no. It is only the starting point of your career. As you go along and prove yourself in your career, a number of opportunities start appearing. You have now earned a trust where you work and the world starts trusting you. The opportunities may be within the same specialization or they may be in altogether different specializations. As you go up, it is easier to jump to other jobs within specialization or out of specialization. People start understanding that success is mutual and thus look for more reliability to walk together than just someone being taken to assist. One may say success in a job is a passport to another world of employment. It depends on you as to how you want to climb your ladder.

Activity L

You are a graduate in catering technology. What prospects you hope to have in the hotel industry and, if you learn other skills and acquire knowledge, can you become the Manager of a hotel?

4.14 SUMMARY

Various businesses for which management is being applied are growing as also the types of businesses. These applications have become so widespread that they cover schools, education, hospitals, hotels, hospitality, insurance, libraries, information, exports, public administration, sports etc. to name a few. The application specializations consist of general management knowledge and then knowledge of specific business application. Some aspects of general management such as pattern of ownership, composition of stakeholders, business inputs, outputs and processes including technology, internal organization structure, external organization structure, financial analysis, man power expectations, functions etc. must be included in such a study.

One way to understand peculiarities particular to the management of specialized application is to consider these from an application point of view and make management visible before you start administering it. When we start considering specialized application, we must consider what goods, and services are exchanged in business and, why these are exchanged, whether it is goods or service oriented, technology used and its future, study of industrial structure to determine competitive nature and scope. In addition, we may determine the sources of knowledge, job skills required at each position and department, general organization analysis in terms of departments and levels, career steps and qualities required at each step, success factors applicable to a particular application, key result areas, competitive practices and general profile of customers and its peculiarities etc. As specialized application, public administration, voluntary social services and small traders are specifically dealt with since the management of these is to be considered on somewhat special footing. If we analyze the organization's departments/sections and jobs involved under special applications, one finds that they differ quite a lot from its general make up. One should study specialized business application as a career and then see, if one can fit into its overall structure. Moreover, you must have two important considerations while making career; suitability to family role and need of basic values to serve. At some time you may jump over specialization and as such must keep broad interest intact even though you may be engaged in specialized application at the moment.

4.15 SELF-ASSESSMENT QUESTIONS

- Q1. Think of any new business where there is prospect for developing application management like 'career guidance information service' on charged basis and see what points you will consider for developing specialization in this application.
- Q2. Name the factors one should consider in any business management.
- Q3. In order to acquire knowledge of new application business, what will be the heads of information you will consider?

The departmental and sectional structure given here is simply to introduce various functions involved and will vary according to the size and the needs of an organization. The staff characteristics are given to show how specialized careers are varied and that a general understanding is essential for any function. For example, in marketing one will have a fully desk oriented work such as attending to tenders and specifications, and field oriented work like that of a salesman. It will be a mistake to go by department specialization and expect that type of work. If one goes through these functions and then sees who does, which activity in any organization, one will know its structure easily.

The activity grouping as sections and its title vary in actual practice. The staff characteristics are given to show the variety involved in the same specialization and how general choice of any functional area does not indicate the jobs involved. This will help you in career making.

5.1 INTRODUCTION

We find after dealing with various businesses that certain management functions are standard for most of the businesses. We can classify these as marketing, finance, materials, operations, human resource, information, projects and administration. Whenever we are involved in management, we are engaged in one or the other aspect of these functional specializations. These are very broad categories. When these are thought in further details, we had that they comprise of several groups of specialized activities which for the sake of convenience are called sections. In order to understand these functions and their role in business management, we will also study major sections under each head of specialization to get an overall understanding of functional specialization.

Activity A

Think of any three standard common functions in all businesses and think what will be your job requirements in terms of physical and mental requirements. As a salesman, for example, you will need traveling stamina and communications skills.

5.2 MARKETING AS A FUNCTIONAL SPECIALIZATION

- Importance :** Marketing is an end activity in business. If business is defined as an exchange of goods and services to the final customer, then it is possible only if we market the goods and services to the customers. The process of convincing the would-be customers of the utility of product and service one renders and its ultimate delivery is marketing. It is not merely physical sales but is the whole process of presenting a product and service to a customer and thus includes everything that we do to promote this process. The success of any business activity depends on the satisfaction of the customer in buying and utilization of such goods and services and in turn getting paid for such services. Even when teachers teach, they market their services and even if education is given free, the Government or some persons extending charity would exchange it and get paid for it. We must take the wider meaning of a customer and payment so as to cover all exchange types of business applications.
- Major sections of activities :** In order to understand the scope of marketing activities, the better way would be to go through activity groupings named sections. Marketing will consist of broadly the following activities:

Sales Administration : This section sees that products, and services are available for exchange with customers. This is critical since availability of goods and services is the basis on which the whole marketing is dependent. The delivery of goods and services is a part of this section. It may also be given charge of warehousing, packing, delivery, transport services and all legal formalities to clear these services from laws such as excise, octroi and making delivery, packing slips etc. and passing to accounts for final billing. The whole administration from taking out order to its execution and even recovery of payments may be included under this section. Thus, major customer satisfaction depends upon how this function is efficiently handled. Marketing planning is also done by this section. This is more administration oriented work.

Market information and intelligence : Collecting leads for possible customers, keeping up-date on market trends, keeping watch on competitors' activities, feed back collection on customer satisfaction are part of this section. In short, it is an information house of the marketing department and must be ever active. The work here is more knowledge oriented. Special market research studies are also entrusted to this section.

Market distribution control and guidance : The most important component of this is sales force, its motivation and evaluation. It is the sales force that works as ears and eyes of marketing department. The sales force also includes distribution agencies such as distributors, dealers etc. Keeping sales force motivated, active, seeing that

the total market area is covered and its feedback becomes a very important work in this section. Generally senior marketing staff having good field experience and administrative experience are chosen for this job and it may involve physical movements in terms of traveling and customer calls. The customer relations management is looked to by this section.

Sales Promotion : Formerly promotion was restricted to salesman's visits and verbal communication between him and customer. Today, efforts are made to promote sales by introducing a lot of promotional activities parallel to sales force and some for strengthening sales force. The advertisement and publicity is one way of promoting but along with it training programmes, display packages, sample distribution, prizes, awards, brochures, price lists, quotations etc. are produced to help sales succeed through its sales force as well as its distribution channel and some direct efforts by the departments. One of the important ways to supply Government and semi Government organizations is through tenders and filling tenders is a techno-commercial job. Some may establish a separate section for advertising and publicity to distinguish it from sales promotion properly.

After Sales Service : Selling is not complete at the time of selling or giving service. One has to maintain product or service and customer relations, and therefore, the job of after sales service becomes very important. In the technical products, it is the technical job as well as a semi marketing job. The product guarantee and warranty works during the useful life of the product and becomes serviceable for this period.

3. **Marketing Staff Characteristics :** Ability to communicate in the customer's language, both written and verbal, is a must. Irrespective of your position, technical knowledge about products, services and facilities used is needed. Commercial knowledge such as prices, terms, consumers laws, contract and sale of goods act, and ability to create and enhance human relations are other essentials. Result orientation is more important and can be measured, in turn, in terms of achievement. The marketing jobs may involve traveling and working overtime. The management needs an evergreen risk taking attitude. One must have an attitude to jump in a fray.

Activity B

Considering the sections involved draw a sectional chart of marketing function.

5.3 FINANCE AS A FUNCTIONAL SPECIALIZATION

1. Importance : It has been the endeavour of the management to convert everything in the measuring rod of money, since profit is measured in money. Similarly, all quantitative and qualitative considerations are converted to money. Labour is converted to wages paid, product in money cost etc. This ability of money to coordinate activities has made it a tool to run any business. It is for this reason, we establish the finance department for cost productive services, operational overheads and to determine the final price of a product or service. However, since money can be used for different applications, it needs a control on its use. We pay the cost of money by way of interest.

2. Major sections of activities :

Owned and Borrowed Funds (Capital raising) : One of the important finance task is to raise funds for long term and short term needs. Assessing capital adequacy all the time is important to keep liquidity in control. Banks, shareholders, creditors are all sources of funds and keeping them humoured is the job of finance department. Since we have not mentioned the Secretarial Department, most of the secretarial functions are included here. It requires knowledge of finance as well as law, and generally also handles taxation. In bigger companies, these can be separate functions.

Recoveries and Credit Control : The liquidity, availability of money resources for timely payments is one aspect of the finance function. Generally, these functions depend upon sales recoveries, credit terms and relations with banks and creditors.

Costing : Costing of all activities is a must and therefore, this forms an important section of finance. It also deals with cost audit. Many times, pricing is given to this department since they have cost analysis and a working knowledge of the process. Product and service costing is also done by this section.

Accounts : Keeping all records of accounts either statutory or non statutory from book keeping to finalization of financial statements is a wide spectrum of activities. A lot of administrative work is also involved. The annual audit, and statements such as profit and loss and balance sheet preparation is done by this section. The annual statutory and tax audit may be handled by this section.

3. Finance Staff Characteristics : The knowledge of accounting and law is needed. People introvert in nature, who like to do consistent work and good at figure work and mental calculations, are the basic requirements. In addition, a good sense of

business calculations will be an asset. Knowledge of computerized accounting will be compulsory in future. Many times credit cards, debit cards, handling of ATM, leasing, personal credits which are really marketing of credit instruments are classified as financial functions, and some specialized knowledge of finance may be useful for this purpose.

Activity C

Which of the following are involved in the marketing of finance, ATM, Credit Cards, Leasing, Hire Purchase?

5.4 MATERIALS AS A FUNCTIONAL SPECIALIZATION

- 1. Importance :** This includes purchases of machinery and materials as well as its handling, storing, delivery and looking after inventory levels of these items. It is both a technical and a commercial function. Inventory is one aspect where high capital gets locked up. It is not only that this section controls raw material, semi finished or finished inventory but also is responsible to check material quality till it is put in process.

2. Major sections of activities

Purchase and purchase intelligence (Purchase Administration) : The job of this section is to find out suitable sources of acquiring materials and machines, confirm its technical suitability and purchase price. Purchase administration is also included in this section. Follow up of purchase order till its payment is done, is administered by this section. Keeping in touch with technical development and finding possibility of its use is also a function of this section.

Stores : Incoming, outgoing and process storing of all parts, components, finished or semi finished items and its management is the function of the stores. Keeping inventory record becomes a needed activity in stores. One may require physical supervisors as well as technical manpower to handle stores. Even sending rejected parts or materials is a part of the stores' work. Many stores also undertake outward despatch of ready goods. There can be a number of stores for different items.

- 3. Materials staff characteristics :** Technical people are preferred for working as staff in this department. At various levels, you require knowledge to read drawings and specifications. The important decisions may be what to buy or what to make, and may involve decisions pertaining to outsourcing internal work. Locking of funds invested is another angle and, therefore, a strong commercial sense is preferred. The stores activities are supervisory and administrative oriented.

Activity D

If you want to outsource any item you are making, what advantages you will look for? Delivery cost, delivery time, product quality and your own capacity utilization.

5.5 OPERATIONS AS A FUNCTIONAL SPECIALIZATION

- 1. Importance :** The first 40 years of independence saw the growth of the manufacturing sector and a large number of people were employed in this section. Goods produced on a large scale were covered as a process in 'Operations' but now we can extend its definition to both goods and services production. Producing a product or a service as per the design proposed has been the hall mark of operations. Depending upon the nature of goods and services the relevant technology dominates. For example, engineering goods will be dominated by engineer managers and machine operators.

- 2. Major sections of activities**

Research & Development : Designing new products and developing existing products is a major thrust of this section. Designing prototype is a work of ten per cent inspiration and ninety per cent perspiration. You may get an idea but to fructify it one has to work for years together on the idea. The need of patient hard work is not appreciated, and many engineers prefer to try hand in the section just because they feel that it is a very green field. In practice, it is not. In fact, management of R&D is itself a subject matter of special thinking. It involves extensive knowledge collection and its application.

Standards and specifications : The section involves using industry standards, making drawings for production process, making part numbers and part lists, preparing basic technical information for marketing, issue standards for production and for materials section. It is the precision with which drawings are made out that one can control quality of products and services.

Tools, jigs and fixtures : Here jigs, tools and fixtures are developed and produced for handing over to actual production. Many times it also provides gauges. All these contribute to accuracy of production and to its quality.

Maintenance : The equipment used for production and various facilities are to be regularly maintained. Preventive maintenance is done so as to avoid last minute failure and time loss is a key need of any production. This again is technique function and demands technical manpower.

Quality assurance : In the past, quality was related to goods produced and there was emphasis on inspection, where job is first done and then its quality is checked. It has now changed to quality assurance by doing away with bulk of inspectors who were checking quality. It is now the worker who has to produce and assure a quality of what he makes. It has now been extended to the satisfaction of customer and not only of the product but also its services and that too over a life of customer relations. Total quality approach now covers all sections under organization and beyond, to see that quality is made the major aim of all those who supply parts, who assemble goods and services, and all those who help its distribution. It has made maintaining relations with customers a new focus while it is taken for granted that you cannot supply product or services below expectations of customers. Thus, we are now talking of total quality and customers' relations management.

Production, planning and control : The whole planning of productive activity starting right from procurement of materials, parts, machinery, tools etc. till its utilization for production is an area that is handled by this section. It has, therefore, a wide data base of resources, and liaison with materials and marketing to see that this whole process is smoothed out. Though this is a technical function, it also requires meticulous recording and data availability and is said to be the administrative office of production. Most of the day to day planning is done by this section.

Production process control : People are accustomed to call this a workshop. The work is in a more visible form here. The one in charge of this function is called a foreman where more than his basic technical qualifications, his actual experience was considered to be important. He is responsible to setting up of equipment, jobs,

supervising people operating the equipment and facilities used, and to see that a productive environment is maintained.

Packing, painting and delivery : Here, despatch and delivery to the customer is arranged. Making packing lists, preparing delivery notes in the packages, putting proper identification marks as to order and recipient and arranging transportation or mode of delivery is handled by this section.

Material Handling : This may be a part of material section. The job of handling within production may involve forklift trucks, conveyors lines, overhead cranes, trolleys and human manpower to operate these equipments.

Time Keeping : Without keeping records of attendances timewise, wages and salaries cannot be ascertained and this is one important administrative work before granting any benefits. Leave records and medical records are also kept along with timekeeping. The salaries and wages section cannot work without time keeping section.

3. **Characteristics of operations' staff :** One will realise that the technical staff dominates this section. Operational level skills are needed in almost all sections. There is lot of day to day and coordination work. Specialized technical knowledge at all levels and activities are contemplated. In view of greater number of staff and its variety, one can see the importance of co-ordination and time orientation, since all the processes are oriented to timely deliveries. Most of the work calls for some sort of physical jobs and are not purely mental. Experiences dominate in terms of work knowledge.

5.6 HUMAN RESOURCE MANAGEMENT AS A FUNCTIONAL SPECIALIZATION

1. **Importance :** Conceiving of business till its implementation is all human activity. Selectivity, creation and discretion are hallmarks of human efforts. But these very qualities make them distinct individuals and as such different from resources which can be standardized. This non standardization along with demand for equality and craving for recognition of individual qualities create real problems in handling human resource. In the evolution of business, he was first thought as a tool for production, then for his skills, knowledge and values and now he is treated as an independent contributor to work quality and customer satisfaction. The recognition that human contribution cannot be dictated but has to be obtained by appealing to his motivation and invoking his work satisfaction has been accepted now. This has also made one to think more about a man's work environment.

2. Major sections of activities

Staffing : The major task of this section is manpower planning and recruiting, evaluating personnel on work, and planning for their career growth. With the increasing need for knowledge, most of the people are now being converted to knowledge workers and are becoming part of a knowledge asset. In preserving humans, we are preserving knowledge. Even a pure clerical work demands operating knowledge and skills needed for computers.

Wages, salaries and welfare administration : Once policy decisions are taken these become pure administrative functions and, therefore, described as administration. Welfare includes schemes such as canteen services, attendance and other bonuses, awards, grievance procedures, suggestions schemes, medical and health benefits, leave travel allowance and deductions etc. The time recording of this function is either done under production or under this section mostly described as time and wage section.

Industrial relations : Here the main aim is to keep cordial relations between management and workers. Its functions include dealing with union and looking after functioning of labour laws and industrial disputes, the agreements with unions are negotiated and settled and its continued functioning is ensured.

Training and development : Developing human resources on work and its environment is done through organizing various programmes both in groups and at individual levels. Even on job training is arranged. Chances for attending outside courses and visits to enhance comparative knowledge are also attempted.

Industrial safety : It is compulsory under various acts to provide adequate training in fire and safety and maintain requisite standards of safety in a work place. It may even have to establish its own medical unit and first aid room.

3. HRM staff characteristics :

This department requires legal knowledge, social work sense, administrative work capabilities, human skills in handling negotiations, training and development. So long people were looking to the provisions of the act the labour officers dominated, then Master of Social Work were preferred but today more maturity in handling people is expected and therefore, people with long experience in the same organization are chosen.

Activity E

Which sections in HRM are highly desk oriented?

5.7 INFORMATION AS A FUNCTIONAL SPECIALIZATION

1. Importance : One may not get this function put as a separate section and may get termed as Management Information or Computer center. Information has acquired importance not only in its acquisition but also in dissemination throughout organization. Having right information in right time to all concerned has become vital. It was found that in a competitive world much more information is required and, if you receive it first, you can build your decisions and take necessary steps. If you come to know that a competitor is bringing out a new product in the market, you can take the cue and decide your own line of action. Information is the backbone of decision systems, quick and fair decisions are possible on the depth and breadth of knowledge available. Thus, this function is now being organized. Moreover, equipment such as computers and telephones and other communication have revolutionized this aspect. Availability of e-Mail and web information have very much changed life style.

2. Major sections of activities

Systems development and software conversion : This is developing Management Information System, and requires both system knowledge and software development. Maintenance of system is also handled by this section.

Hardware maintenance : This work becomes more important as we depend upon computer and communication equipment. Since office becomes totally dependent on such a system and equipment for its day to day operation the maintenance becomes important.

3. 'Information' staff characteristics : Both hardware and software knowledge is desirable for operation of this section. At the lowest level; telephone operators, data entry operators are necessary while at a higher level; experts in information technology are needed.

5.8 PROJECTS AS A FUNCTIONAL SPECIALIZATION

1. Importance : When one talks about management, it is presumed to be continuous management for a life of business. There are many occasions when we undertake some functions which have a beginning and an end. These functions are floated to undertake some special assignments or schemes of a temporary nature. These are quite common when we undertake a definite job which we have to complete and then disband the team that is working for such a job. It is common in contracting or commissioning new project. For example, when a construction of some buildings, bridges, roads etc. are undertaken, a temporary organization is formed to undertake this job to fulfill the commitment in time and cost. The salient feature of a project is that at different stages of projects different aspects dominate and one may need temporary people till a specialized activity is not complete. For example, land acquisition predominates in the construction project initially, followed by foundation work, pillar structure, slab work etc. and finally finishing work are undertaken. All these stages are carried out by different people and the project manager has to supervise these stages and see that these works are properly done. So also material supply and costs at each stage vary and one has to manage these variation. The costing of project work is also done separately. It is as good as running an independent business under an organization for a fixed time and then ending it.

2. Major sections of activities

Project administration : All desk oriented technical work, costing and accounts and administrative work is carried in this section. Since, projects require a lot of coordination, this section becomes essential.

Project execution : This section is generally at the work site and, therefore, can be away from the project office, though it is a part of the project section.

3. Project staff characteristics : Since it is management in miniature, it has many functions of general management. But most of the staff works temporarily for the project. Operational staff is major because of its nature and comprises most of the technical staff needed for the function. The commercial staff is not much and is restricted to administrative activities. It undergoes constant changes in manpower.

5.9 ADMINISTRATION AS A FUNCTIONAL SPECIALIZATION

1. Importance : We talked about a number of sections in various department and these are to be administratively coordinated. Besides there are a number of

miscellaneous functions which are to be coordinated and therefore, a need for centralized administrative office is felt. Security function, canteen function, housekeeping, gardening, building maintenance, company secretary work all have to be done centrally. What is centralized and what is decentralized is a choice of each organization depending upon it, spread of activities and cost considerations. But there always seems to be a central office in most of the organizations. It is through the efficient and effective use of office management that coordination is created and one need not look at it as a necessary evil but a tool for organization efficiency.

2. **Major sections of activities :** Generally though structure will vary quite a lot, the office would comprise of the following.

Incoming mail and despatch : Receiving mail and sending out and registering mail.

Filing information : Preserving records of information and its retrieval in time.

Reception and housekeeping : Receiving, conducting and seeing off people, maintaining schedule of visits and keeping receptive environment through proper housekeeping.

General services : Services not being handled by specialized sections are combined here. For example, estate management may be handled by this section, if it is not handed over to someone else.

3. **Staff characteristics :** Mostly, there is administrative work here but depending on services performed even specialized people may be required. Orientation of work is mainly desk. It may include maintenance of office equipment and staff needed for this purpose.

Activity F

According to you which functions are not desk oriented?

5.10 LEVELS IN ORGANIZATION

When one thinks of specialization in terms of departments and section, one important consideration, namely, levels in organization must be taken note of. The work at the operational level, middle management level and top level within the same specialization will vary significantly. Having specialization gives you an overview of that working but does not necessarily prepare you for all levels. These levels are notional and may vary but generally these are divided into three parts such as operational, middle management and top level. The operational level work is to implement, middle management level is taking decisions with the policy laid out, and at the top level you are deciding policy and strategies for implementation. Thus, marketing specialization may have operation level work of selling, the middle management may take day to day decisions up to a years budget and will operate within a yearly budget, and the top management may think of introducing new products or change of distribution channel and work out a new price structure. By living within functional specialization we may find the job changing, according to levels and positions. Specialization at different levels may be taken note of at each level as a part of studying specialization.

Activity G

Classify the following positions in Top, Middle and Operational Level Management.

Welder _____

Watchman _____

Planning Manager _____

Chief Operations Manager _____

Nurse _____

Doctor _____

Sweeper _____

House keeping contractor _____

5.11 SCALE OF ORGANIZATION

The size of the organization also calls for different degrees of specialization. In a small concern purchase, sales and administration may be combined. Thus, your general management knowledge will be much useful than merely specialization. While you are

studying, one does not know what type of business and size you will be handling and as such, one has to prepare generally for broad knowledge. In a small organization, human resource management or information management are embedded in what you do and most of the managers in such organizations are also handling personnel and information for their own activity.

Activity H

Do you think the following require specialization like marketing?

- a) Dealer appointed in a village._____
- b) Organization that has outsourced marketing_____
- c) One who has contracted sale for five years._____

5.12 GENERAL MANAGEMENT

In the light of all above, one must place general management in the proper perspective. So long as one understands how to manage whether specialization or otherwise does not make a big difference. In fact, management is an aid to all specializations, to do their task much effectively and efficiently. This is the sole purpose of management. If we require special knowledge to do it better, there is no reason why we should not. But the flow of specialization should really begin with the subject, you wish to apply general management and then turn it to management specialization. It will be a more sound practice. General management is taking a broader view of market and placing our own product in such a perspective. Whatever we do for it is all general management. Since management wants to put specialization in human service, such a broad view only can make it possible.

5.13 PROCESS ORIENTATION

One of the important aspect that is drawing attention of all management thinkers is that division into specialization creates a problem of department structure and its coordination as well as the increasing cost of such co-ordination. This is making people think towards processes which ultimately link customers. People are think of specialization in terms of processes such as order process, communication process, information process etc. and are studying network links as a major flow to make management more efficient and effective. Since process travels through many departments, its link up is occupying more important place. One is now talking of supply chain management as a total link from suppliers to customers and has made one to realize that individual operating units are ineffective until

the rest of the chain becomes a part of total management thinking. In future, we would think marketing as a system than as a department. Each thought gives way to improvement as well as creates some drawbacks and thus new angles are perceived. Information technology is using quite a lot of this approach in studying management system but since this knowledge has remained with technicians it has not made big inroads in management thinking. If we think of processes, we will think of linking inputs and outputs instead of an independent department. In future, we will also study linking of processes as part of management study.

5.14 SUMMARY

Based on the principle of division of work, an organization is divided into number of functions and it also creates specialized functions. These functions which are largely common to most of the organizations are developed into different management functions such as marketing, human resource management, operations, finance etc. Then these functions are subdivided into sections to group similar activities under such a function. Each of these functions are characterized by sections and the type of knowledge or skills required to operate each section. Thus, each specialization embraces a lot of diverse activities and overall knowledge of these would be necessary for a managerial future. Now processes also acquire importance since they are found to be necessary to promote customer satisfaction as well as reduce cost of handling by departments. These processes cross departmental lines and try to avoid waste in handling.

5.15 SELF-ASSESSMENT QUESTIONS

- Q1.** Is a specialist in agriculture more useful than a management graduate specialized in agriculture? Discuss.
- Q2.** What is meant by standard management functions? Describe the major management functions.
- Q3.** If you opt for marketing specialization, think of different sections it will have and enumerate career knowledge, skills and values required for each of these sections.
- Q4.** Draw an organization chart showing specializations and sections.
- Q5. Case study**

The All Time Textiles & Garment Ltd. had a commercial department which deals with purchase of raw material and sales of textiles and garments.. The chief of the Commercial

6.1 INTRODUCTION

As a manager, one is so much engrossed in one's work that one realizes the importance of resources only when it is short supply. One does not appreciate that what one thinks as managerial skills are all resource based. The most important and yet neglected resource is 'time' which we use everyday but hardly realize its use. If time would not have been available as a resource so freely, the scarce number of management problems would have acquired a different shape. Let us say, that there is an examinations for which one has to appear. We then start realising the importance of time because we have to use limited time available till examination. One of the important management activities is to organize resources so that we can produce goods and services, and make them available to customers in time of their need. Thus, one of the tests of good management is organizing resources and then utilizing these to its optimum level. The resources can be broadly classified in terms of material, manpower, money, machinery-equipment, information-knowledge and services. We will examine these one by one so as to understand what these resource utilization means in management.

Activity A

What resources will you organize to play cricket?

6.2 MATERIALS AS A RESOURCE

- Importance :** The nature of material extends to all that is obtained from nature and subsequent supplies in parts, accessories and products which we procure for business activity. Thus, the natural resources like land, water, air etc. are primary materials which we use for subsequent process. The supply of this material is controlled by nature and its availability will depend upon how much it is available in nature. Let us take petroleum as a resource. The reserves are limited and also are restricted to certain geographical areas such as Saudi Arabia, Iraq, Nigeria, Venezuela etc. One day the oil wells may run dry. Today, we believe abundant solar power is available but to convert it into useful form still requires plenty of research work. Thus, one of the problems with material use is the need of technology to convert it to an useful end.

The other aspect is its need of transportation to increase its utility. All material calls for transportation expenses. Even though nature gives resources freely, its handling and transportation and shaping it to an useful product incurs cost and labour. One finds that industries which handles the natural resources are located at the source of supply than at the source of consumption. It invariably calls for temporary storage and thus involves inventory levels and locking of funds. In most of the business, the material costs are about 40 to 70 per cent of total costs. It needs a purchase function.

2. Application: Managers may have to handle important problems as

- Buy and Make - At what process or manufactured level to buy the material you intend?
- How much value, one can add on given resource?
- What is the technology involved in using a particular material?
- From where to procure the material and at what price?
- How to handle and store the material? What is its shelf life?
- What is the level of inventory to be carried?
- How to use or dispose off waste materials?
- Do we have the knowledge and technology to convert material resources to an useful product?

One will thus appreciate that merely material resources pose a number of management problems.

 **Activity B**

Take any material resource, you are using and answer questions given in an application above in connection with such a resource.

6.3 MANPOWER AS A RESOURCE

1. Importance : Human being has been endowed with a faculty to think, judge and

prioritize his actions. He offers creativity and innovation. Though nature has given these faculties to every human being, his acquisition of knowledge, skills, his attitude of looking at work, his perception about everything he sees, varies so much that one cannot expect a standard response from all human beings. Thus, man as an asset is difficult to control as an uniform resource. Besides, he has a definition of his own satisfaction and may or may not be inclined to work with same enthusiasm. Moreover, he changes this attitude from time to time and has his own moods to work. Thus, a human being is an unpredictable resource.

When we want to take a human being in the fold of our business or organization, we have to consider him from various aspects; as an individual with a given knowledge skills and values, what we can expect now and, say, after three years. Moreover, one has also to look to his personal role in his own family and how it will influence his organizational life. On the one side, he expects greater responsibility and job satisfaction but he is reluctant to work without getting paid for such extra work. Thus, his expectations are to be seen and controlled so that he can be useful to the organization for a long time. His preferences and values also must be gauged before he is employed. The worst is that we have to evaluate all his work life because he can prove to be a liability if neglected for some time. Thus, a human being is an expensive resource to be evaluated all the time. To make him more useful, we have to give him further training. The chances are that he may leave the organization any time and create a knowledge void. He not only works but also helps to manage. He can innovate new products and processes to make business work, and may demand including right in business. Thus, human resource is the challenge to management throughout its life.

2. Application : Utilizing human resource raises a number of management problems. Some of the important ones are :

- What is his past work experience?
- How far his education and skills are practically relevant?
- How long will he be useful to us?
- What reciprocation he expects from us?
- Will he be able to work in a group?
- Are his family circumstances complementary to the work career you are offering?
- How will we decide his career progression?
- How much a partner should he be made in decision making?

- How can he be groomed to take further responsibilities?
- How will he compare with others working with him?
- How will he influence the work group balance?
- How does he fit in the job description?
- Can we change the job description to suit his talent?
- What can one do to accommodate him?

Activity C

Take any one of your friends and see for what purpose and how he will be useful for any functional activity enumerated above.

6.4 MONEY AS A RESOURCE

1. **Importance :** Money is a common measure of activities and thus it occupies a great importance in any activity. The added advantage of money is that it has a capability to be used for alternate applications and, therefore, can be stored in a virgin form to be used for any subsequent application. For example, with the same money you can buy a life policy, purchase an asset such as TV or spend on a hotel visit. Thus, it has a stored value and can be utilized in future and, therefore, has the potential for future storage. It has an intrinsic value which is mostly stable but its purchasing value will change from time to time. Its ability to meet expenses on demand gives it a liquidity and thus money measures our liquidity. Since, we can express all activities we can use it as an accounting measure and draw conclusions about our profitability.

Money which is used for business is termed as financing and it plays a role of fixed and working capital. It is a measure of exchange and thus enables to do business even on an international scale. If we can increase the turnover of money by doing quick transactions, we can increase its return than merely the rate of interest. Thus, people like to employ money on transaction, increase its turnover and make increasing profit. The supply and use of money is controlled by the Government in order to

keep its tender value stabilized over a period of time. The market behavior is measured in terms of money. The flow of money business to undertake continuous activity is thus very important and one has to see how this behavior takes place from day to day.

2. Application : The utilization of this resource raises the following management problems:

- What investment such an activity would call for?
- What amount of working capital will you require?
- How will money be raised -owning or borrowing?
- What will be the rate of interest?
- What will be the cost of raising money?
- What credit terms will you offer to customers?
- How much money is locked in debtors?
- How much are book receivables?
- What is your bank position?
- What terms do you expect suppliers to give?
- What is your liquidity and how does it compare with your present business?
- If your business is growing, how your liquidity is being affected?

Activity D

Prepare a budget for your own income and expenditure for one month. What extra activities you can plan during this month within funds available.

6.5 MACHINERY AS A RESOURCE

1. Importance : Machinery in this resource group really includes all equipment used for producing further goods and services. The expenditure on machinery is deducted over a number of years in terms of depreciation since the whole price paid cannot be

recovered in one accounting year. The life of machinery extends over a number of years and it is shown as an investment (and not expenditure). It is shown as an expense, every year proportionately of its use by way of annual depreciation. As a thumb rule, the expenditure which you do not show within a financial year but spread over number of years is treated as an investment and therefore, an asset. Machinery indicates long term use, one time investment and provision of depreciation. Similarly, land and buildings which are long term assets are grouped under this heading. The accounting books may show such items differently. When an asset is bought, its asset value over a period will change to its market value and hence this asset either appreciates or depreciates in terms of current prices. This is done to bring its present value in tune with the time and not necessarily based on historical costs.

The other salient feature of most of the assets is that it requires maintenance and up keep so as to keep it serviceable. Thus, some annual cost is incurred to keep the asset working. Since, machinery cannot be readily disposed in times of need, it is not a liquid asset. Thus, one has to plan long term funds for creating assets. Assets are to be dealt with differently in terms of finance availability. If one uses more borrowed funds, payments in terms of interest on such borrowed funds become a burden.

Being a one time decision involving the use of asset for number of years, it has to be gauged in future technological trends. In fact, most of the assets need some technical knowledge as to its use for a longer time. It is generally a techno-commercial proposition. When the costs of any equipment is very high, such decisions are taken at the highest level and that too in a committee so as to reflect all possible views on techno-commercial aspects involved. Since its use is involved also in future, very elaborate buying proposals are worked out.

2. Application : The application of this resource raises management problems such as:

- Will the asset be technologically useful through its useful life?
- What is its useful life?
- What will be the maintenance costs over its service life?
- What is its present worth?
- How do we equip to use the machinery technically?
- How is equipment competitive in the market?
- Will lease or mortgage finance be available for the deal?
- How is utilization of assets planned?

Activity E

If you intend to purchase any durable goods such as a motor cycle, washing machine, refrigerator; work out its cost for you, keeping the above points in view.

6.6 INFORMATION - KNOWLEDGE AS A RESOURCE

1. Importance : Information was not recognized as a separate resource till competition became strong and people felt the need to know more about business environment and the need to introduce new products and processes. Development of computers along with communication technology gave encouragement to this concept and people started looking at information as an asset. The data in raw form is converted to useful information, information learnt is converted to knowledge, knowledge is then converted to an utilizing skill which one may term as talent. It is now found that all tools and equipment are to be learnt to operate usefully. The whole decision system is dependent on information available at the time of taking decision and therefore, distribution of information to all concerned has become the preoccupation of management information system.

Even while recruiting man power, we today consider what knowledge the human being brings to an organization. We are also talking of data mining and using specialized software to do this. One not only produces goods and services but also knowledge in the process which by itself can be exchanged or utilized. Thus, one now admits that along with business, one also produces knowledge to do business. Proposals for mergers, acquisitions and technical collaboration are being done with the intention of acquiring knowledge. Indirectly acquisition of knowledge reduces the time taken for understanding and implementing activity, and it has acquired a force by itself.

2. Application : Information as a resource raises number of management problems such as:

- What value should we pay for information?

- Where is the useful information available?
- How can we collect and store it?
- How can we retrieve in time?
- How will we disseminate information to all concerned?
- How will we encourage people to 'innovate'?
- How will we deal with information obsolescence?
- To what extent will we invest in business intelligence?
- Who will act as CIO (Chief Information Officer)?
- How can we obtain and use expert systems?

Activity F

Take any activity you are doing today and find out what information you require to do this activity and after producing activity what information do you produce for future use?

6.7 SERVICES AS A RESOURCE

1. **Importance :** If you observe any business carefully, you will find a number of services being used by business. Take the example of electricity, gas supply, water supply and hosts of services such as house keeping, security etc. and you will realise that modern business is dependent on the availability of these services. Most of the equipment requires after-sales-service and this will invariably come from outside. Transport, health, communication are other examples of services which are needed for day to day existence of business. The spectrum of services is wide and varied, and it is ones imagination to create and use it.

In fact, we carve out many services of business and outsource them to reduce overheads and make our working more effective. The area of specialized services in terms of specialists, experts and organizations is on increase. In fact, some businesses encourage their own people to undertake independent activities on their own and give them a chance to form business assuring them business support. We find that

painting, packing operations in many industries have become independent functions in shape of services.

2. **Application :** The number of management problems arise in supply of 'service' as a resource may be listed as:

- What are the services we require?
- How can we reduce cost of these services?
- Are there any other ways to meet these services ?
- Which are the services that can be outsourced ?
- What sort of maintenance agreement we should have for such services to ensure prompt and regular service?
- What should be the control mechanism to ensure continuity of these services?
- Based on our present investment what are the services we can extend to others?
- Can these services be used jointly with someone else?

Activity G

List the services which make your life easy and comfortable.

6.8 TIME KNOWLEDGE AS A RESOURCE

1. **Importance:** In view of its free availability, Time is ignored as a resource of very critical importance to management. The father of scientific management, Mr. Fredrick Taylor, established that efficiency can be measured in terms of time and output. In fact, even when we speak of a balance sheet we speak of one year as a time. All management activities are measured against time to arrive at efficiency. The time which is gone is lost forever and cannot be reused. Similarly, you can think of future but cannot work in future. You can only act in present and that is why 'present' is a very important consideration for management. The future is based in your present

performance. You cannot base true planning except on what you are to-day. Thus, time has a great relevance in management.

Another important feature is that time is always being consumed one way or the other. Time not spent in activity is time misspent on an activity. Time is a great decision maker. It decides one way or the other in any case. If you keep a number of papers pending in a drawer and open it after six months, you will find half of them irrelevant now and that negative decisions have already been taken without waiting for any one. We also say time is a great healer. It makes us to forget many things. If you do not take positive action in time, time will take its own action ignoring you.

We, as managers, can use time to its best advantage in management. You will invariably find project costs going up, if these are delayed. We also say a stitch in time saves nine. One of the important managerial quality is acting on time. In fact, managers learn time keeping as a subject. Apparently harmless and cost less time is a resource that carries a great meaning in managerial life. Working hard is really working against time. We cannot buy time , we can only use it. The managerial efficiency is really how time is used. Time can be positively used only if its utilization is planned. Planning , therefore, occupies a very important place in managerial life.

2. Application : Utilization of 'time' as a resource raises management problems such as :

- How can I apply 'time' factor to every activity I undertake?
- What activities I have to plan for future?
- How has one used time which has bygone?
- How can I prioritize my work activities in view of time available?
- Is this a right time and way to do this act?
- Is this decision going to be useful for a long time?
- How long should I keep the same policy?
- What time perspective should I look for this decision?
- How long will it remain as a memory?
- Can I forget or forgive?

Activity H

List what activities you should have undertaken to increase your present career chances.

6.9 SCARCITY OF RESOURCES

If managers are asked any time what is their dream, they will promptly reply give us enough resources and we will show what wonders we can do. It shows confidence but not enough confidence to have all the necessary resources that one needs. In fact, managers always work in scarcity of conditions and, therefore, seem to be under stress. Business is growing and they have more appetite to consume resources before they grow. Thus, the race between resources and results is a common managerial problem. We always wish we had resources to expand business. Business is born out of struggle and always lacks enough capital to buy all resources required. In fact, resources are to be prioritized and purchased in lots. Thus, planning of resources goes according to capital resources available. Not even the world's most well settled business will declare that they have enough resources. In fact, productivity depends upon the most economical utilization of resources compared to output desired. This struggle will go on till business exists.

6.10 SUMMARY

Managerial work involves raising and using resources. On the one side resources meet managerial demands but along with it, it raises a number of managerial problems while selecting and using for application. The variety of resources required is enormous and all this brings pressure on capital. Thus, the resources are scarce at any time in business. The management with scarce resources is tight rope walking for all managers.

6.11 SELF-ASSESSMENT QUESTIONS

- Q1.** Take your family as a management unit and prepare a plan of resources you will ideally require in the next one year and what eventually you will drop, if you do not have enough resources to plan these.

7.1 INTRODUCTION

It has been the endeavor of management experts to consolidate management knowledge in order to enable it to be presented in an organized form. One such effort was to classify managers' functions in suitable groups of activities. It was found that functions of management are to plan-organize-staff- direct - lead-control and coordinate. It has the advantage of being a logical process which managers can adopt in practicing management and thus it received a general acceptance. We have already seen in Unit 2 that management can be looked from different perspectives. Efforts, therefore, will now be made to link these perspectives while discussing the process. Thus, the process school was accepted as a classical school in the management theory and we shall adhere to this type of analysis while discussing 'management' as an activity.

We have also deduced some logical conclusions about a few basic principles, we may keep in view while applying to practice. The single most important principle is that management is contingent to a situation then present and the only test of its performance is that it goes in the direction of producing results planned. Many times, unplanned beneficial results come out of situations but these cannot be said to be an outcome of managerial efforts. Thus, management is more performance oriented in a given situation. Reading and understanding of a situation is the base to management actions.

Activity A

Plan your studies for the next examination due and see how you allocate time and performance within time allotted. Work out costs such as if you want to spend resources, money for this effort.

7.2 WHY MANAGEMENT PROCESS STARTS WITH PLANNING?

We always act in 'present'. We have already acted in the past and any action them can only be corrected by further action in present, if we want to change it. In future, we can only think of actions but cannot perform it. Thoughts precede actions. You first think and then act. Thinking is always useful for future since there is still a chance to act. We can also say decisions comes first and then actions. Actions are based on decisions and decisions

are thought oriented. First, we must think and act only then. Since actions can be only taken in present, future actions have to be first thought of and planned so that when the time for actions comes, these are ready in our mind. Decisions require consistent actions and these can be consistent, if thought ahead and are not totally impulsive. Management being an occupation involving careful thinking, it is better that you plan your thoughts and the resulting actions. This will save time and cost of actions in future and make sure of the performance. When we think of future, we devote time for the purpose, in present you are busy with actions and may not afford to give time or have a time at all to think of actions. Planning is, therefore, deciding the future course of actions in terms of time, performance and cost.

7.3 SIGNIFICANCE OF TIME

How long should we look for in future? We should look as far as we think it is worthwhile to do something in present to make such a future feasible. You can plan for a period for which you can initiate actions today. Planning is not merely thinking about future but forecasting and prejudging future and preparing line of actions. Planning horizon becomes discernible as you go ahead but your go ahead is based on the actions today. You can dream without actions but you cannot plan without them. We call anything a foreseeable future in which we can initiate actions now and for which we cannot do so these are in the realms of dream and not plans. Everyone thinks of time in different perspective. It is possibility of performance based on actions and speed with which we can get results out of these actions that will determine the time horizon of a plan. If goods are to be despatched tomorrow, the time to plan will be only a day. If you intend to achieve ten per cent increase in sales in a year then the planning period is one year. The thumb rule would be : plan for as long a period as you can since more you think in future in terms of performance, more actions are required to be taken in present. In practical life, we speak of a financial year or the Government thinks of five year plans. The more you think of future, the more you will amend your present.

- 1. Concept of short term and long term :** These two words are used to indicate comparison of time. We can define short run as a clear foreseeable future for which we can take definite actions. The long run is where we can foresee but cannot take definite actions and therefore only talk of it as a direction to pursue. These points become an important consideration since decisions taken in short run may prove to be inconsistent with the long run. More the long run thinking we make, the more the stability in business operations but at the same time more the risks. More the ability to think in future, more the capacity you need to take risk. Because the future is unpredictable, the whole planning process is to make the future predictable.

Activity B

Just think what you can do two hours after, a day after, a week after, a month after and a year after and think what activity you can undertake today to meet these deadlines.

Two hours after _____

A day after _____

A week after _____

A month after _____

A year after _____

7.4 PERFORMANCE - THE RESULT ORIENTATION

We plan for performance. You plan in a dreaming too but you do not do it fully. Dreaming may be called the first stage when you are still working conceptually on an idea. Planning is preparing to implement such dreams. Performance is action oriented and we must plan actions to implement. One keeps certain objectives in plans and performance must be in tune with these objectives. Planning is a purposeful activity. Many people dream but do not plan. If they plan, they do not implement, and if they implement, they do not evaluate.

Performance must be evaluated to see that it is within time, cost and efforts. If you do not, a competitor may do so in much less time and cost, and score a competitive win over you. Thus, it can be said that performance must be effective and efficient. The result in sum and substance is goods and services which we plan to deliver. Performance must be satisfactory to customers who are going to pay for its price. Thus, performance must be according to plan, efficient so that it is at the least possible cost and satisfactory to customers. The planning looks after these postulations.

Activity C

As earlier suggested, if you have planned for study think about what will happen if you delay the plan by one month in terms of cost and time.

7.5 THE COST IN PLANNING

As already stated, planning is done in the framework of time, performance and cost. The cost aspect is relevant in terms of efficiency of a plan. How can we know what we have achieved is within costs planned? Money value of a plan is cost. It is planned in view of competition by like products and services, or alternate products and services. One cannot complete an activity with any costs. It must be within planned costs. The ultimate aim of all planning is business - exchange of goods and services for value. Costs help us, keeping the competitive aspect of business in view. We can also plan our resources if we know how much finance planned activities involve. It gives us a control on resources and its use. It also gives us an idea of planning for resources and how these can be related with activities planned to be performed. We must have a mechanism to review these costs to see that we remain within overall limits of costs planned. Actions depend upon resources available and resources depend upon availability of finance. This aspect is very well taken care of, if you know the costs of resources you are going to use in a plan. The costs give you the realistic picture of plans you are proposing and acts as a natural limitation on your dreams.

7.6 PLANNING PROCESS - TYPES OF PLANS

1. **Planning hierarchy :** Here we treat plans as a hierarchy, taking the most broader plan and then going towards the lowest hierarchical plan. This is to suggest that needs of plans are felt at different hierarchical levels.

Business plans : These cover whole of business.

SBU plans : Strategic Business Unit plans covering business units- for example, if business consists of textiles and ready made garments then we may consider two SBUs one separate for textiles and another separate for ready made garments.

Corporate plan : Organization plan covering its activities. It is a total plan for a whole organization, a corporate body as a functional unit. The plan covers the entire unit.

Departmental or functional unit plans : They also include branches, projects etc. as well as departments and units separated for functional efficiency. For example Delhi branch, Marketing Department etc.

It will be seen here that hierarchical level planning is done starting from business level to smallest functional units possible.

2. **Conceptual Planning :** Here the planning unit is not visible but gives some guidelines/concepts for planning.

Policy : One time decision effective for a length of time. For example, in no case we will compromise in quality and price.

Objectives : Focus direction of achievement and general outcome. For example, 'employees will be paid commensurate with their contribution.'

Goals : More defined quantitative or numerical objectives by end of a certain period within plan. These give practical orientation to implementation of plans. For example, increase sales by 10 per cent during the financial year.

Procedures : Process rules for carrying out action. For example, order received will be immediately passed to record on computer, and then will be given to the concerned department for execution. This is generally written in time sequence.

Rules : Fixed direction unless expressly revised. For example, no smoking.

Budgets : Plans converted to quantities, and in money terms capable of interpretation in statistical and accounting terms.

Vision statement : A broad statement of purpose operating for future and to take others in the vision fold of organization. Wyman Gordon who was in the forging business had the vision of becoming 'Blacksmiths for the Stars.' Nowadays vision consists of how a company looks at both the ends and means-in business.

Mission : The purpose of offering goods and services in terms of beneficiary. For example, the mission of LIC (Life Insurance Corporation) is '*Yoga Kshema Vahya Mahyam*' meaning 'We carry life security of yours.'

Variable Plans : To meet different contingencies, different plans are drawn. The most popular variation is drawing a realistic plan and then preparing an optimistic and pessimistic plan, as the best and worst possibilities.

In brief, these are different ways by which the future is linked with the present.

3. **The plan document :** As a planned document, the above are treated as steps in drawing such a plan. One sees that the plan starts with broader objectives and will be step by step linked to actionable and implementation activity.

From this point of view, the Plan should consist of :

Premising : It leads us to strength, weakness, opportunity and threats (SWOT) analysis based on our premising before undertaking plan. Premising, thereafter will be required at each stage of planning.

Vision : What we visualize our future to be.

Mission : What we aim to deliver to beneficiaries.

Policy : What restrictions on means we will observe during execution of plan.

Objectives : What we will keep as broad directions for achievement.

Goals : Translate objectives to quantitative and financial goals which operational people can achieve.

Procedures : To prioritise and draw sequence of action.

Budget : Convert to money terms to establish standards for evaluation.

4. **The programme :** To achieve results within a certain time frame a programme is drawn. It consists of projects of diverse nature within a subject. The Government has programme for family planning where a number of ways for achieving it are enumerated as different projects. Such a clubbing together is known as a programme. A programme is a plan document on a wider scale than the planning document we have talked above. On the contrary, we also find that the time schedule of an event is also referred to as a programme. For example, college annual social gathering is described as a programme. However, it is the earlier overall approach to a very broad problem which is talked about as programme in management. A programme denotes a time ✓ sequence and schedule of steps to be taken in general.

Activity D

Put your plan of study in above order and prepare your planned document.

7.7 STEPS IN PLANNING

1. **Planning steps :** Planning can be a logical and sequential process and as such we can approach it with pre-determined steps as follows:

(A) **Premising :** Without premising, one cannot go on for planning business. At some point of time, one has to develop a conviction that certain approaches will work and give us results. It is on this premise, that we proceed with the plan. These premises can be more elaborate to base a judgement that certain things will work, if properly pursued. Premises in short are judgements about future plans in terms of the situation in which they will operate. If this is wrong, the whole plan will go wrong. We must let every person contributing to a plan know what premises we have taken for granted. In fact, we should review these from time to time and discuss our findings with all involved. The important premises are those which are required to tackle environment around plan. One may have to develop alternative premises so that we can make alternate plans.

We must see that premises are consistent to all plans and sub-plans. The assistants can contribute to these observations and one can test if these are easily understood by all concerned and agree to these. One can proceed with a number of premises to arrive at a plan. These premises are primarily; possible growth in the market, availability of resources, nature of future competition, strategic considerations etc. We may also call it a hypothesis, the premises on which you proceed.

Even when you plan to study, there is a premise that you can study and you proceed with this towards your study plan. If you doubt this you will have another plan as to how to study. The changing premises will bring changing plan proposals. In the plan, you must have a faith in your approach. For example, let us say we want to establish a ready made garment stores in the city. The premise is that ready made garments have a market potential. There are number of other premises at each planning concept such as prices, terms, products etc. and one has to go on premising to form some preliminary concept about the plan. You can enrich and enlarge premising by undertaking collection of information and research activity, and there can be many occasions to doubt your own premises. You can change your plan document accordingly. You can make forecast about possible potential and make it a part of premising. Forecasts are objective studies to find opportunities or threats and can establish pointers for premising.

- (B) **Information/Intelligence collection and forecasting :** The next step would be to collect all relevant data needed for a plan. One may use primary data or secondary .

data. Primary data is collected directly by interviewing people and secondary data is printed or published data available. Since you have to show lot of discretion in terms of usefulness and time within which you have to collect data, this becomes a very important step.

This data has to be interpreted in terms of future utility. Thus, we have to forecast what changes will take place while implementing such a data. Forecast becomes very important. In fact, these forecasts become your premises to further plan your activity. You can also make different scenarios for situations to make your visualization more concrete. Business potential or market potential research is done at this stage. For example, for a garment stores you may collect information on other shops in the area, suppliers and supplies, general price structure etc. to determine the feasibility of an idea. Richer you are with plan related information, better your premising and chances of success.

- (C) **Establish Vision :** We define vision as what we do not see but what we feel is in store in future. Vision is not only dreaming but also having a faith that if, it is implemented, it will be realistic. Vision is highly personal, one who holds it, has it but can also extend it to a group through leadership. Let us take your vision of establishment of a garment shop. A much larger example is that of Bharat Ratna Dr. D. K. Karve who had the vision of bringing education to girls. He planned all his life towards meeting this vision. Without vision, one cannot have direction to go ahead in future. It is the compass that guides you towards the right direction. In big companies to create this awareness of a vision and make it common, a vision statement is circulated so that all know the direction towards which management is moving.
- (D) **Define Mission :** It serves beneficiaries in terms of their needs and satisfaction. In the above example we want to say our mission is to provide quality garments at the best market prices for all ages of users. Thus, the mission is stated in terms of the recipient while in all other steps, we look objectively from the angle of a giver. The mission is thought of in the angle of receiver of goods and services. Books are not very clear on this approach and we find these are loosely defined. Some believe mission and purpose are same and these words are interchangeable. The purpose is objective while mission is subjective and therefore, these need not be used interchangeably. The purpose of business is to exchange goods and services while that of mission is to give satisfaction out of this exchange.
- (E) **Decide Policy :** All guidelines in the nature of an umbrella of decisions of long term nature are settled in order to provide a firm guideline for many subsidiary decisions.

In the above case, we may have a policy to only deal with cotton garments. We may also decide that we will stick to the labelled prices. Thus, no one should come and ask whether they can have synthetic clothes or whether we can sell with 20 per cent discount. These policies can be written or unwritten. The culture of the organization implies many policies and it is not necessary to put these policies in writing. It defines boundaries and gives discretion within that for adjusting performance to situation.

- (F) ***Set Objectives :*** Objectives are achievements aimed at in broad terms to establish guide lines for taking action. For example, in the above case to meet the total family requirements of all types of brands, and to achieve a five per cent of total market may be the objectives. Objectives can be many. There can be a hierarchy and network of objectives depending upon divisions, Strategic Business Units (SBUs), departments and levels in the organization. All these must be mutually consistent and coordinated to make an integrated plan. Objectives are set at higher levels of organization and generally by superiors for subordinates. These should not be merely a statement of wishes but something which can be implemented and defined for action.

An objective is not to be honest but stating that 'we will go only by labeled prices'. Objectives should enable the subordinates to determine their goals in concrete terms. Goals are in terms of performance. When one speaks of objectives, goals become a subsidiary part of such objectives. Many authors do not make a distinction between objectives and goals.

- (G) ***Set Goals :*** To achieve a turnover of Rs. 10 lakh in the first year can be a goal. This can be made more concrete and achievable. By setting a goal such as 'In men's wear Rs. 3 lakh, female wear Rs. 5 lakh and Rs. 2 lakh for children's wear with profitability of 20 per cent,' we can make it more executable. To make goals more effective they are divided into people working so that each one has a target to achieve. Goals are defined to give practical orientation to plans. Goals are short term or, say, operational within a financial year since these are more tied up with budgets.

- (H) ***Draw Programme :*** There are a number of objectives to be achieved which have to be achieved simultaneously, and its synchronization is called for. For example, you may advertise, appoint salesmen, open a bank account, order purchases, arrange storage and all these activities will have to be done simultaneously. To orchestrate such diverse activities, one draws programmes to establish network relationship between activities. In such a case, programme is a broad range of synchronous activities in terms of time and achievement so that overall programme activities are achieved. There can be simultaneous programmes or one master programme. These

require coordination in time, resources and results and are, therefore, sequenced and synchronized. National plans will have national programmes such as anti malaria programme or on a smaller scale school sports meet.

- (I) **Convert programme to budget :** Given achievable targets and expressed in money terms with revenue and expenditure for all activities aiming at possible surplus is a budget. Thus all plans are converted into a budget and then the budget is used as a control and evaluation document. After all, the business uses language of money to express and judge its results and budgets play a very important part in this direction.
- (J) **Collect information on feedback :** This step is after implementation. It is to carry out necessary corrections in future plans and reintroduce the revised plans and thus we enter into a continuous cycle of plans.

Thus, planning is a continuous process and one has to consider planning more as a system than a process.

Activity E

Draw up a plan with the above steps for the establishment of a garment stores in your locality.

7.8 WHAT GUIDES PLANNING?

Any planning should realise that it has the following features:

1. **Navigational tool :** Planning is a navigational tool for management which aims at reducing uncertainty in future and keeping a long term view of purpose, objectives and goals. Management has to navigate towards an objective and has to arrange detours on its way to objectives and thus it is not a straight drive. Planning assists in many ways to navigate.
2. **Performance standard :** Planning sets performance standard in terms of achievement. This leads to another principle that plan acts as a control document. This is provided

you take a feed back and improve your performance based on such a feed back. Thus, establishing performance standards is very important. If you have decided to increase sales by 20 per cent, this becomes a standard and then we can see whether we reach. Without planning controlling would be difficult. Planning and controlling are two sides of the same coin.

3. **Tool to establish synergy :** Planning makes group activity functional and makes activities more organized. Thus, every one comes to know what is his or her contribution to the total organization effort. Planning must be people based so as to contribute towards the success of an organization. (We refer to MBO separately in this unit). Planning establishes synergy within a group.
4. **Tool to define jobs :** Further planning defines the role and the job description of everyone in the organization and thus makes job meaningful to every one. Since plans are being changed with situational change it keeps all the work force in view consistently.
5. **Bridge to gap present with future :** Planning should bridge the gap between present and future and thus act as a bridge. We start with where we are and where we would like to be. The future becomes more real and worth dealing today.
6. **Method to evaluate activities :** Planning gives a chance to evaluate activities of tomorrow in terms of those today. Planning is necessarily building today for tomorrow. It does not remain dreams but a set of implementation actions which is what managers are expected to do.
7. **Implementing tool for SWOT :** Planning makes a SWOT analysis spelling out the organizational strengths and weaknesses, and then opportunities and threats available, and thus combines internal situation with the external one all the time. Thus it makes us think beyond organization and study situation within which an organization is growing.
8. **Link with business :** Planning links an organization with business objectives and thus makes an organization tool for doing business. Thus business becomes primary consideration of organization.
9. **Opportunity to establish consistency :** Planning gives an opportunity to build new techniques to build organizational efficiency and effectiveness such as market research, innovation, research and development, research methodology, quality systems etc. It contributes to the consistency for management thoughts and its effectiveness.

10. **Result orientation :** Planning makes management implementation oriented and really serves the raison d'etre of management. It must be made up to a point where it can be implemented and made result oriented.
11. **Flexibility :** Planning must be made flexible to absorb changes in internal and external environment influencing business. Thus, it calls for revision from time to time and some reporting system for feed back. Planning system will fail as a control system, if no feed back is provided.
12. **Method to enable resource planning :** Since the single most constraint in planning is resources, we can plan on the basis of availability of resources. It is found in practice that plans are not balanced and equitable in all directions. In fact, to get result orientation, planning can be lop sided so that we manage in steps. Mostly, managers try to balance resources and lose its impact. If a company urgently needs to concentrate on marketing, it may give less emphasis on production, though it knows that if to succeed in increasing market, it will have to concentrate on production as a next step. This becomes lop sided planning.

7.9 PLANNING AIDS

Planning is assisted by a number of techniques which we think are worth introducing at this stage. Being techniques these can be used anywhere but they need introduction at the beginning and as such these have been included in Planning. Since planning is also a control tool, these are also useful in management function of control.

1. **Computer assistance :** Planning has been greatly eased with the arrival of computers. It has a capacity to churn high amount of data much quicker and therefore, today most of the people use computers for planning. One of the important tool for data base is MS Access and other data base systems such as Oracle. We can store and analyze data in this package. Another tool is MS Excel which allows us to test different alternatives and see its effect on the working. Then there is MS Word available for writing and working on supporting graphical systems. For presentation, one can use MS Power Point. Then there are dedicated software for research, forecasting and statistical handling. There is also groupware available which can link a group to work on planning simultaneously.
2. **Gantt charts :** Gantt chart were first introduced by Henry L. Gantt and as such these are known as Gantt bar charts. This technique was considered revolutionary then for showing time relations with events. The total plan is divided into a series of

activities shown by bars against time planned so that one can develop relationship between different activities and see when they are starting and ending and find out what is the sequence to be followed to complete the plan in shortest possible time. This was further improved by others to include milestones and then network of milestones.

- slack = moving slowly*
3. **PERT (Program Evaluation and Review Technique)** : PERT was developed by the US Navy and its first application was development of Polaris weapon System. Its network fundamentals remained as essentially a planning and control tool. It is not a bar chart but a flow diagram showing how different activities lead to one another and the time taken. Event completion is shown by circles while time likely to be taken is shown by arrows. Next, a critical path is drawn by linking events which take the longest time and which involve the least slack time. The shorter time events will have some slack time to complete and can be done slowly to fit into longest time and thus enjoy a slack.

A critical path shows what are critical events on which the total planned time is dependent. Every time a PERT chart is modified to draw a critical path, whenever there is delay in any event. One can draw several critical paths to think of alternatives available. When a numbers of events are involved, the aid of a computer is taken to work out a critical path. It forces detailed planning, though it may not be useful for general planning. One of the problems, it emphasizes is time but not costs.

This led to the development PERT/Cost network wherein as far as possible, activity costs or total event costs are also shown. This is better for direct costs but not so much for indirect or overhead costs. But it gives us feed back where we exceed costs, if similar accounting records are kept.

The full form of PERT is program evaluation and review technique. Activities are marked at beginning on a particular date and closed on particular date. The planning period is taken and activities are shown when to start and in which period. Thus, it gives a sequence as to when the last activity will be finished and a new one can start. Thus, we now know activities which are critical in time sequence. Some activities may take a longer time and as such, even if we do it fast, activities which are of long duration will dominate the whole planning outcome.

4. **CPM (Critical Path Method)** : From the PERT, we find out the critical path and that is why it is named Critical Path Method. With computers its utility can be further increased by adding cost for each activity. Thus, it is a planning tool to establish relationship between activities, time and cost and its result in performance. This shows what activities are critical in execution of a plan.

5. **Statistical methods :** These methods include calculation of mean, mode etc. One has to use these quite often in statistical reporting. One can add working on probabilities, scatter diagrams, regression analysis, simulations etc. Planning has to work a lot on figures as data and knowledge of its treatment go quite a long way in its presentation.
6. **Graphs and charts :** To make pictorial representation of statistical data and to understand the salient feature of such data the system of graphs and charts is used. It is representation method. Columnar charts, pie charts, line charts and decision trees are some of the ways of representing statistics. Computers have made this easy since by feeding statistical data charts can be made out by computer itself.
7. **Scenario building :** When we have a concept but have to think in terms of its alternate outcome, one method is to write down scenario. This is the scene what we expect as an outcome of a particular concept. Then we can also make scenario of alternate outcomes and present these scenarios for better understanding. The future is difficult to understand and any picture in a descriptive form can help in understanding and clarity of thinking. Thus, we write down a likely scene as if the concept is implemented. It is by comparing various scenarios that we can arrive at decisions to be preferred.
8. **Management by Objectives (MBO) :** If management can decide objectives and specific goals thereof for each person contributing to its activities, it will clarify his role, performance and motivate to achieve his own objective or goal. If he can decide his goal in terms of overall objectives, it will facilitate his contribution and give him self satisfaction. Thus, one can build business objectives and then divide these into a number of people in terms of goals to be set by them and then generally approved by a committee for planning. It is thought that goals should be suggested by each person in the interest of overall job performance. It was thus thought that, if we can manage by setting objectives and goals, the participative and more vigorous management will be forthcoming and will be a good tool for management. However, it was found that people are not geared to self motivation and decisions and need some motivation, control and direction for a group activity and cannot do away with authority and leadership. This in no way reduces the importance of establishing purpose, objectives or goals for managing a group activity.

It becomes both a control tool and motivational tool. It can further be used as an evaluation tool. MBO replaced evaluation based on traits to evaluation by performance. Thus not the people but their performance become criteria for evaluation. There was improvement in management, organization structure, and people's role became very clear, increased personal commitment and thus became a control tool as well.

Despite these advantages, it was not thought as a system and failed to achieve the results expected. The goals became short term and people became 'today' oriented instead of thinking of long term performance. Thus, the long term planning was neglected in the MBO operation. Everyone could not perceive conversion of objective to goals. Pursuing few goals does not play managerial role since it is wide and varied. Some of the drawbacks arose out of the inability to guide by superiors, not working for its spirit, too much stress on quantitative outcomes and need to change goals according to situation.

9. **Research methodology :** Some knowledge of research methodology will go a long way in planning activity in terms of information gathering. The research methodology consists of determining census, preparing questionnaire, collecting secondary data, collecting primary data, interpreting data collected, reporting etc. For collecting data for plans this methodology will be handy.
10. **Budgeting :** If plans are to be executed, these must be converted to budgets to make financial meaning out of it. After all we are planning for profitability and liquidity as a final outcome. Many times budgets are drawn on historical performance such as taking 10 per cent increase in sales over last year. But, we find business has no longer remained in linear mode due to unforeseen and frequent changes in environment. Thus, this traditional method of planning on past performance has not remained valid any more. Thus, sometime we start with a zero base and make all projections independent of historical performance. This is known as zero based budgeting. Thus, we will take realistic look to environment and plan the whole approach anew.
11. **Forecasting methods :** Forecasting is anticipating certain behaviour of business surroundings, technology, demography, value trends etc. and some methods are recommended to do this. Some of these forecasts are made by the Government or national banks, associations etc. to assist business. These are in a published form and are available as printed secondary data. For technology, the Delphi method is used where prominent thinkers are asked their opinion about the future individually and some points emerging out of such individual discussions are again referred individually to take their opinions and with a number of rounds some concepts about the future are formed.

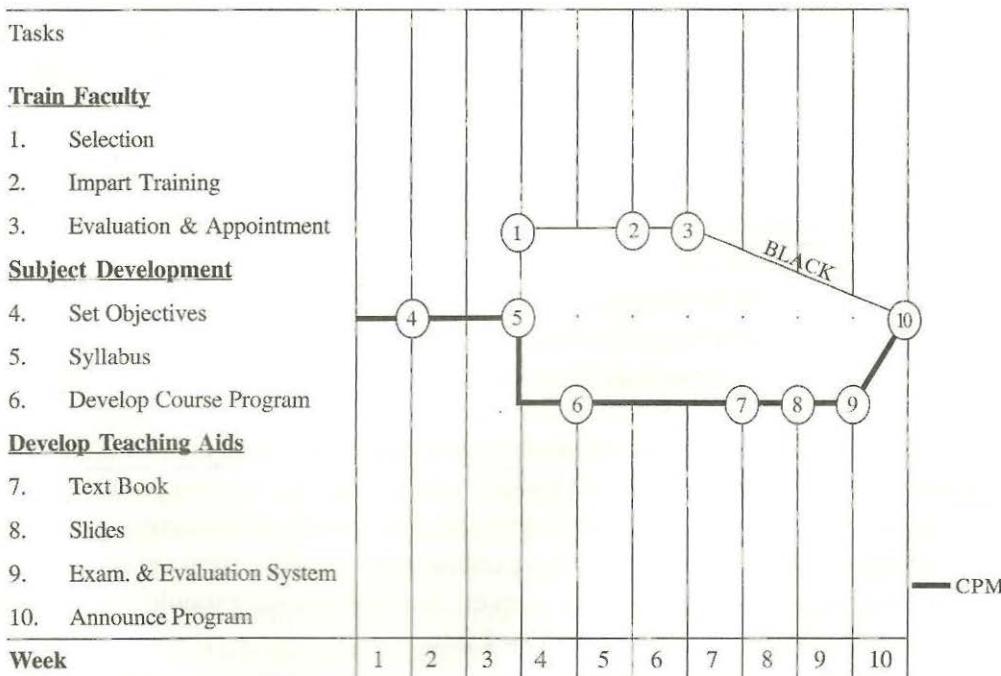
In sales forecasting, interviews of salesmen and sales related staff are taken about future possibilities and then some judgment is formed about the future. These are based more on opinions than on facts. It is based on the perception of experienced people in the field. Then these opinions are collected and overall forecast is formed. This method is known as jury of executive opinion method. In the sales force composite

method each sales person is asked his estimates on future sales and then a composite picture is made. In the users' expectation method, users are asked their views on future purchases and then a conclusion is drawn. In the sales analysis method, historical sales are looked into and a linear projection is built. Forecasts are used as a tool of direction and not of quantitative prediction. One has to combine many systems to come to some reliable estimates.

- 12. Balanced score card :** Balance Score Card was developed not only as a measurement system but also as a management system. It enables the management to translate its strategy into actions. It provides a feedback not only on internal business processes but also on external outcomes to improve strategic performance during existence of plan. It is principally to create future value through investment in customers, suppliers, employees, processes, technology and innovation. It studies organization from four perspectives; learning and growth, business process, the customer, and financial position. Thus, it establishes a balance of all critical factors involved in strategic planning. At each successive state, we develop feedback loops so that we can see for defects and then develop overall zero defect business system. It is a more comprehensive system to consider all aspects of a business unit.

1. PERT & CPM CHART

Training Course Development



2. Example of Gantt Chart

Construction of Building

Events

Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mobilize	→											
Foundation	→											
Plinth	→											
Walls			→									
Roof				→								
* Flooring/Windows					→							
Plumbing/Electrical						→						
Plastering							→					
Finishing								→				

7.10 STRATEGIC PLANNING

Meaning of Strategic Planning : The term 'strategic' planning is now being used much more than simple planning. In days, when business expanded all along and did not require any consideration other than your own business, planning was how to raise resources and production. However, with increased competition we are no longer confined to what we plan without considering what sort of competition we will face in future. Thus, the strategy to win takes into account competitors and planning is now based on strategy. The form of business itself is decided by strategic considerations. As military leadership plans its war strategy on the basis of enemy's position, business is now being equated to war and we plan strategy not only to establish us but to weaken the competitor as well. Strategic planning suggests only change in concept and, therefore, need not be treated as different type of plan though some authors think so.

Planning is also allocating resources to activities to make it practically more implementation oriented. Planning resource raising and allocation becomes a major planning activity. Strategies can also be planned towards this end. We can talk of strategies in this manner. But even then, we will always try to have unique resource allocation as compared to the competitors to gain a good hold in the market. Strategic planning should really become a part of regular planning as an aspect to look into.

Strategic planning process does not change much in conception or in implementation but emphasizes more on environmental study in terms of SWOT comprising opportunities and threats and organizational weaknesses and strengths. It talks more about competitive forecasting and even takes into account how competitors will react.

7.11 ANALYZING STRATEGIES

Types of strategies : The general strategies which can be adopted may be described as follows:

Focused strategy : It focuses on one product, product group, market etc. Here we try to utilize our resources narrowly to get more success in our efforts.

Growth strategy : This is done through increase in product or market range through captive expansion, mergers and acquisitions.

Diversification strategy : It is one wherein we go in for products or services which are diverse from the existing lines of business.

Liquidation strategy : It is one where we decide to liquidate a business or transfer a part of it to outsiders.

↳ Father of Competitive Strategy, 5 forces of competition
Prof Michael Porter has looked to strategies as **cost leadership** strategy where a business is trying to establish, through lower costs requiring larger market and cost effective facilities, and the other **differentiation** strategy where you make your business in such a way that its sounds unique and sounds differentiated from others.

The other way of looking at it is to identify business growth rate versus ability to compete as expressed by the market share. There can be businesses which operate with low growth rate in general plus weak in market position, which have a question mark to survive. Businesses which have a high growth rate in general as well as strong market share therefore, are stars. Low general growth rate but good market share and have capital available to invest are cash cows. Low general business growth rate and weak market share and therefore, no alternative to take any leading position are called under dogs. While planning strategy we must be clear as to which phase of business cycle we are in because business also goes through cycle of growth, reaches a plateau and declines. The individual unit has to remain in cycle. For example, if transistor radios are declining in popularity, one day you will have to close down business of this type.

Still another way is looking at external opportunities and threats for business and organizational strengths and weaknesses and decide what strategies, one can follow in such circumstances.

One has also to establish departmental strategies, especially in Key Result Areas, and coordinate with general strategies. If you have a portfolio of variety of businesses, for each business you can have different strategies.

7.12 WHY PLANNING FAILS?

Planning fails primarily on account of several reasons. The foremost is inadequate preparation. Lack of study and vision mars planning efforts. When it is done for a group, many plans are built on compromises and thus become very haphazard. The planners must include those who have sufficient experience in business. It must receive consistent top management support.

Many times, objectives and goals are not clear more due to the fact that premises are not known by the subordinate staff. Absence of feed back and staff control, inadequacy in defining various businesses and absence of review are some points which also require attention. It must follow specific action plans and initiate management activities in that direction. It must be supported by resources, compensation systems etc. so that a supporting environment is created around planned efforts.

Successful implementation requires communication to all, development of planning premises with participation of all concerned, reviewing plans regularly, developing contingency strategies etc.

7.13 SUMMARY

In planning, we try to join present with future. For any kind of future we visualize, we have to act today. Planning is a scientific effort and requires a lot of collection of data and forecasting future environment within which it has to operate. Since future has to be imagined, we go on certain premises backed by as much data as possible. Starting right from conceiving business to its implementation it is covered by various planning steps. The aim is to make the plan as concrete to implement as possible. People have added a word 'strategy' to planning since now they find we have also to build planning on a possible competitive planning environment. Plans can fail for many reasons but the exercise itself will lead us to draw some valuable conclusions for business. Planning is an important tool for control and we cannot afford to neglect it.

8.1 INTRODUCTION

Decision making is believed to be an art than a science. One has to weigh so many aspects that one has to use judgment in decision making. The aspects to be considered, weightage to be given to each aspect, and the way it is to be implemented in terms of actions is mind boggling. Most textbooks tackle this topic as a part of planning, though it is useful throughout all managerial functions. The reason is that very fundamental decisions are taken at the planning stage which are difficult to conceive and later implement. One cannot lay down a structure and say this is how you can solve any problem. In fact the nature of decisions, the circumstances in which these are taken, and the variety of ways in which these can be implemented are so spread that we can pinpoint certain aspects to think in decision making. But we cannot make decision taking as a science so that one can just look at this knowledge and solve any problem.

Thus, human managers are required because decision making is not an objective but a
✓ highly subjective art. However, it is possible to enumerate a number of ways to look at decision making and adhere to some techniques to make them more easy to evaluate and apply. The endeavor of this chapter is to build a structure around decision making so that one can understand its nature, function and implementation more clearly, and help in decision making.

Activity A

List down the decisions you took throughout the day yesterday.

8.2 NATURE OF DECISION MAKING

1. **Negative decision making :** One must understand the nature of decision making before going ahead with the topic. Decision making is really thinking of alternatives and then choosing one to convert into action. If we do not have any alternatives in deciding, then there is no choice and we follow whatever option that is available to us. Even then we decide whether to follow the option available. It also involves decision. Not to take action is also a decision. Decisions can be positive as well as

J J

negative. Thus refraining from an action is also a decision. You keep anything pending for a length of time and you find that the problem has changed its nature by being irrelevant. Thus if you do not take decision, time will take decision and force it on you. Thus, lying idle without taking any action amounts to taking decision negatively. Thus we have to appreciate 'indecision' as a decision. We may appreciate and wait but time does not wait for decision making. That is why a certain speed is necessary to take decisions. If you decide not to study, the decision will be a failure which has been taken by time. Even negative decisions must be positively taken so that you do it with full awareness of its consequences.

2. **Decision making is action oriented :** We take decisions to decide application of particular resources in a given direction without which results would not take place. Decisions have no value for actions without deciding about implementation. Thus, decisions must help in taking actions and make progress towards objectives that we have in mind. Every decision must have an action value. A decision may look good on the face of it but if it is not actionable, it is really no decision. The real worth of a decision is its utility for action. Even if we take a decision 'not to smoke' for health reasons, it is positively expected to contribute to better health; an action orientation even with negative decision. Thus even negative decisions contribute to action and are therefore welcome. Action orientation takes us to results. Result orientation is a key to decision making. Note that every alternative that is presented to you leads to results and then make a choice.
3. **Decisions are value based :** You lead all your life weighing actions on your value scale. Whether to accept an invitation from a friend to while away time, can only be decided on the value base which you have adopted. If you have accepted that whiling away your time is your value, then your positive decision will be to accept the invitation. In case, your value is to give importance to something else, you will decline such an invitation. Both the decisions have come out of different value sets. You cannot make any choice of alternatives in life unless you decide your satisfaction in terms of values behind it. You will go for disciplining your staff provided you value it yourself. Thus decisions can be neutral but not the values. These values belong to decision making of individuals or their groups, and that determines a choice of alternatives for decision making. Many decisions fail because they are not backed by values of those who moot and pursue it. We talk these days of principled behavior which is nothing but value based behavior in your life. You cannot decide unless you have a value scale in your mind to decide.

4. **Decisions are time based :** One must understand the two types of time elements in decision making. The first is time for implementing decision. If you delay it, you will get different results. You must also decide along with the decision, the time to implement it. This time is crucial for action and the decision will prove meaningless, if not followed in time. The other type of decision involved is the time which you take to make a decision. There can be a reactive decision and proactive decision. When there is urgency under certain circumstances, one has to immediately react with some decision. Generally, there is no time or one feels lack of it and one takes a reactive decision. In competing conditions, if one competitor reduces prices, the other one reduces without much thought as a matter of expediency. This is what we call reactive decision. The first mover of a decision, sometime gets an advantage in the time frame. While one who responds to it by thinking how best he can take advantage of such an adverse situation does it with a pro-active mind. For example, perhaps he knows that one cannot afford to stick to such a decision for a long, and the competitor will again raise his prices. In such a case, he may allow some lapse of time to take decision to retaliate. This is well thought pro-active decision.

Sometime we take a short term view and decide on the basis of such a time frame, while someone else may think of a long term view and try to take a policy decision. More the long term you think, more the risk you take in decision making. But in that case more stability you give to the organization. Thus, time is a very important consideration in decision making.

5. **Ease in handling decision :** If decisions are to be taken, these are to be followed by actions and we must see how far such decisions are easy to handle in the environment present. These factors may be the capacity of employees to handle situation, or shortcomings of resources; both these factors will affect the efficiency with which you can execute a decision. One has to consider the levels, positions of handlers and the impact on the handles before finalizing decisions. One important problem associated with decision making is what change is expected in environment both organizational and outside it, and how will those who are involved cope with it. Tactical decisions and understanding of the problem by those associated with it are also important. Experience of handling people and working with them contributes quite a lot in understanding work ethos and culture within which we root our problem.
6. **Role of creativity and innovation :** Decision making involves not only analysis of present environment but something which is not thought of. Let us that you are a producer of microwave ovens. Someone may get a bright idea that, if solar batteries are used for this purpose, microwaves can be used even in places where there is no

electricity. When research and development pose a problem like what's new, one may come with such an idea. This alternative was not available but someone created this alternative. Alternative building for decision making is a very creative and innovative process. We can try out all avenues such as fanning out consideration of problems to many, brain storming, suggestions schemes etc. It needs making management more participative.

7. **Posing a right problem for decision making :** Creating alternative sets of solutions to make decision making more thorough also depends on how you pose a problem. For example, if we take a simple question about how to start to study, some one else may ask a question when to start a study, or may ask where one will get the syllabus. You will see all these questions are based on the same question; yet everyone will start with a different question and will invite different replies and alternatives.

Posing a right problem for a decision is important and, if we can invite a number of possible questions, we will get different alternatives to think and frame our decisions. Thus, alternatives come out of an individual frame of mind and at this stage more participation will give a wider problem profiles for which one has to seek decisions and alternatives for decisions. Thus, we should seek as many questions as possible so that different alternatives emerge almost around the same problem area.

8. **Resources availability and decision making :** One of the important resources that is required in decision making is availability of information. More and better the information, your vista in looking to problem area is wider and deeper, and you can propose better alternatives for decision. It is here that we see computer software such as decision support system or management information system more useful. In execution, support of resources is a single most restraining factor and, therefore, availability of resources or its possibility of generating resources is the key to decision making. Information of supply position of resources has to be built in to make implementable decisions. After having made a decision, it is no wise to find that you will be short on supply of resources and have to change your decision.

9. **Decisions are taken against objectives :** Decisions can only be taken against objectives that are to be achieved. The ends must be very clear, otherwise it is not possible to establish viable alternatives. Objectives do require a time frame. It means one must achieve an objective within a given time. Result must be clearly ascertainable in an objective. One can concentrate on decision making, if the objective from the stand point of time, results to be achieved, and resources available are clear. Let us take your objective of study. You must decide time, results and resources available

such as books, time to study etc. Decision taking becomes more clear if these are taken in undoubted conditions. You can think quite a lot before arriving at a decision but once you do it, you must have clear and specific time bound objectives.

10. **Decision involves risk taking :** When we are not happy with the current state of affairs, we start thinking in terms of change. Such decision making is called breakthrough thinking in the present stalemate. It calls for a change. We cannot foresee the results of any change and each change is a risk. It means decision making involves change and due to uncertainty of result contemplated, a risk. The ability to take risk determines the choice of alternatives in decision making. People who are generally risk averters prefer status quo or a little incremental change than transformational change. On the other side, if you are a gambler taking too much risk without caring for consequences, you may not be good for the health of business. All said and done, only those who can take risk, can take decisions. One of the characteristics of a managerial career is to build a risk taking capacity.
11. **Decision involves change management :** The decisions involve a change and handling of the change. One must weigh how much change is involved in a decision. That which fits into organization culture is easy to change but in case the change involves a change in the culture itself, one has to think more of handling a change along with decision.
12. **Decisions do not come singly :** Generally one problem and the decision based on it requires actions on many associated problems. To satisfy employees you may raise salaries to find that your products have become more expensive and you have to do something in this direction. Thus one has to take decisions in cluster to satisfy all aspects of environment within which it is taken. One has to prepare to handle many problems simultaneously, if one has to make one decision effective. It is, therefore, necessary to watch other areas which would need further changes.
13. **Managers handle a variety of decisions and at its different stages synchronously :** A busy manager has to handle a number of decisions at different stages at the same time. For one decision information is being collected, for another, action is being planned, yet another is in implementation or evaluation stage. Thus problems do not come in a row but as a bundle of all these. Thus decision making is always under pressure of time. It is where the managerial ability is tested. This is in addition to the procedural work, one is carrying as a routine. Each of these activities gives you a signal for tomorrow or to a need for change thus inviting you to be always amidst problems and decisions. Thus prioritization is essential and yet all have to be

dealt with all the time. This variety, though it offers a challenge becomes much more complicated when each decision is in different stages of progress and implementation. You are simultaneously implementing a decision, taking a new decision, evaluating the other etc. All this requires a high degree of synchronization.

14. **Decisions are based on bonded rationality :** Decisions are taken by choosing rationally different alternatives. In fact, alternatives are also chosen rationally. However, this rationality depends on the subjective capacity of the decision maker and his understanding of the environment. This knowledge of environment cannot be complete since what knowledge one should have to take decision is also a subjective decision. Moreover, if one waits for all the knowledge, by the time one collects it perhaps the decision will be delayed and will be no longer effective. One has to decide so far and no further, and take decision with half knowledge. Thus, the rationality which we speak in taking decisions is bounded by the knowledge one has at the time of taking decision and willingness of the individual to take risk. The desire to play safe dominates his attitude. Thus the manager because of his attitude, time and information available tries to accommodate his rationality within these limits. It is therefore said that one takes decision with bonded rationality.
15. **Decisions need open system approach :** Decisions cannot be taken by just confining to the area of decision itself. It is an open system and we require it to be connected to surrounding areas to arrive at a better decision. They depend upon purpose, policy, objectives etc. which are set outside but which are necessary to consider before decision is taken. The course of action is decided by the managers by taking into consideration overall environment and its purpose.
16. Decisions demand consideration of limiting factors: (See 8.4, point 2)
17. Decisions are based on alternatives (See 8.4, point 3)

8.3 HOW TO GENERATE ALTERNATIVES TO ARRIVE AT A DECISION?

Many managers try to generate alternatives with their present thinking. Alternate decisions must come out with creativity and contribution of number of views. One way to generate is to refute your present thinking and question this very thinking. Some times this will make you think in a totally different perspective. Our perspectives get freezed due to our experience and our ability to think anew loses its vitality. One must build the habit of thinking for and against one's own mind. It means we must debate in our mind as to the desirability of any options. This leads us to self enlightenment and makes a broader view possible. The other way is to seek opinions of others who work with you and take their

views. The third method would be to build scenarios for alternatives which we now have in view.

While building scenarios a lot of thinking changes take place and you become more enlightened. In some cases those who always contradict our views are good to seek opinion from since they do not have any reservations in doing so. Since decision making depends on generating alternative solutions to problems, and then deciding one or more approaches towards decision, the breadth and depth that we think with such alternatives is more important.

One of the options one will find in advanced countries is not to run business but to bring it to a certain level and sell it to others. In this case, the business itself becomes a product. Most of the people in a country like ours think that selling business is as good as accepting a defeat in life. Thus, we will never think of this alternative. In this case, our system is bound by the culture around us. But one cannot change a culture without taking a revolutionary decision. Going against a boxed thinking with a purpose is one way of generating alternatives.

Activity B

If you want to start a study imagine people have asked you to take decisions on the following questions A. Why do you want to study? B. How do you want to study? C. What do you want to study? Think of different alternatives you may get in mind to solve these problems. Do you think your alternatives have changed in each case?

8.4 THE PROCESS OF DECISION MAKING

- Premising :** Before we start making a decision (defined as selection of course of action from amongst alternatives available), we must have some premises in mind such as the objective, nature of problem, operating conditions in which decision is being taken, likely scenario during the time of implementation of decision, and results expected. More the premising is proved correct, more will be the chances of getting expected results. This will depend on information one has collected, studies carried out, and experience and judgment of those taking decision.

- 2. Understanding limiting factors :** To consider any alternatives we must think of the factors that limit the choice either because of internal problems within an organization or because of those which are present in the environment around organization that prohibit accepting such an alternative. The limiting factor is something that stands in the way of objective. Thus one should recognize such factors and only then propose alternatives. Alternatives which cannot be operated are to be discarded from the very beginning. The internal organization provides strengths and weaknesses in terms of resources while the external organization provides opportunities and threats, and its limitations. Any choice of alternative is based on such limiting factors.

Thus, understanding these limitations are very important, otherwise the whole exercise of decision making process will prove futile. If you find you are short of capable man power your existing decisions can either be establishing such manpower or do whatever you can within existing manpower. If you take non-availability of manpower as a limiting factor, then you may work out borrowing such man power through sub-contracting some job to an outside source. Thus, one must understand the variety of limiting factors in any scenario. This means that good self and environment assessment is the beginning of decision making process. Thus, we must know the limiting factors for any decision making.

- 3. Developing Alternatives :** If we have the possibility of choosing, only then decisions are required; otherwise we can continue status quo. Thus, we must have a range of alternatives in order to decide. This can be done by mixing up resources in different proportions, thinking about the same problem in different perspectives, changing the premises itself, making more people to participate, creativity etc. The freedom we get at the decision making is not available while basing actions on such decisions. The first one is based on thinking and is less expensive than the second one which requires commitment of actual resources. Therefore, it is desirable that we should think of as many alternatives as possible before the decision stage.
- 4. Evaluating alternatives :** If one starts evaluating alternatives, one finds on the face of it that there are hardly one or two alternatives meeting our objectives and the limiting factors we have in choosing such alternatives. The evaluation is generally done on the basis of experience, meeting objectives, time within which one expects results, the cost involved, likely organization preparedness, risk involved and probability of its success. Even within this process some modifications in the implementation will have to be thought about. It is effectiveness of an alternative that appeals to our conscious that will have to be chosen. Objective standards can be prescribed for such a selection but will prove short of subjective considerations such

as willingness to take risk and implement on part of an individual or an organization. One can also use methods such as experimentation, research and analysis to support choice of alternatives.

5. **Handling decision :** Very few realize that decisions require handling when these are to be implemented. Most of the decisions are to be implemented through shortage of people and resources. It is not easy to implement decisions thinking that people will execute in the same spirit as it was contemplated. Even though we have thought of our resource supply, we may require special efforts on this count. You may take a decision but may handle in different ways. Ultimately, it is the managers who handle it to decide how to deal in the then existing circumstances. Decisions are formed in one environment and are implemented in another which are dynamic and require contingent approach. One manager may reject leave application summarily; the other will do the same by negotiating with the person concerned. Handling being a situational work of a manager who may have some responsibility in execution, one has to generally understand that decisions have failed because of inept handling. One finds that in labour strike situation problems aggravate because of mishandling of labour.
6. **Feedback on outcome, periodical review and revision :** As after sales service is important when you sell a product, it is also necessary to see that decisions have served the purpose for which these have been implemented. One requires some system as to its feedback and in case of need, follow up in terms of revision of some aspects of a decision. There is nothing sacrosanct about a decision that once taken, it cannot be changed but in fact it should remain flexible enough for further alteration. The feedback can be oral, in writing, casual or in a well designed form. What is important is that it should satisfy to know the outcome and, if necessary, make it possible to rework on such an outcome.

8.5 TYPES OF DECISIONS AND THEIR IMPLICATIONS FOR MANAGING

1. **Proactive and reactive decisions :** When management does not think sufficiently of future, and as problems come by themselves and you try to respond these immediately you take reactive decisions. These decisions are forced by circumstances and one has no alternative but to react it. When you just start studying because of examination, you are reacting to examination which is thus a reactive decision. When you plan to study on your own, it is proactive. In proactive decisions, you are the initiator while when you are not an initiator and respond only because someone else has acted, it is a reactionary decision.

2. **Prescriptive decisions :** If the nature of a problem is repetitive, one prepares a ready-made solution based on experience and prescribes the same solution. These are called prescriptive solutions. Generally, it is said that physicians always prescribe medicines - this is prescriptive decision. The physician only applies pre-approved medicine and does not make it.
3. **Structured and unstructured, programmed and non-programmed decisions :** When steps in which a problem is to be solved are fixed, and its values can be determined at each step it is structured decision. Most of the mathematical decisions are pre-structured. If we want to give one month bonus as a salary we just have to take annual total wages and divide by twelve. This is a structured decision. Now one can work on different total wages and apply the same method and calculate. Such decision making is now prone to automation. Most of the decisions which a computer can arrive at are structured decisions. If the rule is that only two days of absence per month will be allowed, it is simply to seek from the computer to find out who have taken more than two days leave in a given month and submit a list of such persons. Qualitative decisions can be solved by giving a value to each quality and then adding them up. If this is done, it can be structured. The decisions which cannot be put in an equation or calculating mode are called unstructured decisions. Most of the qualitative decisions are unstructured. Structured decisions can be programmed and hence called programmed decisions. The unstructured ones are called non-programmed decisions.
4. **Policy decisions :** Policy decisions are long term decisions which are in the nature of guide for other decisions. Thus, subsequent decision gets a fixed parameter and, therefore, becomes easy to take. The company announces that it will not give any maternity leave and other benefits for the third time to the same person in order to cultivate habit of planned family. This is a policy decision. Any one who comes for the third time for such benefits is automatically rejected. Thus further decision making becomes easy, if policy decisions are taken. More the policy decisions we can make, more disciplined will be the decisions coming out of such policies. Many times one finds that the Government announces policy decisions quite often. Policies give subordinates some discretionary powers to manage within guide lines given and do not operate as rules.
5. **Rules :** Rules are policy decisions leaving no discretion to the decision maker. There is no scope to interpret in any other way. For example, 'No smoking in factory area' cannot be interpreted liberally. It will be applied even to visitors visiting factory. No further decision making is involved, if rules are framed.

- 6. Procedural decisions :** Decisions involving change in procedures laid down are classified as procedural decisions. These decisions are generally for increasing efficiency in terms of actions. Instead of making copies at each stage we may decide to have copies made at its origin for concerned departments. There would not be any subsequent mistakes in the process.

Thus, one may make a decision to introduce multi copy forms at the initial stage itself.

- 7. Strategic decisions :** Strategic decisions are taken in view of competitive conditions, and non-availability of enough resources to overcome such limitations. Strategic decisions are either competition related or resource related. In view of high cost of a particular quality of material we may take a decision to substitute it by other quality material as a cost based strategy. That we open shops near a competitor's shop is a competitive strategy. Strategic decisions give direction to working norms as a strategy.
- 8. Normative decisions :** These decisions set norms of behavior and are, therefore, called normative decisions. If you decide that all must come on time, it is a normative decision. Normative decisions are related to values. A religion sets quite a number of normative decisions as, for example, 'love thy neighbour'. This was a decision or a rule made by its leader during tribal warfare. Now we think of it more as an advice than a decision.
- 9. Quantitative and qualitative decisions :** When decisions are expressed in numbers or money, they are called quantitative decisions, as, for example, 'We must reach sales of three hundred pieces of silk scarves'. 'How about deciding a target of Rs. 1 lakh during the first year?' We talk in both the cases in terms of quantity. If people do not put up their best in work, we must improve their work morale. Here we talk of quality improvement without any quantitative indicator and it is a qualitative decision. Qualitative decisions depend upon, the culture of the organization, personal values as to what is considered good. Such decisions are difficult to implement without proper leadership. We can measure in quantitative terms results of such actions where we can give values to its outcome in numerical terms. For example, one can assign 5 marks for good, 3 marks for average and 1 mark for below average performance and then sum up these numerical values for results. This process is called impute qualitative parameters in arithmetical terms and convert qualitative decision to quantitative decision.
- 10. Group decisions :** Group decisions are those which we are taken in group situations such as in meetings, quality circles etc. The advantage of group discussions is

participation of more people giving breadth to choice of alternatives and its evaluation. It may help us in the implementation of decision. But the disadvantage is that no one takes its responsibility. One knows others are also looking into the problem and as such despondency is created, which leads us to average decisions losing the punch in solution. Ultimately, it is the leaders as individuals who carry the decisions. It takes a good leadership to make group decisions successful.

- 11. Short term and long term decisions :** Short term decisions are for foreseeable future. You base your decision making on what you see and what you can correct now. While long term decisions are concerned with what you feel about future and conclusions, you draw of surrounding conditions then. Short term decisions must be taken in such a way that such decisions do not mar long term prospects. Each problem solving becomes a problem in future and hence this care. There is nothing like a permanent solution. Thus, decision making is a cycle and requires balancing of long term and short term decisions.
- 12. Technical Decisions :** Decisions become technical when the knowledge involved in taking decision requires some specialized knowledge which can be as a summary described as 'Technical'. Manufacturing activities require plenty of technical decision making. Even specialized fields calls for technical knowledge. Let us take library management as an example and we know that we require knowledge pertaining to library systems and procedures. Even commercial knowledge involving decisions like investment in shares pursuing with stock exchanges becomes a technical expertise subject.

8.6 ASSISTING TECHNIQUES IN DECISION MAKING

- 1. Marginal analysis :** Evaluating alternatives one might use technique of marginal analysis which denotes additional revenue arising from additional costs. It is the principle of economics that profits can be made till additional revenue is equal to additional cost. Anything earlier to this stage is profit. For example, you produce machine made shoes and you find that the additional revenue meets the cost when 100 pairs are produced. It is profitable to get 99th pair made since it is still leaving some positive surplus between income and expenditure. Thus 100th pair is on margin of surplus and loss. While we are doing alternatives' analysis we can see which gives us better marginal cost advantage at a planned production level.
- 2. Cost benefit Analysis :** Cost benefit seeks the best ratio of benefits and costs. Here one analyses the different scales of incurring costs and the advantages one may

gain in terms of benefits. This is done where it is a social project and where commercial indicators such as profits or surplus do not play equal part in evaluation. One can also evaluate alternatives in this method and come to a conclusion as to which is better in terms of effectiveness. It is also called cost effective analysis.

3. **Experimentation :** If implementation of a decision is very expensive to take abundant caution people undertake experimentation. Experimentation needs resource, cost and time. Thus, it is not a very easy method. It is equally important that high cost projects should undergo experimentation before one can commit to total resources. One can also simulate similar conditions and then conduct an experiment. This is called simulation. The advent of computers has made large scale mathematical simulations within the reach of many managers.
4. **Research and analysis :** Research and analysis can also help us a lot in collecting information and then analysis of alternatives. Being more of a desk exercise, the cost of this is comparatively limited than experimentation. One can simulate a problem in mathematical terms. One of such approach which was once popular was Operations Research.
5. **Risks analysis :** When taking decisions, one works on future and the future is very uncertain. One has to take risk that alternatives which are likely to be chosen give the same results as imagined. Thus, decision is associated with risks and those who are averse to take decisions will make more reactive decisions than pro-active decisions. Some persons will be risk averters while others may be gamblers. One of the problems in corporate life is, we commit resources which are not owned by us psychologically. For example, employees will be willing to spend money of their owners and may take decisions with extra risk since money does not belong to them. If it's their own money, they will be more careful in taking risk. Thus, risk taking is dependent upon factors such as who owns resources, at what level one takes decisions, how much experience one has to manage, what is the magnitude of risk involved, whether group decision or individual and average capacity to take risk in both the cases.
6. **Decision Tree :** If one sees the pattern of a tree, one sees that it has a common trunk, several branches, each branch again has many sub branches, and it grows that way. Similarly we take 'decision' as a tree trunk, we get a number of branches in the form of alternatives and then it grows. If one considers alternatives as branches, each such alternative leads afterwards to other alternatives and then one can imagine a decision tree.

Let us assume that we have to take the decision to grow our business. The first alternative is whether it should or should not. If we decide negatively, we can maintain a status quo; if we decide yes, then the question is whether we should first increase production or marketing capabilities. If we decide to increase marketing capabilities, the question is whether we should increase advertisement budget or sales manpower? If there is one decision, one has to branch off to so many decisions that it becomes a chain of alternatives at each point of chance event and probabilities involved in various course of actions.

If we can put such decision tree showing chance event and probabilities, we get a clear picture of consequences likely in case of any decision. If one can assign values to probabilities, it may give us a chance to express alternatives in mathematical term. The most important advantage of the Decision Tree method is to create an instrument in writing to act as a mirror of our thinking and make us see objectively with the choices available in decision making, and their possible outcome. It can also be shown to others to involve them in decision making.

7. **Preference Theory :** Individual attitudes towards risk will vary and, therefore, the choice of alternatives. People are more prone to take risks when these are small than with a big risk. This curve will again change with the type of person; whether he is a risk averter or a gambler. At higher levels, risk amplitude will vary and they are likely to consider risks as easier than by people at operational level. If we study preference curves, we will know which alternatives will mean a risk at relative position. What one will consider risk naturally will not be considered as an 'opportunity'. Thus, the growth of an organization to a great extent is related with the risk taking on part of the individual or organization.
8. **Decision Support System :** Providing the necessary information input to the decision maker is called a decision support system. The major aim is to make decision process more effective. The computer software assistance is a must for this system.
9. **Management Information System :** Here managers give their needs as well as decisions and get such type of information designed from experts, and make it available as requested by managers. Data base systems are used for this purpose. However, decision support system is something which managers can themselves decide. They decide in what way it is to be used while it is for the experts who decide how MIS system will be used.

8.7 SUMMARY

Taking decisions is more of an art than science though scientific tools are available to impose more rationality and objectivity in decision making. In case of indecision, time will take decision for you leaving no control on its consequences. Decisions are objective based, action oriented, value and time based, needs ease for handling, creativity, resource availability and demands risk taking capacity on part of decision maker. If one has to cultivate more alternatives, one must pose a right problem. In fact we should invite more problems to get more alternatives. Mere decision taking is not enough; managers must decide how to handle a decision in terms of values and culture obtainable at any given time as well as synchronize number of stages involved at the same time. The major steps involved in decision making are proper premising, understanding limiting factors, developing alternatives, evaluation of alternatives, handling decisions, make periodical review and revision by arranging feed back. Different types of decisions are expected from managers and the managers must choose the one which is effective in a given situation. Managers should get acquainted with managerial techniques which can be used to support decision making activities. The human judgment still holds a dominating role in decision making.

8.8 SELF-ASSESSMENT QUESTIONS

- Q1. Why problem solving creates problems? For example Everyone expects you to pass the Std. X examination and relax. After you passed you worried about admission to Std. XI. Somehow you managed it. Now all are worried about Std. XI and XII and about whether you can make it to engineering or medicine. At every step you solved a problem to face another. Thus, every solution creates problems. Is it then that solving one problem creates some more?
- Q2. What considerations should you apply in thinking about decision making?
- Q3. Decisions depend on risk taking. Elucidate.
- Q4. What are the managerial problems in handling decisions?
- Q5. Describe the steps in decision making.
- Q6. How you will evaluate alternatives?
- Q7. Which types of decisions are involved in management?

9.1 INTRODUCTION

To execute planning, actions are to be organized by establishing suitable structure and organizing resources. These are two major considerations in organizing. One may refer to Unit Two where we have discussed about designing organization. Now we will concentrate on the functional aspects of organizing, and how it becomes a major function of managers. Whatever one plans, one must organize in order to make it action oriented. Managers try to create or work in some long term organizational structure so that it will be useful for implementing several decisions it takes from time to time. Thus, he either creates or works within organization structure which gives stability for its future working and then takes the advantage of general resources created to organize each and every decision. Thus, organizing involves a general structure and then day to day organizing of resources to manage activities. While the general structure is built with long term objectives of providing business stability and growth, a number of action oriented adjustments are made to see that individual actions and decisions are carried out. This makes organizing a life long activity for managers. He tries to fulfill his commitments as to decisions and actions through organizing all the time either de novo or using the existing pattern of organization.

Activity A

Try to organize your study desk and plan for resources that would be required to make it useful.

9.2 IMPORTANCE OF HUMAN RESOURCE

Human resources comprise people who conceive business idea, who are owners, managers, employees who assist in managing execution of business and in fact many outsiders who assist managerial functions such as suppliers, customers, distributors etc. A number of people depend on organized activities and expect their living or satisfaction on such organizations. Thus many times humans look to management for survival and growth as individuals, and at the same time also execute organization responsibilities. On one side they are beneficiaries and on the other hand, they take the responsibility for running of the organization. Whenever we think of human resource, we try to coordinate their organizational role with their personal role.

Thus, one has to take great care to manage this resource and top priority is always given as to how we organize humans in organization. It is only through them that we can organize other resources such as materials, machines, money, information, time etc. These other resources cannot be managed without human resource. It is through humans we indirectly manage other resources since these do not have independent thinking of their own. Thus, organizing concentrates more on human resource. For example, money cannot be utilized without a human deciding about its use.

9.3 MAJOR PRINCIPLES INVOLVED IN ORGANIZING

- 1. Division of Labour :** Man has understood from the very beginning that he has to get work done through a group to achieve its objective. Even within a family he gets work done by dividing the work of earning or bringing food to males, and doing kitchen work to females. This became more necessary when he started hunting which involved outdoor activity, and rearing of children and preparing food a home based activity. Thus, even family organization has followed this division of labour till this date. Thus, the division of labour, the type of labour to be done got divided for better functioning of family organization.

We call any group activity comprising of more than one person as an organization since we have to first divide the work in order to create efficiency. He realised that manually one can do only one work at a time and needs to do it in sequence. We say too many cooks spoil the broth. Work can be done better if it is divided and done in a concentrated manner than everyone doing everything at their free will. Thus the

→ principle of work division was accepted as a first principle in organizing. Even to-day when one does a function such as an annual social gathering, the first question we settle is who will do what so that the total function is done effectively. This principle remained classical all these days and any group function can be made practical by applying division of labour to task in view.

- 2. Principle of work specialization :** If one adheres to the above principle, it necessarily means that the work which is entrusted, being part of the total work becomes a specialized function. The organization designing because of the earlier principle, becomes divided into a number of specializations and, if men keep on doing it, they become specialist in their own work field. Thus, it is the management that has to decide how long the person should be kept within the same specialization. His skills in specialization increase but his general sense of other work reduces day by day. If a person works as a cashier for a long time he will be skilled at counting money, finding out fake notes etc. Then after six years you give him some writing work such

as accounts, he would find it difficult to absorb new knowledge. That is how the concept of job rotation has come up. In order to make possible a group activity, work division is must so that at any given time people do a specialized activity but over a period such a specialization should be brought to others by rotation.

3. **Principle of departmentation :** For easy process of work, activities which are related are grouped together which are called departments. The departmentation is clubbing of closely interlinked functions which are labeled as separate departments. When one specializes in marketing as a subject, one learns the activities that are related directly with marketing so that one develops skills after consistently practicing in that area. If we can gather like and related activities within one area, we call it departmentation. All organizations depending upon the size and nature of business are divided into departments and, if need be into sections and sub-sections. The principle of departmentation is fashioned in an hierarchical manner, namely, Strategic Business Unit, Divisions, Departments, Sections, Sub-sections ultimately reaching to an individual. Thus an individual working in an organization step by step is connected to the top by traveling through sections, departments, divisions, ultimately leading to top of the organization. The size of the organization along with such levels will decide the pattern of departmentation. There are several ways we can think of departmentation. We will discuss this issue in 9.10.
4. **Principle of authority levels :** The society gives authority to an organization to do its business. It is this overall authority to run a business which is then distributed throughout the organization so that this authority can be utilized to take decisions and actions involving utilization of organization resources. The authority can be defined as decision making implanting authority, through actions involving direction and utilization of organization resources or raise such resources. This authority is distributed in the organization to everyone who is involved in the organization work in fulfillment of its purpose. The varied nature of such authority will be discussed 9.8.
5. **Principle of span of management :** The effective span of any manager to manage people is restricted in terms of number of men working under him, in terms of effective utilization of human resource at any given time. For example, it is not possible for a manager to supervise, guide and control more than 6 to 9 people at a time. This span is limited by the contingent situations he is managing. For example, if the processes are more or less standard and no frequent decision making is involved, one can have a large number of people under him. If the job is computerized, this aid of computerization, would reduce his need to supervise all decisions and will be able to manage more people under him. The span of management is an important consideration

because that decides your overhead costs, time involved and the quality of results being achieved. If an organization for every 6 to 9 persons, requires a manager or supervisor, large organizations will require many supervisors, to manage these supervisors, it will require more managers, to manage more managers, it will require more executives, then perhaps more vice presidents, till ultimately they appoint one single authority to do total business, whom we call Chief Executive Officer (CEO). If the Departments add to its horizontal growth the span of management adds to its levels and its vertical growth.

6. **Scalar principle of management :** If a person at the bottom of an organization has to go up to take orders, one has to go by scales created by levels. If the top CEO has to pass on instructions to a base line operator, he has to send it through a scalar chain comprising, vice presidents, departmental heads, sectional heads and then reach the supervisor and the base operator concerned. Thus, one has to walk up or walk down the scale of organization to communicate. The scalar principle accepts inevitability of scale in organization in terms of levels. Everyone is working at some point of scale in the whole organization. Thus, establishing such a ladder is a part of building organization. More the steps of levels of authority, the organization becomes vertical. Broader and bigger the departments, more it is shaped horizontally. Beyond a point both add to costs and weaknesses in performance. If there are too many steps, the traveling time of communication and actions will increase, and reduce effectiveness. How much an organization should be vertical or horizontal will depend upon what is considered as optimum point of efficiency, and effectiveness in performance.
7. **Principle of unity of purpose :** The whole organization must move towards its single purpose which we describe as business. If actions are done in unison, then these would be more effective. The unity of purpose should build unity amongst its members and convert it into a force in the mission it has undertaken. It is synergistic meaning, more power than it individually applies, which is one of the natural principles that coming together should really produce more energy. However, it has to remain flexible to adapt to external as well as internal conditions and has to be strong as well as flexible. One builds an organization through knowledge, systems and procedures, communication, authority and leadership. These are the points around which an organization rallies.
8. **Principle of navigation :** An organization finds its way through a path which is always not so straight and clear that one can leave it without the knowledge of changes of surrounding situations and need to change a temporary direction to navigate around

difficulties and yet remain on a directional course it has in mind. Thus, navigation calls for visionary skills to steer clear out of rough weather and yet pursue its direction. This involves anticipation of future and the ability to remain flexible to glide through this future. Whatever is the organization structure it should remain flexible to accommodate changes to carry its travel in future. Since organizations are run by humans apart from conditions around, internal weaknesses may crop up to adjust its managerial work to navigate with all types of odds. Soft drink manufacturers have been accused of not keeping the hazardous levels of their drinks within limits for human consumption, and are being banned by State governments. It is the responsibility of these manufacturers to make necessary changes in their drink compositions or prove otherwise. It means they have to navigate within these difficulties.

9. **Principle of authority and responsibility delegation :** Anyone delegating authority also gives a co extensive responsibility to the person concerned since they cannot go without each other. The authority extended is to take decisions and relative actions, and use the organization resources for these purpose. No delegation is complete without the resources being allocated to carry out responsibility. Thus this principle states that authority and responsibility should go together. One cannot give responsibility without passing on the necessary authority. It is better that delegation is expressed but it can also be implied. If the person who receives the authority does not take the responsibility, the authority as well as responsibility is assumed back by the one who delegates it. Therefore, authority and responsibility are concurrent. If analysed this way, the chief executive officer of an organization cannot say that he has passed on authority and as such he is not responsible. If someone does not take responsibility that comes with authority, it goes back to the person giving authority. Organizational authority cannot work in a void; some one must assume it either by proper transfer or by its assumption. The day people do not take authority and responsibility to run an organization, it will have to be liquidated. When the delegated authority is accepted by the person to whom it is delegated, the responsibility is said to be assumed by such a person.
10. **Principle of unity of command :** A person must be under command of another person so that he does not get contradictory orders. If he is subjected to more than one person, it gives rise to a conflict in his mind as to whose orders he should obey. An organization is so designed that this unity of command is maintained within the organization. Therefore, you cannot assign an individual one in control of more than one person. There may be some exceptions to this rule in actual practice. We will discuss them later on.

11. **Principle of synergy :** The coming together of people should increase the united strength of organization. If it does not happen, energy is being dissipated by organization structure. The combined strength of persons is more than its mere sum total and this extra energy is called synergy - energy produced by coming together. The organization design must take care of this.
12. **Principle of team spirit :** Today we talk more about a team than an organization. Building an organization is a mechanical process done from the point of view of ease of the management. Management does not work on pure rationality. There is something which is emotional for the people who work in it. They have motivation, pride, sense of belonging, stability and growth in personal life, and look to it more emotionally than rationally. A team spirit necessarily means sacrificing for team results by each of its members, and yet to achieve results effectively and efficiently. In team spirit, we give value to humans comprising it than mechanical results. Motivation and satisfaction are emotional values, and not rational values. In organizing, we generally think of how to bring effectiveness and efficiency in an organization while in team we think of more mutual cooperation and satisfaction. It would be ideal if organizations can work as teams but generally they do not unless efforts are made in that direction. Since the purpose is continuous and loses its momentum on way, more than structure leadership is very important in team work.

9.4 ORGANIZATIONAL TYPES

1. **Formal organization :** Established formally with a purpose to give a shape to organized activities, generally a formal organization is developed for a continuous purpose involving activities of repetitive nature and long term operations. Most of the businesses are started with an intention to build long term involvement, and there is no end in mind while starting. It looks for growth and stability in business. Most of us seek employment in continuous formal organization. It is formally designed in terms of authority distribution, creating positions and linking various functions involved. It is not born by itself; it involves efforts of some one to get it established in order to make it a juridical person so as to have all attributes available to a person to act legally. It is registered with some kind of legal provision in Acts as those meant for shop establishment, companies, cooperatives, trusts, societies etc. to give it legal existence in its own name.
2. **Informal organization :** In an organization, people come together for a purpose but humans forming such an organization also come together informally through their

acquaintance, liking, interest, fellow feeling and develop informal relations within same organization which may not be formally planned. This informal organization is born of itself and come up through social relations such as trust, dependence, liking etc. Wherever there is a formal organization an informal relational organization is born. Good managers can take advantage of such influencing relationship for advocating the purpose of a formal organization. Since, these are born out of formal organization one of the interests they talk about is their position and problems in such formal structure informally. Thus, many times gossips can be well developed purposefully in an informal organization. It is an unorganized effort within an organized activity. The informal organization creates a different communication channel which is called the **grapevine**. The informal communication senses the situation in organization differently and conveys its communication through what can be termed as gossip. Most of the problems take shape in such gossips and managers should use this grapevine as an asset for communication and for understanding organization morale. Many a times, one can ascertain reactions to problems by planting some information in the informal organization and know the likely effects.

3. **Matrix organization :** It is said above that the principle of unity of command expects that one person should take order from only one person and there should not be plurality of persons giving orders. However, some organizations found that at times it is essential to have more than one authority in some exceptional organization needs. Let us think of a salesman who for sales is working under the marketing manager and his welfare and salaries is looked after by the personnel manager. Thus, people may expect two authorities to whom they are to report. When you have separate product managers, one may work for a sale of a particular product under him but the overall responsibility may be with the head of marketing. When people are responsible to more than one person, it is called a matrix organization.

Even when one works for a project, he may be reporting to the project manager for his day to day directions while he will also be reporting to the department to which he is permanently attached. This is generally depicted in a matrix form. For example, the person who works in Product C Department may report to Manager (Product C) as well as his Divisional chief of Division 3 to which he belongs and whose services are given to product C. This example in the matrix form is shown in Table 9.1.

Table 9.1 : Matrix Form

Product	A	B	C
In this case a person denoted by * reports to chief of Division 3 and Product C Manager. This depiction is known as matrix and therefore named as matrix organization. In this case a person denoted by * reports to chief of Division 3 and Product C Manager at the same time. This depiction is known as matrix and therefore named as matrix organization.			↑
DIV 1			↑
Div. 2			↑
Div. 3	←	←	*

- Project organization :** Whenever one establishes a temporary organization with a fixed end in mind, it is said that one goes for a project. Anything that has a beginning and an end is called a project organization. Since a project is not going to be continuous, it has to be handled in a different managerial way. For example, such a project is undertaken when the completion of a job within a certain time is a must. This enables management to control costs and performance and evaluate in terms of time. If the Government decides to construct a dam, it will treat the construction as a project where it will temporarily collect resources including human resources with a view that these resources can be abandoned at the end of a certain period. Since completion of any project in a given time involves different stages of completion, and stress on different type of resources at different stages, it makes a difference in managing. For example, in a construction project initially it is the land acquisition experts who work, while at construction stage engineers occupy a lead role. Thus, specialized people are required at different stages and are replaced accordingly.
- Virtual organization :** An organization does not seem to be physically operating but works like one due to modern communication equipment such as digital mail, voice communication and video equipment such as cameras and projection systems which can virtually make it possible to do the functions of organization without needing physical appearance. Audio and video conferencing falls into this category.

Activity B

In your classroom or work place identify informal organizations.

9.5 FORMS OF JURIDICAL ORGANIZATIONS

- 1. Sole trading concern or proprietorship :** One sees many individuals doing businesses in their own name. The law recognizes these as individuals and treats them as persons. Legal rights are available to persons while dealing with all contracts and its consequences. Business involves exchange of goods and services, and its completion through money or other settlement. The law protects the seller, the buyer and the user of goods and services through the judicial system. Since individuals are recognized as having the right to deal with the society, they can always resort to law for fair settlement. Even if employees of such a proprietor do something unlawful, the proprietor in his name will have to take the responsibility for such an act. Entering into any contract of selling goods or services and its satisfaction in terms of money and money's worth involves social relations and the Act protects the individuals in any wrong doing according to law. You may require to get your business registered with municipal authorities, director of industries etc. to carry on business. Thus, organizing involves the process of registrations of any type that are required to business without which it is illegal to do so. Hence, organizations must get approval from respective Acts, such as companies under Indian Companies Act, cooperatives under Cooperative Societies Act etc.
- 2. Partnerships :** When two or more individuals decide to do business in partnership jointly, legally these are responsible as individuals jointly and severally. Partnerships are generally governed by mutual contract between the partners and have unlimited liability for meeting obligations in business individually. Their individual properties are subject to attachment in case it is required to meet these obligations. In some countries, partnerships are registered as limited liability partnerships in order to give them the freedom from unlimited liability.
- 3. Joint stock companies with limited liability :** This form of organization gives the advantage of limited liability to all shareholders in the ownership of business. The

collection of shares is termed as a stock of shares and those contributing to shares have a limited liability to the extent of the face value of a share. In case they have not paid the full value of the share, their liability is limited to paying its full value but not responsible to business losses beyond this limit. It enables people to contribute to business without assuming liability to business losses. Thus, a big capital can be raised from many people since there is no limit to how many people should purchase with what limit. In private limited companies, this number is restricted in terms of shareholders. Due to its principle of limited liability, this form of business has occupied importance in almost all the countries while there can be some variation in its details. We must take a decision as to what form we prefer to organize activities under law in existence. Some activities are also established under the Limited Guarantee principle where persons becoming members of such organizations give assurance to pay a certain amount in case the activity is to be liquidated. Thus the form, a choice under existing Acts in operation in any country, is to be made by the people organizing such activity.

- 4. Co-operatives :** Co-operative was originally conceived as a self help group where people come together in a mutually beneficially activity. The principle difference between a joint stock company and a co-operative society, is that while voting rights in joint stock company depends upon the shares held, in case of cooperative society it is one vote per one person. Thus, it is the number of people that guides the society in its formation. However, when only producers or consumers come together in a cooperative venture the other respective parties such as producers become their business clients and as such, in many cases cooperatives have lost their significance as users societies. These are again given a legal protection by the cooperative laws under which they are registered.
- 5. Societies and Trusts :** Under societies and trust acts, one can register an organization, as a charitable or social organization involving no distribution of profit. One sees a number of societies registered for educational and charitable purposes. Here members pay subscriptions to raise funds to the society. However, none of the members have a right to take share of profit or income of the organization so registered. These are generally registered by different authorities in different areas. For example, there is a Charity Commissioner's office for this purpose in Maharashtra State. Thus, organizing involved giving it a legal status under conditions obtaining the area in which it is promoted.

Activity C

List different organizations in your neighbourhood and the Acts under which these are registered.

9.6 DELEGATION AND EMPOWERMENT

- 1. Delegation :** We delegate authority so that the person to whom we delegate is able to make the needed contribution to the group work. Delegation of authority will not work, if the person to whom it is delegated does not take responsibility. Based on assumption of responsibility, the principle of delegation of authority can work. Before one delegates one must ensure that the person to whom authority is delegated is capable of undertaking the responsibility involved in such delegation, understands the limitations of authority passed and the risks involved, understands in case of non-fulfillment of responsibility, it will be reverted and he will suffer the consequences of such a failure.

One has also to assess whether delegation fits into his job description or is it being passed as a special responsibility. The person delegating is required to explain any connection with additional responsibility and reward, if any.

- 2. Empowerment :** Management experts these days talk about empowerment. While we delegate authority with responsibility, in effect it empowers the person to whom the delegation has been made to carry out his job effectively. However, the concept of empowerment is that individual should have enough discretionary authority to decide about the way it should be handled and the only restriction should be that it should suit the objective and the policy guidelines of the organization. Thus in empowering, one has not only authority to do but how to do it so that one has sufficient leeway to handle the situation on his own. World power is used in management context as self influence and the process of empowerment adds to person not only authority but also to build his own influence on conditions then present. We concentrate not only on delegating authority but also on making a person influential enough to carry on the tasks involved in such delegation.

3. Delegation of power : One must understand the difference between authority and power. Authority is given by the organization and it comes out of one's organizational position. Power is self cultivation of influence which can make people work in a particular direction. In the context of an organization, it is influencing people to work. This influence can be developed due to general support which one may have for actions in an organization, one's expertise knowledge, position within an organization, age, social attitude so that you assume a leadership of others. Power cannot be delegated but can be supported by making a person more knowledgeable, giving him position and improving his knowledge of human relations. One should try to develop power than using authority all the time.

Activity D

If you ask your friend to buy a ticket for a cinema show what you will do to enable him to do this for you? Do you consider this as Delegation of Authority?

9.7 CENTRALIZATION AND DECENTRALIZATION

1. Centralization of authority : The concept of delegation of authority results into delegation of decision making and consequently needs acts for implementation. Thus authority to make decisions is spread through delegation of authority. Sometimes, the tendency is to concentrate decision making at a position and this makes centralization of authority within few positions. This is known as centralization of authority. It may be done with a position or at a level within organization, and to that extent organization is said to be centralized. Organization is generally called centralized if decision making is concentrated in a few hands. It has its advantages and disadvantages. The advantages primarily are :

- Speed in decision making since it does not involve too many people.
- The responsibility gets defined and clear for people to act.
- The decision making is more clear since it has not to be discussed and depends on general consensus.

2. **Decentralization of authority :** Decentralization in the organization in this context means that sufficiently a large number of persons within an organization are allowed to take decisions and, therefore, there is no concentration of decision making. The disadvantages of decentralization are general slackness in discipline, too much meddling and slowness in process, creation of political culture and loss in effectiveness.

Whatever may be the advantages or disadvantages of centralization or decentralization really speaking it will be contingent to situation. If you think that an organization has to act in unison in adverse circumstances, some managers may find it convenient to have decision making centralized to their advantage. However, the same effect can be achieved by good leadership without resorting to centralization. It also depends on organization culture at any given time. However, generally it is now presumed that people feel satisfied, if they have a job satisfaction. They feel satisfied when the work is sufficiently complete so as to see its results by themselves, and feel they are directly contributing to the organization's success. To encourage human satisfaction in work, these days people prefer decentralized structure than centralized structure.

Activity E

Take any organization you are acquainted with as, for example, college, school, work place etc. and note why you think it is centralized or not centralized.

9.8 TYPES OF ORGANIZATIONAL AUTHORITIES

1. **Line authority :** The basic purpose of authority is to direct human beings serving it for united objective towards purpose of organization. Through authority delegation, it ensures that these humans take decisions, take actions and implement its plans and policies. An individual has confidence in whatever he does for an organization due to authority that has been given by the organization. Sometimes, one gets authority since we work within a line of authority in a particular function. For example, if you are an assistant marketing manager, you assume authority in the same line as of marketing manager and he, in turn, from his general manager, Chief Executive Officer etc. All these are in line and therefore they get line authority. The line authority comes from the top through its levels till the final operational person in line. This is one of the most common type of authority that is available and distributed in an organization.

Many times, this authority is not spelled out but is taken for granted. The person next in line is supposed to assume work of a boss in his absence. More the length of a line of authority, more the decision becomes elongated and expensive. The structure always adds to the cost. The decision making becomes slow and routine. Initiative loses its impact. Organization becomes more disciplined but less productive. Of course by proper empowerment this can be improved but the empowerment by itself gets discouraged in such an environment.

2. **Staff authority :** If the purpose of an authority is to give direction, then it is possible that some people can be given the authority to advice because of their expertise in the field which is not commonly available in line authority. Thus human resource experts, engineering experts, management consultant are appointed to support the line function. One can appoint a legal expert to support the marketing manager to enable him to draw legal sales contracts and then his advice should be taken as mandatory or obligatory by the marketing manager. One of the organization principles may be to appoint staff only if it is needed. But, once appointed must be used for the purpose it is taken over. Otherwise it will add to the cost without results and will prove to be a burden on the organization.

The major advantage of staff authority being appointed is expert knowledge, savings on cost through non permanent or part time appointments etc. It is not possible for an organization to have experts on various new fields coming up and have them used full time. People who are responsible for implementation can have work for the whole day but advisors not being in charge of implementation have no need to be available all the time. People with staff authority will get encouraged in today's highly specialized problems in many fields. Staff authority is an advisory authority to strengthen management. To make staff authority work, the primary need is backing of the management in general for such an authority. If people find that top authority has faith in staff authority concerned and know that his advice would be sought, the people in line generally listen to his advice. It is a problem of organizational culture and expertise available with the staff authority.

3. **Functional authority :** In any line authority, authority is given to outside the line function for some functions. Many times such powers are given to inspectors who work on a line though not belonging to the same line. The very purpose is to inspect the work which is being done by line and as such cannot be given to the same line. Similarly, the personnel manager has a right to intervene in the line manager for any personnel function. This intervening within line authority for functional purpose is known as functional authority. In view of increasing expertise knowledge required, an

organization has to create a number of such functional authorities. Again here too the purpose of such an authority remains to direct for the purposes of strengthening an objective of a business. The functional authority has to see that his functional role is carried out and result oriented.

9.9 LEVELS OF AUTHORITY AND ITS EFFECT ON MANAGEMENT

- Organization levels :** The effect of delegation of authority in management results in creation of levels in organization. Generally, it is observed that three types of levels can be seen in any organization. Though these are not described in any organization as such but they can be inferred from the type of decision making involved in management. The first level is described as **Operation Level Management** which is generally the front line work with day to day decision making of structured nature. It is more related to man machine relationship and resources utilization. Workers and their supervisors are described as operational managers. Since these are engaged in actual implementation, this is described as operational level.

✓ Operational level is guided by Middle Management level which takes decisions pertaining to the actual use of all resources and for a span of time extending upto the financial year. These are expected to bring better operational financial results on a year to year basis. These jobs are more knowledge oriented. This level is described as **Middle Level Management** since these are placed between operational people and top management.

The third level is called **Top Level Management** and consists of people such as CEO, Managing Director, General Managers, Presidents, Vice Presidents etc. who do the planning of the business as well as oversee its performance and are engaged in scanning internal and external environment. These people are meant to make business a success in long term perspective. These jobs require more conceptual skills since you deal in future and every thing then is uncertain. In fact, these people navigate business activity all the time. Each of this level management perspective must change. This demands for additional skills as one aims at the top level.

- Vertical organizations :** In order to determine the authority and responsibility of any person working in an organization, he is given a position at a particular level. Thus, there can be a manager in the purchase department and also in the marketing department. How can we establish parity between the two? It is generally done by fixing position and determining its level in terms of rewards, grades and perquisites. Thus, there can be levels such as unskilled, skilled, supervisors etc. in operational

level; Assistant Managers, Managers, Sr. Managers, Executives etc. in middle management; and then in the top management, general managers, vice presidents, presidents, Chief Executive Officer etc. Each of this denotes respective levels and then individual positions are created. These levels vary in each organization especially because these are generally based on the reward system. The three levels, namely, top, middle and operational management are further divided into emolument based levels and some time described as Manager levels 1, 2, 3 etc. If the levels are more, management becomes vertically oriented. The levels add to cost since higher the level, higher the individual emoluments paid. It can be said notionally for a manager that more the levels more the opportunities for promotions.

3. **Horizontal or flat organizations :** When the levels in an organization are few, the organizations are called horizontal or flat organizations. The distance between operational and top level is less in these cases, and there are less number of levels. The costs of levels are kept under control and the effort is to establish human environment. The modern view is to look for human satisfaction in work and, therefore, jobs are designed in such a way that people feel ownership in the work they do and its final outcome. Thus, the present trend is towards flat organizations. More small organizations are getting established due to outsourcing. The human side of organization seems to be happy but a lurking feeling of insecurity is also visible. For an individual promotions become less as the number of levels decreases.
4. **Circular organizations :** We have discussed so far traditional and therefore, classical model of organization dictated by span of control and divided into departments and levels. People have been trying various other forms but, with few exceptions, the traditional structure remains easier to understand and implement. Instead of having hierarchical structure, one feels that there should be a center of an organization which is the guiding and controlling center of business. All the others should be independent business units tied up with a center to coordinate and guide the direction of total business. These are not supposed to be authority relations but support relations with some authority required for implementing its direction. The emphasis is on self managed units almost equidistance from the center from the point of view of relationship. This allows more creativity and independence, and it still remains a part of organization. Distribution organizations can have this structure since for them all distribution points should be self governed. One of the critical factors in any management structure is the availability of leader managers which are essential to create independent management centers.

Activity F

If you are promoted from operational level to middle management level, what new knowledge, skills and values will you develop?

9.10 CONCEPT OF DEPARTMENTATION

1. **Departmentation:** When we speak of departmentation, we really speak of division of labour, instead of individuals, of groups of activities. In short, related activities which can form semi independents units are converted to Departments. There are no rules as to how departmentation should be done but it is done for the convenience of each organization. One slices total business activity into work units as per the convenience of each organization and, therefore, departmentation can be based on a variety of basis.
2. **Departmentation by time:** The most common example of this departmentation is working as exemplified by shift working in factories. Where there are long hours of work the departmentation involves more than one work shift such as morning, evening, night etc. It becomes easier to supervise people working in one shift. We now offer flexi timings to suit personal needs. Time will thus be an important consideration of classification. For example, some might work on one particular day in the office instead of all the week. Here, the time allocation is by days.
3. **Departmentation by locations/place:** The example of this classification is regional offices spread over number of places, branch offices etc. We may have manufacturing activity at one place and marketing activity at different place, for example, at Delhi, Mumbai etc.
4. **Departmentation by functions:** One will always find that most of the business organizations have departments such as materials, finance, operations, marketing, corporate affairs etc. Close activities involving related functions are brought together in this structure. If the nature of activity is totally different, a separate department is formed. Sometimes, you find corporate planning or control have two separate departments.

5. **Departmentation by processes:** In a textile mill spinning, weaving and dyeing which are different processes are converted to separate departments. When we organize annual social gatherings we make departments like entertainment, refreshments, main function etc. applying the same principle. Sales and services in many organizations are two different departments since these involve different processes.
6. **Departmentation by divisions:** Divisions are extension of the concept of departments. Departments are treated as cost centers while divisions are treated as profit centers. Divisions are accountable to both income and expenditure while departments work only on one side of accounting either income or expenditure. When we make departments responsible as profit center these are generally called 'divisions'.
7. **Strategic business units:** When an organization is engaged in multiple businesses, in order to treat each business unit as a strategic unit, it needs independent competitive business approach. These units are known as Strategic Business Units (SBU). It was found that each business unit has its own problems and as such it is wise to consider them separately even while distributing resources on various strategic units.
8. **Benefits of departmentation:** Each of the above classification is based on logic. These are adopted only if advantages outweigh disadvantages. There will always be disadvantages of any concept of departmentation. Many times a department is very small but is created to give enough attention for its growth. Thus, the ideas of classification are dictated by management needs. When we bring people together on a comparatively narrow focus, we get synergistic results. Synergy gives more than arithmetical total results. Establishment of team spirit, synergy and cooperative culture are some of the advantages we may gain while we may make people narrowly focused and lose the overall business vision. Thus departmentation principle cannot be used as an only solution to management problems but it must be duly supported by leadership, systems so as to remain useful. Just designing an organization is not a total solution to problems but how you run an organization is equally important.

9.11 CULTURE, WORK ETHOS AND MORALE IN ORGANIZATION

1. **Culture :** Due to leadership and managerial values practiced, an organization at any time has a culture of its own, a personality of its own. The culture denotes stabilized set of values at any time which people try to adhere to generally because such values are favoured by its management. By demonstration and through its systems and procedures such a culture is built. One of the positive aspects of organizing is to produce suitable work environment for carrying out activities. If bosses are more

open, one will find subordinates who also try to be open. That is why discipline becomes important since it establishes uniform values and thereby a culture of organization. One important aspect of culture is that it eases the work of management. It has also an effect on the work ethos of an organization.

2. **Work ethos:** Work ethos means the environment around work: It is the working environment that produces effect on the working interest of the persons involved. If one person works hard, the general effect would be that the next person would also feel like working. Man is a social animal and he tries to simulate other people with whom he comes in contact. Work ethics defines what is considered a good work. If you tolerate mistakes and shortcomings, you will find this tendency spreading all over the work place. One of the important aspect of culture is to produce work ethics and work ethos whereby people will feel like working. An organization must build this work ethos positively; otherwise people will fall prey to what is most easy and facile.
3. **Morale:** An organization undergoes a lot of changes both internally and externally which contributes to its weakness and threats. If one senses frustration for the future, this creates a more acute effect on people and their willingness to work with enthusiasm. Morale in short, denotes the willingness of the organization to work at any given time. According to conditions, this morale goes down and up, and creates problems in managing. Morale is an effect of an organizational state and one can sense it and take suitable actions to see that it does not percolate and persists for a long time. It is the leadership that works in such situations. One must find out reasons for demoralization and remove such causes.

Activity G

Analyse when and why you want to study, and when and why you do not want to study. See how your personal state of morale changes in different situations.

9.12 WHY ORGANIZATIONS DEGENERATE?

1. **Lack of leadership :** Most of the organization failures are those of leadership. The top management which is supposed to steer organization proves short in terms of leadership thus de-motivating and demoralizing the staff.
2. **Lack of business growth :** When business slides down, people start worrying about their future and the organization tumbles much faster than one can expect. Perhaps the time has then come to change the very nature of business proposition itself.
3. **Need for re-organization :** If an organization remains unchanged for a long time, a take it easy attitude takes over, loosing momentum of organization. This is the time for revitalizing organization through reorganization. One must undertake an organization audit from time to time and pin point the areas where slackness is being developed. Slackness does not take time to spread throughout the organization. Organization is a live entity and is prone to decay unless positive efforts are made to increase its life.
4. **Lack of conflict resolution :** When human being come together, conflicts are bound to arise; at least honest differences in opinions will crop up. These are to be dealt with as early as one notices them. Allowing conflicts to grow beyond a limit is harmful to the organization's interest.
5. **Lack of delegation of power :** Power is a personal influence and can really be delegated. However, it is possible for authorities to lend their power support to others who are working whereby their work gets importance. The delegation of authority would be more complete, if we can delegate power along with authority. Good knowledge, skills, position and backing are power tools which, if given, authority delegation should improve. Many times, people find that the advice of staff authority is not taken seriously or ignored because the power backing required from the management is not forthcoming.

9.13 TOOLS ASSISTING ORGANIZATIONS

1. **Organization chart :** The chart showing authority positions of each and every person in the organization is desirable to keep the mirror of organization ready all the time. It can be made more meaningful, if one can show the numerical strength of staff, their position and authority links so that one gets a total picture of the organization structure. This can be given to all staff members so that they should know how they are placed within the organization structure. The biggest single advantage is clarity one gets in dealing with any organizational problem.

2. **Organization manual :** The introduction of organization's business, history, objectives, policies, rules and regulations and information on persons working along with organization chart in a written form is what is referred to as manual. This will ease communication and implementation of the organization's work. The working of organization becomes transparent and easy for communication. It's knowledge increases the unity in the organization.
3. **Position description :** Preparing position description for each person in the organization brings clarity to organization structure. Broad features of position as to designations, tasks expected to handle, and responsibility is given in position description.
4. **Organization performance audit :** With ageing, organization experiences problems in its health such as human structure. Since an organization is composed of people, many undesirable trends creep into the organization structure which are not noticed by management except when it is too late. Moreover, it is very difficult to think objectively for those who are part of it. It is, therefore thought that a periodical organizational audit by an outside party should be undertaken, let us say every five years. Such audit makes people think of the organization which they are serving.

Activity H

Draw your family organization chart and show authority lines. Also include your close informal friends, physicians etc. who you feel serve the family organization directly.

9.14 INCREASING ORGANIZATIONAL EFFICIENCY

Balancing structure and organization : While a structure can be said to be tangible, an organization is intangible. Organization being a living entity, we have not only to create a proper structure but also put life into it. It is only then that it will produce the results expected of it. Thus leadership, humans recruited, systems and procedures, all contribute to increasing organization efficiency. One should not take only a mechanistic view but take a human view because an organization is coming together of people, and people do not easily fit into any structure. They have their own mind and momentum. Thus, balancing

structure and organization are very essential. If the human mind is lost in the structure, the structure will give no results.

9.15 SUMMARY

Organizing involves establishing a suitable structure and resource mobilization on long term basis to provide stability for day to day working. Humans who are designers and beneficiaries of organization are very important in organization. Organizing is based on the principles such as division of labour, specialization, departmentation, authority levels, span of management, scalar authority lines, navigation, parity of authority and responsibility, unity of command, synergy and team spirit. The prominent organizational forms are formal, informal, matrix and project. All organizations require legal recognition to operate and thus it gives rise to various organizations under different legal Acts. The size of an organization and the span of management give rise to organizational levels. The departmentation is based on rationality and can be considered in terms of time, place, process, functions, business etc. Organizations being living entities are prone to decay by loss of business, work ethos and low morale which can be rectified by changing business, leadership, reorganization and conflicts resolution. The techniques such as organization charts, manuals, position description and organizational performance audit can assist organizing. Mere organizational structure does not produce ideal work conditions. One has to develop people, leadership, systems to make it a performing organization.

9.16 SELF-ASSESSMENT QUESTIONS

- Q1. ‘Most of the jobs people do, demands organizing. Take any job around you and find out how one has to organize to carry on a job.
- Q2. What are the principles involved in organizing?
- Q3. Why and how organizations become juridical persons?
- Q4. What is authority? State different types of authority.
- Q5. Describe the concept of organizational levels and its effect on management.
- Q6. Why departmentation is needed in organization? What are the different basis for departmentation?

10.1 INTRODUCTION

When we design an organization, we design it as a structure. There is no life to its activities still it is manned by humans. The process of manning an organization is known as staffing. Staffing, therefore, involves manning organization positions to make it active. In fact some staffing has been done in the nature of owners, promoters etc. much ahead of the organization structure because business formation and building structure is a human activity. In a way staffing includes these people, though they staff themselves in the initial period before the organization takes shape. Thus, staffing is filling work positions and maintaining such positions that are needed over time, fully manned by competent people. Inviting people, making their choice and fixing them up with work responsibility and then maintaining such role becomes a process of staffing. Organizing involves both structure and resources to be organized and the human resource amongst these stand very important because it is the only resource which thinks and acts. It has a discretionary power to choose between alternatives and take follow up actions. But to do this function successfully, we must understand the most important resource, namely, Human Resource.

10.2 UNDERSTANDING HUMAN RESOURCE

- 1. Not a standardized resource :** Any hardware material can be graded and made useful with a standard procedure. Since it has no life of its own it may deteriorate with time but it does not move or change its shape or place. It is immobile. One knows that if one makes a standardized process then one knows its outcome and can safely assume its result. But, human beings are not born standard and as a living being they evolve. One does not know exactly how each of the human being has evolved in physical or mental capacity and what perspective one adopts to all the things that one's brain can understand or conceive. Thus, a reaction to a joke made by someone will differ from person to person; some may take it as a slight, some may laugh at it and some may ignore it altogether. It is very difficult for us to forecast what reaction any event will produce on a particular man. Most of the human resource handling is done with a certain expected outcome and degree of uncertainty. Thus, when we handle human beings we must admit to ourselves that it is a resource to be handled differently in each event and though we may come to some broad conclusions about its nature, it will not necessarily fit for all. Humans are delicate to handle and one must be cautious in using them.

- 2. Rationality, emotions and perspectives in humans :** A human being is guided by his mental equipment – intelligence. So far physiological science has not understood the hardware of a brain and the way it is equipped to handle human actions and

reactions. All that we know is that, one of the guiding factor in human behaviour is logic; what we term as logical thinking or rational thinking. If he is convinced of the reasoning behind an action, he is prone to act. But at the same time, he believes even such acts which are not proved to be rational. Thus, he carries beliefs that may not be proved rationally. One believes in supernatural powers even though one has not seen it.

Human beings also have emotions and can commit suicide bombing without knowing its result. Even rational things are to be convinced and many times very passionately – that is by using emotions. In fact, leaders use emotions as one of their influence factors. Thus men are moved by reasoning and its emotional display. The combination of thoughts and emotions work differently in each individual and therefore, the perspective to look at the same thing differs person to person. If your boss informs you that you have been promoted one may feel happy. Someone will be suspicious about it since one often suspects that it has been done in the self interest of the boss. Some other person in your position will be unhappy because he was expecting much more and has been given much less than what he expected. Even if the event is common to all, their reactions will vary because they hold different perceptions.

To hold different perceptions is a human quality and one has to anticipate different reactions to the same action. Therefore, the way people think, feel, express and act is unique to each person. Managerial performance depends upon the manager's human perception, the foundation of which may be laid by psychology and sociology, but can be only strengthened by handling a number of human beings and reflections on it.

3. **Human satisfaction :** Human satisfaction also varies from person to person though it has been accepted that his satisfaction depends on his needs and its satisfaction. The needs have been classified in hierarchical order such as physiological needs (food, shelter etc.), social affiliation needs (love, affection, esteem etc.) and then the higher order needs (self actualization). Thus, the simple way of satisfying needs would be to go on meeting them one by one. However, in practice it does not seem to be easy.

Satisfaction is a temporary condition of the mind, and needs go on recurring – giving rise to periods of satisfaction and dissatisfaction. Thus, one's physiological needs remain even if some higher needs are satisfied. We have to aim at need packages and not only needs. Hierarchy then means satisfying the needs of all levels even when satisfying the most higher needs. Satisfaction is not pure; it is a mixture of needs at different levels and types. Even if man gets sufficient money to fulfill his basic needs, he may not be happy in his family life.

Another problem with satisfaction is that as soon as one is satisfied with what one needs, one becomes dissatisfied and craves for another need. It is only when a human mind compromises with what one has, perhaps, one can reach to stabilise satisfaction level. Thus, giving an increment may be a moment of satisfaction in some one's life but dreaming immediately about another one takes away the satisfaction reached before.

In fact satisfaction is insatiable. The non-satisfaction makes craving for more in one individual and in another, a feeling of frustration. One becomes highly motivated, another becomes highly resigned. How can we know what will happen to a particular person except using judgment and hoping for the positive? Thus, keeping humans happy is not easy.

4. **Reacting differently at different times :** Human behaviour is not always principled. A man changes his moods, emotions and thoughts. He does not work in the same mood all the time. If one has some family problems it will so much dominate his mood that he may not appreciate the situation in the manner he would when with cool mind. The worst is work or organizational role is not a total role for him and thus his personal role and organization role many time produce conflicts, stressful situations and affect his productivity. The organizational role cannot completely control it. We have to see how we can make one work for the organization. Though organization pays for services rendered, we do not buy a worker completely and one has to manage him to get results. His personal role reflects on his organization work role and many time these may be in conflict with the organizational role.
5. **Man as a group member :** Unfortunately, man cannot work alone all along. The very purpose of an organization is to bring people together to produce jointly since man is incapable of doing some functions all alone or without co-operation of others. Man no longer remains a product of his own making but has to take other people with him. With them he competes to establish his personal influence and cooperates knowing that he alone cannot do it. He is, therefore, always struggling for his self interest and for group interest, when he feels his self interest can only be fulfilled with group interest. Thus, at all stages he is torn between competition and cooperation. It is difficult to say when he competes and when he cooperates. One must understand that man as an individual and as a group member shows different leanings and one must understand his role in a group. All that we have to understand at this stage is that a man acts differently at different times and in different context.

6. **Man seeks companionship and leadership :** For what ever has been written above, it would be felt that human resource is a difficult resource to handle. When we call human power as a resource it necessarily means that we want to utilize him for our objectives and work, and that we do not want to consider him purely in terms of a human being but as an useful entity in the organization process. An organization has its own perspective to look at him and to use him. One good aspect of a human being is that he needs social companionship and seeks companionship of some sort all his life. Secondly, he would like someone to tell him what he should do and then use his discretion in doing so. Moreover, he seeks social security and social recognition and therefore, in his self interest is willing to accept organization membership and its leadership. It is how a manager uses this inclination versus his own shortcomings as a person which is a test of management.
7. **Personal role and organizational role :** People come to an organization because of their personal role. They serve the organization but they do it because they want to meet their personal needs. When we staff people we must also see if their personal role can be met by such employment. Otherwise, there is always a frustration which does carry its effect on the work they do in the organization. The organizations need not feel that they buy a whole person. However, we are affected by all their thoughts, feelings, perspectives, values and behavioural norms.
8. **Absence of team spirit :** Though man is supposed to be a social animal and longs for social affiliation, he only wants it when he needs it. Thus by nature he is not a team man; the organization has to make him so. This can be done by making the job interdependent while the human craves for independence. One has to solve this problem by designing an environment for organized work.
9. **Staffing really means fitting people to jobs, and jobs to people :** Since we look for people to do work, we must see what type of jobs will they fit in or where we can fit them. If not, it will be a waste of organizational resources. It means we must know what jobs we have to fill in and what such jobs require. Thus, staffing involves approval of a man, and approval of the job. Staffing is not necessarily to find a suitable person for a job but how to fit a person in a job. One cannot put limitations. For example, take a small scale industry or business. One cannot get staff of the qualities desired since we lack capacity to compensate staff and as such try to mould a person to make him suitable for the work. The market cannot offer a ready delivery of really fit persons since our requirements are tailored to our situations and thus the concept of

manpower planning as only selecting appropriate manpower has a number of limitations. Fit persons are not easily available and one has to work for it. We may interview a person for one job and later might find him suitable for another. We should then use him for the latter work, if that exists. Thus, manpower has to be thought flexibly to strengthen an organization in general than only concentrating on a particular job requirement.

10. **Men bear different knowledge, skills, values, perspectives and experience:**

Knowledge does not, by itself, make man useful. In fact, non-action oriented knowledgeable people produce synicism than jobs. Without some values knowledge is not useful. If a knowledgeable man constantly remains absent or comes late to work, his knowledge cannot be fully utilized. Punctuality and regularity are values that are lacking in him. Without these values how can his knowledge be useful? If someone knows computers very well but cannot apply with speed, what is the use of that person? Skills require practice and, if man has not done it, he would not have requisite skills to work. Experience is a valuable asset to man since it tempers him for a job and brings maturity towards a job. This also depends upon how much one has thought over the job while doing, and how much self evaluation one has made of one's own work and experience. Since people differ on almost all counts referred to above, one has to make quite a lot of conscious selection of people. Only effective culture promotes unity in perspectives of human beings and can reduce conflicts in organization.

11. **Different needs according to levels and positions :** The selection of an operational worker and selection of a manager will have to be measured differently. Not only does staffing differs from person to person but with levels and positions. For each one will have to develop a selection system of its own.

Thus, staffing involves a lot of management skills in defining jobs and matching workers and bringing these two factors together. Since people also go on leaving organizations, and organizations also change its structure, staffing becomes a life long activity till the organizations exist. Moreover, the expectations of an organization and availability of people do not match 100 per cent and one has to make people fit for the job. Moreover, one does not understand a total man for long and one does the staffing function by groping in the dark.

Activity A

Take five friends, relations or acquaintances and see how they differ in terms of knowledge, skills, values and experience. Write down which job or career they will do best.

10.3 THE NATURE OF JOBS

1. **Specialization and authority :** Organization generally uses two cardinal principles, namely, division of labour and level of authority. The coming together of these two principles gives birth to a position in an organization. Thus, a position indicates the distinct work area and the authority that position has. A group work cannot be done unless work is divided into pieces and distributed to each person, and at the same time, the work execution requires authority to decide about use of resources. The principle of span of management states that there is an optimum limit as to how many persons can be managed by an individual, and this gives rise to levels gradually centralizing the total authority in the top position. Thus, each work position must clarify the area of work to be handled and authority delegated for successfully carrying out such a function. Staffing is filling the positions by manpower so that the function assigned to a position is carried out. Thus, position description is the starting point of staffing.
- (Authority)
(Skill)
2. **Position description and job description :** Position description and job description are treated as two different documents in management. However, there is no harm in combining these for manpower planning. The position description shows where a particular job is fixed in line of authority, the extent of authority, authority designation, span of control, reporting lines to clarify more of the position of the action does in the total organization structure. Job description gives the activities involved in a job, including knowledge and skills required and values inherent in such a job. Job description not only provides an understanding for the position holder of a job expected from him but also his authority, reporting position, norms for evaluation of performance, compensation range and can be extended to as many aspects of work needs and situation as felt desired by organization management. Table 10.1 is one of the specimen of Position cum Job Description.

Table 10.1 : Job Description

Placement: Section _____ Dept. _____ Division _____ Cost Center _____

Job Description _____ Job Designation _____

Attributes reqd. (Education, Experience, Skills, Values, Age etc.)

Alternate jobs capability: _____

Job Nos. of alternate jobs _____

Career Progression Opportunities: _____

Position: Reporting to _____

Responsible for (subordinates) indicating span of management : _____

Evaluation criteria _____

Updated on _____

In actual practice this will be quite elaborate and will look like a format. This format becomes the basis for subsequent advertisement, recruitment, selection and provides a basis of human resource management.

3. Job satisfaction: One of the important considerations in job is its designing to give job satisfaction to the bearer of such a job. In the past, management was more task conscious and, therefore, designed its job description in terms of its results for the organizational benefit. Now we look also to the human aspect which will satisfy the organization as well as the concerned person. Now we think of this aspect more in job designing. It was found that some principles can be adopted in job designing such as:

Job enlargement: The basic concept in this is to allow a person to do such a job which can give him a satisfaction of completing a production which can be measured by him and also give him a satisfaction of creation. The tendency to divide job into pieces and work concentration centered on it has now been changed as doing a complete job, the creation of which would satisfy the worker on the job. Instead of

textiles mills being divided into spinning, weaving, etc. an effort is being made to give everyone an opportunity to produce garments which is a final outcome of textile effort.

Job enrichment : The other side of the coin of job enlargement is job enrichment where more skills and challenges are combined again with a view to produce a product giving creative satisfaction. Instead of designing more ease in the work, we pursue an idea to involve more skills and challenges in the work. The road maker is not only being asked to dig but to lay down stones and pebbles and make its surface so that he can see the road being used by the customers.

Job rotation : Instead of giving a monotonous specialized work of doing the same work for years together, now the concept is to rotate on a job and test variety of abilities so that work monotony is reduced and people can be used in more than one occupational stages.

Multi tasking and multi skilling : In order to increase the utility of staff, the concept of multi-tasking and multi skilling is becoming popular so that a human can be utilized as per the requirements of business. Thus, trade skills of more diverse nature are being brought together. The technical man would know many jobs such as fitting, machining, drilling, testing etc.

Activity B

Think of ‘study’ as a job work and prepare your job description.

10.4 STEPS IN STAFFING

- Manpower planning :** The first step in staffing is to do manpower planning. One must know the total staff requirement of an organization. Therefore, it must have at any time a ready organization chart showing people working, job involved, designation and age, years of work within the organization so that one can have a full view of staff either engaged or to be engaged, according to vacant positions shown. Since organization design is subject to change all the time, one will have to keep such a manpower position planning document updated all the time. This is also known as

- **Inventory Chart.** This will enable one to consider job changes, rotation, progression, cost evaluation etc. and will work as a base data document on which all subsequent staffing movements will depend. One has also to keep job descriptions ready for each position so that we know what one needs staffing for.
- 2. **Position announcement :** One can advertise, inform recruiting agencies, or announce in the company and see that sufficiently large number of people come to know about it so that we can draw on wider selection base. One can also decide to transfer internal staff for filling the vacancy. Thus, outsiders can be called or we can rely on insiders. It is now advisable that we announce new positions both internally and externally so that the existing people may opt for such a position. Many steps are involved even within this step; such as, while advertising which media is to be used, which areas are to be targeted for selection, what should be the criteria for selection, how are interviews to be arranged, what expenses are to be paid, how to interview and by whom. This step is important for its effectiveness and cost.
- 3. **Interviewing :** The first step in preparing for interviewing is short listing the candidates applying if need be. The second step would be confirming the interview methodology such as oral test, written test, skill tests, aptitude tests, documentation scrutiny etc. The methodology should satisfy our major requirements for the job as well as to see that they become ideal organization citizens. We have also to draw on the interview programme as to the timings, arrangements etc. and inform it well in advance to the prospective applicants.

This becomes a long drawn process and now people are adopting a method of **Walk-in interviews**. Here the time is cut short and preliminary yes or no is decided as soon as the man walks in and then one can arrange by pre appointment, an elaborate interview. The idea is to see first the candidate's suitability and then to go for an elaborate procedure. Generally, an interview consists of communicating expectations of the organization and its introduction, and what it can offer and then expectations of candidates, their introduction, and their suitability. If these aspects are clear from both the sides, an interview is successful.
- 4. **Appointment :** The results of an interview must be communicated immediately as far as possible as a part of business etiquette. Those who have not been selected should be informed immediately so that their anxiety is reduced. The others can be given an appointment letter. One must have the confirmation that candidates are joining and we can then plan for their reception in the organization fold.

5. **Induction :** The process of welcoming a new person in a job is known as the induction process. The assimilation of a new person within the work ethos and culture is essential to fully utilize human potential. First of all, someone should take the candidate on an organization familiarization trip. This covers familiarizing with facilities such as breakfast, lunch, toilets, other facilities and locations, transportation, introducing all people who are likely to come in his contact - from receptionist, telephone operators to the operating heads of various departments. Some companies have a monthly get-together and in such a meeting, they introduce an entrant to give him an official welcome. The aim should be to make the man to feel the organization familiar for day to day activity. He is also given an identity card, a work manual containing rules and regulations of the organization. This work manual can also be called induction manual where important contact numbers, a brief history of the organization, people working, product and services rendered etc. along with the service rules and regulations such as timings, attendance, facilities etc. are given.
6. **Orientation :** The orientation towards philosophy of the organization and its business must be made clear to each member of the organization. This can be done by including in the manual such an orientation and then make people read and understand the provisions made in the organization manual. Some organizations also have an examination system for a manual so that it is ingrained in the person concerned.

Activity C

Draw up a schedule from applying for a job till joining, and introductory steps for familiarizing with the organization.

10.5 APPRAISING STAFF MEMBERS

1. **Appraising career progression :** Once job positions are filled, it is a staffing function to see that right environment is maintained for their career success and that they are used optimally for the objectives of business. Thus, one will have to appraise performance in terms of person and in terms of his results. This makes periodical appraisal essential as a part of the staffing function. The organization must be continuously kept properly staffed to produce business results.

There are various ways to appraise but one of the popular method was ‘Trait’ appraisal done by the immediate boss. If one decides what traits such as punctuality, regularity, honesty are required for a job one prepares an appraisal sheet covering such qualities and asks the boss to grade it. This was the simplest method and being very simple, ‘appraising’ became a routine function. To improve on it the boss’s boss was asked to give his own remarks. This was to reduce a personal bias that enters into some appraisal systems.

Later, it was thought we should be more concerned with the performance in terms of the results of any job and therefore, management by objectives began where we see results in terms of goals set by each individual and approved by the organization. However, it was found that management being such a wide function only results against goals; do not explain many things such as his human relations in the group. Thus appraising by his subordinates, colleagues, bosses working 360 degrees around him became appraisers and opinions of all concerned are taken on working competence as well as traits. This is known as 360 degrees appraising. Thus, a staff member has to keep good working relations with all around him.

All these methods had some plus and some minus points and yet the methods proved to be short of achieving the real purpose. From the view point of staffing appraising became one of the principal responsibility. Thus traits appraisal, objective linked appraisal and 360 degrees appraisal with permutations and combinations are being used today.

2. **Training and Development :** The business requirements from an organization are changing since both external and internal environment of an organization is changing. Thus new knowledge and new skills are to be brought to organization every now and then. Hence, we have to make an organization a learning place. In order to prompt people to learn, chances are created by conducting training programs. This can be classroom training, laboratory training, simulations, games, film shows, in-house magazines, library facilities, web handling etc. Here the stress is learning new knowledge. People are made aware but do not necessarily use such learning.

This is where the concept of development comes in. We must develop to carry out learning in practice by giving them various in - service opportunities. This is called development to distinguish it from training. Thus rotational training, on job training, working as assistants to bosses, temporary promotions, probationary periods, membership of committees like working on Junior Board of Directors, project assignments are tried. The idea is to give experience so that the trainees think of practical aspects of their learning.

3. **Separation :** The people are bound to go out of an organization either for good prospects, feeling of insecurity, dissatisfaction etc and staffing has to see that they nurture goodwill with those who leave the organization. One method is to conduct **Exit** interviews. The exit interviews are not persuasion interviews to retain but to analyze the causes of people leaving and based on the feedback, one should implement corrective actions if need be. One should look to separation as natural as joining. In fact, if an organization feels that these people were worth, there is no reason why one should not ask them to get in touch, whenever they feel. If we want experienced and better people, we make them to exit from some other organizations. Similarly, it may happen to us. Managers, in case of past employees, should be free to allow them to come back if they desire and vacancy exists. The separation should build goodwill on both the sides.
4. **Promotion :** Appraisal would also bring to one's notice, the cases where we find performance rewarding in one way or the other. Before one offers a promotion, it may be wise to declare rewards of one time nature like offering special course, a trip or award etc. The reason is promotion creates additional permanent cost on the organization and, unless one is sure of meeting that cost, one should not incur permanent liability. The decision of promotion should be treated as a development of organization and not of the person. Promotional signals for others of equal standing may mean that they lag behind the competitive race and may react to it negatively. Secondly, such a change affects permanently the people involved in terms of seniority.
5. **Salary and wages :** One of the reasons for leaving by employees in general is unsatisfactory salary and wages as compared to a competitive organization. Some organizations appease those who threaten to leave because of inadequate income structure and, therefore, take a prescriptive decision to give them more pay. This has a demoralizing effect on others who do not complain and do not get a raise. Such decisions must be taken as policy decisions and not prescriptive decisions, since these have long term effect on the morale of the organization.
6. **Maintaining human relations :** The important aspect of staffing is to maintain good human relations and work ethos. Simple rules such as respecting a human despite of their position and authority, equal and judicious treatment and minding personal role vis-à-vis organization role, attempting win solutions etc. would build a positive environment for human relations. Managers must try to cultivate influence (power) instead of using the organization authority.

10.6 MAKING STAFFING MORE MEANINGFUL

1. **Succession Planning :** Staffing has to keep an eye on succession planning. A group can last for a longer time than a single life of an individual. In fact an organization makes efforts to perpetuate. Thus, they live longer. It is people who make it, live longer by serving an useful purpose. One has to plan for succession of taking over by next generation. Hence, staffing must have a view of making people succeed so as to continue the organization. From this point of view, age distribution becomes an important succession factor. There must be a balanced mixture of all ages so that people continue to occupy positions needed in the context of business survival and growth. Organizations which grew very fast recruited a lot of youngsters to find that when they retired most of them were very old and the organization had no sufficient youngsters to succeed. Staffing should aim at, to see that it does not suddenly become old or too young. It must have a judicious mixture of all age groups.
2. **Social Planning :** Organization should reflect the community it represents. For example, when there are many women working around, our organization must have a sizeable number of women. If there are number of religions, castes, races, linguistic minorities around, these should be reflected in its own structure. Organizations represent society and our aim should be to serve that society. People, customers around us like to see an organization as the mirror. The organization expects social security, support and vice versa. One need not neglect the aspect of social responsibility of an organization since it is not a solo effort but a group effort needing social support.
3. **Legal approval :** An organization requires a legal sanction to act as a person. To do so each country has laws incorporating social organizations as legal entities. Various industrial laws decide minimum wages, welfare facilities, competition laws to make the organization's behaviour regulated in terms of the law of the land. One organization had decided not to employ females in order to avoid building facilities such as separate rest rooms, crèche, maternity leave etc. The Supreme Court decided it is against the Constitution to discriminate between sexes and made it mandatory to have females in the organization. Thus, one is not entirely free to decide one's own staffing policy. One must study the legal provisions before adopting staffing policy or staffing procedure.
4. **Building a learning organization :** Choosing suitable persons against job description may be a basic function of staffing. But the job descriptions are not thought in terms of creativity and innovation. One has to build creativity and an innovative spirit within staff so that it can bring completely new thinking to the organization and its business. Especially in competitive conditions many times, one can grow only if we can offer some innovative product or process to market. Thus, an organization has to build a

learning culture. Creating the right type of work ethos and culture is a staffing job. It builds through people it induces and the way it directs them in achieving results. Where organization obedience is the rule, any sort of independent initiatives are frowned upon unless the organization makes itself open to thinking towards such initiatives. Some people profess that even intuition can be taught. It is the staffing function to make people competent to perform jobs. In traditional staffing functions, these considerations are side tracked.

5. **Career management :** Staffing must be a supporting partner in building the career of organization members since they spend a major life time with the organization. They do not get so much free time to put their own time in development. An organization must consider career building as a staffing function. The organization should go on mentoring them. An organization not only invests in products but also in people. Very simply, an organization may make a rule not to smoke or drink and stop their ruining health just for safe guarding their careers.
6. **Building teams :** Staffing is generally looked at as a function caring for an individual. Most of the recruitment tests are carried to know individual ability but today work is becoming more team oriented. One has to see the ability to cooperate, to substitute someone, and to lead so that teams can work. Project management is one area of this type where people from different fields have to come together to make the project a success. Today this collaboration is being tested in meetings, quality circles etc. and one must select and nurture a person from this angle.
7. **Staffing must contribute to building work ethos and culture :** Staffing must have the ability to complement and substitute its staff and nurture a working spirit and work value environment around so that it helps building a work ethos and culture.

10.7 SUMMARY

Life is put in a structure by manning organization positions. Positions indicate the area of knowledge and authority to act based on such a knowledge. Staffing is manning positions. Amongst the resources such as time, money, materials, machines, information and manpower; manpower is the only resource that is 'live' which takes decisions by itself and uses judgment. This resource differs from others in rationality, emotions, perceptions and satisfaction and these attributes cannot be standardized and cannot be managed in any standard manner. Man seeks groups, companionships and accepts leadership in his self interest and it is left to the management as to how to use these attributes to the advantage of management. Man serves an organization to satisfy his personal needs. Team spirit is not natural to him and management has to develop this spirit in him for organization work.

Selection will differ according to levels and positions, and will call for different standards. Jobs need specialized knowledge, involve authority to use resources, need creation of job satisfaction by methods such as job enlargement, job enrichment, job rotation involving multi tasking and multi skilling. Staffing process involves steps such as man power planning, position inventory, job descriptions, positions announcement, interviewing, appointing staff, their induction and orientation, appraising, rewarding and then working for their career progression, training and development. One must also note that separation is a part of staffing, and one should learn why people leave and arrange exit interviews to get a feed back to improve the organization. One must design proper reward system to encourage performance. One can make staffing more meaningful by succession planning, social planning, adhering to legal provisions, thinking of staff career, building team spirit and building work ethos and culture.

10.8 SELF-ASSESSMENT QUESTIONS

- Q1. Analyse an office or your study class and comment whether by changing the people, you can achieve better work output.
- Q2. What is the peculiarity of human resource as against all other resources?
- Q3. What is a position? How and why are these created?
- Q4. Elaborate the steps in staffing.
- Q5. How you will make staffing more meaningful?
- Q6. Write short notes on the following:
 - a) Structure and Organization
 - b) Human perception
 - c) Rationality in humans
 - d) Nature of satisfaction
 - e) Team-Spirit
 - f) 360 degree appraisal
 - g) Separation
 - h) Succession Planning
 - i) Job Description
 - j) Personal Role

11.1 INTRODUCTION

As an individual, human is also confused by simultaneous demands of time, money, activities and his limited capacity to do one thing at a time. Natural physical instincts such as eating, sleeping take daily priorities and then he tries to meet his social priorities towards family and work organization. Thus, some of his motivation is determined by something already set, like his natural needs and for some he is motivated in satisfying these needs. However, some of his needs such as affiliation and love, esteem and recognition are dependent on others and, therefore, he looks for a company and leadership outside. When he is confused with all his demands in his personal life, he looks for someone who will direct and lead. He wants to be a follower in his self interest of survival and growth. His direction towards survival is instinctive; however, his direction towards growth is a process of learning, imitating and then following someone as a leader. It is through circumstances around him and people composed in it that influence him in his self direction. He learns self direction from events and people around him.

Perspectives in leading can be classified as follows :

1. **Man as an organization man:** However, we are more concerned about a man as a member of a group or an organization which has its own objective and therefore has its own interest to achieve that objective. An organization cannot achieve that objective till human members comprising it direct their self interest to organization interest. When one earns ones living from an organization, one is serving ones self interest and therefore, the organization's interest will be compatible with self interest. Generally, it is found when people are employees, they know their self interest is being served by serving organization interest, and there is no apparent clash of interests. Clashes are generally centered around how to achieve organization interest, the means of achieving it coupled with trust or lack of it in organization's behavior of achieving it. Thus, organizational interests clash on the manner of achieving objectives and the people who are instrumental to achieve it. Thus, clashes are around actions and people.
2. **Serving organization interest:** Thus, it is quite clear that it is in the interest of people who serve organizations to serve the organization interest since their own life depends upon the earning they make in the organization. Thus, most favoring factor for the organization is the self interest people have in serving an organization. Organizations take shape where there are many at the lower level and chosen few at the higher level. For a group achievement, they have to cooperate but to improve prospects, they have to compete with each other. Whether one deserves going up or not everyone intends to compete and that creates a political environment. In a good

sense, politics consists of finding out way to self interest for an individual in going ahead in the organization. This natural self interest of an individual is to be shaped in terms of organizational interest and this is what managers or leaders can achieve. Managers try to direct organization staff towards an organization's objective and since people can follow only if they are led, the managers do a function of leading.

3. **Natural instinct to follow:** Any decision is risk taking and, therefore, any action coming out of decisions is also a risk. An average human being lacks a confidence to take risk and therefore, always like to have someone along with him while performing. He, therefore, seeks someone to follow. Thus, being a follower is not against his nature. The fact is that he has an irresistible urge to be on his own and that conflict goes on in his mind. Unless he believes the one who is leading him is somewhat better than him, he will nurture a grudge of an unwilling follower. It is, therefore, very true that mere authority does not work in leadership but calls for a degree of influence to lead. An army captain commanding a platoon on the war front will be obeyed if he leads and not orders. People follow those who direct by leading.

11.2 BRIDGING GAP - USING TOOL OF COMMUNICATION

1. **Fore thinking about message :** A message consists of an objective as well as lay out (form) of communication. More clear the message from the sender and understandable to the receiver, more easy and effective the communication. The clarity of message is built around the receiver of the message and therefore, calls for the understanding of a receiver. The qualities which are required for understanding the receiver are empathy which is the outcome of sympathy. One must emotionally feel about the receiver (which we call sympathy) and then transgress to empathy. It means that one must stand in the receiver's position and imagine communication from his perspective. Without being empathetic about others, it is very difficult to establish effective communication.

The objective of communication must be forethought in terms of ultimate result. When one expects a receiver to act after communication, it is the question that a communicator should pose for himself before he starts communication. This becomes an objective of a message. If one has understood the objective of a message and the receiver's likely perception about it, the message will have clarity of communication. If you expect to meet your friend, you must see whether such timing is generally suitable for him. Think of what mood he would be in, and then set clear timings and place (when and where) one should meet. We take many things for granted, but in a commercial world this must be spelt out since people are not supposed to waste time in pursuing it. Thus, communication starts with the clarity of message.

2. **Brevity in message :** Message must be clear but as brief as possible. In modern times, speed has become the essence of communication and, therefore, messages must be clear but brief. Thus, one must be very much prepared as to what one has to communicate and why, before making any communication. This is a rule whether you are conversing or writing a letter. This saves on time in preparing communication and its interpretation by a receiver.
3. **Communication mode :** One has to decide the communication mode and then draft message accordingly. For example, if one is sending a fax or an e-mail, one has to be brief. In conversation, one can take into account the readers' perceptions and decide the delivery of message accordingly. One must also consider the factor of time and cost in choosing a mode. It will depend when you expect the other person to act on a message. If you have reduced the prices of your goods and services, and want to have immediate effect, it is better to use faster or real time communication like e-mail, fax or telephone. The telephone cannot leave any written confirmation and in that case, e-mail and Fax would be used. Many people put their up-dates on web with the hope that it will be immediately noticed. But there would be many people who would not be doing that every time and quite often. One must have some firm proof that other party has received it.

In fact, our mode of communication should be such that not only we should come to know that it has been received but also read and act upon - the aim of any communication. In man to man contact, communication can be made more effective through body gestures and eye communication. If one can have eye to eye contact, it facilitates to know how one is reacting to a message. Thus, the communication mode will vary in its cost and effectiveness, and has to be chosen with great care. Some time planned meetings work better, some time impromptu meetings produce better results when one gets some message when it was least expected. After all, communication is an art. The use of pictures, symbols, motion can create more lively impact. Thus, communication is an art and can be developed only by practice.

4. **Importance of language :** People convert communication to words and then understand it. Even when they appreciate a picture it is converted to words in mind so as to appreciate it. Thus, stronger the language, softer and more understandable the communication to the receiver. Managers have to work on a language to communicate and then to direct and lead. Human personality is reflected in its language. In Neuro-Linguistic Programming (NLP), an effort is made to program the mind to use right words to express, to sound responsive to the receiver. Building affinity along with right word vocabulary is important in any language.

- 5. Barriers in communication process :** When we write or express a message in a language and this denotes encoding of the message. Then it passes through a media so that it can be received at the receiver's end. One has to ensure that it reaches undisturbed or undistorted at the receiver's end. There can be a number of disturbances in its delivery. One has to take these into account. For example, on a telephone there may be some disturbances. More is the possibility of disturbances, more the possibility of unclear communication. When a message is received by a receiver, he has to decode it in the same manner as it had been coded and must have the understanding of coding so as to easily decode and act on a message.

In effective communication, listening is also important in a undisturbed mental condition. Thus, listening is a part of effective communication. An Effective communicator is one who is clear in sending his message as well as listening to message. In communication not only are the inputs and output are important but also the process through which it is carried that is very significant.

- 6. Synchronizing time, cost, effect and process :** In communication, synchronizing time, cost, effect and process is very important. While reasoning is the best tool of communication, emotions are most helpful to create effectiveness in communication. The social intercourse needs communication and managers need high social intercourse to be very effective in their work. While communicating, apart from clarity of message one must synchronize time, cost, effect and the whole process to be effective.
- 7. Types of communication modes :** The communication can be done through words, pictures, sound, gestures and touch and the increasing trend in technology is to combine these. This is what is described as multimedia. Computers are a good example of this - from simple computing machines they have traveled through words, sounds, pictures, motions and can use its combination most usefully. One can also think in terms of effectiveness how these can be combined into a message. Thus, presentation skills are given equal importance as communication skills. The Microsoft Power Point is one of the simplest tools where presentation is equally emphasized in communication. One can also use a number of systems of communications such as person to person conversation, addressing a group of listeners, seminars, a slide or movie presentation, publishing, correspondence etc. One can select such systems for effective communication.
- 8. Modern thinking in communication :** The importance to efforts, time and cost made the modern communication speedy and direct, but has lost some of the protocols that were observed as communication etiquettes. Modern communication is brief,

transparent, direct and simple, and more oriented towards results and its feedback. The system of feedback is more important in communication and, therefore, communication involves a method of its feedback. Moreover, communication has become more facts and information oriented, and expects readiness of information to back it. Thus, management information system has to be organized along with communications system. The new media such as web communication has produced another media to communicate.

11.3 MOTIVATING TOWARDS ORGANIZATION OBJECTIVES

- 1. Human factors and motivation :** Managers see that they meet personal objectives and objectives of the persons in the organization working with them. It is, therefore, to understand roles assumed by people in general, how they differ as individuals and while working with organization in perspectives and its expression in life.

Various theories have been evolved and experiments done to know man in action so that managers can understand them better before managing them. They play **multiple roles** such as members in families, parents in schools, citizens of a nation etc. in society based on the fact that they are all the same and behave alike. People are **different by themselves**. They differ in needs, ambitions, attitudes, accepting responsibilities, knowledge, skills, potential, values and perspectives. While achieving objectives man's dignity should not be overlooked. Though we select people on certain criteria we take them as a whole person in organization fold.

Managers assume what people are and then base their behaviour according to this assumption. Some of the assumptions are that man is

- Rational and economic – A man acts based on reasoning and economics
- Social – A man acts as decided by the society, and by peers
- Self motivated – A man acts by his hierarchical needs from physiological, social and then self actualization
- Complex motivations – A man's acts are motivated by many factors. He goes on learning new motives and responds to managerial expectations.

- 2. The underlying human nature :** If one considers the rational view, it ignores emotional state of human reactions, the effect of surrounding environment on human behaviour. Some find people unpredictable, unique, subjective and relative. On the contrary, the economic view ignores people's liking for gambling, unearned income, fantasies etc.

Here, we must consider **McGregor's Theory X and Theory Y**. Theory X assumes that an average human being dislikes work, and likes to avoid it. Thus they require coercing, he likes to be directed, avoids responsibility and seeks security. Managers having this assumption will tend towards adopting a dictatorial style. Theory Y assumes that making efforts is a natural like play to a man. If committed they are self directed. The degree of commitment will vary according to the size of reward. He can learn to accept and seek responsibility and a wide number of them have imagination and ingenuity. Thus, managers with such assumption will try to be democratic and participative, and encourage self direction in their style.

3. **Mile's Dual Model theory :** According to Miles, there are three managerial models. The first traditional model, emphasizes control and direction. The second, human relations model, thinks of social and egoistic needs of its members. The third, human resources model, is where a manager sees himself as a developer and a facilitator of his members. However, Miles finds managers adopt different views for themselves and that for their subordinates. Thus, their expectations from bosses are different from those from the subordinates. A type of dual model works. Generally, the view of superior dominates the subordinates. Thus, they have different assumptions and different styles to view their role.

In view of these differences in approach, a manager will adopt more individual view and practice it to fit generally to individual style and his own common belief. They will try to create an environment conducive to performance and will combine all these views as circumstances demand.

4. **Encouraging creativity and innovation :** So far managers have thought of control or encouraging initiative within the present system and procedures. Now, however, due to competition we are dependent on creativity and innovation to create a new model of business. Thus, we must encourage creativity and ingenuity by encouraging out of box thinking. This is a difficult stage since something unknown is more risky. One cannot perceive it so easily and one is reluctant to accept it. Many times, traditional thinking that a superior is superior in all respects over subordinates may prove wrong, and it may create psychological abrasions. We have plenty of examples of creative people leaving organizations and forming new ones. But in very few organizations (except in a set up such as Research and Development) managers have succeeded in encouraging creativity. There is a need of cultivating some managerial styles to do so.

11.4 MOTIVATION, MOTIVATORS AND SATISFACTION

1. **The chain of need, want and satisfaction:** Needs are what people feel desirable and have on their list of expectations. A need is converted to a want when people acutely feel it and are prompted to act and take actions so that some satisfaction is felt. It is this chain which is supposed to be behind humans. Some of the needs are day to day such as thirst, hunger, shelter, security etc. Some are time related; affiliation, esteem, recognition and self actualization. These needs can also be called primary and secondary needs, respectively. The primary needs are created by nature while the secondary needs are created by environment.

Through effective and efficient management, managers create a work environment and encourage the staff to build their expectations and thus their motives to act. Satisfaction creates needs for more satisfaction and more demands on management. Thus, satisfaction is followed by dissatisfaction about the present and expectation for more in future. Thus, managers are trapped in the vicious circle of satisfaction design. It is only controlled by business and as its effect limits and sets an arbitrary limitation to such satisfaction.

While motivation refers to drive to satisfy a want or objective satisfaction refers to contentment one receives at the end. Motivation is a process of acting towards satisfaction. The word ‘motivators’ is used to refer to what generates such a motivation. It may be a person who has a high job satisfaction but has low motivation to work. To regulate it, people may use carrot as a reward and stick as an indicator of punishment for not producing action. While one cannot rely on a constant carrot and stick policy since it becomes edge less by too much practice. Changing business conditions do not allow always to offer carrot and use of stick which ultimately may result in demoralization. Thus, one cannot only direct, one has to lead both in good and bad times to keep the moral of an organization.

2. **Maslow's Hierarchy of Needs :** For individuals, there is supposed to be a hierarchy of needs with the base of physiological needs, security and safety needs, affiliation and acceptance needs, esteem needs and at the top the need for self actualization (becoming what one is capable of). Some classified it only into biological and others. It also varied with the level of each person.

Frederick Herzberg advanced another deviation. He developed a *hygiene approach* to motivators and he found that certain motivators are dissatisfiers and certain motivation leads to satisfaction. Most of the base needs are of recurring type and every time create a dissatisfaction, if these are not met. It gives dissatisfaction but

does not motivate to act. Herzberg names these factors in the context of maintenance, hygiene or job. In this, he includes needs such as status, interpersonal relations, quality of supervision, company policy and administration, working conditions, job security and salary, while in motivators, he includes challenging work, achievement, growth in the job, responsibility, advancement and recognition.

3. **Vroom's theory of expectations :** Victor H. Vroom believed that people will go for a goal, if they find it is worth the efforts involved in doing so. Thus, they will be motivated to the extent its value (valance) is worth the expectancy (drive) to achieve it. ($\text{Force} = \text{valance} \times \text{expectancy}$) If people conceive that it is difficult to achieve or it is not worth to achieve they will not have the drive or motivation to achieve. Thus, an individual's needs and motivations are linked. It also means that if sufficient reward is available to pursue a particular objective, a man will tend to fulfill it. This is one of the ways by which organization objectives can be achieved by individual efforts. It is difficult to decide the value of an objective and the level of satisfaction so that the motivation can be established in practice. Thus, it calls for good efforts-performance-reward-satisfaction system.

This point was further thought of by Porter and Lawler who classified the system into perceived effort and reward probability, value of rewards, satisfaction, efforts needed, perception of task, ability to do specified task, performance accomplishment, the intrinsic and extrinsic rewards, perceived equitable rewards leading to satisfaction.

4. **The Equity Theory :** One compares his outcome with one's inputs with that of someone else working in the same situation, and then either gets encouraged or discouraged to act. Thus, a human being compares the value of his efforts and reward received for it with that of others to judge how far it is equitable. If it is inequitable, he is discouraged to do so. Thus, it tells the manager to be equitable in terms of perception of others. It is difficult to understand what others perceive to be equitable.
5. **Reinforcement Theory :** B.E. Skinner holds that individuals can be motivated by proper design of their work environment and appreciation of their performance, and that punishment for poor performance produces negative results. It emphasizes the removal of obstructions to performance, careful planning and organizing, control through feedback and an extensive use of communication.
6. **McLelland's Needs Theory of Motivation :** There are three types of basic motivating needs - need for power, need for affiliation, and need for achievement in humans. People with need for power aspire to be leaders, be good at conversation, in public speaking, forceful, outspoken, hard headed and demanding. Those with

need of social affiliation are good in maintaining social environment, have understanding, are ready to help and desire friendly relations with all. People with need for achievement have the desire to succeed and an intense fear of being a failure. They aspire for challenges and reasonable risks. They like to work and have a prompt feedback. Thus, motivating needs have to be tailored for each individual.

7. **Money as a motivator :** Money is a motivator for the family man. Its effect as a motivator will depend on level and sometime on the nature of a man. It is used to attract and retain staff. The consideration of equity in wages and salaries rob off certain attraction for money since an individual performance is not weighed. People are more motivated by unexpected extra income.
8. **Quality of working life :** More practiced through better job designing comprising job enrichment through study of parameters of a job that attract humans in terms of job satisfaction and improving the job performance. It is done with the united efforts of unions of workers and management. The job is then designed, incorporating suggestions accepted, and implemented in the job design itself.
9. **Participation as a motivator :** People are motivated if they are consulted in a job about how it is to be done, and encouraging their participation in actually working out. One likes to see the results of its own activity so that he has a pride in its making. It also fulfills the need for affiliation and acceptance by people. Participation involves empowerment and delegation which supports motivation.
10. **Job enrichment as a motivator :** Job enrichment is an attempt to make jobs challenging and meaningful, recognizing achievement and promoting responsibility. It also may be enriched by giving workers more freedom, power to interact with fellow workers, making it tangible, result oriented, and allowing workers decide the job environment. In *Job Enlargement* an attempt is made to reduce monotony and increase variety of work. It is found that these are limitations as all workers do not seek job change. With present machines designed for special job, there is little scope for practicing this idea and incorporating it in low level skill jobs.

Motivation is a part of larger management system and calls for the environment to try motivational tools. Thus, mere motivational tools will not be effective if it is not backed by concern for people, managerial style, an organization's culture and work ethos.

Activity A

If you are to be motivated for study, what motivation will prove useful and by whom?

11.5 MANAGERIAL ROLE AND LEADERSHIP ROLE

- Leadership :** When we speak of social or political leadership, these are not bound by organization as much as by the followers they lead. Even when leaders find that the followers are conservative and are not interested in planting some revolutionary ideas, they find ways to convert but not disown followers. Leaders hardly disown their followers. Their strength is their followers. A leader cannot be a leader without followers. If need be, to keep the followership, they may even throw away organization bonds, if any. They lead because they feel the people should do something which they are not coming forward to do. They set objectives and work for it. For them, leading is an instinct. They are not interested in building permanent structure but to find a short term solution to a problem being faced by the followers. They will decide their organization loyalty, according to their own concept and thus are not really loyal followers of the organization. They lead because they feel like leading and not because the organization tells them to do so.
- Management :** A manager is bound by an organization and its objectives. His principal objective is to lead the people towards organization objective. He already has authority given by organization to deal with his environment. Thus, one of the tools granted to him is ‘authority’, a tool with which he can influence people. He is also a job giver to them. This is one more reason why he can influence. He gets a bunch of reluctant followers, each one serving for salaries and wages being earned by them. Thus, social leaders work in an unorganized environment while manager works in an organized environment. These two types of roles may have some common ingredients but really both of them work under different environments and we need not treat them alike.
- Managerial function of leading :** However, the fact remains that a manager cannot direct only with authority. He requires cultivation of influence to keep people on track and motivated towards objectives and tasks involved. There are occasions when

organizations are demoralized, business conditions are adverse, resources are short and the organization structure is weak. In such cases, the authority also weakens and only power can work. Leaders work through power and not authority. The followers in an organized environment look to the leaders for continuity and growth and thus, build their relations on the edifice of trust. It is the manager's ability to maintain trust that works for him while leadership sustains in meeting the cause of its followers. Very few leaders work for long term relations but a manager has to work for long term relations. When managers lead, it is an incremental approach to authority, when leaders lead, it is the use of influence (power) all the time. In an organized environment, one is more a facilitator and resource provider but in social leadership one is the medium to change in a much bigger way since only change can keep leadership alive. Authority is changed by others while power stays with the person and works in adverse circumstances. To cultivate independence in an organized environment, leadership is very helpful. As one joins a newer organization, it is the influence that works, and not an authority. In every change in situation, the manager is on probation and only leadership helps because you depend on none but yourself to act. It also develops independent decision making on ones own and paves way to top ranking posts which are not purely managers but mixed needing leadership. Need for affiliation cannot be fulfilled in an authoritative way. One must have a family feeling and hence the role of the head of a family for the manager where emotions are also cared for.

11.6 DEFINING LEADERSHIP AND ITS ROLE

- 1. Leading people to objectives :** If one is not a part of an organization, a leader defines his own objective and leads followers to that objective. In this role, objectives are more important than the tasks involved and they are reluctant to administer and give importance to tasks involved. Thus, they lead and do not manage and seem to be sloppy in the managerial role. When managers lead, they lead objectives which may have been adopted by them (not being their own) and more worried about the tasks involved in achieving objectives. Thus, they can be called managerial leaders.

Directing implies the use of authority to follow while leadership is a job of creating willingness to follow. It is more persuasive. A leader works more on people than objective. If people are motivated, objectives will prove facile, but if one concentrates on objectives, people will not put their best. Thus, the leadership can be defined as making people capable to follow a path towards an objective through *self leading* on that path. It means that leaders will come to know first where the hurdles are so that others can easily avoid them.

We expect leaders to have the ability to use power, clarity of objective, ability to understand humans and their motivational diversity in various contingent situations, ability to inspire and ability to act to create conductive environment. The leadership principle is that if the followers' personal objectives are satisfied by leadership they will tend to follow.

2. Theories and its implications on leadership

- a) **Traits Approach :** Here one has studied a number of leaders and seen what traits one gets in common with such leaders. Starting from the premise that they are born great, the behavioral school classified their qualities in groups such as physical traits (energy, appearance, height), ability traits (adaptability, aggressiveness, enthusiasm, self confidence), task related characteristics (achievement drive, persistence, initiative), social characteristics (such as cooperativeness, interpersonal skills, administrative abilities) etc. This is a mere list of behavior characteristics. We do not know which are important and with what percentage they are mixed in a successful leader. One finds many leaders fail in particular circumstances, despite having these characteristics.
- b) **Authority use based leaders :** An *autocratic leader* commands and expects compliance and leads by carrot and stick policy. A *democratic or participative leader* takes into consideration the views of subordinates before acting or extending rewards or punishment. A *free-rein leader* delegates power to subordinates and rarely interferes. Some people speak of a *benevolent autocratic* leadership where participation is invited but the ultimate implementation is made autocratically. A *participative-cum-supportive leader* in addition to being participative may support subordinates in achieving their objectives. The use of any style will depend upon situations and leaders may vary their styles as per the demands made by situations. These styles establish relations between leaders and followers. However, all these are formal ways.

There can also be informal ways of doing it. Thus, it is necessary to seek opportunities of open informal discussions with subordinates which can be done by **management by wandering around** where one tries to meet subordinates at their work tables. It increases the informal communication and informal communication flow. One can create informal organization within formal organization.

- c) **Linkert's Four Systems of Management :** Linkert sees an effective manager strongly oriented towards subordinates, keeping open communication and

supportive attitude. Likert views this approach as the most effective way to lead a group. He finds that there are four systems in management such as 'exploitative-authoritative' with autocratic style and using fear and punishment as a tool; 'benevolent authoritative' with a trust and delegation but close control; 'consultative' in which there is substantive confidence in subordinates leaving all decisions other than broad to subordinates and, lastly, participative group system where managers have complete trust in subordinates and invite ideas from them. They encourage group participation. According to Linkert System, the last mentioned leaders had more success rate.

- d) ***The Managerial grid :*** This grid was developed by Robert Blake and Jane Mouton. The grid has two dimensions concern for people and concern for production. According to this, there exists four extremes of style. The impoverished management is one showing little concern both for people or production. At the other extreme, there are managers who show extreme concern for people and production, mesh production with people and as such are team managers. Another extreme is that managers are concerned more with people and little concern for production described as 'country club management'. On other extreme, there are managers who are only concerned with production referred to autocratic task managers. Taking these four extremes, every managerial style can be put on a grid. Clearly one falling in the middle will have moderate concern for people as well as for production.
- e) ***Leadership continuum :*** Tanenbaum and Schmidt visualized a variety of leadership styles from highly boss centred to one highly subordinate centred. The styles vary with freedom granted by managers to subordinates. The choice of leadership varies on this continuum depending on the leader, the follower and the situation. Thus, leaders will vary in value system, confidence in subordinates, inclination towards leadership style and feeling of insecurity in uncertain time, while the subordinates will vary in assuming responsibility, knowledge and experience and tolerance for ambiguity. The situations such as organization values and tradition, effectiveness of subordinates working as a unit, the nature of problem and availability of time will differ. To this was added later outside compulsions which force certain style on leadership.
- f) ***Situational or contingency approach to leadership :*** Leaders are a product of situations. It was said that the leader is then a person who recognizes the desires of the followers and undertakes those programmes which are designed to meet their aspirations. The people tend to follow those whom they perceive as offering them a means of meeting their own personal goals.

Thus, leadership responds to situations and design their management accordingly.

- g) **Fiedler's contingency approach to management :** This view holds that people become leaders not because of only their personal attributes but also because of situations and interaction with their group members. For example, Sir Winston Churchill became the Prime Minister because war broke out and he showed exemplary courage in facing it but lost as soon elections were held after the war was over. Certain people are capable of being leaders because of certain situations. The three dimensions of a situation are Position-Power-Authority. Position makes it easy to obtain good followership, task structure - possibility of clarity to lay responsibility and leader membership relations - acceptability of a leader as such. He describes leadership style as one task oriented and other oriented towards cultivating good personal relations. The degree of favourableness of situation is defined as possibility of exerting influence over followers. It may be added that leadership performance equally depends on leadership style as well as organization climate.
- h) **The Path-Goal approach :** This theory suggests that the main function of the leader is to clarify and set goals with subordinates, help them find the best path for achieving the goals, and remove obstacles. Leader behavior is categorized into four groups such as :
- Supportive Leadership behavior indicating concern for subordinates and creating environment - having more impact when they are frustrated or under stress,
 - Participative leadership allowing subordinates to influence decisions of superiors and thus increasing motivation,
 - Instrumental leadership which is extending specific guidance in preparing for achievement by subordinates and,
 - Achievement orientation leadership which helps set and achieve challenging goals and having confidence in meeting these goals. In short, setting clear path towards a goal and keeping flexible approach towards intervention would perhaps be ideal. Thus, through the motivation of subordinates and supporting if needed, the followers can achieve their own goal. The key to the theory is that the leader influences the path between behavior and goal.

- i) **Principled leadership :** The principled leader is one who decides principles that will guide his leadership behavior and then moulds his future actions in tune with these principles. In short, these are leaders whose base is principled in talking and walking. These are leaders who believe demonstrating leadership by keeping it consistent to their followers. Their success seems to be of a long term nature; these are more clear and transparent in their behavior.
- j) **Primal leadership:** The word primal is used to mean ‘basic’ trait. This has come out of *Coleman’s* emotional intelligence approach. To him, the primary quality of a leader is to understand emotionally the group he leads and use emotional resonance of individuals, and groups to implement his vision. This quality of a leader depends on how far he has intelligence to know and control emotion of his own as well as with his relations around. With the intelligence to perceive the emotions of oneself and others, one can create a human resonance and then make group members work as they feel emotionally passionate about achieving results. It is evoking these feelings that make a leadership successful.

11.7 SHOULD MANAGERS LEAD?

Managers avoid the word ‘directing’ since it smells authority orientation. But in day to day management, one generally directs people to goals since they are known, accepted and being achieved in the normal course of directing. It is only when situations call for extra ordinary efforts that managers lead by showing their interest in the task and subordinates who are doing it. It requires more of a passionate push and emotional bonding. If managers are supposed to achieve results in terms of efficiency and effectiveness, leading is one of the tools available for managers and they can use it. A little bit of persuasion can go a long way in achieving the objectives.

11.8 SUMMARY

In his self interest, a man looks for someone to follow. For a man, self interest is instinctive but the interest of an organization depends on getting direction and lead from someone. For leading, communication is obligatory. It starts with the clarity of message. Speed has become a guiding factor of communication and therefore, brevity in communication. Communication is an art that can be developed by practice. The ease of communication becomes a key factor in communication. Communication requires synchronization of time, cost, effect, process and mode of communication. The presentation of communication is also equally important. Since communication largely depends on information availability, a good information management system acts as a backbone of communication system.

Managers' styles of managing depends upon what he considers a man to be. The direction and motivation of followers is required and managers have to lead. Thus, managers require knowledge as to how human beings are motivated to work and the motivators that can be used for this purpose. The way human beings can be satisfied. Leading is essential to keep continuity and build morale in followers. If one studies the leadership patterns, one comes to know a number of aspects of leaders and their styles. Various theories in this respect have been put forth. Most of the time, the manager directs in view of trust that exists between the manager and his subordinates. It is only situation when becomes complex and chaotic, the leadership quality of managers is called for.

11.9 SELF-ASSESSMENT QUESTIONS

- Q1.** What motivates people to start a business and build an organization? Who do they follow? Substantiate with examples.
- Q2.** What is the role of communication in leading? Configure characteristics of good communication.
- Q3.** Write the ways in which motivation can be thought of.
- Q4.** Why should managers lead?
- Q5.** Write short notes on :
 - a) Directing and leading
 - b) Modern trends in communication
 - c) Theory X and Theory Y
 - d) Herzberg's Hygiene theory
 - e) Vroom's theory of Expectancy
 - f) Job enrichment
- Q6. Case Study**

Mahatma Gandhi, the great Indian leader, had a style of his own. One observer of history brought the following facts to the notice of the reader:

Mahatma Gandhi acted throughout his life on the principle of non-violence and the conviction that truth always prevails. Throughout his public appearance, he adhered to these principles even when his followers were displeased on few occasions.

12.1 INTRODUCTION

We have seen how we can make people act. We do planning, organizing, staffing, leading to make people act towards the organization objectives. When people start acting either these activities seem to be short of results, or totally misplaced and a waste. It is for the management to see that people produce results as per the objectives planned. This is a major managerial function which we describe as controlling. Controlling can be defined as ensuring that actions conform to the expected results by appropriate feedback systems and correcting any deviation in time to see that results are ensured within proper time and costs as per planned standards.

It will thus be obvious that without planning, there cannot be control. If one does not know what is to be achieved, the efforts to control will be in vain since we do not know why we are controlling. The people who are not in the habit of planning will find it difficult to control the results. Planning at personal as well as organization level is a mental discipline for the manager and none of the activities can be performed without planning. Business and management are purposeful activities and planning is a precondition for its successful achievement.

Thus, planning should be done in such a way that it establishes controlling standards and keeping 'control' in view. As a student, if one wants to control one's studies, one must first plan studies. Control is a natural management function which has arisen out of managerial functions of planning, organizing, staffing, leading which paved way towards actions. Planning and controlling are described as two sides of the same coin. For a special attention, two managerial systems which contribute directly to control are management by wandering around and management by objectives seem to be worth considering (see section 12.5).

result is end stage of planning.

12.2 PRINCIPLES OF CONTROLLING

- Establishing measurable goals :** Planning is a conceptual document prepared for implementation of a programme. Thus, it will include a number of things, including reasoning, for establishing a particular business and its execution. However, these concepts cannot be converted into actions without being laid out in concrete terms. That one has planned for studies is not sufficient for the execution of plans; ultimately one must decide which subject, how and what we must do to start studying. Thus, all planning ultimately arrives at some implementation stage which spell out results at the end of each milestone in planning.

If one has planned to read a book of five hundred pages say in two months, then one must plan proportionately for each day to see if one is progressing or not. You may

decide to read thirty pages each day and now one can see, if one has completed reading thirty pages per day. This is measurable. Thus, the process of planning goes through conceptual to measurable objectives.

Even if these are qualitative, one has to convert these into measurable terms either in terms of money, quantity or some physical form so that these can be objectively measured. If ones complaint is that people do not come in time, one has to establish some measurable system such as closing attendance at a fixed time and making people sign before the boss to find out who are late and what action can be taken against each employee coming late. The skill of management lies in converting planned achievement to a measurable scale.

2. **Establishing standards :** The establishment of measurable goals is a prerequisite to controlling. However, we must convert measurable goals into standards. In measurable goals, we know how to make control systems work. The measure by which we weigh results is now fixed. But the standard is what one expects to be a minimum performance with given efforts and time. Thus one has to fix measures of efforts, time, cost etc. to apply to results. Reading thirty pages per day is a standard expressed in verifiable measure. Deciding verifiable measure and converting it into standard is thus a part of planning. Both these factors are essential to control.

In a 100 meters running race, we fix a measure of 100 meters and draw a limit line there. Now in order to measure who runs fast, we take a stop watch and see how much time each competitor takes and the one who clocks the best speed is declared a winner. One can also fix a minimum time as a standard and then declare that all completing 100 meters within the particular time period will be qualified for the final round. Thus, we can fix minimum standards and then judge the performance.

Similarly, in business we can fix standard such as per hour output, minimum percentage of profit etc. Planning becomes more useful for controlling if we select few aspects for establishing standards so that one can compare the actual outcome against such standards.

3. **Controls must be economical :** The entire process of management is an exercise in cost with a hope that it will be recovered through business operations. The control also costs in terms of its implementation. Each time we plan a control, we must compare its criticality in terms of the likely benefits against its costs. A particular control is essential to control some aspect of activity undertaken and if anything passed as a substandard will bring the whole business in trouble. Thus, in this case the benefit far outweighs its costs even though the benefit is not measurable or is notional in

terms of money. Thus, evaluating any control in a tangible as well as an intangible form is the subject of judgment by management.

All that one should try is to establish controls at such points so that these are few and critical. For example, instead of making 100 per cent inspection of all parts produced, we statistically decide what per cent of it should be examined to reduce cost. This is based on the notion that, if some per cent of the parts are examined, one can generally conclude that lot of parts is likely to be similar. Controls must be economical not only in implementation but correcting the deviation by getting a signal in time. The course end examination that you undertake as a student is a control system which tells how far you are generally prepared in your learning.

4. **Selection of critical points :** It is obvious from above that one cannot control each stage in process and, if one does so, it will turn out to be an expensive one both in terms of time and money. One of purposes of controls – to be economical – will be defeated by controlling at several points in the process. Thus, one has to choose control points. This choice may be dictated by considerations such as testing individual skills, group output, its criticality to operation in the total activity etc. If in any operation, the material chosen and its composition is very essential, then before incurring any other expenditure in terms of machining, it is better to treat this as a critical point of control. One cannot rework on the raw material itself. That which cannot be reworked and returned must be chosen as a critical point for control. If a customer has complained on a particular aspect of supplies, it is advisable to verify at that point for sometime. This point is selected because of the customer's complaints. There can be a number of considerations for selecting critical points. It is not necessary that the critical points should remain unchanged but can be changed on a rotational basis or by changing after the feedback one gets from process results.
5. **A proper feedback system :** Any stage where the result of any activity can be partially or totally verified is a point where we can expect a feedback report to measure if the results from activities deviate as compared the standard already worked out. It is only when we get this information (feed back) that we can decide whether the process requires any correction because of deviation observed. Feedback is necessary to see if the activity requires any rework or correction or should be allowed to continue. The feedback stage decides whether the cost of continuity in operations in the similar manner would be good in customers' interest and thereby in the interest of the business. One has to build an inspection system and its feedback around the control points. Control points must be supported by control systems. These points can be feed forward as well as feed backward.

6. **Need for discipline and flexibility :** If a control system has to work on certain inherent discipline assuring that the same process will continue during existence, a control system is essential. If one has changed the design of a product or service, one will not be able to continue the same control points since it will call for study afresh of points to be fixed for controls. Any control system will work so long as discipline assumed underlying such activities remains unchanged. But if one finds that the results obtained at a particular point do not meet the requirements expected of such a control, one will have to change the system. Since, the environment around the organization as well as within the organization changes, the control systems will need flexibility at the same time. Thus, one has to see that control systems change, according to changes in the demands on business. Thus, one should be sensitive not only about deviation in product itself but also as to the effectiveness and its desirability. Feedback on the utility of control system should also be planned along with the information on product feedback. We must caliper the control system itself from time to time.
7. **Control should reflect organization structure :** One expects that control should be exercised by managers who are responsible for the activity. Thus, control must be tailored for individual managers, their positions and the levels. Since authority and responsibility go together, one who has it must be made responsible to a particular control and its feedback system. He must be responsible to take corrective actions, if performance deviation is found. Otherwise, we will require other people to see that control itself is being exercised. It must be tailored for easy understanding of the person who is controlling, in terms of figures, graphs, pictures etc. It is no use giving several computer printouts with a number of figures and information which makes things difficult for easy interpretation. Reviewing controls and feedback collected must be natural to managers and a part of its management culture.
8. **Controls must be developed objectively :** If controls are subjectively tailored only for a particular person to understand, then it will not be useful in his absence. How to control should not be a subjective choice of a manager but a part of an objective system. The entire organization should be able to read feedback reports developed for controls and can also be made a part of an organizational manual. The results of control should be communicable and actionable. These controls as far as possible should bring out any difference in the output so that these point to deviations without needing much working. For example, one is supposed to produce 100 numbers of parts in a given time and one gets reports that one has made 110, this deviation should be highlighted in the report itself. The result can be interpreted either as that the standard is not correct or the worker is overefficient or there may be operational defects. To enable a person to interpret the possible causes, these can also be recorded

so that one goes on reflecting on the basis of points given. In short, controls should be as self-explanatory as possible. It should point out exceptions.

9. **Controls must lead to corrections :** Controls are in the self interest of business, its organization and management and not a tool of casting aspersions on managers or the management. One tries to find out deviation in planned performance to modify its outcome. Thus, control should be ideally placed where there is a possibility of saving the activity from total waste. Controls, therefore, must be directed towards corrections, and possible corrective actions may also be pointed on deviation itself. The philosophy of controls is not stick and carrot but quality delivery of goods and services. Controls are directed to the satisfaction of customers.

Activity A

Develop a control system for your studies of this subject.

12.3 TYPES OF CONTROLS

1. **Direct or preventive controls :** The best way to save on the cost of control is to aim at zero defects from the initiation. Ideally, to prevent deviation from plans is the best way for control management. The focus here is to prevent need of controls and to give as much attention as possible to build systems, procedures, culture and discipline in such a way that one has to put least attention in post activity controls. When people pay direct taxes, we call them direct since it is recovered from people directly and not paid indirectly through taxes on goods and services.

A similar distinction is expressed in controls by calling some measures direct and some others indirect. If people undertaking the work are capable, they understand the job, it is conceivable that less indirect control will be required. Thus, direct control suggests tuning up people to the job so well that they would give less chance to deviations. What we are trying is to prevent need of controls by planning, organizing, staffing, directing so as to build *staff efficient* giving a very little chance to implement controls. This is how controls should be seen positively.

But given the fact that human resource cannot be standardized for any operation, there will still remain differences in efficiency and effectiveness of each individual and some short comings in their operations. Moreover, environment as well as organizations react to changes all the time giving way to environmental opportunities and threats, and organizational strengths and weaknesses. In such a flux, even control systems undergo a change or become outdated. Thus, the best way to handle such situations is to make human resource capable. However, there are limits and one has to have indirect controls to assist direct controls.

2. **Feed forward controls :** If one takes any process there are two ends : input end and output end. One starts an activity by input of resources and expects certain output at the other end. Let us take an example of studies. You start your study activity by collecting syllabus, relevant books, pen, note papers etc. If we can put controls at the input stage itself, a lot of shortcomings in output can be avoided. If you do not know what the subjects, books etc. are, even if you sit to study you will not be able to do it till you have the knowledge with you. Thus, you can control in the initial input stage and can avoid any output stage problems.

Here we feed in advance what are the deficiencies to start an activity and then correct them at initial stage so that one can now be at least sure that progress will not hamper because of lack of inputs needed. This is a feed forward control. Most of the forecasting is done to establish a right direction and control from the very beginning. Before you start preparing a cup of tea, if you collect in advance sugar, tea leaves, etc. the chances are that you will avoid saying "I am sorry there is no sugar in the tea." We prevent deviations which are likely to occur in future by seeing that you are fully prepared at the input stage itself.

3. **Feed backward controls :** If the same controls are put at the output end, we do not come to know deviations till the moment of output. Suppose one finds a deviation at a later stage when one takes feedback - when expenditure has been already incurred and operations taken place from input to output stage; one cannot modify deviation easily. We may find that instead of the right grade of steel, the supplier has supplied an inferior quality and due to reason machining operations are not as accurate as expected. If one has to correct now, one will have to discard all pieces already produced ready and start machining with right kind of steel again. This involves heavy cost and plus customer dissatisfaction because of non delivery of products. Anything can go wrong between the input stage and the output stage and one cannot only rely on feed forward controls. Infact, most of the controls take a shape of feedback controls. Many managers recommend that we should have both feed forward and feed backward controls on the process to be on the safer side.

4. **Real time controls :** The advances in telecommunications have made it possible to have instantaneous feedback almost in real time. The real time is one when both creation of a report and its transmission is done almost with no time gap that one can almost read it at the time it is being sent. The fax or telephone is an example of this type. Process instrumentation is so advanced that as soon as sensing is done, it is communicated not only for action but for its correction almost at the same time. Thus, controls are now real time controls. The computer having the capacity to broadcast simultaneously to many has made such type of controls possible and it is welcome where too many people are involved in a process. In the example of your study, if by opening a web site, you can come to know your syllabus, books recommended etc. your input will be ready in real time, saving both time and cost. Technology is now being used to communicate feedback in real time so that efficiency and effectiveness can be added to your management.
5. **Automation in controls :** Instrumentation is being built to develop control systems involving as little human power as possible. Numerically controlled machine is one obvious application of such thinking. Computers are also being used for feedback systems and automatic correction where decisions can be structured. The obvious effort of new managers is to develop such controls so as to have minimum dependence on human discretionary habits. Thus, one can always think of taking the assistance of technology to design a good control system. Like all other aspects of management, controls have become a techno-human tool needing not only the knowledge of a process but the equipment used for a process and its linking to computers and electronic instrumentation.

Activity B

Study the MS Office Microsoft Outlook package and see how it can help you control events, meetings, tasks etc.

12.4 DESIGNING CONTROL SYSTEM

1. **Fix objective of control system :** By introducing any control system, one must be clear what and how one wants to control, at what stage in the process of an activity and after getting a feedback, how one wants to correct any deviation. In addition, we evaluate in terms of system and cost. Take a very simple control system such as attendance in a class. You can ask people to sign a register or take to punch a card or give attendance on the computer - each of these are systems designs and will vary quite a lot in use, cost and time. Someone will argue why should we worry about attendance; it is the students' responsibility to study and let them have the freedom to decide their own interest. Then there would not be any control system. Thus, how we think of the objective, will decide the system and its design. The system should be arranged in a flow of an activity in such a way that while working on the activity, it should itself signal deviation. Too many controls will bring rigidity in managing while too liberal a process may spoil the goods or service one renders. The manager has to balance these considerations in design.
2. **Design Essentials :** Controls are to be designed in the interest of the ultimate customer to whom we promised certain quality of goods and service and time of delivery. The system would contain the following elements:
 - Nominating a person responsible for particular control system : To avoid costs, now a days it is preferred to combine both the operation and its control to be handled by the same person or team operating a particular process.
 - Calibration of measuring instruments to test reliability : If the measuring instruments or methods are faulty, the results will show wrong deviations and, therefore, we have to see the instruments or methods used for measure are calibrated or set for accuracy from time to time.
 - Developing performance standard : In order to measure deviation one has to fix a standard. For example, a worker's minimum norm of work must be decided to see whether he has reached the norm or exceeded the same. Thus, one must decide the standard to decide the performance obtained.
 - The process or activity to which control is to be applied : The inspection method should be such that it can find an individual factor which is responsible for deviation and can be signalled out either to correct persons, machines or circumstances that are responsible for deviation.

- The critical points where it is to be applied in the process such as at input or output stage or in between process.
- The measure of deviation at such a point. This has to be arranged so that output is known for measuring deviation. There must be some system for recording output and its quality at this stage.
- The corrections to be carried out or deviation, if any, noted.
- The final results obtained and feedback to its correctness.
- Designing a system of reward for correct output so as to build trust in the system. One must note here that reward can be appreciation, incentive system or any other manner to keep up the moral of system operators.

12.5 CONTROL TECHNIQUES

Largely control techniques are based on information and its analysis. The area to which information pertains, decides the particular control techniques. For example, budgets are used for finance control; inventory is used for inventory control; production data for production control etc. It must be noted here that controls cannot operate without some feeding of information and its analysis. That is why once upon a time, statistical control techniques were popular. Thus information generation, its analysis and feedback is the basis on which many control system depends. One has to understand some of the control techniques that are popular control tools which are being used.

1. **Budgeting techniques :** Budgeting is forecasting trend in terms of finance and connected numerical information. Since budgets are future oriented, budgeting becomes a useful tool to compare what one has planned and what is the actual performance against it. If we question deviations arising out of it, we may be able to improve performance by meeting such deviations. In short, these are planning tools but are useful as control tools. One of the aspects of the control system is that it compares plans with reality and thus becomes an important control tool.

However, budget depends on forecasting trends which many times is done on the past basis and then these are used to forecast future trends. This seems to be the most practical approach but taking the past performance as only guide proves to be short and thus a total package is reworked on zero bases. Thus a zero base budget considers circumstances as being new each time and reworks total income and revenue in the light of expectations for the future. This is called a Zero Base Budget.

Even during the operation time of the budget, a number of factors affecting business bring about a change and in order to meet the need of flexibility different sales potentials are figured out and based on that variable budgets are built. The objective is to make alternative figures and standards ready to adjust with the change in business factors.

One of the projection methods is to work out pessimistic, optimistic and realistic budget to verify which way business is moving. These are known as Flexible Budgets. One can also work out supplementary budgets to meet changes in situation. Complimentary budgets are also prepared for allied activities which require detailed follow up.

2. **Activities network control :** What one controls are activities and their results. Management works through performing a number of activities and then synchronizes these to obtain the result. How can one ensure that all these will be performed in a sequence or synchronous manner? First, one has to single out activities that are a part of total work achievement. Then one has to decide the time needed for each activity. These are then sequenced in terms of priorities so that activities needed for the following work are taken first. Then each of these activities are linked in terms of time sequence so that one knows which activities must be done first, then the other etc. Thus, we establish a network. Till the activity is complete there will be a number of mile stones which one has to cross so as to arrive at the end. Thus, a network of activities has to be performed as a part of a management tool.

One tries to make the tool more meaningful by adding costs and even names of those who are responsible for activity. If one compares performance of activities, one will know the deviations and, accordingly control the activities. Instead of relying on one fixed time, the network is also made to show realistic, optimum time taken for the activity so as to keep networks ready for any deviations. From simple activity columnar charts (known as Gantt charts) to programme evaluation and review techniques (known as PERT) and then finding the longest time taken with least possible slack denoted as critical path which must be cared for to complete the project in time (known as CPM) is devised.

However, the combination of activities and their parameters became so complex in bigger projects that people started using computers for drawing such networks. Such elaborate systems are being used in electronic chip manufacturing process. We find construction industry is also using this technique for construction project management.

3. **Statistical data base control :** A lot of statistical data coupled with planning system is being generated for management control system. Special reports are generated as

a feedback on activities. These activities may be per person, per machine, per activity to generate a sense of deviations that are taking place in performance. For example, on each machine the jobs done are classified as acceptable, rejected, sent for rework etc. These remarks provide good background for those who have to control production on the machines.

The data can be in the form of relations or trends which one can extrapolate. The organization is also asked to prepare special reports such as market prospects, customers survey findings etc. from time to time. There can also be operations' audit to find out operational slacks or deviations. Statutory audits, performance audits, cost audits are some of the examples of audit that may point out to deficiencies in the working. Some companies have internal audit in the nature of systems audit. Audits are reports made in respect of various industry standards, certification standards like ISO serve the same purpose.

4. **Personal observations :** A manager's eyes are trained to notice misbalancing in people, their working and its environment so that a deviation is located by their eyes instantly. Thus, personal observation is a great contributor to control and bring the system back to health. In fact most of the control systems stated above give indicators and wait for the manager's action. Personal observation avoids paper work and time.

As the size of an organization grows, direct controls decrease and indirect controls take over. Indirect controls have their great limitations since the brain is more sensitive to changes and recognizes them much faster, and reacts instantaneously. Thus, we should encourage personal observations.

One of the talked about methods is Management by Wandering Around. People get stuck up in their cabins or place of work and generally try to manage without moving about. This creates a block in relationships and environmental attachment. Thus, managers are suggested to wander around and use this wandering around for managing. The word 'wandering around' suggests unplanned approach to work and an informal way of approach. Thus, we should take to such wandering around as a regular exercise and use work monotony which comes out of stagnant physical presence, to more active and enthusiastic approach. Meeting various groups informally can also enhance personal observations.

5. **Social controls :** This aspect of control has not been thought of as a planned effort by the managers. Social controls help the managers with objective view of outsiders who are not a part of strict organizational framework and assist it from outside. We can organize users clubs of customers, supplier' club, dealers' club, employees clubs

etc. who can be made use of for discussing organization, its products and services and be made to contribute to organization's success. These groups can criticize, suggest improvements or bring to the organization's notice its short comings. Many times power makes people corrupt and such democratization of the organization's onlookers can act as a restraint. If managers are interested in developing and controlling an organization, there is no reason why they should not encourage coming together of such interest groups. We may see workers' unionization from this angle. One can also float special interest groups to enquire into a particular aspect largely comprising outside people.

6. **Systems and procedures :** The whole organization is built with checks and balances so as to remain on even level. Many times there remain lacunae in the organization, in systems and procedures. One of the ways to bring some useful rigidity in its operation is to make systems in writing. Manuals are thus necessary documents for control since these lay out parameters for working. Very few people encourage making manuals and giving training of its use. In a way it becomes a judicial system for an organization and necessarily works as a control system. Sometimes departmental structures are also planned in such a way that they act as checks and balances on each other. Sometimes management audits are specially carried out for this purpose.
7. **Management by Objectives :** Controls must be planned keeping work objectives in view. If every person in the organization decides to place before him goals and objectives in carrying out work, each one will have a control objective. Thus, management can be viewed as people working for measurable goals deciding output at the end of the activity and thus can be evaluated by their performance. It is but natural that each one in the organization will be after completing one's goals and will enable the organization to have a control which is proposed by them and accepted by the organization. Thus, the idea of management by objectives can serve as a control purpose as well.

12.6 UNDERSTANDING CONTROL PHILOSOPHY

1. **Not for finding faults :** Control should be looked as a method of signaling deviations and to correct them than as a part of reward or punishment system. Anyone who finds a fault feels proud of doing so and undermines the whole effort that has gone into the process. Managers should relish performance more than the corrections they carry out. It is learning out of such mistakes and the build systems should be a pleasure.

2. **Self control and self correction :** One should build as much of self control and self correction as possible in any system so as to avoid other person's telling what to do. If one can make controls a group activity or rotating activity, it would receive better support. The thrust of quality control from quality inspection to quality assurance is a progress made in the right direction.
3. **Increase performance ability :** Though controls are specific, their implications are felt in a wider area. Since controls have specific objectives, corrections are perceived in restricted area without understanding their ramifications. Thus, no one should be entrusted a control function all the time. Many times it was found the practicing auditors become so accustomed to notice of short comings that they cannot write accounts by themselves and, therefore, do not suggest any changes in accounts writing. One must encourage better performance through controls.
4. **Controls be a part of planning system :** Controls are born with actions. Managers are found to work on actions quite a lot at the planning stage but not on its control and one finds many a time controls are always after thoughts and most reluctantly done. Control is a part of planning and is born along with the plan.
5. **Management values and organization culture :** The values and organization culture are to be built to support controls. Controls must be taking sportingly as a part of a game. If one runs a 100 meters race, the line of control is at 100 meters and no players should feel that these are not necessary. Control must be treated as a natural outcome of actions.

12.7 AUTOMATION IN CONTROLS

1. **Computers :** Computers have pervaded all fields of management and its capability in acting as a sensing device has changed the world. It has become a demonstration unit to communicate all managerial aspects including controls. It has become an information, communication, discussions and decision platform. We use many automatic controls such as bells, buzzers, alarm, attendance, clocks etc. even then one does not notice the existence of equipment. Our time recording machines, punching machines, closed circuit TVs, mobile/cell, remote sensing devices are slowly changing manual controls into automation controls. Most of these controls are linked to central computers and are being converted to recording and broadcasting information. In fact, today we have an overload of information. It has made real time controls possible. Information can be stored both electronically and on papers, and can be recalled for managerial purposes. Infact, one has to plan what computer system one will use for each control systems.

2. **Communication tools :** The technological advances have made remote communication so easy that remote control of managerial activities has become a reality. It is now possible to establish controls through communication even on long distances to know its day to day operations. This had made it possible to work even from homes and submit work records through communication. Thus, home office has become a reality and has brought flexibility in work hours. Even personal controls can be established at long distance. Thus, telecommuting is becoming a way of work life and so its control. Thus, in future we will have to mesh people and technology to produce the best possible controls. Process control instrumentation has taken over a lot of human control in operations. The information technology is paving way for future set up.
3. **Software development :** One is coming out with specialized software packages and these packages are being developed with their own control systems. It is difficult to speak of all these areas. Through the development of software one can develop many working controls. If one sees any financial accounting package, one automatically controls basic accounting concepts such as Debit and Credit. In operations, concepts such as operations research, statistical quality control, just in time etc. have been introduced. This software development is also producing a number of dedicated instruments to control.

12.8 CONCEPT OF GOVERNANCE

The word governance has acquired a great significance when it was found that the managers who were supposed to control have not done their job in the spirit as stakeholders expected. One of the basic assumptions, namely, Board of Directors will govern the company in the interest of stakeholder got a big jolt. When we talk of controlling, we talk of it as concerned with management of an organization. When we talk of governing, we talk in the interest of all stakeholders who may or may not be represented. In controlling, we look for correcting results while in governing we think of governing in the interest of stakeholders concerned. If we make profit by almost robbing customers, is it why we started business for? In governance we think of overall organization interest and not controlling few results. These words appear to be close in their concept, governing considers the principles involved and raises some moral underpinning of controls in the interest of stakeholders.

12.9 SUMMARY

Managerial functions such as planning, organizing, leading etc. have all been directed to make people act for achieving organization objectives. When people start acting some of

the actions may not produce results as per plan and may need correction. Thus, controlling involves feedback of results of actions, finding out deviations, if revealed, and take corrective actions. Controls cannot work without planning measures and standards. Principles of control are based on measurability, establishing standards of performance, economy of control systems in implementation and its subsequent correction, selection of critical control points, feedback systems, discipline in process along with flexibility, compatibility with organization structure, objectivity in controls and possibility of leading for self corrections. Direct controls are preferred over indirect controls. Feed forward, feed backward and real types of control are types of controls one can use. Automation of controls is now being attempted. In designing control systems, one must have clear objective, understand its philosophy such as treating control more positively than merely finding faults, based on self correction, keep broader view of ramifications, should be designed as a part of management flow and not felt as controls. One can also study how automation of controls can be achieved through software development, use of computers, telecommunication gadgets and information management systems. Control management need not be misunderstood as governing, which is a much wider term used in the interest of all stakeholders.

12.9 SELF-ASSESSMENT QUESTIONS

- Q1. If a manager is good in controlling, can he be a good manager? Substantiate with examples.
- Q2. Why do planning and controlling go together?
- Q3. What are the principles applied in controlling?
- Q4. Describe various types of controls.
- Q5. What should one see in designing a control system?
- Q6. How can one automate controls?
- Q7. Write short notes on :
 - a) Measurability of controls
 - b) Direct and Indirect controls
 - c) Real time controls
 - d) Feed forward and feed backward controls

13.1 INTRODUCTION

There is a difference of opinion whether ‘coordination’ should be treated as a separate managerial activity since it is expected in almost all functions. However, if one considers planning, organizing, staffing, controlling as functions worth naming, the coordination of all this involves some deeper considerations. Moreover, a manager spends most of his time in coordinating these functions and, if he fails in doing so, he fails as a manager. The coordination is not an easy task and requires a very broad and balanced view. In fact, the word ‘coordination’ should be replaced by the word ‘synchronization’. The word synchronization suggests time, space, tone, sequence, tempo, events and balancing for effective coordination and this is what is involved in a managerial career. It is orchestrating many factors to produce work results which are ultimately satisfying to customers.

13.2 COORDINATION AND SYNCHRONIZATION

1. Coordination as a function : There is a difference of opinion whether ‘coordination’ should be treated as a separate managerial activity since it is expected in almost all functions. However, if one considers planning, organizing, staffing, controlling as functions worth naming, coordination of all this involves deeper consideration. Moreover, a manager spends most of his time in coordinating these functions and, if he fails in doing so, he fails as a manager. Coordination is not an easy task and requires a very broad and balanced view. In fact the word ‘coordination’ should be replaced by the word ‘synchronization’. The word synchronization suggests time, space, tone, sequence, tempo, events and balancing for effective coordination and this is what is involved in a managerial career. It is orchestrating many factors to produce work results which are ultimately satisfying to customer.

2. Many players and many activities : The characteristic of a managerial role is that it is played with many players and amongst number of activities. As an individual, one has to coordinate with others, and as a leader one has to coordinate with all. Thus, doing managerial functions well does not guarantee any result till it is coordinated for total effectiveness. In a way, managerial career cannot be made all alone. One must carry others with themselves and try to build an overall success picture. If one thinks in these terms, managerial career is a dependent career.



Unbalanced

3. Lopsided planning of managerial functions : Since the number of activities is more than the number of persons doing them, a sort of strain is always felt while doing a management function. Since activities are continuous and changing, one cannot decide once for all the sequence, sit pretty on it and execute. Something goes wrong and one has to be always busy in re-sequencing the activities. Thus, prioritizing in

such a situation is a challenge, and then to execute is another challenge. Many times one has to forgo some functions temporarily to be more effective. Thus, lop sided planning is a routine for a manager and yet he has to see that all activities are done over a period.

4. **Overtoning and undertoning :** One has to be passionate in executing activities. The passions need to overtone some and undertone some others. Something is to be highlighted and some other thing is to be ignored at any given time. Even though activities may be important, some are to be pursued and some others are to be left for pursuing later on. Howsoever, scientific we may be, it is not possible to keep all these in view all the time and thus in many things managers are caught unaware.
5. **Lack of uniform and ready resource supply :** Activities cannot be undertaken without ready resources. Your planning need not work as per schedule. The worst is that resource supply is also a managerial activity and cannot be standardized beyond human limits. For management, human resource is an important resource and there is a limit to which it can be standardized. There is always a restrain of capital on resource supply. Thus, one has to find ones way through making muddling a part of coordination and managerial life.
6. **Decision making :** Coordination requires a timely decision making on many fronts. Decision making itself is a coordinated function and will call for coordination from all those forming a chain in decision making. Thus, managerial coordination itself will depend upon other factors such as availability of resources for coordination. The worst is that decisions can be taken but its handling is equally important; it has to be directed and supervised. Many decisions are affected by improper handling. Thus, decisions as well as its handling are to be coordinated.
7. **Balancing situations and decisions :** The management is caught between two end points regularly and like a pendulum it oscillates between the two end points all the time. There is no balance point in between. The manager has to be firm in certain conditions and lenient in some other. For him neither being firm nor lenient is a characteristic. It will depend on the contingent situations then existing. One has to understand the contingency as well as the work. After all, he has to be result oriented and keeping on ticking to survive. In a dynamic structure keeping the balance is a dynamic function and needs coordination between situation and decision.
8. **Growth orientation :** When one keeps the managerial engine dynamically tuned it is of no use, if it does not move towards its objective. Thus it becomes a three dimensional game. As one takes over senior managerial functions one gets torn

between different directions and to keep unilateral stance for success is difficult. If companies grow, they become weak in management; if they concentrate in building management, they lack the tempo to achieve. Mere learning is not the aim of management; the aim is to produce results and to keep business ticking. Stabilizing is not enough, growth is essential.

9. **Synergizing :** The effect of synchronizing should be synergizing. A well organized organization produces much more strength than what the sum total of individual strengths would indicate. If one hand can carry 5 kilos of weight, and the another 5 kilos the total weight carried by one person is more than 10 kilos. This extra power is obtained by joining hands. This extra energy which is achieved by coming together is called synergy. Thus, coordinated efforts can produce much more energy and this should be a firm faith of the management and the manager that the result of their coming together will produce more energy than proportionate energy. Though one may not be able to show by calculation, one can at least ask a question; "Are we better in being together than being individuals?" and, if the answer is yes, then perhaps we are moving in the right direction in coordinating the organization's working.

Activity A

There are three months left for the examination. You have to prepare eight subjects. The available time every day is three hours. The study includes reading and writing and you have friend with you. how will you coordinate?

13.3 PERSONAL LEVEL COORDINATION

The manager has to coordinate a number of factors at his own personal level such as:

1. **Personal role vs. organizational role :** One of the conflicts which an individual faces is that he takes up to organizational career to meet his own needs. Thus it is understood that he has to play a personal role and is, therefore, willing to play an organizational role. However, his personal role gets affected by his organizational role. In fact as one goes up in the organizational ladder, he finds it difficult to balance

these. He has to nurture family independence from the very beginning. If there are adjustments made to balance these two factors, his personal life becomes unhappy. Managers must coordinate these two factors. For example, if you do not have holidays when other family members are enjoying, family members may expect you to take leave which may not be in organization's interest.

2. **Authority vs. power :** One dilemma that an individual always faces is whether to use the authority given by the organization or use personal influence to get the work done (which we term as power). Till you work for the organization, the authority lasts. But since influence is cultivated as your own quality, one may carry it wherever one goes. It is prudent to use power in getting work done and by exception to use authority. The followers or assistants do not like the use of authority much and prefer to work instead of the organization, for a person. This being the human tendency, one has to choose between these two in a given situation.
3. **Managing vs. leading:** Managers have to consider when they should manage and when they should lead. If they find that one requires an understanding of situation and problem, it is necessary that one should lead and take them out of waters. But if the managers start always to lead the others, the team will not learn to take risks. The problem is when should one take risk and allow others to take risk. When you start managing people, it is difficult to bifurcate these roles all the time.
4. **Leading vs. following :** Close to the above dilemma is another way to look at personal coordination. When people have understood what is to be done and move with right motivation, the best way for the leader is to become a follower and help the group to create supporting conditions and see the army marching. Some respite is essential in work life and you can enjoy this by being a follower. It also pays to learn as a follower.
5. **Concern for human vs. work :** There is no doubt in the manager's mind that there is a problem of balancing between concern for people and concern for work. While one is pressed to achieve, the other side demands more humane treatment and some slack. He is liked if he shows concern for human feelings. But, if for a long time, one does not see results of work, they start detesting this attitude in a manager. On the contrary, if the manager is very much concerned with work and takes a dictatorial attitude, the assistants do not like it. There is no way to keep the assistants and colleagues happy all the time and one has to make a choice as per circumstances. To a conscious manager, this dilemma is constant because he is the deciding factor and acting all the time.

6. **Expectations vs. satisfaction:** The human being as he achieves, goes on expecting and thus satisfaction does not remain permanent for himself as well as in similar ways for his bosses, colleagues and assistants. In a way, there is no point where this can be stopped. It is difficult for a manager to decide when he should compromise with his satisfaction, and for others with whom he works. Every work has to be thought of in terms of satisfaction of the individual as well as group and thus the work and its satisfaction is difficult to coordinate.
7. **Participation vs. direction:** Another conflict in a manager's mind is how much participation should he allow and how much should he direct instead of waiting for participation. While participation is needed to build others, it takes energy and time, and postpones results. Direction on the other hand can produce quick results. How much time one should devote for participation and how much in direction is an omnipresent dilemma.
8. **Competition vs. cooperation :** We form a group or organize people just because we know that the tasks undertaken cannot be done by individuals. In a way this forces cooperation on people who enter into a common task. Man is a social animal since he would like to share his emotions and achievements with others. But he rarely does this with a spirit of cooperation. Out of need he takes to cooperation and would like to return to his individual world as soon as he feels he can do without others. Since organizations are also his place of earning bread, he individually would like to work and grab as much as possible for his own living. He, therefore has a natural instinct to show his individual competitive capacities at the same time. Managers have the same dilemma when they wish to get work done from others, or think of their own case. How to create a team spirit has remained a problem even in the best organizations. It is very difficult to coordinate competition and cooperation against human self interest.
9. **Male vs. female :** Man does not think with equanimity and shows his personal likes and dislikes. This is highlighted in sex considerations. For example, a male would like his assistant to be a female but not his boss. There are social and personal prejudices which form obstacles in effective coordination. In work environment, these prejudices take a shape of deciding capability of persons or their groups in their effectiveness. Clear perspective is the need of coordination.
10. **Ownership vs. employee attitude :** Man in a way is split between two perspectives. When he is an owner, his expectations and satisfactions are different from those when he is an employee. For example, he expects subordinates to come in time but

when it is applied to him he will argue why it was not possible for him to attend in time. For subordinates he wants to make rules but for himself he expects freedom. This dichotomy makes coordination one sided. When he thinks of others, he thinks rational but when he expects feelings more than rationality.

11. **Theory X vs. Theory Y :** The way you believe people are, will decide your managerial style as well as your coordinating style. Theory X believes that people will not act till they are forced and you will coordinate by using authority. Theory Y believes that people like to work, if given an opportunity and you adopt more participative style. Managerial styles reflect the way you coordinate. If one feels some people are type X, and some others are of type Y, one will coordinate differently for each of the type.
12. **Principled vs. expedient :** There are people who stand by their own principles and apply these principles for all actions. There are people who take reactionary decisions which are considered expedient by them. This comes out of lack of self control resulting in predominance of actions over thoughts. Coordination between both the cases would be different.
13. **Risks vs. stability :** Any decision involves action taking which, in turn, involves risk. It is necessarily a change of some magnitude. A manager is always in two minds; whether he should take a risk and suffer its consequences, or maintain stability so long as he can. Stability works on its natural movement while risk taking speeds up a change. Some people are loath to a change until and unless they are forced. Some are proactive and find accepting stability a sterile life position. Thus, when one coordinates, it is ones preference of risk vs. stability that has to be coordinated in ones own mind first.
14. **Self interest vs. organizational interest :** It may be that you consider your location at some distant place or in rural setting essential in the interest of the organization but do not propose so since you are comfortable where are you located and, therefore, you will avoid to suggest anything that goes against your interest. Many times, managers themselves become stumbling blocks in the organizational growth. Thus, self interest attitude is adopted in coordination and loses the real purpose of coordination.

It will be thus seen that, if an individual manager is unable to come out clearly in his own world of personal conflicts, he cannot coordinate the performance expected from him and the organization in the outside world.

13.4 ORGANIZATIONAL LEVEL COORDINATION

Organization coordination involves a number of areas of coordination, some of which can be highlighted as follows:

1. **Decision making and information :** Decision making must be supported by proper information. Thus, managing information system in coordination with decisions is very important. If one is preparing a strategy, one would require supporting information on competitors. Each decision requires information and as such one would look into this coordination.
2. **Authority and responsibility :** The one who is responsible for decisions or action must be supported by proper authority. The delegation of any action would not be successful if these two are not coordinated. The authority generally pertains to the use of resources. Thus, the necessary resources must be coordinated with decisions and actions involved.
3. **Divisions, departments and sections :** For the sake of efficient management we create divisions, departments, sections etc. but forming such autonomous groups also leads to the problem of coordination. More one divides, more one has to coordinate. Thus, coordination between different functions of organizations has to be organized mostly involving horizontal communication.
4. **Authority levels :** The authority levels are brought together through vertical communication. This communication is generally authority oriented and feedback from bottom to top is not as free as one imagines. In general, vertical communication is mixed with authority and, therefore, is not open and free. If this communication flow is not smooth, the chances are that feedback from the bottom will always be restrained. The higher authority's inability and unwillingness to mix with lower ranks is an obstacle in coordination.
5. **Communication and actions :** There is always a gap between communication and action. Many decisions need to be handled, and the pace of communication and handling does not match. The higher authority feels that as soon as they have taken decisions, their responsibility is over but in practice the decisions are still being implemented. The follow up system and so the feedback system lags behind. In one study it has been noted that an organization such as the Government takes more than five years to reach its decisions at the grass root level.
6. **Internal and external relations :** Managers make efforts to coordinate organization internally but do not consider this aspect much for external relations. The external

relations contribute to opportunities and threat, and carry goodwill about an organization. Management, many a times, does not know where internal communication ends and where the external begins. Customers, suppliers, shareholders and external public relations are rarely organized as such and the internal organization does not pay much attention to these relations. These factors need coordination.

7. **Business vs. organization :** Business has always been thought as separate from organization and, therefore, one is supposed to be looked after by owners or senior managers and rest of the management just administers what is being told. Thus, there is a lack of coordination between business and an organization's management. The average manager is so attached to the organization that he does not feel that his sustenance comes from business. Likewise, business people feel that they need not look into management and, as such, a wide gap exists. This has to be coordinated.
8. **Departments and processes :** If we can call departments as a vertical slice of an organization, processes can be said to be horizontal slices of organization. Enough has been thought over as to how to coordinate departments but very little has been thought about coordinating processes which spread through departments and join each other. One of the reasons is that there are hardly any process managers who will take charge of processes. People have now realised that the cost and time of coordinating horizontal process is much more, and we have now started talking of chain management, matrix organization but have not done sufficient experiments to attain this coordination. Thus, process working except when it is automated leaves much to be desired in terms of change. As process coordination crosses departmental lines, it is much more important.
9. **Specialized vs. generalized functions :** We find that in the organization ladder one starts with specialization and remains at the departmental level for long, and develops affinity for his specialized functions. To think of general management problems is difficult for him. Unfortunately, people come through specialization and are then absorbed at higher management level and then it is found that even at higher level they have a soft corner from where they have entered in general management. Thus coordination between specialization and general management is found difficult.
10. **Informal vs. formal organization :** Very serious efforts are not made to study the informal organization and its use for formal organization. Informal organization is the beginning of group activities that are generated in the form of clubs, unions etc. and managers should try to bring these two types of organizations together. Such coordination is not being thought of.

11. **Creative vs. administration orientation :** If one has to promote creativity he has to reign loosely giving plenty of scope for experimentation. Managers are more administration oriented and find it difficult to change their style to give scope for creativity. This is one of the conflicts in coordination.
12. **Line and staff :** To establish coordination in line and staff, in fact, even with functional authority, is difficult, if one has to really utilize both. Especially for staff authority, it is easy to lose interest in the job since it does not hold any line function and are felt needed all the time.
13. **Profitability vs. liquidity :** To coordinate these two concepts – profitability and liquidity- is still difficult since one always gets tempting offers to do business and many times it is found that even when profitability is high, the organization suffers on liquidity front. Moreover, the understanding of these concepts must be with every manager since he thinks generally of profit and rarely of liquidity. Cooperation of these two is considered a finance job and as such others do not try to coordinate.
14. **Legal vs. commercial :** A manager has to operate within a jungle of laws and is not, therefore, totally free to follow commercial interest at his free will. This conflict is not appreciated by managers and company lands into legal difficulties. With increasing awareness of environmental obligations, laws are increasingly becoming restrictive. Thus, coordination between legal and commercial interests becomes essential.
15. **Time vs. costs :** In a way time is a free resource and, therefore, is misunderstood as having no cost. People do not appreciate that spending more time is increase in costs. Managers coordinate costs better than time. When we speak time in terms of customers, delivery of goods and services becomes critical and so the time. One has to coordinate these two aspects.
16. **Organizational strengths vs. weaknesses :** A manager will never get an organization which has no weaknesses and has all strengths. He knows what he has to his backing is a mixed bag of weaknesses and strengths. Thus, coordination for him is always at some cost or weakness. He cannot expect balancing these factors but tries to make good of everything he has got. The coordination is a mixed bag of intentions and reality.
17. **Opportunities vs. threats :** The environment is changing and bringing new threats and opportunities every day. Thus, coordination of these external factors with internal

factors is another area of building coordination. For this the manager has to be sufficiently oriented towards external conditions as well.

- 18. Long term vs. short term :** Every time a manager takes a decision, he finds that the validity of the decision depends upon the time frame he is looking at. If he just chooses a reactionary decision, it works well for the time being but defeats its long term results. If he thinks in terms of long term, his short term interest suffers. When a handsome dividend is declared for the year, he makes shareholders happy but then it becomes a responsibility to maintain it over a long period and binds future policy. Then if one finds it difficult one is tempted to cook his books and show some unnatural profits. This has happened to global companies as well. Thus deciding the time frame and then seeing that short term and long term interests are coordinated becomes a job of a manager.
- 19. Tasks prioritization :** One of the biggest challenges for a manager is prioritization of tasks he is handling or expected to handle. The priorities change, according to time and situation, and thus prioritization is not a static concept but is a dynamic concept. The coordination in terms of time of all actions is difficult since many of these are in the same class and each of these classes has another stage waiting for completion. Thus when one is planning a job, another may be organizing, a third may be under implementation. Each of these activities requires a different mental frame work and unfortunately has to be done in the same time frame. While one is recruiting a person, he is facing a resignation of another, and the third is planning for separation. Thus prioritization is a tough job for coordination.
- 20. In-sourcing vs. out-sourcing :** There are advantages and disadvantages of retaining a job within an organization or giving it for outside working. Outsourcing increases your ability to do more without investment but weakens your own base of skills and knowledge. When one has to coordinate such dilemmas all the time, it is a fact that slowly man is changing the complex of the organization established for this purpose.

13.5 ENVIRONMENT OF AN ORGANIZATION AND SUPPORT TO COORDINATION

Coordination would be easier if it has the necessary climate supporting coordination. Coordination works better where the organization culture supports the following factors:

- 1. The degree of centralization :** In a way centralized decision making makes coordination easy. When an organization is decentralized, it has to create machinery for interfacing various sections of the organization. However, it is also found that the

- quality of centralized coordination lacks motivation, enthusiasm and ability to be flexible in critical times.
- 2. The team work spirit :** For successful coordination, an organization must have the policy to support team work more than individual efforts. The selection, reward, discipline, committee type of functioning etc. promote team work and people think more of coordination than competition.
- 3. Primacy of business :** An organization is run for business. Many times a policy of keeping business and management as separate as possible is followed. The result is the wide gap that exists between the knowledge of business and the knowledge of management. Such a faith keeps away managers from business environment.
- 4. Scale of business :** The small scale of business in terms of manpower is easy to coordinate than a large scale business. Direct management which is possible in a small scale becomes indirect management in large scale business and creates number of problems for coordination.
- 5. Stability and growth orientation :** Coordination would be easier, if management seeks stability, and does not try many changes within an organization. Coordination is easy in such a case. But if the management is after growth, one has to establish coordination equilibrium now and then, making it very difficult to get settled.
- 6. Work ethos and culture :** If an organization does not demonstrate work ethics and motivate people by creating proper work climate, any effort towards creating work coordination will not be taken seriously. Organization morale is an important factor in coordination. It also depends upon managerial style-whether democratic and participative. People must air their views and suggestions regarding coordination desired. It is the organization's environment that reflects on self-coordination by people themselves.
- 7. The quality of leadership :** Leadership is the rallying point where everyone looks for coordinating at different levels in the organization. In the absence of good leadership, efforts will not be made to coordinate with enthusiasm. The managers in all probabilities will co-ordinate mechanically but will lack passion to do so. Managers are more chosen on the basis of reasoning than on the basis of emotional intelligence.
- 8. Overall resource supply position :** It is ideal to expect a good resource position from organization. However, if it is precarious, then the tendency is to conserve resources at sections or departments, and a tendency is seen that people do not

actively support coordination. Coordination also implies sacrifices if the organization's total interests are to be seen.

9. **Extent of automation :** If an organization aims at going for more automation, coordination becomes easy and can be done at machine levels. However, when the organization is human intensive, coordination cannot be as smooth as in automated environment. Automation is assistance in a routine coordination.
10. **Organization discipline :** Discipline is expressed through manuals, systems and procedures, feedback reporting, supervision, control systems etc. More disciplined the organization is, more it can find disorders and incongruity in working, and it will be generally the management of coordination through exceptions. If an organization is better managed and well coordinated, it may lack flexibility, initiative and change.

13.6 TOOLS FOR COORDINATION

A manager can use the following as coordinating tools:

1. **Use of computers for coordination :** Computers can store feedback reports from almost all activities and proper programming can coordinate all aspects of such reports to give meaningful conclusions as well as to show any inconsistencies in coordination of functions. The software package of Enterprise Resource Planning (ERP) is a good example of coordination at the enterprise level. Management information system is another example of software package for coordination.
2. **Ability to broadcast simultaneously :** The ability of a computers' ability to inform all simultaneously can be used for simultaneous notification, and any findings which are important for coordination. Formerly, it was only possible to do so by physically meeting or sending papers but now one does not require any movement for this purpose.
3. **Electronic gadgets :** Closed Circuit TV network can be successfully utilized for coordination since here it can be seen and heard simultaneously. Similarly, communication equipment such as fax, e-mails has given ability to coordinate distant locations economically. It is possible with this type of equipment along with telephones to establish a real time coordination system. The processes can be very well coordinated over long distances and thus make coordination a day to day activity. Through conveyor systems, coordination can be achieved in physical systems. In high risers, one sees mail chutes operating to coordinate mail. The emergence of

home offices and its coordination is now possible. Coordinating global business and work allocation has been made possible.

13.7 MANAGERIAL TECHNIQUES FOR COORDINATION

Coordination would be easier if some of the techniques mentioned below are used by management :

1. **Use of work manuals :** Manual making gives rise to planning coordination and most of the coordination aspects are taken note of in manuals. Manual is putting in writing for all users so that they understand coordination in the same spirit and letter. Writing manuals is very time consuming but once it is done, many managerial aspects become clear and well connected. Especially in smaller businesses, manuals are not liked much since they find actions are easier than writing them down. However, work becomes easily transferable, if something is in writing.
2. **Streamlining systems and procedures :** In order to carry out coordination, if systems and procedures are drawn and installed, fault finding in coordination becomes easy. Especially departmentation calls for procedural coordination since it crosses the departmental structure. It establishes a uniform culture in terms, words and expressions so as to understand the same thing the same way.
3. **Well organized group structure :** If an organization has a well organized group structures such as committees, circles, groups and well worked out and timed meeting systems, an organization becomes a cohesive group. If these structures are supported by reporting system, then it can add to its efficiency. Most of these forums are coordinating forums and do this work almost all the time.
4. **Good information and feedback system :** Management depends upon the type of information it gets from the organization in terms of performance, deviations, missing links etc. and one can base coordination moves accordingly. Thus, a good reporting system is a must, if coordination is to be successful.
5. **Code of conduct and discipline :** The code of conduct and discipline must be expressed in writing in the form of standing orders, work handbooks etc. so that there is an uniformity in their working and daily routine. For example, one may make it compulsory to submit daily work report either in the morning or evening so that it becomes a document of feedback. In many companies, production workers report what was produced and what is in plan for the next day. This gives information where coordination is required.

Coordination is a managerial attitude supported by an organization and calls for a lot of initiative in places and in actions wherever it is lacking.

13.8 SUMMARY

Coordination is being described as synchronization because it is multifacet coordination with time, event, tempo, space to create effective performance. Coordination involves more activities than actors, needs ignoring a few aspects each time, highlighting some against others, balancing decision making and handling, maintaining tempo of growth and making efforts to synergize an organization. Coordination suffers since managers have their own interest in conflict with an organization's interest, and display conflicts such as concern for human, concern for work, use of authority and power, personal role, organization role, expectations and satisfaction, competition and cooperation, personal prejudices and attitudes etc. Unless these conflicts in the manager's mind are settled, it is difficult to coordinate with an external environment.

Unless at the personal level coordination is clear, one cannot start an organization level coordination such as decision and its handling, authority and responsibility, various functional areas, authority levels, internal and external relations, business and organization, departments and processes, informal and formal organization, line and staff authority, creativity and stability, profitability and liquidity, time and costs, internal and external environment, long term and short term decisions, prioritization of tasks and in and out sourcing.

Organization environment must be conducive to coordination in terms of centralization, encouragement to team work, business orientation, scale of business, stability, work ethos, leadership quality, degree of automation, disciplinary system etc. The use of computers and other electronic gadgets has made global coordination possible. Similarly, managerial techniques such as work manuals, systems and procedures, group activities, information feedback, code of conduct have all contributed to organization coordination.

13.9 SELF-ASSESSMENT QUESTIONS

- Q1. ‘Small is beautiful’. Is this true for coordination?
- Q2. Which factors create a divisive personal mind, and affect coordination?
- Q3. What are the organizational level coordination problems?
- Q4. How can a climate be built for coordination in an organization?

14.1 INTRODUCTION

We have used the word ‘evolution’ to suggest gradual transformation of management thought as we experience today. The word revolution is used to indicate a sudden change while the word evolution suggests incremental change gradually. The concept of management as a thought has been quite recent as compared to the evolution of joint human activities. By now, you must have firmly understood that management is concerned with group activities involving more than one person. Thus, any joint effort would involve certain principles which we describe as management principles.

Man has been characterized as a thinking animal since whatever we know of his past. He started working with his wife and then his children, and must have faced problems of management even then. Two principles of management namely that of division of labour and level of authority must have been used right from the start of group activity. The family was the first known organized unit which man created for his self survival and self interest. He had to go out for hunting and must have left his family behind for some time. This was a simple principle of division of labour.

Since women only could give birth to a child, the male must have decided that she should stay home and in a way carried out his authority. Thus, the principle of authority must have been born then. They did these activities to meet their needs and were thinking more in terms of results than efforts involved. They were working in a group and were perhaps not aware that they were managing activities. Many activities are born out of necessity and treated as such. They invented stone tools as an assistance to work without knowing that they are contributing to ease management of their activities. Thus, the earlier period of human history did not consider ‘management’ as a function standing on its own.

Activity A

Think of your family and write down how your family had divided family work within family members and have acquired specialization in their work.

14.2 BIG ORGANIZED CREATIONS

1. **Army :** In the historic period we know people fought wars and this was one of the most organized group activities then. The line and staff authority were the creation of the army. There also grew specialization. People in the army did not make distinction between work and its management. But the fact remains that management does owe quite a lot of its knowledge to that used in organizing army and to carry out wars.
2. **Church :** In history, another organized group was connected with religion in terms of the Church. With its large territorial spread, an authority hierarchy had to be set up for, estate management and territorial spread. We owe to the Church some principles of management which were adopted and which later on found to be organizing principles.
3. **State administrators :** Since the state administrators had to undertake development of State and had to create revenue apparatus and apply it to various welfare projects, they also developed methods of taking action. A good example is that of Chanakya. But the state administrators did it as a part of job but did not think that they were contributing to the management thought because their purpose was more mundane and less on developing the general use of management. But they had to develop purposeful communication system, project management and a machinery to administer it.
4. **Monumental creations :** Starting right from the Pyramids in Egypt to structures such as the Taj Mahal in India all shows that these monuments could only be created by joint efforts and an organization was needed for that purpose. Even as one sees the caves of Ajanta and Ellora, one would get the same impression. However, there is no written systematic documentation as to how these structures were created, and how people were motivated to create such structures. For the pyramids we know that slaves were used but they must have been fed well in order to sustain the energy. Some of creations were motivated by religious fervour. All said and done there is no doubt that these creations were so huge that organized groups were involved.
5. **Industrial revolution :** Technological innovations in terms of electricity, use of steam power etc. made it possible to organize activities of large scale and a standardized production. Thus, it is the industrial revolution that brought production as a management subject. Even then it took the early twentieth century, World War II when war required supplies in big scale and its aftermath, as we saw the restructuring that followed war giving impetus to management thought which tried to adopt mass scale techniques. Thus, there was a need to improve management to attain such a scale and people

started thinking of Management as a specialization to pursue. It is the scientific underpinning of various thinkers that was instrumental to management thinking.

Activity B

Think of Taj Mahal under construction. What materials, knowledge and type of skills were then needed to build this huge beautiful monument?

14.3 SLOW DEVELOPMENT OF MANAGEMENT THOUGHT

1. **Engrossed in creation :** When people are busy in creation, they hardly have the time to think of its process until they are challenged with some problem. The World War II brought the need on the surface of increasing production all of a sudden, and the use of newer technology for mass production. This gave impetus to management thought and innovation both of which are good catalysts for speed and new thinking.
2. **Undermining business as a profession :** For a long time, business was not considered to be a respectable profession. Thus, its commercial importance was almost neglected and therefore, the application of management to business. England was referred to as the Nation of shopkeepers and as not capable of any worthy profession.
3. **Money making was unimportant :** Power was considered more important and, therefore, money making was not given importance. The rude shock of the depression of 1930s found a normal man unsecured. The people were more after security than amassing money.
4. **Political economy :** Economics then thought more of national economy than individual economy. The wealth of a nation and its distribution was accepted as more meaningful and its management at a firm or household level took a back seat. They were preoccupied with policy than administration. Economists assumed efficient business management.
5. **Sociology :** Sociology did not think business organizations as their problems and therefore, did not do much social research in this field. Perhaps, it was not realized

that social research can contribute to the making of business organizations. In fact, they did not show any inclination to do it.

6. **Management as an art :** There was an impression that management is an art, and thus is not capable of developing an organized body of knowledge. Thus, management continued to be a subject matter of practice than a thought.
7. **Businessmen and managers :** Businessmen and managers were more concerned with technology, price and balance sheet and looked towards management as a mere exercise in achieving these results.
8. **Indian view :** Technical revolutions of the nature that gave impetus to industrial revolution did not take place in India. The Indian thought approach was not on a group basis but on an individual basis largely concerned with self development and self control. Thus, we continued to look to the West for the development of management thought. Even in Japan, they followed western concepts but rooted them into their culture instead of copying, from western culture. Thus, life long employment and respect for seniority remained backbone of their westernized approach.

Some factors which contributed to the sudden growth of management thought was the importance human resource acquired, attack of people on private sector as aftermath of depression, defence and space programmes, increase in labour costs, cost factors in productivity and the lag created between technological development and managerial development. Businesses became more wide spread and complex and people had to think of improving organizational and thereby managerial efficiency.

14.4 BEGINNING OF SCIENTIFIC MANAGEMENT

Frederick W. Taylor : He is described as the Father of Scientific Management. He was a pattern maker, a machinist, rose to position of an engineer, invented high speed cutting machine (which received a patent). By 1901, he became an independent consultant and thus combined experience of common labourer, a foreman, master mechanic, chief engineer. He had the experience and attitude of all types of workers and saw a great opportunity to improve work efficiency, increase profit for owners, more pay and bonus to workers and thought this step in the interest of both.

In 1911, Taylor wrote *The Principles of Scientific Management*. This was considered by some as exploitation and he was, therefore, called to explain his thinking. It was clear from his statement made before the committee that he meant to utilize time and effort in

producing more given time. His concepts of time and motion study were easy to implement and were taken up by almost all productive enterprises. What Taylor pursued was scientific outlook to management such as:

1. Replacement of thumb rules with science (organized body of knowledge)
2. Obtaining harmony in group action (working in the interest of owners as well as workers). Prosperity of all
3. Achieving cooperation of human beings
4. Working for maximum output
5. Introduction of scientific measurement of work

Since Taylor had the experience of handling shop, he could visualize problems in more concrete and mathematical terms. He pioneered the use of scientific attitude in measuring work and two important managerial dimensions, namely, cost and time. This approach is still being used today and is therefore called one of the Classical approaches (enduring time test) in management.

Activity C

In the stone age, people started using stone tools, can it be called 'scientific management approach'. Give plus and minus point of this proposition.

14.5 OPERATIONAL THEORY OF MANAGEMENT

Henri Fayol : Henri Fayol, a French industrialist, is called the Father of Modern Operational Management, whose thoughts are applicable even now. This is one of the Classical theory of management which stood the test of time. Both Taylor's and Fayol's work are treated as Classics. There were others who also contributed to management thought but these classics cover the essence of modern management. Though Fayol wrote a book on his views in French as far back as 1916, it came to the light of the English speaking people and in particular Americans in 1941. The breadth and depth with which

he handled managerial aspects of work were so real that these were appreciated all over and he took a place of pride in modern management thinking.

Fayol advocated six functional groups and fourteen principles which all are worth noting to show how much he was tuned to concept of modern management and how it is still worth to date.

Fayol's functional groups include:

1. Technical (production)
2. Commercial (buying, selling, exchange)
3. Security (protection of property and persons)
4. Accounting (including statistics)
5. Managerial (Planning, Organization, Command, Coordination and Control)

These exist in every type of business and therefore, are universal. He emphasized the universality of management.

The fourteen general principles of management included:

1. Division of Work - Applicable to technical as well as managerial work
2. Authority and Responsibility - Position based and person based
3. Discipline - Respect for agreement- requires good supervision at all levels
4. Unity of Command
5. Unity of direction - Organization level
6. Subordination of individual to general interest
7. Adequate remuneration to employer and employees
8. Centralization giving best overall yield
9. Scalar Chain - Chain of superiors from highest to lowest level to be observed unless detrimental to the objective
10. Order - Everything has a place and everything on its place

11. Equity - Loyalty and devotion to be elicited by combining kindness and justice
12. Stability of Tenure - Avoiding turnover
13. Initiative - Thinking out and execute plans for all
14. *Espirit de Corps* – (Union is strength) - Emphasis on teamwork and communication

Fayol also enumerated qualities of managers. These are

Physical (health, vigour, address)

Mental (Ability to understand and learn)

Moral (Energy, firmness, willingness to accept responsibility, loyalty, tact, dignity)

Educational (General acquaintance with all the matters belonging to functions, performance)

Technical (peculiar to function)

Experience (arising from work proper)

Managerial qualities (become important as one goes up). He emphasized the managerial process of planning, organizing, commanding, coordinating and controlling which have remained till the most standardized elements of managerial work. Thus, he became the pioneer of process school of management.

Activity D

Enumerate any five principles of Fayol and write below the one's which are still valid.

14.6 HUMAN ASPECT OF MANAGEMENT

- 1. Emergence of behavioural sciences :** Industrial psychology and social theory were stimulated by scientific management movement. Munsterberg wrote - '*Psychology and Industrial Efficiency*' in 1912, and Lillian Gilbreth applied psychology in her book - '*Psychology of Management*' in 1914. W.D.Scott applied these concepts to advertising and marketing. The concept of personnel management sprang up and, in fact, consulting in human selection became a good business. Thus, human behavior became a major consideration of management in early twentieth century. The concepts like five day week, establishment of medical departments in factories, profit sharing, unemployment compensation, appointment of industrial psychologist in factories, provision of canteens and recreation etc. started taking root. The famous chocolate manufacturer, Rountree, believed that the purpose of an industry is service and workers are entitled to life worth living.
- 2. Human group behaviour :** Since organizations were primarily interested a man working for group objective people became objective of a study of a man as a social man. This is also described as organization behaviour. Max Weber focused on hierarchy, authority, bureaucracy (clear rules, defined tasks and discipline) as the foundation of all social organizations. It was also recognized that human conduct is influenced by group values and norms. Pareto imagined an organization as a social system trying to set equilibrium when disturbed by internal or external factors.

Elton Mayo found that improvement in productivity is due to social factors as morale, satisfactory relations, and a sense of belonging and management's understanding of human behavior. In short, people being noticed. In the plant of Hawthorn in General Electric in USA, an experiment was carried by dividing people into two groups one who were provided with special facilities such as lighting while the others were deprived of such changes to find out the effect on productivity. The surprising result was that both increased the productivity since they were singled out for experimentation. Thus, giving value to people or noticing people itself is a booster of productivity. The **Hawthorn experiment** proved to be a milestone in the study of human social behaviour.

- 3. Chester Bernard :** Bernard wrote a book in 1938 titled '*Functions of the Executive*'. He referred to the task of a manager as that maintaining a system of cooperative efforts in a formal organization. He said that there are physical and biological limitations which make an individual to cooperate. Continuation of cooperation depends on effectiveness and efficiency. If results are achieved, they will

tend to cooperate. Organizations are formal and informal. Formal organizations require communication with one another, should be willing to contribute to group actions and have a common conscious purpose. It must have a system of fictionalization, efficient system for incentives to work within group, a system of power (authority) and a system of logical decision making. The executive function is to establish the balance between pulling forces. Executive success requires a higher order responsible leadership. Cooperation is built by a cooperative process.

4. **Peter Drucker (1909-2005)** : Peter Drucker made his impact on management at a time when it was growing in terms of forethought almost in the later half of the twentieth century. Described as Management Guru, many thinkers in management took inspiration from him. He instituted the concepts of ‘knowledge workers’ and ‘Management by Objectives (MBO)’. He advocated decentralization of corporations and described that highly skilled people are organization’s valuable resource and that the manager’s job is to prepare and free people to perform. Results are obtained by exploiting opportunities and not by solving problems.

Activity E

With the management trends expected in future, what preparation you will start to build for future career? Name any three areas.

14.7 PEEPING IN FUTURE

1. **Lessons of the past** : The management thought evolved gradually and the ultimate outcome is that it was recognized as a separate area of knowledge. It was accepted a knowledge worth studying in managing organizations. Since most of the human life is affected by its social grouping, it was found that management can take us to results at minimum cost and efforts. The word ‘effectiveness’ indicating result orientation, and the word ‘efficiency’ results in least possible use of resources and they became watch words for management. Most of the organizations now think in terms of these two words and, therefore, management. Management still remains to be an art as it is to be practiced as per contingent situation. However, the theory and practicing

knowledge provide the backbone to develop managerial skills. Any attempt to develop skills has become temporarily popular and got converted to fads and lost its trail. However, each of these fads brought to the awareness of managers, the different angles the kaleidoscopic management had, and were useful. Even concepts such as MBO or PERT have all lost the importance they gained when they were first proposed.

The reason why this happened is that the human mind which is always in the state of flux loves change, and secondly conditions around managerial decisions have changed due to technological progress. Management deals with means, how to achieve results, than ends-the results. The results can be seen and felt while means are invisible. People's attraction for visible material is more durable than for invisible.

2. **Effect of changing environment :** Advent of technology in terms of facilitation of job and work environment effect managerial skills quite a lot. For example, the advent of computer has changed the quality of work environment required and, therefore, writing skills have become less important. In fact, this has not changed the importance of communication but has changed the way we communicate. When we think of useful and practical training, we are more concerned with how it is done than why it is done. Simplification of jobs reduce the importance of management, though it does not change the body of knowledge of management at its core. The changing environment will change work conditions and the skills required for work and this will be always misunderstood as treating management as secondary knowledge.
3. **Looking at the new knowledge :** Plethora of new knowledge in terms of human brain has made some new thinking possible such as Emotional Intelligence advocated by Chapman. Genetics inroads may make it possible to change human reactions and perhaps make them uniform. Management science has developed so far on research in sociology, psychology, biology and technological innovations. Management now efforts to work through balance score cards and for almost any problem. Development of standard questions systems like FAQ (frequently asked questions) has made it possible to expect more work from lower levels and reduce the costs. Their use is made where talented labour is not needed. Management research today is centered on finding what the so called successful companies have achieved and how. These have suggested some areas of improvement but all of these are based on human judgment and is not leading to any significant success rate. The small scale industry is still showing almost 60 per cent dissolution rate and big Fortune 500 companies are still changing their ratings. These are business failure rates and not management failure rates. Unfortunately, managers even today are less worried about business than efficient management.

14.8 LOOKING AT FUTURE MANAGEMENT

1. **Scale of Business :** The greed for large scale will give way to parceling out jobs to smaller units through outsourcing and establishing commercial links or chains so as to compete better in the market. Thus one-roof establishment of big size will be converted to more assembly type of businesses. Management will concentrate more on making such patterns successful and will give way to present centralized one-roof management. This also means that the tenure of employment will not be life long and managers will have to think more of social security, life insurance etc. and think of life security in these terms. Life long employment, even with the Government, will not be feasible.
2. **Stress on business than management :** So far the people who were concerned with business and with management were two different classes and were treated as such. Now people will have to see business conditions and then take management measures. The days of assured market are over, firstly, because of open competition, and secondly, fast product life cycle. To some extent the state of business knowledge must percolate to all levels, and everyone should act in the total interest of business and not only administration. Thus, management will have to encourage open administration and innovation.
3. **Stress on knowledge worker :** Now on, people knowing broader and deeper will be more useful to satisfy customers and engage them in communication. So far we wanted the one who executes well but now the worker required will be one who executes well with knowledge, anticipates product use and problems. Knowledge will be more in terms of use than execution. Most of the functions requiring routine knowledge and skills will be outsourced.
4. **Days of worker manager :** Technology would make it easier to do the job by one self with available tools and therefore, managers will become honoured workers. For example, from writing this book, its typing, proof reading till its printing is done by one man. Getting work support from others will be a human relations job than supervision and control. Thus, the one who is the best knowledgeable worker will find place at the top rank of hierarchy. Management will have to be re-written for this purpose. Leading will become more important than managing.
5. **Change in organizational forms :** Organizations will become more informal and will work more as a team than a command and control model. Since human beings are accepted as carriers of management, their inclination, motivation and interest would be cared for in future. The values will be trust and transparency. Organization will be treated as a social organization than an administrative organization. However,

it also means that the size of groups will have to be restricted and perhaps we will see business being broken up into smaller independent groups. Management will be more of coordination than control.

6. **Change in management education :** Since now we will be preparing more worker managers, the skills and values will be included as first steps in management education. Functional specialization will be taught more as skills and ability to practice instead of on theoretical level. General management will include technical, commercial and financial background since even at operational level business will be the major consideration. Business learning will take priority over management learning. The growing social sector will be included in management education. This may mean that managers will have to be social work oriented before being managers. Even management in its true spirit will be social work because it is always done for others. A business organization, by its very function, contributes to national development. This relation of business in terms of development will have to be impressed.
7. **Understanding global culture :** The wind of globalization is sweeping away narrow nationalism. The most important factor in this change would be an understanding of far-flung pockets of culture. The historical and geographical environment makes a person adjust to the environment. This gets stabilized over a period of time and expresses itself through the conduct of local people. We call these regionally stabilized values as culture. Fortunately, standardization of international products has already reduced the gap. However, the level of development being unequal, differences do exist. Thus, for international business and organization, one will have to understand these differences in culture for some time and yet establish human relations. If one has a faith that all human beings in the world are almost identical in the expectations and satisfaction and adopt a more broad view, management of global level operations will be easy. In international trade, currency mechanism and exchange procedures will be different but they can be understood by logic while cultural gap would require principled approach expressed at emotional level. Managers must develop first a global vision and then undertake global management. Reading history and geography of each region will go a long way towards this.
8. **Composition of managers :** So far groups of same economic level or ethnicity, with sprinkling of few females, formed a common group site. Today there is big diversity coming up in composition of groups. Substantial number of women will be part of a group. A number of nationality will be represented. There also would be a number of mother tongues which will encourage the formation of informal organizations. Thus, managers would now require broader social perspective and ability to embrace them all. Management will have to be tailored to such situations.

Note : Since a number of people contributed to the concepts in management thought, it is not physically possible to do justice to all of them. This is just to give some inkling to the management thought as it developed and is likely to be developed. The future has been referred to, in order to make student aware that things will change in future and they should all work keeping in view their professional future.

14.9 SUMMARY

The principles of division of labour and that of level of authority must have been there when human started 'family' as an organization. Big organized creations such as army, church, state administration, monumental creations and then followed by industrial establishment all indicate to the fact that these were managed for sheer purpose of these activities. These were managed without being aware of the concept of 'management'. People concentrated on creations rather than analyzing how they are being created. Management thought grew slowly but got impetus because demands made on time and scale of production made people to think of managing creation. One can visualize the future in terms of small scale operations, giving rise to alliances type of organizations, loss of concept of life long services, more stress on business, need of worker managers, leading becoming more important than managing, more informal organization, coordination becoming more important than control, management education becoming more business oriented, skills oriented.

14.10 SELF-ASSESSMENT QUESTIONS

- Q1. What was once the present has now become history. Think what you are doing now and describe your work at present and its effect on history after ten years.
- Q2. Why emergence of management thought was slow?
- Q3. What major stages management evolution went through?
- Q4. What is the likely scenario of management thought in future?
- Q5. What was Henri Fayol's contribution and how it is valid even today?
- Q6. Write short notes on :
 - a) Frederick Taylor's contribution
 - b) Implications of Chester Bernard's social cooperative system

15.1 INTRODUCTION

It is now time for us to think how we will build a practical career of a manager and help develop managerial practice.

After having read the first 13 units, one should have going through sufficient idea as to what management as a knowledge is. Such knowledge does not mean that one is ready to practice it. Practicing is making career in management. Management learning is not of much use unless we think of implementing such knowledge for assignments we may have to carry in life. When people are engrossed in creation, they hardly think as to how they are creating and, therefore, use of management without being aware of it. However, if one has learned management, one should be able to think the process of creation and think of the best practices we can adopt while executing any job. Management is a means to an end and not an end in itself. Thus, it is an auxiliary knowledge in fulfillment of tasks. The task itself may require its own subject knowledge, what management would assist in making this task more productive and effective. Being applied knowledge, its efficiency and effectiveness ultimately depends upon how you use it in varying environmental factors and situations. Since management is contingent, depending upon situations, one must understand the demands of situation along with the tools of management. One will not be useful without understanding the situation. Thus, if one has learned management one will not know how far he is good manager until it is sharpened by practicing. Practicing management is making a managerial career and in this connection we will think in terms of what we should have done to practice in terms of making a career.

- 1. Entry level in managerial career:** We have used the word ‘basic’ in the title of this unit. We know that managerial challenges grow in complexity as one goes up on a ladder and it is not possible to visualize the world of such complexity in simple words. But entering into a managerial career must have some basic clarities and objectives for making a career. We believe that if we miss them, or do not equip ourselves on the way to a career, we will lag behind in making a satisfactory career. We also feel that managers should have a healthy view of looking at a managerial career to make it meaningful for the organizations they may work and to their own personal satisfaction. We are only concentrating on practising basics so that we have clear view of the practising world and then effectively combine the theory which has been given so far and the practice preparation which we may make on our way to a living manager’s life.
- 2. Not making a list of traits:** We are not interested in making a big list of traits that are needed by managers. The list will be so comprehensive that it will be unattainable. We believe qualities are additives and, if one starts with one quality, one goes on collecting other qualities if he is firm in making a successful career. The process of

maturing is a process of adding qualities and many of these will slowly surface on way to practice management. The idea is to put one on the road to practising managerial career. The real beginning of any career is being conscious of making a career. If one is serious about it, one can really progress. To what level one will reach depends upon competition, business growth and one's own competence like in any other field. If one wants to compete in a marathon, one must have a minimum stamina to cover the distance. If one has it, one has at least a chance of being proud to have a capacity to complete if not compete. Career is achieving to the best of the limit (fully stretched) and then accepting gracefully others may be better than us. Well beginning is half done.

Activity A

Think how you will make money for living in next ten years. Think of any three alternate opportunities.

15.2 UNDERSTANDING CAREER MAKING

- 1. Career is making a living :** Career making is living life by using knowledge and skills which one gains while living life. If one can live life with the assistance of the applied talent he develops, by his knowledge, skills, qualities and experience, it is career making. Life is made for living. Living requires supporting basic human needs such as hunger, shelter, clothing etc. and then higher order needs of social recognition and doing something what one considers worthwhile in life. In today's parlance we look at money as a medium of satisfying all these needs. Thus, making a career is earning, living at the core. If one wants to make a managerial career, one must earn one's living through working in a given activity. The managerial life starts when one works within a group and sees a group achievement as a way of living life.

Since most of the human activities are joint or those of a group, one cannot make his living without participation by others. Thus, managerial career is a dependent career and is made along with others. Management involves more than one person's achievement. The group activity is directed towards satisfying a need of someone and we prepare a product or service to satisfy someone's needs. This is called business.

Each group activity involves business. One's managerial career is directed to attaining an objective of business through group efforts. We establish a group and organize it, and that is why we call it 'organization'. Thus, managerial career making is living in an organization to attain the objective of business. If you do this, you are making a managerial career.

2. **Managing is getting work done from others?** Formerly, it was said that when one gets work done from others, one becomes a manager. Today, this notion has been extended to managing human relations for attaining objectives may be within an organization or outside the organization. One may do so by being a colleague, a boss, a subordinate or an outsider, and yet one may be described as a manager. Authority relations have become subsidiary to human relations and to the objective of supplying goods or service to customers. The only way one can manage is by managing human relations and, therefore, traditional picture of bosses and subordinates need not be a limiting factor for calling some a manager.

A manager today is one who manages human relations for making a business objective successful. Today even an operational man within an organization is being asked to maintain customer relations. Thus, he is managing relations for work through a group and is entitled to be called an operational manager. Every one who tries to maintain human relations in a group activity is a manager in his own right. Hence, getting work accomplished by human relations is a qualification of a manager. Resources other than human are also managed by humans but the human resource (to which the manager himself belongs) has occupied a place of importance in managerial definition.

3. **'Business' an essential pre-requisite of a career :** Without an organization having an objective of exchanging goods or services for value, the individual in any organization cannot work. He must know why he is working and what he is contributing to. A career can be made if group business and then particular human role at any time is very clear. Job description along its position must be clear so that he starts feeling his role in the total effort. Many managers are told to do their work and not to worry about business. This attitude may work when the going is good but falters during testing times and when adverse business conditions are to be faced. At least one must know how one can contribute by one's work to a business need. Since division of labour or hierarchy of authority cannot be totally avoided in design of any organized group activity, positions are needed as a help. But understanding a job in terms of the organization's business is essential for an individual to contribute to the organization's success.

15.3 THE CONCEPT OF MANAGERIAL WORK

The essential functions of managerial work : If one has to make a managerial career, one must understand the concepts of a managerial work. These concepts are planning, organizing, staffing, leading, controlling and coordinating. The implications of each have been dealt in respective chapters. These have been shown as a process and are, therefore, easy to understand. But one will have to see what qualities go in making these managerial functions successful. Some of these can be described as follows:

Trust : No human group activity is possible without trust on each other. Trust is a value which can be earned by being regular, punctual, consistent and carrying out the task given in time. These are basics for earning trust. These habits assure others that you will be available for tasks in time and will carry out in time. One is talking of trust in terms of work trust. In a managerial career, work trust is the most important. This is the simplest of the qualities man can have and yet we find man is often irregular in his duties.

Transparency : Transparency again can be thought over as work related. One must tell the progress he has made in the work or the work load he is facing. Even if one does not have sufficient work, one must admit this to the group with whom one works. If you are transparent, others are likely to be too and one will enjoy social relations. This we may describe as honesty and sincerity.

Efficiency and Effectiveness : Producing with minimum of resources is an indicator of efficiency and producing the result with effective work is effectiveness. In a way this reflects the minimum cost at which one can work. Since, we are working for business objective the test is how much we can be competitive in the market.

Knowledge : Today all workers are knowledge workers. Workers use knowledge for utilizing tools and producing a thing or service. No one expects anyone to work without knowledge. Competition is now in work knowledge. More useful the knowledge is, more the worker is valued. Gone are the days when we worried more about ends and not means to an end. Knowledge is a means accepted now as producing the end result. The specialized knowledge required for any work field is expected to initiate work. Since managers are used by the organization where they are needed, the specialization is useful for entry into an area but then it is expected that managers will acquire desired knowledge whichever area they have to work on way to a career. One must understand the limitations of **specialization** from this angle.

Skills : Communication skills are the base of a managerial career since it involves social relations all the way while making a career. The basis of communication is language which

the group utilizes for carrying out work. We speak of English as a language since much of communication of an organization is in this language. In a Japanese organization, if it is Japanese that is being used as the language for communication, then one will have to understand that media. The excellence we achieve in communication is helpful in many ways in managerial communication. One will require special attention to develop this ability.

Language can be improved by learning. There are many other skills involved which are essential to carry out the basic managerial function- calculations, use of computers, preparing business notes etc. The worst is that these skills vary according to positions and subjects. Thus, one will have to update skills all the time. Once one acquires an independent position, one's quality to represent and act as a spokesman for one's work area increases and one has to develop these skills. Skills can be developed through practice and, therefore, it is that experience that counts in the development of skills. If you do recruitment in large numbers or handle many people, you start building analytical skills in human understanding.

15.4 BECOMING A WORKER MANAGER

- 1. Becoming a self worker :** In a developing country one is often asked that if one is learning management, why should one be a worker? Managers are under the impression that their job is to get work done and, therefore, they need not work on their own but may concentrate on getting the work done. In a way, a manager is a misnomer and we should call a manager 'a worker manager'. In fact, it is our ability to show how we can work that qualifies us to be a manager. Thus, there are many reasons why a manager should be a worker.
- 2. Manager must be a coach :** One should be able to demonstrate how one should work with all the worker players in the group. It is a great managerial qualification if one can work as a substitute for anyone in his absence. It is a great experience to work as a reliever and again understand the reliever's work world. A manager not only gets the work done but demonstrates how work should be done. This means that the manager must have a first hand knowledge of the work of those whom he directs or leads. A manager is a teacher who can teach on every possible occasion as to how to look at, and do work. Demonstrative leadership is the most effective type of leadership. He walks what he talks.
- 3. Understand work to understand workers :** It is the empathy that creates a real base for human relations. Empathy is standing in the shoes of others whether bosses, subordinates, colleagues or customers. To be empathetic, one must understand the work role of others and then only can we support them. Without being a worker, one cannot have empathy for other workers.

4. **Thinking and analyzing :** Thinking and analyzing is a highly personal exercise before one puts it to others. One may have to write down ideas as well as analyse them. Think of the repercussions and perhaps then propose a decision to undertake action. If this habit is to be developed, one must be able to work by oneself. Even the top bosses do a lot of their own work and you can see them sitting before the computer and working on ideas of which they have yet to finalize the outcome. For managers pondering over work and work related problems, this is a very important stage and this can only be cultivated by being alone with oneself and penning down ideas.
5. **Inability of assistants to move forward :** One comes across many occasions when one finds that the persons to whom work has been delegated are confused and cannot take action. It is then the manager's responsibility to do the same work and demonstrate how it can be done. Without having real work experience, this is not possible. In fact, this is the best occasion to influence your fellow workers. Once people size you up for your abilities and if they find these are not as desired as they want, it does not take much to climb down from the pedestal on which you are standing.
6. **Building self confidence :** Working at various levels within an organization gives you confidence not only of your ability to work but also that you can judge the ability of work of those who are involved in it. Self confidence is necessary to guide others and to have their faith in your leadership. The biggest single threat is the ability of the boss to work and understand their assistants' work. Thus, it is difficult for workers to be continuously absent from work or to be threatened by workers with non-cooperation, if one is a self worker.
7. **Accepting new positions and jobs :** It is not very unfamiliar that bosses accept new positions or new types of jobs within an organization or any other organization. Really these are the starting points of jobs, and one has to work the same way as a new entrant would. If one does not have the ability to do one's own work, one cannot make a start. One can adopt himself to a new situation better than an inexperienced starter; provided one has worked as a starter for some time. One highly experienced chartered accountant was nominated as a financial analyst but he failed to do that job because the accounts were not ready and he was unwilling to write the books of accounts. He lost the job. Working as a starter makes you prepare psychologically to go through the old rut which many people almost forget after having a top level job. It is quite likely you may have to play a role which you have conveniently forgotten and thought one will not go to that stage again.

Thus, it is in the interest of managers that they should qualify as good workers at any stage in life.

Activity B

To become a good worker manager what knowledge, skills and values you feel are lacking with you.

Knowledge _____

Skills _____

Values _____

15.5 PARALLEL MANAGERIAL FUNCTIONS

Underneath broad managerial functions : When we describe broad managerial functions such as planning, organizing, staffing, control and coordination, under these broad categories of functions a number of functions requiring special treatment and skills crop up these may not be taken note of as seriously as needed.

Some of these functions may be described as follows :

- 1. The spokesperson role :** A manager acts as a spokesperson on his own behalf or on behalf of a group or an organization. Simple administrative representations to higher ups and others in committees or circles to the formal responsibility of representing organization to outsiders such as suppliers, shareholders, collaborators, facilitators etc. require strong communication and presentation skills. Many times difficult problems are solved simply because of your personal acceptance by others.
- 2. Ceremonial role :** One has to formally inaugurate many functions which are not directly concerned to the area of activity that one handles. This is a figurehead role. Your company might have sponsored some tournaments and you are asked to give away a trophy though you may not understand anything in this game.
- 3. Public relations :** One becomes a member of clubs, social organizations as a part of working role. The behaviour on these forums is totally different than the one you play in the organization. These roles are not one's that necessarily suit your inclinations but one has to play it because of the social responsibility that is created by the part to be played and expected by these organizations, and by public at large.

4. **Social responsibility :** To be a part of any organized activity in the society itself brings certain personal responsibility to the manager. Since he can be viewed by people, people expect him at least as one who is acceptable to the society in his publicly seen manners and behavior. This brings some consideration of social morality to one's behavior. Thus, it is expected that managers would respect the social norms of behavior. This brings restrictions on their personal behavior.
5. **Self control :** If one has to direct and control others, one must have a degree of self control to maintain neutrality. If one is swayed away in emotions, one will not be able to control one's feelings and, therefore, guide with rationality. To control emotions and to use them intelligently is what we term as emotional intelligence. If one can look at oneself more dispassionately, one can help others. Self control necessarily means creating a debate within oneself as to whether what is being done is right or wrong. Thus, we must create one witness within our own mind for our actions.

Activity C

As an individual what were the occasions on which you have done the following roles.

Spokesman _____

Ceremonial _____

Social _____

15.6 DISCIPLINE AS A VIEWER OF IMBALANCE

One must form work habits and consistently follow them. This is what we mean by discipline. It is the habit of consistency that brings out any anomalies in environment. If every day you keep all chairs in the office duly arranged, any malarrangement will be noticed by you easily. But when you allow chaotic conditions to prevail, you will not notice any malfunctioning in its order. Manager must develop an eye to notice disorders and find problems. If this habit is not developed, one may not notice a problem in the early stage and will be aware of it only when it assumes a proportion. Like an auditor who develops an eye to find out mistakes, it is also the manager's job to find out inconsistencies at their early stage. It depends on how far you have developed mentally an eye for something obscure or something inconsistent. Managerial efficiency depends on developing this quality. We find some managers notice a problem while others do not. It is the mental discipline that makes this difference. Attendance, punctuality, proper dress code are really disciplines of mind, and as one tries to be disciplined in all facets of life; will one notice inconsistencies.

Discipline imposed by others does not give much scope for being creative but what one accepts as his own mental discipline makes the manager to set right any inconsistencies in work and the environment around. If one is devoted to an objective one nurtures this discipline on his own and therefore, develops a managerial attitude in viewing things.

15.7 PROCESS OF LEARNING

1. **Experience :** Experience is generally measured in terms of the years of service or work. However, one also finds that having a length of service does not really amount to work experience in practical life. We find that people almost add no knowledge in their years of work. This happens because it is not the work but the thinking you do while working pertaining to work and its environment that adds to experience. If one has worked as an order administration assistant for five years, the questions that are likely to be asked are; Do you know who are the major customers, what is generally ordered, what are the accessories demanded, what parts are in demand, how was your delivery performance etc. These questions cannot be replied unless one has thought and developed managerial perception through an order book. Your experience will be converted to your understanding and self learning, and it will be then decided whether your experience is worth. Learning is an important process in the managerial life.
2. **Understanding humans :** Once a manager was asked "Why is there more turnover in employees?" He replied, "What can I do? All selection is done by our personnel consultant and there may be a mistake in their choosing people." Consultants are appointed for giving assistance but one cannot under this pretext say that you are right and they are wrong. This happens because managers take very little interest in human resource and, therefore, learn nothing about human nature even after serving many years. It is the human resource which is the most critical and one need not have such a disinterested attitude. Managers learn very less from people they handle and that is why managers remain naive despite their handling humans. Managers must develop a learning attitude and not pick up only some ready made techniques, and use it without knowing its limits.
3. **Changing business environment :** Once the going is good, managers are least bothered about the ever changing business environment and remain indulgent in whatever they have. It gives them a rude shock to know that they cannot do business anymore and then start searching for reasons. When they are supposed to devise a remedy, they keep on finding excuses. This is again because of lack of learning attitude. It is not only important to keep a learning attitude but also act on the new finding as

early as one can. Some hours must be given for reading, writing and reflecting what one does. Circumstances call for new skills and managers' hardly do anything to learn. Managers wait for the organization to sponsor them for learning programmes, these occasions are scarce, and waiting does not prepare you for the tasks.

4. **Alertness coming out of learning :** Learning is an exercise for the brain and in majority of cases; it is the last faculty to go. But without mental exercises, it is difficult to keep your talent fresh and working. Thus, learning is an exercise for mental equipment and one must do something to satisfy this need. Constant learning keeps your mind fresh and young. Learning must not be taken as a burden but as a way of life. We have to spend generally 30 to 40 years of work life and have to prepare ourselves for a number of eventualities; some good and some bad.

15.8 SHOWMANSHIP

One of the essentials of career making is to bring your work in an observable condition. People do not see you working but they see your outcome and make a judgment. The world of work in which we live has hardly any time to wait and take interest in you and think of work. Thus, you have to fashion your work in such a way that at each stage of the work, it should be demonstrable. One way to do it is your outwardly behaviour, which can be observed without much patience and must be assuring to others. If you come late quite often, if others do not see you in your work seat, they will conclude without much enquiry that you are not interested in working. No amount of your convincing will change this opinion. Hence, your outwardly observable behavior must be assuring to others.

The other way of convincing is to make the results of work demonstrable; this can be done through office work. It is your goodwill earned throughout your career that comes handy on many occasions. If you are otherwise regular, people will be much willing to grant you leave. One knows of a case where an employee was known to be so regular that one day when he was absent, the boss sent other colleague to find out whether something serious had occurred in his home and asked to find out what help he needed.

15.9 JOB HOPPING AND CAREER

Frequently leaving a job to join another is described as job hopping. We must know the effect of such hopping. Any job is a total system. We must learn most of its aspects to have a real experience. If one leaves half way, we do not have the experience of running a total system. One might do good in some aspects of the job but one may not be good in other. Thus, total experience makes you confident to handle job as a system, and not only a part.

This valuable experience is missing in people who hop. The reason for leaving a job is dissatisfaction in many cases. One perhaps finds that one gets a similar experience with some variance in other jobs, and then one gets more frustrated. Thus, one starts losing one's confidence in accepting employment itself. If one leaves for better prospects, more the reward of work, more should be the responsibility and as such one takes more responsibility to repay the level of cost being incurred on him. Hence, the second job is bound to be challenging in this perspective. As you increase your compensation worth, getting a similar job at other times becomes difficult and thus opportunities of job offers go on decreasing as your expectations grows on increasing. If one fails in a highly paid job, the experience is that one remains on the road for a long, not even getting the normal job one would have fetched in the market. Thus, how much hopping one has to do is a highly personal decision but one must understand its shortcomings and then decide.

15.10 NATURE OF EMPLOYMENT

Employment is a contract between the giver and taker, and deciding price at which this exchange is to take place. The giver is willing to give employment since he needs someone to participate in his responsibility and the taker has to offer some work competence comprising of knowledge, skills, values and experience, then affordable exchange value as agreed. The word affordable is very important here. It clearly means that it does not reflect the market price but the price both the parties can afford. Anyone who wants to make a career has to understand that for what he promises to perform, one does not get market value but gets the value which each party can afford. If one proves short in performance or tries to increase his values, is opening the negotiations fresh and has to suffer the consequences of these negotiations. One may lose a job or one may get something extra. One must, therefore, size up one's competence and then provide it, and then only one can expect something in return. Thus, performance is very important and one must be ready to offer the best possible package of competence so that one gets the recognition one deserves. We find people are more interested in what they receive as compensation than worrying about giving the best package of competence in return.

15.11 PHYSICAL WORK ORIENTATION

In a developing country, it is noticed amongst the educated class that physical work orientation is not very much appreciated. Thus, educated people are generally reluctant to do any physical work so much so that they will not even remove a chair, if it is in the way. Similarly they will not pick-up paper which has fallen or thrown on the floor. They expect these jobs to be done by others. As a result one finds that physical orientation of work has

not been a part of managerial work. Job is never purely mental oriented. If one is a shop keeper, one has to open the shop and clean it. If one wants to clean a car, he would wait for someone to come and wash. In the competitive world one cannot afford such assistants. One will have to get up, make coffee, wash the mugs and as well as offer it to someone. We must make it a habit to do physical work. One of the advantages of physical work is that it gives you relaxation from mental work and since physical work by itself is expressive, one can create favorable impressions about your attitude to serve. It is a part of human relations. When you are struggling to establish business, this consideration will work in your favor as a cost measure.

15.12 PHYSICAL FITNESS

When one starts a career at a young age, very few people realize that they have to maintain the work tempo for almost forty to fifty years till they end their career span. Work related challenges do call for a lot of energy and, if one is not regaining it one way or the other, health is bound to deteriorate. What sort of exercise one should do, what type of detractions one should have, and how to seek a pleasure in work will vary from person to person. But one must pay attention to these in one's own way. Career is a life long game and must be played enthusiastically. Without support of physical health, it is difficult to form a good impression and that too for such a long time. The managers are advised to check up their habits, make opinion about those which are positively harmful for their health, of those supportive to health and those which go to form healthy impression of them.

Activity D

What efforts do you take to keep yourselves physically fit?

15.13 WORK STRESS AND STRAIN

Work stress is quite common in a managerial career. The variety of work and frequent

changes to manage makes management challenging but brings stress, especially, when one is attending to it. This is further essential when most of these are against time deadlines. In addition, we are not only responsible for our work but also to the work of others in the team and the slowest vehicle has always to be pulled up. Thus, there are emotional situations. Moreover, one makes a career against personal needs and balancing the two does create a stress. These stresses would be in limits if one plans, anticipates and acts for long term needs. Too much reactive decision making increases the long term stress. The only managerial solution is to try to complete the job in time so that some work stress is reduced. Stress by itself is needed to motivate one towards work. One can only control it by completing as many jobs as possible, than by handling them in bits and pieces. If one completes one of the job the mental satisfaction gives a push for another job and slowly you become accustomed to stress. Work is the only antidote for stress. You must be creative to find out solutions to perform it in as less time as possible and one must devise methods to do it. The strain is the outcome of a feeling that work is going out of bond. We are strictly talking about work oriented stress and fatigue, and the antidote is work itself.

15.14 SOME LESSONS IN HUMAN RELATIONS

- 1. Relations with owners :** Looking in developing countries, owners have generally come from trading and not managerial background. Business owes its existence because of the owners. Owners stand by business in all weather and have a real stake in business. Unfortunately, more than owners of business, they are looked as masters and as a result one does not have much team relations with them. Managers must understand that they owe their existence to the business. Owners may not be good managers and may seem to be one sided but with all what they are, they make it possible to managers to earn their living. One fact noted is that managers do not have much affinity to owners. This should be avoided.
- 2. Relations with bosses :** The bosses you come across being humans have all the short comings that one gets in human beings plus the fact that they have some authority which enable them to become conscious of it. The best way to handle a boss is to take alternative solutions instead of taking problems to them. No one likes anyone coming with problems. Therefore, one must propose solutions. The choice from alternatives will be that of bosses.
- 3. Relations with colleagues :** The colleagues may be from the same department or from sister departments or any other establishment. The best way is to treat them as

inside customers and give them the same treatment as one would give to customers. Thus the spirit should be of giving service.

4. **Relations with subordinates :** Try to be supporters to subordinates and help them overcome problems. Treat them less with authority and more with power. Try to cultivate influence since the chances are authority would be in most of the cases on your side.
5. **Relations with outsiders :** You live with goodwill from outsiders - whether these are customers, suppliers, shareholder, financers, distributors or collaborators or society at large. One makes a career on the goodwill of all these people. Any adverse remarks by them can spoil your chances, howsoever good you may be as a worker.
6. **Basis of human relations :** ‘Slavery’ is the best approach to human relations. Be a slave till you acquire trust and the rest of the relations will be on way to progress. When one does not know a particular person sufficiently, act as a stranger and always act as a slave till one makes judgment of others. This calls for patience and perseverance. It is worth to develop positive human relations. Respect every role and position howsoever insignificant it may be in an organization picture. Each position and role has been created and must be respected. Treat every one with equanimity.

Activity E

Do you think your co-students or co-workers like you? If yes, why and if they don't why not? Give reasons.

15.15 IMPORTANCE OF SOME WORK HABITS

Try to work for the next and, if possible, for an alternate position in your present job. Promotions do not come because you work in the present position efficiently but a feeling that you can do the job at higher position or in jobs having different knowledge background. Really your promotion is not forethought but after thought in most of the cases. You deserve and then desire. Many managers argue, “Let the management give me a chance of working

at a higher level and then I will show how efficiently I can work." In practice it is only after one feels that you deserve by your work that promotion follows. Promotions never come in time, the time comes for promotion. Do not jump before consolidating and, therefore, have a policy so far and no further at each stage.

15.16 DURATION OF A JOB

You last, not the job. For reasons of business failure, or for a number of other reasons, the job may come to an end. The product or service life cycle is becoming shorter and, therefore, chances of sticking to the same organization or job are going down at a rapid rate. Thus, you must always be prepared for a change. Now it is an accepted behaviour. In fact, one does not mind joining an old organization so long as one is welcome. The sanctity of life long service has come to an end and serving faithfully so long you are in the job is a guiding principle for career.

15.17 SUMMARY

Management education will not be useful till one applies it in practice. Qualities are additives and one can go on adding qualities on the way to career. Career is living on one's knowledge, skills and values and management career in particular involves achievements of organization goals through joint organized efforts. A manager is one who manages human relations for business objectives and group goals. Managerial work needs trust, transparency, knowledge and skills. A manager must be a self worker to guide others in work, have empathy to those who are directly or indirectly contributing to results, and devote time for self thinking and analysis, takes leadership when the assistants are confused. There are many side roles a manager plays - spokesman, ceremonial head, public relations and social responsibilities. One requires self control to play roles. Managers will find discipline good to find inconsistencies and recognize problems at initial stages. 'Learning' is one activity which managers should do life long. This is truer about human knowledge and showmanship coupled with justifiable hopping. In employment, one may get the value that is negotiated, but one may not necessarily get value that is ruling in the market. One must decide what one has to offer to the employer in terms of competence. One must have a long term physical fitness to go through a working career of almost forty years. Managers will have work stress in view of divergent activities and deadlines within which they have perform. Human relations with owners, bosses, colleagues and subordinates must have a customer approach and spirit of service. Slavery is the best approach for cementing human relations. For promotions or better chances, you must deserve before desiring them. One may not get a life long job but do justice to what is in hand and then try to seek two in bush.

- ATM (Automated Teller Machine)** – machine used for withdrawal of cash
- Accounting measure** – method used for measurement of accounting effect
- Acquisition** – acquiring another business
- Acquisitions** – acquiring other independent business
- Act** – legal enactment
- Additives** – capable of adding
- Administration** – managing within the framework already laid down
- Alliance** – cooperative understanding mostly of an informal nature
- Alternate applications** – those applications which can be used for other purposes
- Anti-trust laws** – legal provision in the US to restrict business practices which establish monopoly like environment in business
- Appraising** – evaluating in terms of price
- Art** – a subjective way of handling any particular subject
- BPO (Business Process Outsourcing)** – sub-contracting a part of business
- Bank position** – utilizable balance available in the bank
- Bonded rationality** – thinking within given reasoning power and knowledge
- Book-keeping** – maintaining books of accounts
- Book receivables** – money receivable from debtors
- Borrowed funds** – funds taken as a loan
- Budget** – plan converted to figures and to money metrics so as to become measurable
- Business cycle** – (1) cyclical trend observed of growth-stability and decline in any product cycle (2) cyclic changes in business expansion, stagnation, contraction etc.
- Business intelligence** – competitive business knowledge
- Business plan** – planning business and its behaviour in terms of results
- CCTV (Closed Circuit TV)** – TV used for in house viewing
- CEO (Chief Executive Officer)** – officer owning overall responsibility of organization
- CIO (Chief Information)** – Officer- in charge of total information and information technology
- Capital** – initial raising of resources for further transformation and its continued use in future largely in terms of money
- Captive energy** – energy being produced with own equipment and not taken from outside

Career progression – tentative plan as to how an employee will progress in the career

Chain management – process chain managed together

Closure – closing down of business activity

Columnar charts – figures representing information through columns

Comfort level – stabilized comfortable position which one is reluctant to change

Command – orders, instructions given as authority

Command and control – giving orders and seeing that they are obeyed

Cost center – expenditure clubbed by a named center

Credit card – personal credit agreed up to certain limit on approved purchases from approved dealers

Credit terms – extent to which credit is allowed on transaction

Culture – stabilized values at any time in defined area such as group, organization, nation etc.

Data mining – digging past experience through computer dedicated system

Deadline – a fixed time line which one cannot afford to cross

Debit cards – authorizing debiting one's bank account after purchase

Debtors – one who owe on sales

Decision system – systematic clubbing of decisions

Decision tree – showing alternate decisions in form of branches of a tree

Delivery note – list of items being included in dispatch or delivery

Demography – study of population

De novo – from the beginning, totally new

Depreciation – annual rate at which asset value is to be shown as expenditure

Development – nurturing on job development

Direct management – management not involving any human intermediary than the group or individual person himself

Distribution channel – channel through which goods and services reach customers

Division of labour – allocating work/area to individuals workers or their group

Dynamic – ever changing

E-Mail – (Electronic Mail) system for communication available on computers

ERP (Enterprise Resource Planning) – a software package coordinating enterprise working

Ears and Eyes – working as sensory organs for organization

Effective – producing results

Efficient – with least possible resource use

Emotional intelligence – Capability involving emotions

Empowerment – (1) authority delegation to those not having it

(2) giving discretionary authority to employees

Ends – what is to be achieved at the end of an activity?

Enlarge – increasing scope of work

Enrich – creating more variety and depth within work

Entrepreneurship – introducing and implementing new avenue and concept of products and services as a business proposition

Equilibrium – balancing equally

Ergonomic – designed for human convenience

Ethos – value environment

Expert systems – system used for dedicated application

Extended organization – activities not under the same management, yet related

Extrapolate – carry forward in the same fashion

Feedback – getting information of results after decision or action

Finance – resource available in terms of money

Financial statement – document primarily used for balance sheet, and profit and loss account

Flat structure – organization having less number of authority levels and thus looking flat as opposed to vertical organization

Forecasting – Predicting future on a systematic basis

Foreman – person in charge of production (generally chosen on experience)

Fructify – bear results

Functional authority – authority restricted to particular function

Gauges – measuring tools

General management – management devoid of any specialization

Globalization – thinking world as one and removing barriers within nations in free flow of business.

Goals – achievable targets (more useful for practical implementation)

Greenfield – new, remaining fresh

Groupware – software that can be used interactively by a group

Guarantee – to serve goods sold for a fixed period

Hallmark – unique specialty

Hardware – physical systems of a computer and parts used for software use

Historical costs – original cost paid when creating an asset

House keeping – keeping premises clean, neat and tidy (as good as keeping our own house)

Human asset – treating humans as productive force

ISO (International Standards Organization) – a body set up to bring out standardisation

Incremental change – step by step-slow change

Indecision – state showing the inability of taking decision

Indirect management – managing involving individuals or groups other than self managing

Industrial safety – safety from work related hazards and disease

Informal organization – informal relations within formal organization

Infrastructure services – available under a general structure

Insurance – ensuring future risks though actions in present

Intangible – no physical form or shape to touch

Intangible – that cannot be touched

Intelligence – information oriented to competitors

Intelligence – keeping track of competing conditions

Intrepreneur – organization insider holding entrepreneurial interest largely in terms of innovative approach to business problems

Intrinsic value – the material value of any currency

Inventory – list of material lying stored in terms of quantity and money

Inventory level – physical and money level of stocking

Investment – money locked up in non-money form or over a long term asset

JIT (Just In Time) – delivery of goods and services at the time of use

Job description – a prepared job needs statement

Jump in a fray – take initiative despite of risk (jump in a fire)

Juridical – group recognized by law, legal

Keep humour – keep smiling despite of odds

Knowledge void – a knowledge gap

Knowledge worker – worker dependent on knowledge while working

Lateral thinking – simultaneous thinking in different ways and drawing meaning

Leads – list of possible customers

Lease – possessing an asset by paying instalments towards costs, and utilizing it while the instalments are being paid

Leasing – giving the right to hold and use an asset for certain period

Level – level of an organization authority

Levels – **1.** authority levels within organization **2.** those indicating authority to use resources available to organization

Liberal – having self discretion

Liberalization – process of removing barriers or restrictions on kind or scale of business

Line authority – in line with or under a superior's authority

Linear – in line with the past

Liquidity – ability to immediately meet expenses and liabilities in terms of money

Lop sided planning – as opposed to balanced planning where some aspects are chosen to concentrate

MBO (Management by Objectives) – a term coined by determining productive objectives in terms of results for each individual and groups.

MIS (Management Information System) – storing and distribution of information throughout organization for effective and timely decision making

MRTP (Monopoly Restrictive Trade Practices Act.) – a legal framework in India to control business monopoly

Maintenance costs – costs involved in maintaining an asset such as parts, repairs and replacements, servicing etc.

Management by wandering around – management by moving physically in work areas assigned and establishing personal rapport with work and workers

Matrix organization – an organization having more than one reporting line

Means – how it is to be achieved - the values to be applied in achieving

Mergers – merging of other businesses and forming a new organization, and loss of two independent business identities

Mile stones – division of the total path in sub-activities and indicating time distance

Mind boggling – confusing beyond ease of understanding

Mission – satisfaction being offered to beneficiaries/customers

Morale – state of willingness to contribute work

Mortgage – keeping asset as surety

Movement – voluntary pursuit of an objective by people

Muddling – somehow trying to reach objective

Navigate – to find way through

Navigational tool – an equipment useful for guiding directions like a compass

Negative – a state maintaining status quo or withdrawal

Network – crisscross work relations forming a group

Network relationship – developing all directional human relations with a view to perform

Objectives – keeping object in view, establishing broad direction before spelling out details

Orchestrate – synchronizing of activities in terms of time and results in tune with overall objectives

Organization – organized group capable of meeting its purpose, namely, Business

Out of box thinking – going beyond already set thinking

Outsourced – contracted out as independent activity.

Outsourcing – getting work done from outside an organization

Overheads – expenses which are assigned to a group or organized activity

Owners – primarily owning business

Ownership – owning responsibility to run business

Packing List – list of items included in packing

Parameters – measures within which bound

Participation – partnering in managerial decision making

Performance – actual results achieved

Performance standards – decide end activity result in time, quantity or quality

Personal role – role played for individual and family needs

Philosophy – overall logic linked reasoning behind a say

Pie charts – showing a pie (a circle) and its angular fragmentation

Point of time – at some moment

Policy – one time decision taken for repetitive use, a directive decision taken for easing further decisions

Positions – responsibility position in organization

Premising – considerations assumed for basing further decision or action

Prescriptive – only against a particular person or case

Present worth – market value at present

Preventive maintenance – planned maintenance to avoid future failures

Primary data – fresh collection of data, new data generated by the investigator

Principled – based on certain positive principles

Principled behaviour – behaviour based on values and not on expediency

Prioritize – decide preference of one work activity over other

Privatization – process of allowing private organizations to work instead of the Government in economic activities

Pro-active – thinking positively of future action instead of only reacting

Procedures – a linked process dependent on each other

Process – connected activities having causal relationships, interlinked activities organized in sequence of time

Production in anticipation of demand – producing goods and services first with anticipation that there would be demand for it later

Profit center – income and expenditure clubbed together for named center to arrive at Center's profitability.

Profitability – business ability to make profit – excess of income over expenditure

Programme – laying out a variety of activities in terms of time and result under one

Project organization – a separate task organization for projects having beginning and end

Prototype – a trial piece produced to ensure its predetermined qualities

Quality circle – forming a discussion cum action group for improving quality at operational level

R & D (Research and Development) – a section or department to conduct research and development activity

Raison d'etre – reason for being that way

Real time – at the same time

Relations network – establishing relations in a network fashion (not only hierarchical fashion) where each person is connected as an individual and not authority relationship

Resource – helpful source to build an activity

Resources – men, machines, money, materials, time, information being used as resources for any business activity

✓ **SBU (Strategic Business Unit)** – units having separate business and strategy within overall business

✓ **SWOT (Strengths, Weaknesses, Opportunities Threats)** – a tool for analysis where the first two are internal while the next two are external to an organization

Sacrosanct – something ethical – not to go against it

Sales Force – group of manpower employed for selling

Satisficing – making satisfactory decision for all (word not used in parlance)

Scale of organization – comparison based largely on capital and manpower. In management, it is based more on manpower.

Scenario – likely seen after certain action or decision is planned, description of possible scene after certain event or time

Scenarios – possible scenes of outcome in future

Science – an objective way of handling from a standard knowledge

Secondary data – data collected from already available data

Section – activities grouped under a department

Shelf life – useful life lying on shelf

Social Intercourse – mixing in people

Socio – belonging to people as society

Software – converted to digital language as a package

Source of consumption – location where consumption is made

Source of supply – location where available

Staff authority – authority to only advise

Stakeholders – the ones having stake in the success of organization – owners, shareholders, employees, consultants, customers, creditors etc. in a business organization.

Standard of living – ability of people to enjoy a class of goods and services

Statutory – required by law

Strategic approach – deciding one's own approach considering competitors' market behaviour

Strategic planning – planning by thinking how to overcome competitive situation

Structure – a lifeless basic framework. An organization becomes a structure with life

Structured decision – decisions which can be taken rationally

Succession – decide line of next job incumbent

Supply Chain Management – management of chain (network) from resources to customers

Supply side planning – planning based on inputs

Synchronization – activities arranged in terms of time and results

Synchronously – variety of activities done at the same time

Synergy – additional energy obtained from coming together

System – interdependent parts connected with one link and with end to end connection to form a total chain

System development – analysing and arranging and forming into system before converting into computer language

Systems – linked functions forming a loop

Talent – mental ability to apply knowledge

Tangible – that can be touched

Tax audit – income tax audit can also be for other taxes

Team spirit – inherent urge to work for team

Tender value – face value of currency

Theory – condensed presentation of knowledge

Thumb rule – practical but not scientifically worked out

Tight rope walking – requiring constant balance against pull in opposing directions

Time keeping – keeping attendance record of employees

Tools, jigs and fixtures – aids for machine jobs

Trade off – exchanging one for another to arrive at some decision

Training – formal system of education

Traits – behavioural characteristics

Transformational change – one step radical change

Useful life – life till asset can be used

Value – what one considers right or wrong, good or bad

Value addition – adding utility for exchanging purposes

Venture capitalist – people or organization interested in providing capital to some businesses involving high initial risks (Ventures)

Virgin form – original form

Warrantees – replacement of defective parts within certain period

Web-page – electronic page which can be opened on World Wide Web

Whiling away – spending time aimlessly

Work ethos – work culture at a given time

Working capital – funding required for day to day working

Workshop – generally referred to production shop

Zero defect – taking care to produce goods or services with no defects