

**NEW SYLLABUS  
CBCS PATTERN**

# **PRINCIPLES OF MANAGEMENT**

**B.B.A.  
B.B.A.  
(Computer Application)  
&  
B.B.A.  
(International Business)  
Semester-I**

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# Syllabus ... (w.e.f. June 2019)

**BBA (CA) (Sem. I : Course Code 102) (No. of Credits : 03)**  
**(Formerly known as BCA)**

## **1. Nature of Management**

- Meaning : Importance, Functions, Types
- Management as an Art, Science and Social System
- Universality of concept of Management and Organization

## **2. Evolution of Management thoughts**

- Concept of Managerial Thoughts
- Contribution of Taylor, Mayo and Fayol and Drucker and Indian Management Throughts

## **3. Major Managerial Functions**

- Planning : Need Types, Methods, Advantages, Merits
- Forecasting : Need Types, Methods, Advantages, Merits
- Decision making : Types Process and Techniques
- Directions Nature and Principles and
- Motivation : Nature, Principles and Theories
- Organizing : Concept Delegation of Authorities Decentralization Concepts and Importance

## **4. Recent Trends in Management**

- Management of Change
- Mgt of Crises,
- TQM,
- Stress Management (Principles, Concepts merits)

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- 1.2 Role of Managers
- 1.3 Management as an Art, Science, Profession and a Social System.
- 1.3 Concept of Management, Administration, Organization and Universality of Management

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**3. Major Managerial Functions**

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- 3.4 Decision Making : Types, Process and Techniques, Directions nature and principles and
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## NATURE OF MANAGEMENT

### \* Synopsis \*

- 1.1 Meaning, Importance, Functions, Types of Management**
- 1.2 Management as an Art, Science, Profession and Social System**
- 1.3 Universality of Concept of Management and Organisation**
- 1.4 Concept of Management, Administration and Organisation**
- ◆ Questions for Discussion
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### **1.1 MEANING, IMPORTANCE, FUNCTIONS, TYPES OF MANAGEMENT**

#### **(A) Meaning and Definitions of Management**

**BCA : Oct. 2011, 2012, April 2013, 2015, 2016, BBM (IB) : Oct. 2017**

Management is defined in several ways depending upon the purposes of experts. Most experts have considered four aspects while defining the term management, i. e. :

1. Economic Performance [achieving a high operational efficiency].
2. Directing People [coordinating with people].
3. Decision-making [taking and implementing decisions on various aspects].
4. Functions [Planning, organising, staffing, directing and controlling].

#### **Definitions:**

- 1. Koontz and O'Donnell:** *Management is the art of getting things done through and with the people in a formally organised group.*

2. **Peter. F. Drucker:** Management is a multipurpose organ that manages business, manages managers and manages workers and work.
3. **Louis Allen:** Management is what management does.
4. **John F. Mee:** Management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity for the employer and employee, and give to public the best possible services.
5. **Koontz and Weihrich:** Management is a process of designing and maintaining an environment in which individuals, working together in group, efficiently accomplish selected goals.
6. **F. W. Taylor [Father of Scientific Management]:** Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.
7. **William F. Glueck:** The effective utilisation of human and material resources to achieve the enterprise objectives is management.
8. **Henry Fayol:** Management is a process of functions. To manage is to forecast and to plan, to organise, to command, to coordinate and to control.

To conclude with all the above mentioned definitions we can say, management is a problem solving process of effectively achieving organisational objectives through the efficient use of scarce resources in a changing environment.

Management is knowledge consisting of concepts, principles, functions and processes. The knowledge is used for achieving organisational objectives by effective utilisation of resources and coordinated human efforts.

Management is thus the process of planning, organising, staffing, directing and controlling human efforts to achieve organisational objectives effectively.

### **(B) Nature of Management**

The various interpretations of management emphasise three things:

- (a) Management is a process and involves a series of continuing and related activities.
- (b) It tries to concentrate on reaching organisational goals.
- (c) It reaches these goals by working with and through the people and other organisational resources.

The study and application of management techniques in managing the affairs of the organisation have changed its nature over the period of time.

1. **Multidisciplinary:** Management is basically multidisciplinary. This implies that although management has been developed as a separate discipline, it draws knowledge and concepts from various disciplines. It freely draws ideas and concepts from such

disciplines as psychology, sociology, anthropology, economics, ecology, statistics, operation research, history etc. Management integrates the ideas and concepts taken from these disciplines. In fact, the integration of knowledge of various disciplines is the major contribution of management and this integrated discipline is known as management. Therefore, contributions in the field can be expected from any discipline, which deals with some aspects of human beings.

**2. Dynamic in Nature:** A principle is a fundamental truth which establishes cause and effect relationship of a function. Based on integration and practical evidences, management has framed certain principles. However, these principles are flexible in nature and change with the environment in which an organisation exists. Because of the continuous development in the field, many older principles are being changed by new principles. Continuous researches are being carried on to establish principles in changing society and no principle can be regarded as a final truth. In fact, there is nothing permanent in management because of the ever changing and challenging business environment.

**3. Relative, not Absolute Principle:** Management principles are relative, not absolute, and they should be applied according to the need of the organisation. Each organisation or firm may be different from others. The differences exist because of time, place, socio-cultural factors etc. However, individuals working within the same organisation may differ. It depends on the interpretation and use by different individuals. Thus, a particular management principle has different strengths in different conditions. Therefore, principles of management should be applied in the light of prevailing conditions.

**4. Management - Science or Art:** Management is both a science and an art. Management is a science because it is a systematic body of knowledge based on certain principles of general application. The knowledge in management is accumulated through study, experience and experimentation.

Management produces impersonal results and it can be tested and universally applied. Management is an art because it contains the practical use of skills and knowledge to achieve the results. Management is the practical knowledge of skills in getting desired results with fewer and planned efforts, less cost and less time.

**5. Management as a Profession:** A profession is an occupation for which specialised knowledge, skills, and training are required and the use of these skills is not meant for self-satisfaction but these are used for larger interest of the organisation and the whole society. The success of use of these skills is measured not only in terms of money alone. Majority of the features of a profession are applicable to management also such as:

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- (a) Existence of an organised and systematised body of knowledge,
- (b) Formal acquisition of knowledge,
- (c) Formulation of ethical codes and conducts.

**6. Universality of Management:** Management is a universal concept. However, management principles are not universally applicable in original format; these are needed to be modified according to the needs of the situation. Universal transformation of knowledge from one person to another is possible, but the implementation completely depends on the key people of the firm and the situation, which exists in part.

**(C) Importance of Management**

Modern management has multidisciplinary roles to perform in our society. It plays a vital role in industry. It regulates productive activities by organising factors of production. Management is the most critical aspect of organised business behaviour. The well being of society is largely dependent upon the skills of management. The conduct of a modern business has become a very difficult task without the competence of managers. Management enables enterprises to expand its wealth and profits. It converts human efforts and material resources into production. Management is the critical element for economic success. To be successful, every human organisation requires effective management. Management is needed not only for the business firms but also for non-business institutions.

According to Peter Drucker, Management is a dynamic life giving element in every organisation. It is the activating force that gets things done through people. Without management, an organisation is merely a collection of men, machines, money and material. In its absence, the resources of production remain resources and never converting to products.

Today, the field of management covers every area of world and trade industries. It is not only helping manufacturing and business units but also helping Government sectors/departments, Hospitality industry, Health care and many more.

The importance of management can be outlined with the help of following points :

**1. Optimum and profitable utilisation of resources:** Every business possess has limited resources and their profitable use is dependent on managerial skills and abilities. Management ensures the optimum utilisation of resources by attempting to avoid wastage of all kinds. There are seven M's in business that represent resources, which are **men, material, money, machines, methods, market and management**. Management stands up at the top of these M's. It determines and controls all other factors and resources of business. Efficient management produces good business by creating a vital dynamic and life giving force in the organisation.

**2. Effective leadership and motivation:** In the absence of management, the working of an enterprise will become random and complex. Management is the development of people; it develops people, their talents, skills, vision and more importantly working habits. Management makes group effort more effective. It enables the employees to work co-operatively and achieve goals in a co-ordinated manner. Management creates teamwork and motivates employees to work harder and better by providing necessary guidance, counselling and effective leadership.

**3. Establishing sound industrial relations:** Management minimises industrial disputes and contributes to sound industrial relations. It is very important because industrial disputes, strikes, labour conflicts, lockouts, tool lockouts and such occurrences can be obstacles in achieving the organisational goal. These can lower the morale and productivity of employees. Management tries to strike a happy balance between the demands of employees and organisational requirements. Management prefers quick action and solutions whenever workers express dis-satisfaction over organisational rules, methods, procedures and reward system.

**4. Achievement of goals and objectives:** Management plays an important role in the achievement of objectives of an organisation. Objectives can be achieved only when the human and non-human resources are combined in a proper way. Management is goal oriented. Management plans carefully, organises the resources properly, hires competent people and provides necessary guidance to achieve predetermined goals and objectives. Thus, unnecessary deviations, overlapping efforts, and waste motions are avoided. All this helps in realising business goals with maximum efficiency.

**5. Change and growth:** A business concern operates in a constantly changing economic environment. Changes in technology, changes in government policies, levels of competition often threaten the survival of a firm. An enterprise has to take note of these changes and adapt itself quickly. Management helps an organisation by anticipating these changes and taking appropriate steps. Management should anticipate and adjust to changing circumstances to avoid the adverse effects on business organisation. Careful planning, forecasting combined with efficient use of resources can be one of the basic steps that management should follow.

**6. Improves standard of living:** Management contributes greatly to the standard of living of people by,

- (a) Using scarce resources efficiently and turning out profits.
- (b) Ensuring survival of the firm in the changing environment.
- (c) Exploring new ideas for the benefit of the society as a whole.
- (d) Developing employee's talent and capabilities while at work and prompting them to show peak performance.

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The objective of management is to uplift the quality of life of people. For this purpose management maintains quality standards, checks adulteration, removes pollution and protects for good health.

Management and entrepreneurs act as an engine of growth for the economy. Peter Drucker called management as the life blood of an enterprise. According to him firms can fail because of inadequate funds, improper marketing, and incompetent product design and for many other reasons. But most often they fail because the basic management functions are performed poorly. Hence it can be stressed that the good quality of management is an important input not only for success of industries but also for overall economic development of a country.

**(D) Functions of Management**

**BCA : Oct. 2011, 2012, April 2016, BBM (IB) : Oct. 2017**

Management is basically concerned with getting the things done through others. While managing an organisation, a manager has to perform certain basic functions, which together make up the process of management. These functions are broadly classified into five categories:

- (a) **Planning**: [includes forecasting and decision-making].
- (b) **Organising**: [includes delegating].
- (c) **Staffing**: [includes manpower planning, recruitment and selection, training and development].
- (d) **Directing**: [includes motivation, leadership, communication and supervision].
- (e) **Controlling**: [includes budgeting and reporting].

The process starts with planning and ends with controlling, and starts again with planning for achieving new targets.



**Fig. 1.1 : Management Functions**

**1. Planning:** Planning is a primary function of management. Planning is a thinking process. It is the process about making decisions about future activities of a business. It is the process of determining the objective of an enterprise and selecting future course of action necessary for their accomplishment. It determines the future course of action by deciding what to do (type of work), why to do (objectives), when to do (time), where to do (place or location), how to do (method or procedure), and who are going to do (people).

Thus, planning helps in selecting the best course of action, among several alternatives that can contribute the most to the objectives of the organisation.

Planning provides direction to enterprise activities. It enables managers to measure the progress toward the objective so that corrective action can be taken, if progress is not satisfactory. Planning is the fundamental action of management and all other functions of management are influenced by the planning process. Planning mainly includes two aspects, forecasting and decision-making.

**The process of planning consists of the following steps :**

[A] Analysing Business Environment



[B] Establishing Objectives



[C] Setting Planning Premises



[D] Identifying Alternatives



[E] Evaluating Alternatives



[F] Selecting Best Alternative(s)



[G] Formulating Secondary Plans



[H] Implementing the plan and reviewing the results.

**2. Organising:** Organising is the second function of management. Organising is mainly concerned with the arrangement of organisation resources like people, materials, technology and finance in order to achieve objectives of an enterprise. Organising requires a formal structure of authority and the direction and flow of such authority through which work sub-divisions are defined. Organising involves decisions about the division of work, allocation of authority and responsibility and co-ordination of tasks.

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The importance of organising increases with the increase in size of the firms. Organising creates a formal structure in organisation, results into increasing efficiency and effectiveness of work. Through this formal structure, the various work activities are defined, classified, arranged and coordinated.

Thus, organising refers to certain dynamic aspects like :

- (a) What task is to be done?
- (b) Who is to do them?
- (c) How the tasks are to be grouped?
- (d) Who is to report to whom?
- (e) Where the decisions have to be made? etc.

As a result of organising, various positions come into existence, different departments and divisions are created, communication network is prepared, various levels of management are created and superior and subordinate relations are established.

**The process of organising include the following steps:**

- [A] Specifying the objectives  
↓
- [B] Determining the activities to be performed  
↓
- [C] Grouping the activities  
↓
- [D] Identifying the alternatives  
↓
- [E] Evaluating alternatives  
↓
- [F] Assigning the responsibility  
↓
- [G] Delegation of Authority  
↓
- [H] Establishing the interrelationships  
↓
- [I] Preparing organisation chart and manuals

**3. Staffing:** Staffing is the third function of management. Staffing is the function of employing suitable persons for the enterprise. It is clear that business enterprises need manpower to carry out its operations. It may be defined as an activity where people are recruited, selected, trained, developed, motivated, and compensated for manning (filling positions with appropriate people) various positions.

Staffing involves acquiring, maintaining, and developing necessary human resources for a smooth functioning of various operations in the organisation. Staffing performs all the necessary activities required from recruitment of employees to their retirement. Staffing is also known as 'Personnel Management' or 'Human Resource Management'.

**Staffing involves the following activities :**

- (a) Manpower planning, determining the need for people.
- (b) Recruitment, selection and induction of employees.
- (c) Training and development of employees.
- (d) Wage and salary administration.
- (e) Promotion and transfer.
- (f) Performance appraisal.
- (g) Grievance handling and maintaining good relations.
- (h) Security and welfare activities.

**4. Directing:** Directing is the fourth function of management. The directing function is concerned with leadership, communication, motivation and supervision so that employees perform their activities in the most efficient manner, in order to achieve the desired goals. The leadership element involves issuing of instructions and guiding the subordinates about procedures and methods. The manager needs to direct his employees suitably and adequately to ensure a better coordination and integration in their efforts. The communication must be open both ways so that the information can be passed on to the subordinates and the feedback received from them. Coordinating and supervising with subordinates would give continuous progress reports as well as assure that the directions are being properly carried out. The efforts of employees can be directed by using some tools:

**Main Directing Tools:**

- (a) **Leadership:** Concerned with guiding and instructing employees at work.
- (b) **Motivation:** Concerned with inspiring and encouraging people at work.
- (c) **Communication:** Concerned with providing and receiving necessary information.
- (d) **Supervision:** Concerned with observing and correcting employee's performance.

**5. Controlling:** Controlling is the last but very critical function of management. It is a regulating function. It contains measuring, comparing, and correcting performance. It ensures that the plan has been implemented successfully and is accomplishing objectives. Controlling is useful in finding out what is wrong and how it can be rectified. This function helps in both preventing and improving poor performance. A suitable controlling system helps in achieving objectives effectively and efficiently.

Planning and controlling are inter-related and interdependent activities. Planning provides a base on which control can be exercised. Controlling ensures the effective

implementation of the plan. It can be said that planning is meaningless, if there is no control. Controlling is impossible, if there is no plan.

**The steps involved in the controlling process are as follows:**

[A] Setting Results



[B] Measuring Actual Results



[C] Comparing Actual with Expected Results



[D] Identifying Deviation between Actual and Expected Result



[E] Taking Corrective Actions

All these five basic functions of management are closely inter-related.

**(E) Types of Management**

**1. Strategic Management :**

- Strategic management as a broad overall process is defined as the set of decisions and actions resulting in formulation, implementation and evaluation of strategies designed to achieve the objectives of an organisation.
- Strategic management is a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives.
- Strategic management has been defined as "the formulation and implementation of plans and carrying out of activities relating to the matters which are of vital, pervasive, or continuing importance to the total organisation."

**2. Sales Management :**

- It is the management of sales territories, teams or accounts.

**3. Marketing Management :**

- It is the management of marketing strategies, products, brands and promotions.

**4. Supply Chain Management :**

- Supply chain management is the management of the flow of goods and services and includes all processes that transform raw materials into final products.

**5. Human Resource Management :**

- HRM is the strategic approach to the effective management of people in an organisation so that they help the business to gain a competitive advantage.

**6. Operations Management :**

- Operations management is the administration of business practices to create the highest level of efficiency possible within an organisation.

**7. Materials Management :**

- Materials management embraces all activities concerned with materials except those directly concerned with designing or manufacturing the product.

**8. Stress Management :**

- Refer Article 4.4 of Chapter No. 4.

**9. Total Quality Management :**

- Refer to Article 4.3 of Chapter No. 4.

**10. Project Management :**

- It is the management of an ongoing portfolio of projects.

**(F) Scope and Role of Management / Role of Managers****BBM (IB) : April 2017****(I) Scope Of Management :**

Scope of management is very wide. Generally, management includes the following aspects:

**1. Subject-matter of management:** It consists of various management functions such as planning, organising, staffing, directing and controlling.

**2. Functional area of Management:** It consists of the following functional areas:

(i) **Financial management:** Financial management includes cost control, budgetary control, financial planning, management accounting, standard costing etc.

(ii) **Personnel management:** Personnel management includes aspects such as selection, recruitment, training, transfers, promotions, retirement, industrial relations, social security, labour welfare etc.

(iii) **Purchasing management:** Purchasing management consists of purchasing of raw materials, maintaining of records, materials control, issuing materials to the departments, etc.

(iv) **Production management:** Production management deals with aspects such as production planning, quality control and inspection, production control techniques, etc.

(v) **Marketing management:** Marketing management includes marketing of goods and services, price determination, channel determination, market research, sales promotion, advertisement, publicity etc.

(vi) **Maintenance management:** Maintenance management relates to the proper care and maintenance of the building, plant and machinery etc.

(vii) **Office management:** Office management is concerned with the office layout, staffing, equipment of office etc.

(viii) **Transport management:** Transport management includes packing, handling, warehousing, transportation by rail, road, air etc.

**3. Management is an interdisciplinary approach:** In order to have effective application of the principles of management, a study of various other subjects such as economics, sociology, mathematics, psychology, behavioural science, statistics, etc. becomes necessary.

**4. Principles of management** are of universal application.  
**5. Management** also includes scientific methods, quantitative techniques and human relations.

### (iii) Role of Management :

Management plays a very important role in modern days. Management regulates man's productive activities by organising factors of production. Without the leadership provided by management, the resources of production remain mere resources and never become production. The welfare of society is mainly dependent upon the quality of management. By making the factors of production perform better, management enables society to get a better and increased supply of goods and by this, it promotes the welfare of society.

According to ColUrwick and Brech, no ideology, no 'ism', no political theory can win a greater output with less effort from a given complex of human and material resources. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be founded".

Nowadays, the running of a modern business has become a complex matter due to needs, endless competitive drive, new techniques of production, government rules, regulations, social responsibility of business, etc. Due to these, management which consists of scientific thinking, accurate planning and meticulous control plays an important role in the running of a modern business. Management enables the enterprises to have its competitive strength and develop and expand its assets and profits. According to Peter Drucker, "management", which is the organ of society organised economic advance, therefore, reflects the basic spirit of the modern age". Management is required for business enterprises as well as organisations such as educational, religious, charitable and other non-business institutions. Similarly, governments of all types need management as much as others, perhaps, more than all other social organisations. The late President Roosevelt of USA opined that, "a government without good management is a house built on sand". Thus, management is distinct, separate and dominant activity. Management is noticed as a

**(G) Characteristics of Management****BCA : April 2013, 2017, Oct. 2018**

An analysis of the definitions of management shows that the management has the following characteristics:

1. **Management is an activity:** Management is a process of organised activity which is concerned with the efficient use of resources of production. Resources include materials, money and people in the organisation.
2. **Management is a purposeful activity:** Management is concerned with the achievement of an objective or set of objectives through its functions such as planning, organising, staffing, directing and controlling. Objectives may be explicitly defined or implicit.
3. **Management is concerned with the efforts of a group:** In the words of Appley, management is concerned with the management of people and not the direction of things. Management motivates workers to work hard.
4. **Management applies economic principles:** According to Dr. Kimball and Kimball, management is the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration.
5. **Management involves decision-making:** Management involves decision regarding various aspects of management. Management is the decision-making process and the decisions are involved in all the functions of management.
6. **Management is getting things done:** In the words of Herold Knootz and Cyril O'Donnell, management is the art of getting things done through and with people in formally organised groups. In other words, a manager does not do any operating mark himself but gets it done through others.
7. **Management is an integrating process:** Management integrates men, machines and materials for carrying out the operations of an enterprise and in order to achieve the stated objectives. The task of business management is the responsibility for welding into a single working force the three main factors, i.e., men, methods and machinery.
8. **Management co-ordinates all activities and resources:** Management is concerned with the co-ordination of all activities and resources through its various function to attain the stated objectives.
9. **Management is a universal activity:** Managers make use of the management principles irrespective of the enterprise in which they are working and their place in the organisation structure. Thus, the techniques and tools of management are universally applicable.

**10. Management is intangible:** Management is abstract and cannot be seen with the eyes. It is evidenced by the quality of the organisation and the results such as increased productivity and increased morale of the subordinates etc.

**11. Management is concerned with direction and control:** Management is concerned with the direction and control of the various activities of the enterprises for attaining the business objectives. Management mainly deals with the activities of direction of the human effort.

**12. Management is an interdisciplinary approach:** Management as a body of discipline takes the help of other social sciences like psychology, anthropology, engineering, economics, sociology, mathematics etc.

**13. Management is a profession:** Management is becoming a profession because there are established principles of management which are being applied in practice.

**14. Management is both a science and an art:** Management has developed certain principles and laws which are applicable to any group activity. It is also an art because it is concerned with the application of knowledge for the solution of organisational problems.

**15. Management is dynamic, not static:** Management adapts itself to the social changes and also introduces innovation in methodology.

**16. Management, an economic resource:** The factors of production are land, labour, capital, management and entrepreneur. The entrepreneur establishes the organisation as owner and it is the management which transforms these various resources into productive process. According to Peter Drucker, "whatever rapid economic and social development took place after World War II, it occurred as a result of systematic and purposeful work on developing managers and management". The inputs of labour, capital and material do not by themselves ensure growth; they require the catalyst of management to maximise results/outcome.

**17. Management is a system of authority:** As the management is a process of directing men to perform a task, authority to extract work from others is implied in the very concept of management.

### (II) Process of Management

The management process is the process of performing the functions of planning, organising, staffing, directing and controlling.

**Elements of Management Process :** The essential elements in the process of management are as follows :

(a) **Planning** : Planning implies deciding in advance what do to, how to do it, when to do it and who is to do it. It refers to fundamentally choosing courses of action. Essentially, it is a process of decision-making out of the available alternatives. Planning involves formulation of plans and programmes, determination of the master strategy, formulation of policies, procedures and methods, and the decisions regarding objectives and goals.

(b) **Organising** : To organise means to arrange in an orderly manner. It aims at creating a rational division of work into groups and sub-groups of activities and binding them together so as to achieve a well co-ordinated structure for the attainment of organisational objectives. Thus, in this element of management, work is divided between departments and individuals, duties are assigned, authority is delegated and responsibility is fixed.

(c) **Directing** : The third important element in the process of management is directing. It initiates action to translate decision into creative work. Direction has to be performed at all levels of the organisation. Direction covers issuing guidance and instructions, exerting leadership, decision-making and communication.

(d) **Co-ordinating** : Co-ordinating implies unifying all activities or integrating them in such a manner that the entire organisation functions together. It means linking the various activities so that the work can be performed unhindered.

(e) **Staffing** : Staffing means manning the organisation with adequate and appropriate manpower. Right persons are to be fixed at right positions. According to Schneider, "staff is the process involved in identifying, assessing, planning, evaluating and developing individuals at work." The modern view of management regarding manpower employed in an organisation is that employee satisfaction is the most important goal of management. According to some experts, staffing is a part of organizing.

(f) **Controlling** : To control means to see that the actual work is being carried out as per the plans. Planning without efficient control is meaningless. Controlling, in fact, is the soul of management process. It is controlling which steers the enterprise towards its pre-determined objectives most effectively and efficiently.

## **(I) Challenges before Management :**

Because of continuous changes in business environment, the management face certain challenges. The various challenges before the management or managers are :

(a) **Challenges in Marketing Area** : Consumer organisations are bringing pressure to produce and supply quality goods at reasonable prices. Another marketing problem is increasing competition in the national and in the world market. Therefore, it is essential for managers to take correct action, face the competition and give satisfaction to consumers.

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**(b) Challenges in the Personnel Area :** Labour problems like strikes, bondh labour problem of high rate of labour, absenteeism, labour turnover, declining productivity etc. which management have to face. There is lack of motivation accommodation of women workers is also the challenge before the management.

**(c) Challenges in Finance Area :** The financial institutions (banks, stock exchange etc.) are not properly developed and established in all parts of the country. So, Capital formation is less. In India, the per capita income is very low. Thus, Indian managers are facing challenges in the finance area.

**(d) Challenges in Technology Area :** There is need for big investment in Research and Development, innovation and modernization, otherwise the cost of production will increase and the quality of goods will decline. Hence, the managers face the challenges in the technology area.

**(e) Challenges in Social Area :** The managers are facing challenges in the social responsibility field.

**(f) Challenges in the Quality and Price Area :** The Indian goods and services are of very low quality and the price of goods and services is higher. It is due to low quality materials there is lack of quality control, low labour productivity, low efficiency, etc. Hence, the managers face the challenge of producing qualitative and competitive goods and services.

## **1.2 MANAGEMENT AS AN ART, SCIENCE, PROFESSION AND SOCIAL SYSTEM**

### **(A) Management as an Art**

According to Terry Writers, "Management is one of the most creative of all arts. It is the art of arts because it is the organiser and utilisation of human talent" /human resource/.

In science, one normally learns the "why" of a concept, under art, one learns the "how" of the concept. Thus, art is concerned with the understanding of how a particular work can be accomplished. Management in the above sense is more an art. It is the art of getting things done through others in dynamic and mostly non-repetitive situations. The manager has to constantly analyse the existing situation, determine the objectives, seek alternatives, implement, coordinate, control and evaluate information and make decisions.

Art involves application of knowledge and skills to gain a desired result. It is the knowledge to accomplish a task. Art teaches us to do.

#### **Features of Arts :** The features of arts are as follows :

1. Art requires learning of theory and knowhow.
2. It involves practical implementation of theoretical knowledge.

3. It is result oriented.
4. It is a personal skill.
5. It encompasses creativity and innovation.  
According to Drucker : "Management is a practice rather than science. Its essence is not knowing, but doing. Its test is not logic but result. Its only authority is of performance."

#### **Comparison of Arts and Management**

- 1. Practical Knowledge:** Art involves practical knowledge. Management also requires the use of practical knowhow [skills, knowledge, expertise, proficiency] like other arts. Hence this condition is satisfied.
  - 2. Need of Practice or Experience:** To get control over any art, one needs continuous intensive practice or experience. This is equally true with management. An experienced manager can definitely do better than a new one.
  - 3. Element of Creativity:** Art involves creativity, i.e., developing something original or different to improve skills. This is also true for management. A creative manager can achieve goals more efficiently.
  - 4. Result Oriented:** Any art is result oriented. It is aimed at some special outcomes. This condition is met by management as it is aimed at achievement of specific results or objectives.
  - 5. Personalised Skills:** Art is personalised in nature. Each artist has his own personal way [style or pattern] to perform the art and his presence is must. Management is personalised and knowledge based as an individual approach and techniques to solve the problem.
  - 6. Qualities and Qualification:** An artist requires both qualities and qualifications to master the art. In case of management also, both qualities and qualifications are required.
- Since all the conditions of an art are satisfied, we can conclude that management is an art.

#### **(B) Management as a Science**

According to some experts, management is more of a science than an art. Science is a body of knowledge to understand general truths pertaining to a particular field of inquiry. The knowledge is obtained through the process of observations, experimentation and testing.

A science is fact based and critically tested.

#### **Features of Science:**

1. Systematic body of knowledge
2. Scientific enquiry and observation

- 3. Experimentation
- 4. Universal truths

### **Comparison of Management and Science**

1. **Systematic body of knowledge:** Science is based on the knowledge developed systematically. Using scientific methods and procedures purposefully collects knowledge. Management is also the same.
2. **Impersonal results:** Science gives impersonal and unbiased results. It is free from personal values, personality, characteristics, emotions and ambitions. It provides the same result irrespective of time, place, person, situation etc. This is not the case with management. A manager is a human being, and outcomes or decision making from different managers in the same situation tends to differ. So this condition is not fulfilled.
3. **Clarity of concepts:** Science provides clarity of concepts. Any scientific term has clear-cut meaning and exact implication. It does not allow ambiguity. In case of management, such clarity is not possible. Certain terms may have different meanings and interpretations to different people.
4. **Critically tested knowledge:** Science produces evidences for every claim. Scientific principles can be tested to justify its validity. That is not possible all the time for management.
5. **Universal applicability:** Scientific knowledge has universal applicability. The knowledge can be applied uniformly irrespective of time, place, person, and situation. Though management fundamentals are universal, management as a practice is not. This condition is partially fulfilled.
6. **Cause and effect relationship:** Science is a cause and effect relationship at a high accuracy rate. Management also has cause and effect relation but not at a very high accuracy rate. So this condition is partially fulfilled.
7. **Internal consistency among concepts, hypothesis, principles and theories:** Scientific knowledge is consistent knowledge. There is a close relation among concepts, hypothesis, principles and theories. These concepts tend to complement each other. Management lacks in maintaining consistency at all times. So this condition is partly satisfied, Thus, some concepts are fully satisfied, some conditions are not satisfied at all. The conclusion is that management is not an exact science, like chemistry, biology or mathematics.
- Management is inexact or soft science. It is also called as a social science.

- Science and art are complementary fields of knowledge. Science discusses and documents, art creates a balance between the two. In fact, an effective manager is both a scientist and an artist.
  - According to **Terry**: The art of management begins where science of management stops.
  - According to **Robert Hilkert** : In the area of management, science and art are two sides of the same coin.
- 
- ### (C) Management as a Profession
- The main controversy in relation to nature of management is regarding management as a profession. The basic question is, can management be considered as a profession?
- #### Definition of Profession
- The term profession has been defined as an occupation based on specialised knowledge, skills, and training. The use of such knowledge is not for self-satisfaction, but for a larger interest of society for fee and success of which cannot be measured by money value.
- According to **Hodge** and **Johnson**: "*Profession is a vocation requiring of some significant body of knowledge that is applied with high degree of consistency in the service of some relevant segments of society.*"
- Johnson said "Management does not at present meet the requirements and is not properly classified as a profession. Management is not fully developed as a profession."
- #### Main Features of Profession
1. A body of specialised knowledge or technique.
  2. Formal training and experience.
  3. An ethical code for the guidance of conduct.
  4. The license of practice.
  5. A commitment to service rather than a monetary reward.
  6. Dedication and commitment to the profession and society.
- In management, there isn't a common set of principles, concepts or techniques which are universal. There are no formal education requirements for entry into management. There is no formal system of licensing for managers. Unlike doctors or engineers a formal permission or certificate is not needed. Managers do not have specific clients. They serve a broad group of organisational stakeholders. There is no universal code of conduct for managers' existence.
- If the above criteria is applied, management cannot be described as a full-fledged profession though it has acquired some professional features.
- Mc Ferland writes, "By these standards, management is only part of a profession".

- Claude George observes, "Management is not outright a profession, but it is making giant steps in that direction."
- Harold and Hutley also wrote that although the field of management appears to be making progress in many of the areas, it seems clear that management is still not fully a profession.

## **1.3 UNIVERSALITY OF CONCEPT OF MANAGEMENT AND ORGANISATION**

Universality of management indicates that managerial knowledge and skills can be equally applied or transferred from one company to another, from one person to another, from one country to another. According to F. W. Taylor, "The fundamental principles of scientific management are applicable to all kinds of human activities from our simplest individual act to our great corporation."

Henry Fayol said: "All companies require planning, organisation, command, coordination and control, and in order to function properly all must observe the same principles".

On the other hand, there are some experts who say management is not universal, including P. F. Drucker, Ernest Dale, and John Woodward. P. F. Drucker claims that the skill, the competence, and the experience of management cannot, as such be transferred and applied to organisations and running institutions.

The concept of universality has the following implications:

1. **Management process is universal:** It means that the fundamental functions of planning, organising, leading and controlling are basic and are performed by every manager in all organisations and at any time.
2. **Management knowledge is universal:** Management is also universal in the sense that it uses the common laws, principles and concepts that tend to be true in all organised human endeavours.
3. **Management knowledge is transferrable:** Management knowledge and skills can be transferred from a) one person to another, b] from one institution to another, and c] from one country to another.
4. **Management is applicable to all levels of organisation:** When acting in managerial capacity, not only the company president but also the plant supervisor performs the basic function of management.
5. **Managers can be developed:** Managers can be developed through education and training. Fayol says "Managerial ability can and should be acquired in the same way as technical ability".
6. **Management principles and functions are applied differently:** Although management principles are assumed to be similar universally, they are applied

differently by different managers depending on the type of organisation, cultural background of people, managerial skills and business situations.

Universality of management should be studied in the following basis :

1. Levels in the organisation : Lower, upper, middle.
2. Organisational objectives : Profit or not for profit.
3. Decision - making : Synonymous to management.
4. Dealing with change : Main challenge worldwide.
5. Competencies and skills : Required worldwide.

## 1.4 CONCEPT OF MANAGEMENT, ADMINISTRATION AND ORGANISATION

### (A) Concept of Management

Refer to Article 1.1 (A) of this Chapter.

### (B) Concept of Administration

According to U. E. Milward, "administration is primarily the process and agency used to establish the objective or purpose which an undertaking and its staff are to achieve; secondly, administration has to plan and to stabilise the broad lines or principles which will govern action. These broad lines are usually called policies. Management is the process and agency through which execution of policy is planned and supervised."

A similar view has been expressed by William Spriggin when he says that "Administration is that phase of a business enterprise which concerns itself with the overall determination of institutional objectives and the policies necessary to be followed in achieving those objectives".

*Henry Fayol* proposed the breaking of the complex management process into separate interdependent areas of responsibility. He divided the administrative activities into six groups, all of which are closely dependent on one another. These six areas of operations are as follows :

### Administrative Activities

1. **Technical:** This area is concerned with manufacturing products.
2. **Commercial:** It involves purchasing of raw materials for the products and selling the finished products.
3. **Financial:** This area involves searching for and acquiring capital and allocating it to various functions in an optimal manner and keeping an overview control of the flow of capital.
4. **Security:** Security operations are designed to take the necessary and adequate steps for the production and safety of goods and people.

**5. Accounting:** This area covers all accounting aspects of the organization including recording and taking stock of costs, profits, liabilities, assets, preparing balance sheets and compiling accounting statistics.

**6. Managerial:** Fayol's primary concern was with the managerial functions of planning, organizing, command, co-ordination and control.

In addition to these areas of operations, Fayol proposed 14 principles of administration which he believed would be most often applied for more efficient managerial behaviour and more logical organizations.

### (C) Concept of Organisation

In the ordinary transactions of day-to-day life, organisation means the combination of the factors of production.

#### Definitions of the term 'Organisation'

Different authors of management science have defined 'organisation' in different ways. These definitions are given below:

**1. Stephenson's definition:** "Organisation suggests a certain amount of calculated method and arrangement, with a view to produce better results."

According to Stephenson's definition, organisation is a method, and it helps to fulfil the objectives of production. Organisation tries to produce better results from business activity.

**2. Wheeler's definition:** "Organisation is a blue-print for action, resulting in a mechanism for carrying out functions to achieve the goals set up by the firm."

According to Wheeler's definition, organisation provides a mechanism to achieve the goals set up by a firm. Every business has some goals. Like blueprint, organisation helps the business to achieve its goals.

**3. Oliver Sheldon's definition:** "It is the process of combining work which individuals and groups have to perform, with the faculties necessary for its execution, so that they provide the best channels for the efficient, systematic, positive and co-ordinated application of the available effort."

According to Sheldon's definition, organising is a process of combining work. Every person or group of persons toil for the success of the business. Organisation combines the labours of such groups. This combination is the efficient and systematic application of available means.

**4. F. J. Wright's definition:** "Organisation is the arranging or combining of resources to achieve an economic aim-either to obtain a maximum result or 'profit' with the available resources or to achieve a given aim with the least possible expenditure of resources."

This definition, given by Wright, appears to be incomplete. It only deals with the economic profit of business. A business has many objectives. The author has not considered the remaining objectives of business.

**5. Mc Farland's definition:** "Organisation is a group of individuals trying independently to achieve specified goals of business."

On the basis of the above definitions, three elements of the term 'organisation' can be mentioned, viz :

- Perpetual existence,
- Distinct structure or design which can be easily recognised, and
- Group of individuals.

Organisation comes into existence in order to achieve the objectives of business which are set in advance. Organisation exists permanently and continuously. The aims of organisation are distinct from the other factors of business. Therefore, the design or structure of organisation is distinct. In order to perform the function of organisation, a group of individuals is of utmost necessity. Peculiar grouping of individuals is the typical characteristic of organisation.

**6. According to Theo Haimann:** "Organisation is the process of fixing responsibilities and authorities delegated to executives."

Success in organisation depends on the co-operation of individuals. The success of organisation does not depend on efforts made by an individual isolated from other individuals.

Collective and co-ordinated effort or action is necessary for successful organisation. In organisation, individuals and their groups are assigned certain duties or functions. In order to perform these duties / functions, it is necessary to delegate authority or power to these individuals or their groups. It is also necessary to determine and define, in clear terms the responsibilities of different individuals and the authority delegated to them for completing the duties assigned to them.

### Characteristics of Organisation

From the above definitions, the main characteristics of organisation can be ascertained as under:

- 1. Ease in flow of work:** Organisation makes it easy to achieve goals in business. This task is impossible for an individual or group of persons. Because of an organisation, skilled personnel work together and help a business to achieve its goals.
- 2. Developing ability:** This is another characteristic of organisation. With the help of organisation, the field of business can be enlarged. Organisation makes it possible to change the span of production. If a business does not have an organisation, it becomes very difficult to conduct business.

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**3. Co-ordination between the policy and the programme:** Organisation tries to co-ordinate the policy of a business with its programme. If there is a difference between the policy and work, the business faces a failure. This characteristic of organisation ensures the success of a business.

**4. Utilisation of means and human labour:** This is the most important characteristic of organisation. Organisation is always accompanied by skillful management. So the utmost use of human labour and the available means takes place. Either the workers are more, or there is a shortage of them. Perfect organisation does not allow these faults. It utilises human labour and means to the fullest extent.

#### (D) Distinction between Administration, Management and Organisation

BCA : April 2014

Administration	Management	Organisation
<b>1. Definition:</b> B. O. Wheeler : "Administration means directing the way in which work is to be done".	George Terry : "Management is a distinct process consisting of planning, organising, activating, and controlling to determining and accomplish the objectives by the use of people and resources".	Theo Haimann : "Organisation is the process of fixing responsibilities and authorities delegated to executives".
<b>2. Nature :</b> Administration is concerned with determining major policies and objectives of the business enterprises. It refers to owners of the enterprise.	Management is the doing or executive function, the policies and decisions implemented being those laid down by Administration. It refers to employees of the organisation.	An organisation is a body of units, each unit of which has a definite function to perform and all units of which are interdependent.
<b>3. Function :</b> Decision-making is mainly influenced by due force of public opinion, government policies as also special and religious factors.	The main function of management is to lead, guide and direct an organisation for the accomplishment of predetermined objects. The scope for its decision-making is limited to that extent. At most, decisions are influenced by the values, opinions and beliefs of managers.	Organisation puts together the different parts of the business enterprise into working order.

<b>Administration</b>	<b>Management</b>	<b>Organisation</b>
<b>4. Task :</b> Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the progress of activities is evaluated and controlled as per plans.	Management is a genetic name for the total process or executive control in industry or commerce. It has responsibility for effective planning and execution of the operations of the business enterprise.	Organisation is the arranging or combining of resources to achieve an economic aim either to obtain a maximum result on profit with available resources or to achieve a given aim with the least possible expenditure and resources. Organisation is thus a blue print for action.
<b>5. Identification :</b> Administration refers to owners of the enterprise who invested on the capital invested by them receive profits in the form of dividends etc.	Management refers to employees of the enterprise who, by working within the broad policy guidelines laid down by the administration, are paid remuneration in the form of salaries and sometimes, also a share in due profits.	Organisation is accompanied by skillful management. Group individuals independently to achieve goals in business.
<b>6. Object :</b> Administration is preoccupied with the planning aspect of work and formulates overall objectives, policies, programmes and other plans.	Management is mostly concerned with the performance aspect of work and keeps itself busy for getting things done by others.	Organisation provides the mechanism for co-operative and integrated action by two or more persons in any business enterprise.
<b>7. Representation :</b> Administration thinks through the future for adopting farsighted planning and enlisted organising and remains busy in the thinking functions of planning and organising.	Management actuates the business and pulsates it with life by undertaking the doing functions of leading, motivating and controlling the personnel.	Organisation indicates the structure of duties, powers, obligations and relationships of all executive positions in the business enterprise.

Administration	Management	Organisation
8. <b>Work method :</b> Administration produces and directs the entire show from behind the scenes.	Management is concerned with the show of work performance by putting the star performers on the stage.	Organisation provides the theatre or forum for displaying managerial performance.
9. <b>Importance :</b> Administration forms the brain of the executive body.	Management represents the mind and respiratory organs of the executive body.	Organisation constitutes the nervous system of the executive body.
10. <b>Set-up</b> Administrative work is kept reserved by the top level executives for their own performance.	Managerial work is delegated to the middle and lower level executives.	Organisation sets-up machinery for its own effecting delegation and securing co-ordination at various levels of the organisational structure.
11. <b>Connection or Dealing :</b> Administration deals with the staff aspect of work and operates through a few top executives.	Management is mostly concerned with the line aspect of work and has a large contingent of line men.	Organisation becomes the life less edifice (connection) of all executive personnel, whether they are managers or administrators.

♦ Questions for Discussion ♦

1. What is management? Explain its features.
2. 'Management is both a science as well as an arts' - Comment.
3. Explain the various functions of management.
4. Management is a Universal concept. Comment.
5. Explain the scope of management.
6. Explain the importance of Management.
7. State the nature of Management.
8. Explain the Role of Management.
9. Define Administration.
10. Define and explain the concept of Organisation.
11. State the Characteristics of Organisation.
12. Distinguish between: Administration, Management and Organisation.

**↳ Questions from Past Examinations : BCA and BBM (IB) ; Sem/I ↳****1. What is meant by management ? Explain various Functions of Management.****B.C.A. : Oct. 2011, 2012, B.B.M. (IB) : Oct. 2017****Ans. :** Refer to Article 1.1 (A) and (D) of this Chapter.**2. Define the term Management. Explain the Characteristics and Importance of Management.****B.C.A. : April 2013, Oct. 2013****Ans. :** Refer to Article 1.1 (A), (G) and (C) of this Chapter.**3. What is meant by Management ? Explain the difference between Management and Administration.****B.C.A. : April 2014****Ans. :** Refer to Article 1.1 (A) and Article 1.4 (D) of this Chapter.**4. What is Management ? Explain the management as an Art, Science and Profession.****B.C.A. : April 2015, B.B.M. (IB) : Oct. 2017****Ans. :** Refer to Article 1.1 (A) and Article 1.2 of this Chapter.**5. What is Management ? Explain the basic functions of Management.****B.C.A : April 2016****Ans. :** Refer to Article 1.1 (A) and (D) of this Chapter.**6. What is Management ? Explain the Characteristics of Management.****B.C.A. : April 2017****Ans. :** Refer to Article 1.1 (A) and (G) of this Chapter.**7. Explain the concept of Management and bring out its importance in present context.****B.B.M. (IB) : April 2017****Ans. :** Refer to Article 1.1 (A) and (C) of this Chapter.**8. Write Short notes :****(A) Management as a Profession.****B.C.A. Oct. 2013, B.B.M. (IB) : Oct. 2017****Ans. :** Refer to Article 1.2 (C) of this Chapter.**(B) Management as an Art.****B.C.A. : April 2017****Ans. :** Refer to Article 1.2 (A) of this Chapter.**(C) Management as an Art, Science and Profession.****B.B.M. (B) : Oct. 2017****Ans. :** Refer to Article 1.2 (A), (B) and (C) of this Chapter.

❖ **Multiple Choice Questions** ❖

1. Management is a ..... and involves a series of continuing and related activities.
  - (a) path
  - (b) way
  - (c) process
  - (d) route
2. ..... is a universal concept.
  - (a) Management
  - (b) Organisation
  - (c) Administration
  - (d) None of these
3. ..... is the third function of management.
  - (a) Motivation
  - (b) Control
  - (c) Organising
  - (d) Staffing
4. According to Sheldon, ..... is a process of combining work.
  - (a) organising
  - (b) administration
  - (c) control
  - (d) directing
5. Management is a .....
  - (a) Pure science
  - (b) Applied science
  - (c) Art
  - (d) Science and Art both

**Ans. : (1) - (c), (2) - (a), (3) - (d), (4) - (a), (5) - (d).**





# **EVOLUTION OF MANAGEMENT THOUGHTS**

## **\*Synopsis \***

- 2.1 Concept of Managerial Thoughts**
- 2.2 Contribution of Taylor, Mayo, Fayol and Drucker**
- 2.3 Indian Management Ethos and Different Styles [for Example J.R.D. Tata, Dhirubhai Ambani, N.R. Narayana Murthy, Verghese Kurien]**
- ◆ Questions for Discussion
- ◆ Questions from Past Examinations
- ◆ Multiple Choice Questions

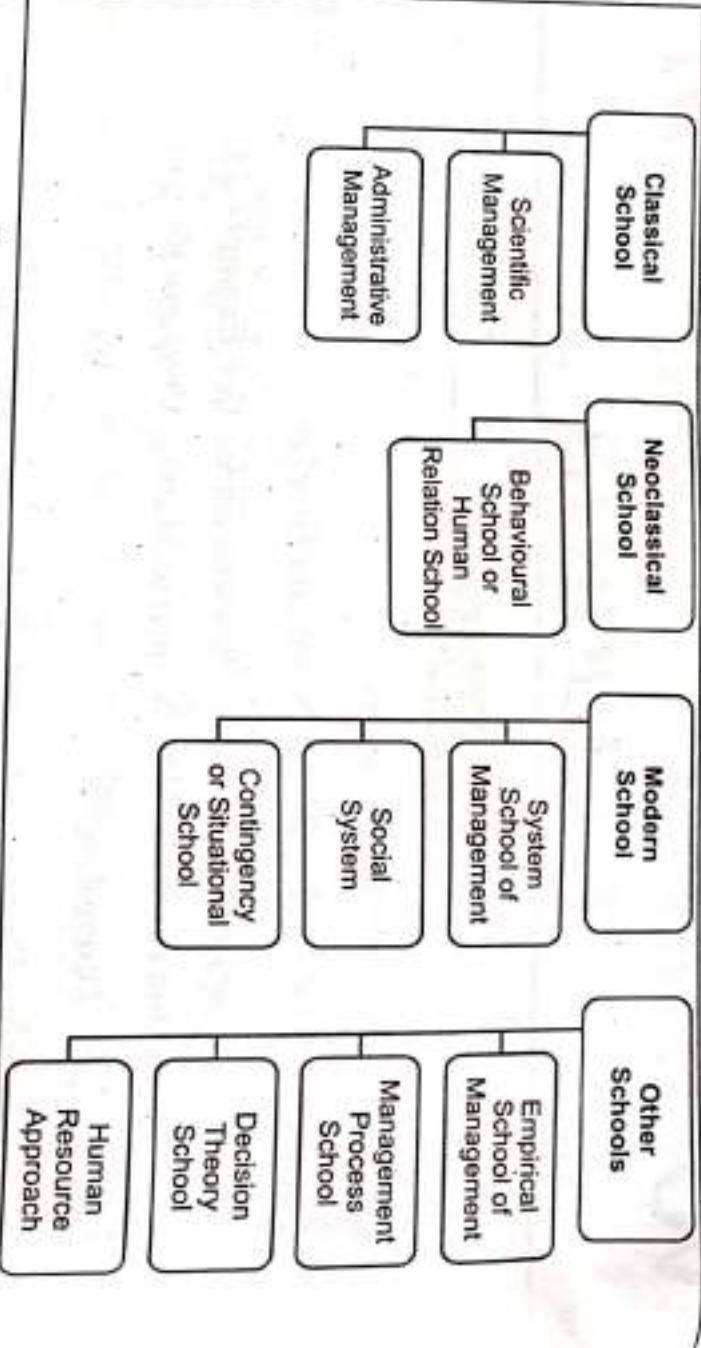
## **2.1 CONCEPT OF MANAGERIAL THOUGHTS**

Writers, experts and scientists, throughout the ages, have advocated effective ways and methods to manage people and realise objectives. The different views on management popularised by experts, practitioners and management scientists in terms of concepts, ways, methods, functions, processes, principles and theories are known as – MANAGEMENT THOUGHTS or MANAGEMENT APPROACHES, and the terms of persons – human relations experts, behavioural scientists, management practitioner, writers and contributors who develop the thoughts are known as SCHOOLS OF MANAGEMENT.

Management Theories increase our awareness of business environment, show alternative ways to suit a situation, guide managerial actions, and are indicative of the best practices in leading companies in the world. However, generalisations to theories are developed by management practitioners from their routines in relation to the changing business

(2.1)

environment. Each school of management thoughts is based on certain assumptions and situations. It explains management theory and practice in its own different way. While classical schools emphasise production efficiency and specialisation, the neoclassical schools give importance to human relations and behaviour and modern business schools show how to view the organisation as a system in the context of situational variables.



**Fig. 2.1 : Classification of Schools of Management Thoughts**

Schools of management thoughts are classified into four main groups [as shown in the above Fig. 2.1].

- Classical School of Management.
- Neoclassical School of Management.
- Modern School of Management.
- Other Schools of Management.

Management as a separate and recognised field of study and thought can be said to have emerged only during the second half of the 19<sup>th</sup> century. The major force to systematise the principles of management was created by the attempts to give management a scientific shape.

Michael Albert has pointed that, "Management's emergence as a discipline, a field of research, was partly a response to big business needs, partly an effort to reap more of handful curious pioneers with a burning interest in finding the most efficient way of completing job."

The classical school of management is administrative. Administrative approach is divided into two parts, scientific and framing problem situations and solutions.

**Principles of Management****2.2 CONTRIBUTION OF TAYLOR, MAYO, FAYOL AND DRUCKER****B.C.A. : April 2013, 2017, B.B.M. (IB) : April 2017, Oct. 2017**

F. W. Taylor the chief contributor of the scientific management, defined as, "Scientific Management is concerned with knowing exactly what you want men to do and then see they do it in the best and cheapest way." F. W. Taylor is known as the father of scientific management and his contribution is known as Principles of Scientific Management. His most popular book Scientific Management got published in 1911, New York.

Henry Gantt a management expert and follower of Taylor, believed that scientific management could be applied to every aspect of an organisation to improve efficiency. His contribution is known as GANTT CHARTS. He also stressed on proper motivation and reward system.

Taylor said, the principle objective of management should be to secure maximum prosperity for the employer coupled with the maximum prosperity to each employee. Taylor described the fundamental philosophy and values of scientific management when he stated *Scientific management has for its very foundation the firm conviction that the true interests of the two are one and the same; the prosperity for the employer cannot exist through a long term of years unless it is accomplished by prosperity for the employee, and vice versa; and that it is possible to give the worker what he most wants—high wages—and the employer what he wants—a low labour cost for his manufacturers.*

Scientific Management can be described in two different dimensions:

- (I) Elements of Scientific Management.
- (II) Principles of Scientific Management.

**(I) Elements of Scientific Management****1. Separation of Planning and Doing:**

According to Taylor, Planning and Doing should be separated. A supervisor should perform the planning task and workers should perform real work. This would help to resolve number of problems and productivity would improve.

He developed the concept of functional foremanship in which eight persons are involved in directing activities of workers on different aspects. Out of them four persons – route clerk, instruction card clerk, time and cost clerk and disciplinarian are concerned with planning and other four persons speed boss, inspector, maintenance foreman and gang boss, are concerned with the doing aspect.

- 2. Job Analysis:** Taylor said that the job to be performed should be scientifically studied to find the best way of doing things. This includes time and motion study.
- Time Study:** Time study deals with the time aspect of the job. It determines the appropriate time to complete the job.

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- **Motion study:** Motion study is concerned with the study of motion/ movement of workers, parts, materials, and machines. It eliminates unnecessary movements and possibility of accidents.
- **Method study:** Method study is concerned with issues related to methods to complete the job and it helps to find the best methods to perform the work.
- 3. **Fatigue study and rest study:** Fatigue and rest study are concerned with the studies of physical exertion that a job requires and the need of rest after a particular time. These studies determine how many hours an average labourer can work without fatigue. The time of rest he needs at different intervals to make him work with full capacity. The study shows the amount and frequency of rests the workers require for completing the job differently.
- 4. **Differential Wage System:** Many experts including Taylor advocated a differential wage system to improve worker's productivity. They suggested that the wage system should be associated with productivity. Differential wage system involves the payment of higher wages to more efficient workers to encourage them to surpass previous performance who are capable can earn wages without any limit. Taylor was of the opinion that efficient could only be improved, if workers benefited from increased productivity. Taylor suggested a piece based wage system to implement the differential wage system.
- 5. **Standardisation:** Taylor opined that level, quality and method of inputs directly affect the production, time, money and quality associated with it. He said, all the inputs like instruments and tools, period of work, raw materials, working conditions, amount of work fixed in advance through proper job and work analysis.
- 6. **Scientific Selection and Training of Workers:** The selection of workers should be on a scientific basis, taking into account their education, their work experience, aptitude, physical fitness etc. Similarly, they should be trained properly to make more effective and efficient.
- 7. **Mental Revolution:** Scientific management should work for co-existence, and should behaviour between management and workers. They emphasises on a bilateral mental incentives to encourage them to put maximum efforts and to achieve better performance. He recommended the piece wage rate system. This makes sure that capable workers will get the payment as per the efficiency in the work and those who are not performing can be motivated to work.
- 8. **Financial Incentives:** Taylor suggested that workers should be given financial motivations.

**9. Economy:** Taylor emphasised on achieving economy in operations. He laid stress on higher production efficiency by reducing the costs and eliminating wastages. Higher efficiency in production results into reduced cost of production through increased efficiency of material handling and processing and reducing unnecessary efforts.

#### (II) Principles of Scientific Management

**1. Replacing rule of thumb with science:** Taylor advised replacing the rule of thumb that means belief, guess with estimation with scientific precision. Job aspects like day's fair work, standardisation, time, rates of payment should be measured precisely. Taylor identified following characteristics of his philosophy of scientific management.

**Science, not rule of thumb. Harmony, not discord. Cooperation, not individualism. Maximum output, in place of restricted output. The development of each man to his greatest efficiency and prosperity.**

2. **Principles of work:** Taylor advocated the application of the following principles:
  - **A Large Daily Task:** Each man in the establishment, high or low, should have a clearly defined task on a daily basis. This task should not be vague or indefinite, but should be framed carefully and completely and should not be easy to accomplish.
  - **Standard condition:** Each person's task should call for a full day's work and at the same time, the workmen should be given such standardised conditions and appliances so as will enable him to accomplish his task with certainty.
  - **High pay for Success:** He should be sure of a large pay when he accomplishes his task.
  - **Loss in case of Failure:** When an employee fails, he should be sure that sooner or later he would be a loser.
3. **Harmony in-group action, not discord:** Taylor focussed on harmony in-group actions. There should be a mutual give and take situation based on proper understanding. Harmony in-group action can maximise contribution.
4. **Co-operation and not individualism:** Taylor stated that co-operation between management and workers should be developed in a positive way. Mutual confidence, co-operation, and goodwill can make smooth professional relationship. Good level of relation and understanding always helps and makes work easier and effective.
5. **Maximum output, not restricted output:** Scientific management is based on continuous activity and increase in production and productivity. To him, restriction on output is the worst crime. Taylor strongly recommended that workers and management concentrate their attention on increasing production until the size of surplus is met.

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According to scientific management, all workers should be developed to the fullest extent, for both their benefits and company's prosperity.

Scientific selection and training are necessary for the purpose.

**Taylor's Contribution: Summary**

- Proved the applicability of scientific methods to all the industries.
- First one to advise management that duty to advise workers was expected from them and also to specify the way in which the task is to be performed.
- Mutual revolution on the part of employees as well as company.
- Studied the work systematically and introduced the concept of 'Time and Motion Study'.
- Focused on the need to separate the planning of work from its execution.
- Suggested managers to design the work system.
- He was the first one to introduce the concept of Functional Specialist.
- He believed in maximum output.
- Every worker should be specialist in his job.
- Focused on need of scientific selection, training and development of workers.
- Focused on standardisation of methods, tools, time, material etc.
- Promoted better utilisation of resources.
- Encouraged the right person for right job.

**B.C.A : April 2011, 2015, Oct. 2011**

Elton Mayo is known as the founder of Human Relation School. The famous Hawthorne investigations are main part of the research study. The studies included investigation into:

1. The extent of relationship between physical working conditions and productivity.
2. Extent of the value of the wage incentive.
3. General worker attitude toward work and team members.
4. Extent of the control of the individual upon working group.

The Elton Mayo's contribution revealed that a sense of participation and a feeling of being a member of a team was a stronger motivating force than material influences. The studies underlined the need for developing social skills for meeting human problems arising out of transformation of established society to adaptive society.

This approach attempted a theory of management in terms of social relationships.

Developing a point of view on what is adequate personnel management, it observes:

- In an organisation, an individual by means of skills commits itself to the continuous process of studying human situations, both individual and group, within its own organisation.
- It tries to secure the collaboration of its employees by running its human affairs in terms of what it learns and discovers about its own organisation.

- It learns that what is important to a particular employee exists in its own backyard [organisation].
- Special attention causes people to increase their efforts.
- Happy employees are productive workers.
- Group standards are highly effective in establishing individual worker output.
- Behaviour and sentiments are closely related and the group influences individuals behaviour in significant way.
- Money is not so important in determining output when compared to group standards, group sentiments and security.

### **(C) Contribution of Henry Fayol**

**B.C.A. : Oct. 2012, 2013, April 2013, 2017, B.B.M. (IB) : Oct. 2017**

Henry Fayol and other contributors highlighted the problems of managing an organisation from top-level management's point of view. His administrative management can be applied to commerce and industry. It can be applied to any government organisation as well.

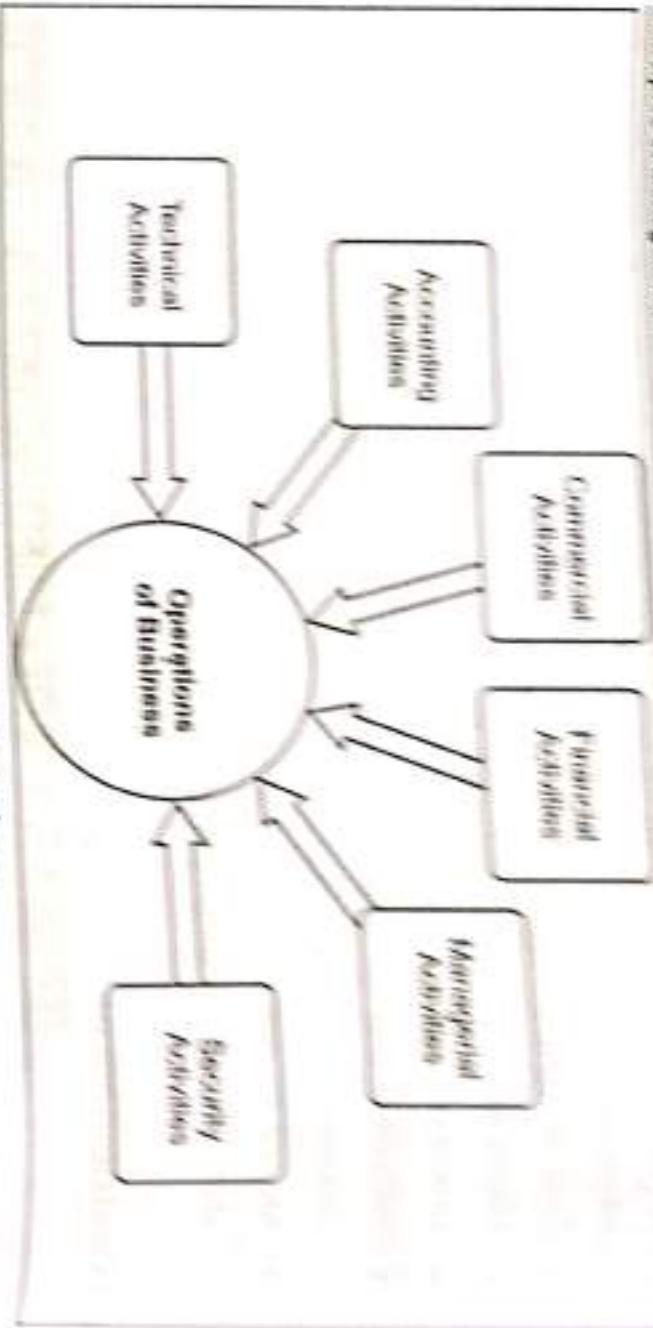
Basic elements of administrative management are briefly discussed in four parts as under:

1. Classification of Business Activities.
2. Managerial Qualities.
3. General Principles of Management.
4. Elements of Management.

#### **1. Classification of Business Activities**

Henry Fayol has classified operations of industrial organisation into six groups, viz;

- Technical Activities – related to production.
- Commercial Activities - related to production.
- Financial Activities – related to buying, selling and exchange.
- Security Activities – related to protecting property and persons.
- Accounting activities –related to keeping records of various business transactions.
- Managerial Activities – Planning, Organising, Controlling, Co-ordinating, and Commanding.



**Fig. 2.2: Operations of Business**

## 2. Managerial Qualities

Henry Fayol was the first to identify various qualities a manager should possess for effective performance. He describes these qualities in six groups as under:

- **Physical Qualities:** Health and vigour.
- **Mental Qualities:** Ability to learn and understand judgement, mental vigour and capability.
- **Moral Qualities:** Energy, firmness and willingness to accept responsibility, initiative, loyalty, tact and dignity.

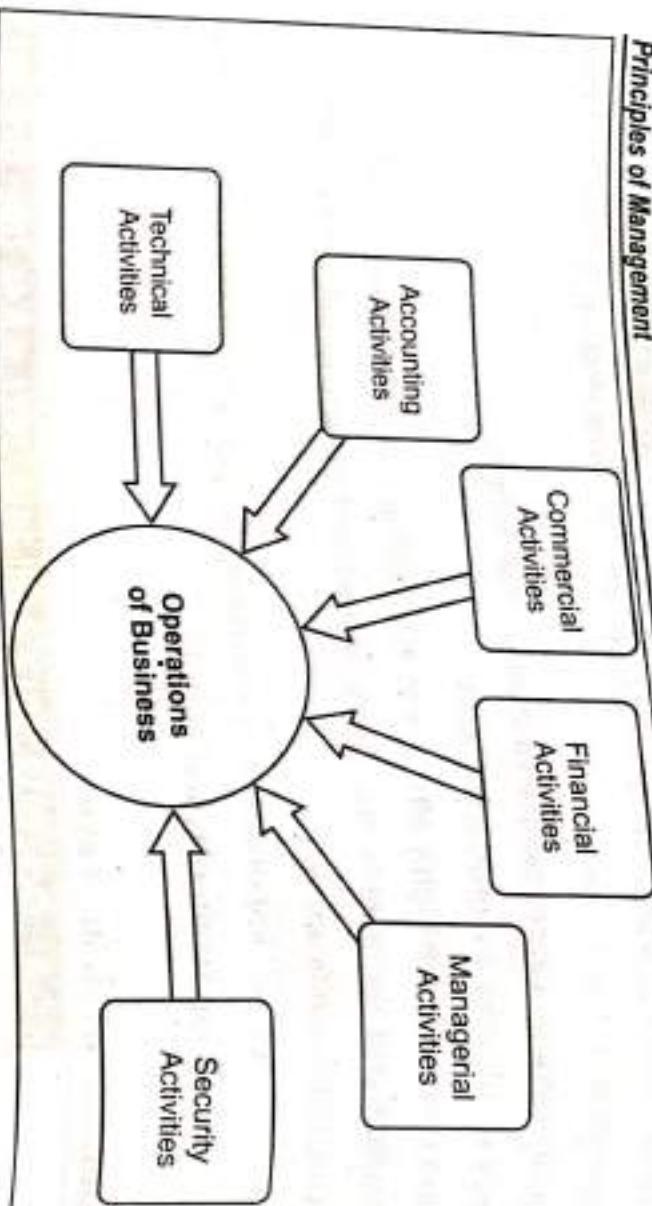
- **Educational Qualities:** General acquaintance with matters related to general functions of the organization.
- **Technical Qualities:** Acquaintance with the functions being performed.
- **Experience Qualities:** Experience arising from work.

## 3. General Principles of Management

After working in industry for many years, Henry Fayol derived certain common principles of management. According to him, use of these principles may lead to improve managerial performance. He described only those principles he had followed on most occasions.

These principles are still considered useful in management practice. He stated fourteen principles:

- (a) **Division of Labour:** Fayol advocated division of work to take advantage of specialisation. According to him, specialisation leads to efficient work and can be applied to all levels of organisation. One person cannot take effective decisions for all the departments; instead if work is divided as per the nature and specialisation then it can be controlled and completed more efficiently.



**Fig. 2.2: Operations of Business**

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- (b) **Authority and Responsibility:** Formal authority is derived from the managerial position and personal authority is derived by qualities such as intelligence, experience, moral worth and past services and experience. Responsibility arises from assignment of work. Fayol stated that there should be balance between authority and responsibility.
- (c) **Discipline:** According to Fayol, discipline is the result of good leadership at all levels. Members need to respect the rules and agreements that govern organisation. Discipline may be commanded or self-imposed. Initially, discipline is imposed by organisation and the latter is a spontaneous response to the skilful leader. Formal discipline can be imposed by sanction in the form of remuneration, warnings, suspension, demotion etc. Experience and ability to understand situations are important while imposing sanctions.
- (d) **Unity of Command:** Unity of command indicates that a person should be ordered and instructed only by one superior. Lack of unity of command may lead to conflict and confusion. It is an important principle for organisational efficiency. This leads to working in groups for various departments and projects. Different groups are commanded by different individuals, co-ordinating with each other.
- (e) **Unity of Direction:** This principle suggests that the operations with the same objectives should be directed by one manager using one plan. Unity of direction provides better co-ordination among different activities of the organisation.
- (f) **Subordination of Individual to General Interest:** In many organisations, individual interest should be subordinated with the general interest. The common goal of organisation should be communicated to all the members clearly. This principle is very important because interest of people leads to dedication towards work.
- (g) **Remuneration of Personnel:** Remuneration of employees should be fair to both employer and employees. It should be equal to the level of performance, and should be flexible. However, Fayol did not advocate profit sharing. Remuneration plays a very important role in motivating and holding employees interest.
- (h) **Centralisation:** Fayol believed that a manager should retain the final authority, but should delegate to his subordinates enough authority to do their jobs. Depending upon situations, a manager should decide the extent to which authority should be centralised.
- (i) **Scalar Principle:** There should be a scalar chain of authority and communication from the top to the bottom in the organisation. This is also known as 'Hierarchy'. Line of authority/ responsibility and communication should remain unbroken from the top to bottom.

- (l) **Order:** This principle suggests that managers should be a place for everything and every place for management. This works as guideline for production at the right place. This works as resources for production.

(m) **Equity:** Equity is a combination of justice, fairness and kindness. Manager should treat human as well as non human resources, experience and friends with and fair to his subordinates. He requires good sense, experience and friends with and fair to his subordinates. He requires good sense, experience and friends with and fair to his subordinates.

(n) **Stability of Tenure:** There should be stability in staff. Unnecessary turnover should be reduced. Employees should be given reasonable security of jobs. Staff stability can contribute to maximum efficiency.

(o) **Initiative:** Within limits of authority and discipline, a manager should encourage his employees to take initiative. They should be given reasonable freedom to conceive and carry out plans. Initiative skill is important for development of the organisation and it promotes employees' zeal and energy.

(p) **Esprit de Corps:** The principle is concerned with promoting team spirit. A manager should encourage esprit de corps among his employees. It gives a sense of unity. The principle explains that unity/ union is strength. Fayol suggested that managers

#### **4. Elements of Management**

According to Fayol, management should be viewed as a process. Management process consists of five elements also regarded as functions of management. These elements are planning, organising, commanding, co-ordinating and controlling. Planning is the most important managerial function. Organising is concerned with creation of formal structure. Commanding is similar to direction and is necessary for executing plans. Co-ordination ensures working together for the same purpose and controlling verifies whether everything is proceeding according to plan. Fayol believed that these functions were required at all levels of management and in all types of organisations.

**5. Taylor [Scientific Approach] vs. Fayol [Administrative Approach]**

<b>Scientific Management School</b>	<b>Administrative Theory School</b>
1. Focus on jobs of individual workers.	Focus on total organisation.
2. Concerned with issues of efficiency improving of individual jobs.	Concerned with functions performed by the managers, co-ordinating the resources of the organisation.
3. Concentrates on worker level.	Concentrates on management from top to bottom.
4. Requires technical skill.	Requires conceptual, managerial and human skill.
5. Emphasis on technical aspects of production.	Emphasis on the administrative aspect of organisation.
6. Increasing work through simplification of work, time and motion study.	Improving overall administration by observing certain principles.
7. Provided a major basis for accomplishments on the shop floor.	Produced systematic theory of management.

**(D) Contribution of Peter Drucker**

Peter F Drucker was a famous writer, management thinker, management consultant, and self-described social ecologist. He made many contributions to management. Peter Drucker had revolutionised management thinking in the early 50's with his path breaking books, articles and presentations. His research on relating 'American giant's impact on world economy' gave him prominent exposure.

Peter Drucker strongly believes that management is a profession, and at the centre of the professional aspect of management are the attitudes of managers toward work. He also expressed his views on universality of management and said that organisation with economic and non-economic objectives need to be of different types of skills, expertise and abilities.

According to Peter Drucker, Management is universal. He made his contribution by clarifying the concepts of goal, mission, and objectives. He developed Management By Objectives [MBO], a new management philosophy and approach in 1954. He was the first to define business in terms of customer orientation. He also defined business or marketing in terms of customer creation.

**Publications of Peter Drucker that changed management thinking**

- 'The New Society.'
- 'The End of Economic Man and The Future of Industrial Man'.
- 'The Practice of Management' (1954).

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'Managing for Results' (1964).

- 'Managing Executive' (1967).
  - 'The Effective Executive' (1969).
  - 'The Age of Discontinuity' (1969).
  - 'Management Tasks, Responsibilities as well as modern schools of management.'
  - 'Management is a neo classical as well as management.'
  - 'Management can be included in neo classical aspects of management.'
- His work can be included in some key aspects in an organisation.
- Peter Drucker focused on some key element in an organisation.
- Management is a dynamic, life-giving element and social function.
  - Management is a distinct, discipline and innovative in order to produce results. He opined,
  - Management is a creative and innovative in challenges.
  - A manager should be a profession full of challenges.

**that management is a great profession:** that management is a great profession.

**Contribution of Peter Drucker:** Peter Drucker always focused on the managers and their role.

**1. Focus on Managers :** Peter Drucker always focused on the managers and their role because managers are the integral part of decision-making and key people for change;

because managers are the integral part of decision-making and key people for change; because managers are the integral part of companies, Peter Drucker explained a manager's role, working and management of companies, working and management of companies differently:

- Managers should be known by their performance. They must set meaningful goals for the entire organisation.
  - Business is interwoven with society. It has certain social obligations. Managers impact society through their actions. It is their duty to meet their societal expectations regarding quality and service.
  - Drucker wanted business community to be able to stand on their own. He knew that healthy business cannot exist in a sick society. Managers should realise that businesses survive and flourish only because of the blessings of the society.
  - While meeting social expectations, managers need to maintain balance between organisational goals and society's expectations. He stressed the importance of setting goals, defining problems correctly and motivating people.
  - Drucker wanted to deliver satisfying goods and services. The purpose of an enterprise is to create customers.
  - He wanted managers to set meaningful objectives in eight key areas of business viz: Market standing, innovation, productivity, physical and financial resources, social responsibility.
- 2. Nature of Management:** He described nature of management through creative and innovative characteristics. To him, management is both a discipline [tools, skills, techniques and approaches] and a liberal [but not strict] profession. He advised that managers should understand social and cultural requirements of various organisations and countries along with necessary professional skills and techniques.

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**3. Decision-making Task:** Peter Drucker emphasised the decision-making task of managers, and stated that life of a manager was a perpetual decision-making activity. Whatever a manager does, he does only through decision-making. Decision-making power provides a dynamic force for managers to transform the resources of business organisations into a productive and cooperative concern.

He wanted managers to look into the following questions carefully:

- What is the problem?
- Which problem is to be solved?
- What is the real cause of the problem? [Critical factor analysis].

**4. Organisation Structure:** Peter Drucker was against the bureaucratic structure. He advocated that bureaucratic structure must be replaced with an effective structure.

He suggested three features of an effective organisation:

- Performance orientation.
- Minimum managerial level.
- Provision of training and testing of tomorrow's top managers.

To realise the above mentioned activities, he suggested these concrete steps:

- **Activity Analysis:** What is to be done, how it should be put together, how much emphasis to be put in each activity.
- **Decision Analysis:** The degree of futurity in the decision, the impact of decision on other activities, the various qualitative elements that enter the decision-making process, whether the decision is a recurring or a rare one.
- **Relation Analysis:** Helps in providing a concrete shape to the structure and manning [staffing] the structure properly.

**5. Federalism:** He was in favour of decentralised organisation structure. He developed the concept of federalism. The concept refers to centralised control in a decentralised structure. Similarly, in the relationship between the federal government and state government, he emphasised the close link between decisions of the top management and decisions of autonomous units.

Federalism results into some positive outcomes such as:

- Reducing the burden of top management.
- Defining the functions and responsibility of the operating people.
- Setting yardsticks for measuring success and effectiveness of operating jobs.
- Resolving problem of continuity through educating the operating managers about the top level management and functions.

**6. Management By Objectives [MBO]:** Management By Objectives is regarded as Drucker's most valuable contribution. He developed MBO approach to management in 1954. This approach of management has been successfully practised by many leading business

**Principles of Management**

He emphasised employee participation. MBO is result oriented, better management. It is treated as the modern way of management. MBO is a comprehensive process for effective utilisation of material, physical and human resources of the organisation with the environment. MBO is a systematic manner, consciously directed towards organisational goals.

**Aspects of MBO :** MBO implies mainly three aspects:

- **Objectives:** It focuses sharply on objectives, or the end expected results that are to be achieved within the given time.
- **Participation:** It suggests participative decision making [Deciding and planning objectives].
- **Integration:** It emphasises on proper integration between individual objectives and organisational objectives.

**7. Insightful Quotations:** Peter Drucker gave many insightful quotations on leadership, marketing, and general management. Two judgemental quotations on leadership, marketing, and general management, are:

- Innovation distinguishes between a leader and a follower.
  - Management is doing things right and Leadership is doing the right things.
- Peter Drucker contributed to many fields of management. He has contributed to several management areas like Human Resource Management, Marketing Management and organisational behaviour. His contribution seems much valuable in both management theory and practice. His concepts are widely accepted globally.

## 2.5 INDIAN MANAGEMENT ETHOS AND DIFFERENT STYLES [FOR EXAMPLE J.R.D. TATA, DHIRUBHAI AMBANI, N. R. NARAYANA MURTHY, VERGHESE KURIEN]

**(A) Style of Management of J.R.D. Tata**

- (1) **Courageous :** JRD Tata invested in high-risk industries like oil and manufacturing, going against the will of board of directors.
- (2) **Diplomat :** Diplomatic way to tackle politicians.
- (3) **Committed to Values :** Firm and committed with policies.
- (4) Supportive towards innovation.
- (5) Gave credits to his employees for even small development.

**(B) Style of Management of N. R. Narayana Murthy**

**(C) Style of Management of Dhirubhai Ambani**

**(D) Style of Management of Verghese Kurien**

- 48 (6) Curbed his dreams which were hard to realise.  
 (7) Strived for excellence in every aspect of life.

"Nothing worthwhile is ever achieved without deep thought and hard work."

*-J.R.D. Tata*

### (B) Style of Management of Dhirubhai Ambani : Dhirubhai Ambani (Founder of Reliance Industries Ltd.)

Management Ideas put-up by Dhirubhai Ambani :

- (1) Roll up your sleeves and help.
- (2) Be a safety net for your team.
- (3) Dream big, but dream with your eyes open.
- (4) Learn the professional alone.
- (5) Change your orbit, constantly so that your enemies from previous orbit will never be able to reach you in your new one.
- (6) The arm-around- the shoulder – this tendency that he had to draw people towards him, manifested itself in countless ways.
- (7) Money is not a product itself, it is a by-product, so don't chase it.

### (C) Style of Management of Narayana Murthi

N. R. Narayana Murthy is the Founder of Infosys Technologies Limited, a global software consulting company headquartered in Bangalore, India. He founded Infosys in 1981, served as the CEO for the period 1981-2002, and as the Chairman and Chief Mentor during 1981-2011. Under his leadership, Infosys was listed on NASDAQ in 1999. After a greatly respectable contribution to Infosys, Narayana Murthy stepped down from Infosys as a Chairman in 2011.

Mr. Murthy articulated, designed and implemented the Global Delivery Model, which has become the foundation for the huge success in Information Technology services outsourcing in India. He has also led key corporate governance initiatives in India. He goes on with these contributions for the global IT Sector by working as an IT advisor to several Asian countries. He serves on the boards of Ford Foundation, Rhodes Trust, the Indian School of Business and the UN Foundation. He also served as a member of:

- HSBC board between 2008 and 2012.
- Unilever board between 2007 and 2010.
- Chairman of the International Institute of Information Technology, Bangalore (now Bengaluru) between 2002 and 2012.
- Chairman of the Indian Institute of Management, Ahmedabad between 2002 and 2007.

**Principles of Management** 2.16 University, Singapore Management University, INSEAD (Paris), Wharton School and the Graduate School of Business.

He has also served on the boards of Cornell University, Singapore Management University, INSEAD (Paris), Wharton School and the Graduate School of Business.

Stanford University. Mr. Murthy was listed as one among the "12 greatest entrepreneurs of our time".

Mr. Murthy was ranked him among the ten most-admired business leaders in 2005. He has been awarded:

the Fortune magazine in 2012. The Economist ranked him among the ten most-admired global business leaders in 2005. He has been awarded:

Padma Vibhushan by the Government of India.

Legion d'honneur by the Government of France.

CBE (Commander) by the British Government.

2012 Hoover Medal.

James C. Morgan Global Humanitarian Award 2012 by The Tech Museum.

2007 Ernst Weber Medal from the Institute of Electrical and Electronics Engineers, Inc., USA (IEEE).

He is the first Indian winner of Ernst and Young's World Entrepreneur of the Year award and the Max Schmidheiny Liberty prize. He has appeared in the ranking of businessmen and innovators published by Business Week, Time, CNN, The Economic Times, India Today, Business Standard, Forbes and Financial Times. He is a Fellow of the Indian National Academy of Engineering and a foreign member of the U.S. National Academy of Engineering. He has about 25 honorary doctorates from universities in India and abroad.

#### Prominent Management Styles of N. Murthy:

- (1) Under promising and over delivering.
- (2) Performance oriented : He is a man who always measures performance against values.
- (3) Always being unique in the market place and making sure that you are the mover.
- (4) Never give up.
- (5) According to Murthy, "Think Big, Don't hesitate to start small".
- (6) For creating a successful organisation, it requires creating trust in people.
- (7) Do it first and Do it right.

#### (D) Style of Management of Verghese Kurien

Verghese Kurien, known as the 'Father of the white Revolution of India'. Verghese Kurien was a leader of remarkable vision, creatively and compassion who revolutionized a nation's industry and economy while transforming the lives of millions of its most impoverished citizens.

**Managerial Style :**

1. Clarity of vision and ability to share it with others.
2. Ability to inspire and motivate others.
3. Willingness to take (calculated) risks.
4. Lateral thinking and ability to find innovative ideas and solutions to problems.
5. Positive attitude in problem solving and an innate ability to be diplomatic in any circumstances.
6. Ability to drive, inspire and embrace change and continuous improvement.
7. Committed to making a significant difference.
8. Respect for all team members.
9. Clear standards of ethics, integrity, opens and honesty.

**❖ Questions for Discussion ❖**

1. Explain the various Elements of Scientific Management.
2. Explain the Principles of Scientific Management.
3. Describe Henry Fayol's contribution to Managerial thoughts.
4. Explain Peter Drucker's contribution to Managerial thoughts.
5. Write Short Notes :
  - (A) Elton Mayo's contribution to Managerial Thoughts.
  - (B) Management Style of Dhirubhai Ambani.
  - (C) Management Style of N. R. Narayan Murthi.

**❖ Questions from Past Examinations : BCA and BBM (IB) : Sem.I ❖****1. Discuss Elton Mayo's Hawthorne Experiment.****April 2011**

Ans. : Refer to Article 2.2 (B) of this Chapter.

**2. Critically evaluate the Elton Mayo's Hawthorne Experiment.****Oct. 2011**

Ans. : Refer to Article 2.2 (B) of this Chapter.

**3. Describe Henry Fayol's Principles of Management.****Oct. 2012**

Ans. : Refer to Article 2.2 (C) of this Chapter.

**4. Describe Principles of Henry Fayol towards Administrative Management.****April 2013**

Ans. : Refer to Article 2.2 (C) (3) of this Chapter.

**5. Write short note on Contribution of F. W. Taylor.****April 2013**

Ans. :

Refer to Article 2.2 (A) of this Chapter.

**6. Describe Henry Fayol's concept of Management. What are the main Principles of Management ?**

**B.C.A. : April 2013**

**Ans. :** Refer to Article 2.2 (C) of this Chapter.

**7. Explain the contribution of Human Relations Theory as developed by Elton Mayo.**

**B.C.A. : April 2015**

**Ans. :** Refer to Article 2.2 (B) of this Chapter.

**8. Explain the contribution of Taylor and Fayol to Management.**

**B.C.A. : April 2017**

**Ans. :** Refer to Article 2.2 (A) and (C) of this Chapter.

**9. Discuss the Contribution of F. W. Taylor's Management Thought.**

**B.B.M. (IB) : April 2017**

**Ans. :** Refer to Article 2.2 (C) of this Chapter.

**10. Describe Henry Fayol's Principles of Management.**

**B.B.M. (IB) : Oct. 2017**

**Ans. :** Refer to Article 2.2 (C) (3) of this Chapter.

**11. Write Short Notes:**

**(A) Contribution of F. W. Taylor.**

**B.B.M. (IB) : Oct. 2017**

**Ans. :** Refer to Article 2.2 (A) of this Chapter.

◆ **Multiple Choice Questions** ◆

1. .... is the chief contributor of the scientific management.
  - (a) F. W. Taylor (b) Peter Drucker (c) Henry Fayol (d) Elton Mayo
2. .... is recognized as the Father of Modern Management Theory.
  - (a) Henry Fayol (b) F. W. Taylor (c) Peter Drucker (d) Elton Mayo
3. .... Principle of Management is concerned with promoting team spirit.
  - (a) Equity (b) Scalar (c) Unity of Command (d) Espirit de Corps
4. Management by Objectives (MBO) philosophy was invented by .....
  - (a) Elton Mayo (b) Henry Fayol (c) Peter Drucker (d) F. W. Taylor
5. .... is known as the founder of Human Relation School.
  - (a) Henry Fayol (b) Elton Mayo (c) Peter Drucker (d) F. W. Taylor

**Ans. :** (1) – (a), (2) – (a), (3) – (d), (4) – (c), (5) – (b)



# 3 Chapter

## MAJOR MANAGERIAL FUNCTIONS

### \*Synopsis \*

- 3.1 **Planning** : Need, Types, Methods, Advantages (*Merits*), Disadvantages
- 3.2 **Forecasting** : Need, Types, Methods, Advantages (*Merits*), Disadvantages
- 3.3 **Decision Making** : Types, Process and Techniques
- 3.4 **Direction** : Nature and Principles
- 3.5 **Motivation** : Nature, Principles and Theories
- 3.6 **Organising** : Concept, Delegation of Authority, Decentralisation : Concepts and Importance
- 3.7 **Controlling** : Meaning, Need, Process, Techniques
  - ❖ Questions for Discussion
  - ❖ Questions from Past Examinations
  - ❖ Multiple Choice Questions

### 5.1 PLANNING : NEED, TYPES, METHODS, ADVANTAGES (MERITS), DISADVANTAGES

#### (A) Meaning and Definitions of Planning

B.C.A. : Oct. 2002, April 2013, Oct. 2013

A plan is a determined course of action for achieving a specific objective. An individual may prepare a plan for his journey or tour or for a family function. Similarly, a

business unit may prepare a plan to achieve a particular objective. It is called a business plan which includes production plan, sales plan, and so on. A business unit prepares a master plan for the whole unit. Such master plan is again divided into departmental plans for actual execution. Planning is a process of taking action. It is a means to achieve well defined objectives. Business plan and business planning move together.

Planning is the primary function of management and occupies the first position in the management process. It is the starting point of the whole management process as other management functions are related to planning function. Planning, in simple words, means to decide the objectives clearly and to prepare a plan. Thereafter to take suitable steps for the execution of the plan, planning function is performed by managers at all levels. It is deciding the objective to be achieved and taking suitable follow-up steps for achieving the same.

Planning is, now, universally accepted as a key/passport to success, progress and prosperity in business as well as in all other aspects of life. It acts as a base of all purposeful human activities. The concept of planning is old enough. Planning was advocated by Confucius almost 2,500 years ago. He said, "*A man who does not think and plan long ahead will find trouble right at his door*". Hence, planning is the center around which all business activities move.

In planning, various business problems are studied, decisions are taken regarding the future course of action and business activities are adjusted accordingly. Thus, planning means deciding in advance the objectives to be achieved and preparing plans/programmes for achieving them. In other words, planning is the process of foreseeing desired objectives, anticipating problems and developing solutions. It serves as a core of the whole management process. Planning bridges the gap from where we are to where we want to go. In the absence of planning, events are left to chance. A plan is today's projection for tomorrow's activity.

### Definitions of Planning

**1. According to Koontz and O'Donnell**, "Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap between where we are and where we want to go. It makes it possible for things to occur which would not otherwise happen".

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

**3. According to Philip Kotler**, "Planning is deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities".

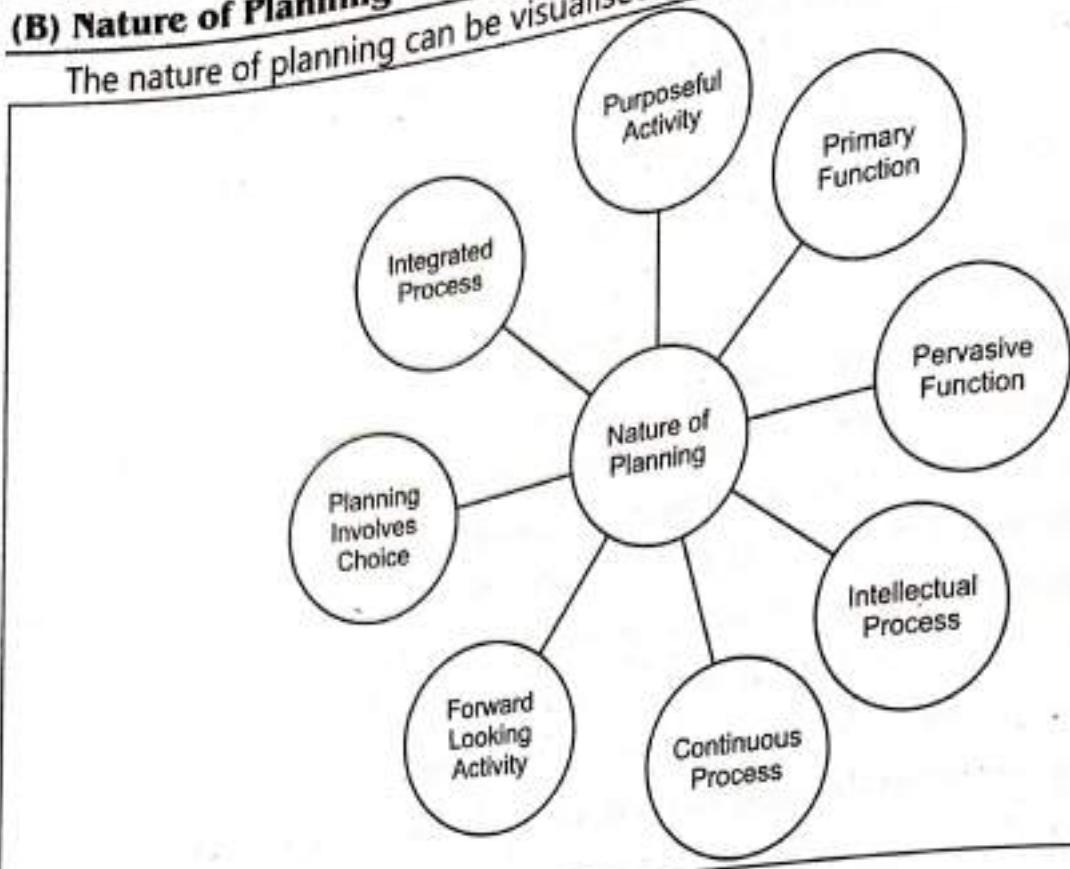
Hence, we can conclude on the note that planning without action is failure, while action without planning is fatal.

**Factors that Influence Planning:** Planning is a key component of managers' job functions. They design and devise ways to improve their companies and departments. However, factors inside and outside the company can affect managerial planning for better or worse. Full-proof planning does not exist, but taking steps to mitigate any negative effects of planning can help ensure project success. Planning enables managers to adjust the environment in which their companies operate instead of only reacting to changes.

- 1. Competition:** Companies that do not jump quickly into a promising product or service market may be outmaneuvered by their competitors. Planning may take a backseat to entering the profitable, emerging market for a new product or service when a company wants to beat its competitors. In some cases, the higher costs of completing the project before competitors that comes from a lack of thorough planning do not have negative effects on the business. The higher profits that come from beating competitors to customers more than compensates for them. However, a hurried entrance into a new market can cost the company money in the long run and not make full use of managers' planning abilities.
- 2. Economy:** The overall economy or health of the company's industry also may negatively affect a manager's ability to plan. When sudden downturns occur, planning must be stopped, adjusted or taken in a new direction. If the economy improves significantly, managers may scrap former plans and begin new ones. Managers must be flexible to changing outside economic conditions even when they are in the midst of planning a project of special interest to them.
- 3. Managers:** Managers themselves also affect their own planning function. If they are not good planners in general or do not have the experience, education or background in planning, they are more likely to plan poorly. They may not fully commit to the planning process, as it can be complicated and time-consuming. They also may sacrifice their visions of the long term for solving short-term problems. Managers may rely too much on their planning departments to construct and organise the vision for a project. The responsibility to plan still rests with them. Managers also may focus too much on the variables they can control instead of the variables that they cannot, such as the economy.
- 4. Information:** When planning occurs, it is vital to have accurate information from consumers, the market, the economy, competitors and other sources. Managers who do not have accurate and timely information are more likely to plan poorly and inadequately.

**(B) Nature of Planning**

The nature of planning can be visualised from the following features of planning:



**Fig. 3.1 : Nature of Planning**

- 1. Planning is Purposeful:** Planning is not an end in itself. Rather, it is a means towards the accomplishment of objectives. Managerial planning seeks to achieve a consistent, coordinated structure of operations focused on desired ends. Planning has no meaning unless it contributes to the achievement of desired goals. All plans emanate from objectives. The goals may be implicit or explicit. Well-defined goals are essential for efficient planning. Thus, planning is goal oriented. It is directed towards efficiency.
- 2. Planning is a Primary Function:** Planning is the basis of the management process. All other functions of management are designed to attain the goals set under planning. Planning provides the basis for efficient organising, staffing, directing and controlling. Without planning there is nothing to organise, nothing to actuate, and no need to control. The management process begins with planning, and ends at planning. Every managerial function must be properly planned if it is to be effective. However, planning cannot be a substitute for other management functions. It precedes other functions.
- 3. Planning is All Pervasive:** Planning is the function of each and every manager irrespective of the level and area of his/her operation. It is the job of all managers in all types of organisations. Planning is an essential ingredient of management at all executive levels and in all areas of business. However, the nature and scope of planning varies with the level of authority. Managers at higher levels ar

concerned with strategic and long term planning while lower level managers prepare short term operational plans. Higher level managers generally spend more time on planning than lower level managers.

- 4. Planning is an Intellectual Process:** Planning is a mental process involving imagination, foresight and sound judgment. It is not guess work or wishful thinking. It requires a mental disposition of thinking before doing and acting in the light of facts, rather than guesses. Planning is a rational exercise or a logical process performed in a systematic way in the light of hard facts and scientific forecasts.

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

- 5. Planning is a Continuous Process:** Planning is an on-going and dynamic exercise. As the assumptions and events on which plans are based change, old plans have to be revised or new ones have to be prepared. As a manager carries out his functions, he continues to plan, revising his old plans and choosing alternative plans as the need arises. Sound plans should be flexible enough to permit necessary modifications. "*Effective planning requires continual checking on events and forecasts and the redrawing of plans to maintain a course toward a desired goal.*" A manager should constantly monitor the environment of his organisation to determine if changes are required in the plans. Planning is a never-ending process.

- 6. Planning is Forward Looking:** All planning is done with an eye on the future. Planning involves looking ahead and preparing for the future. Therefore, forecasting is the essence of planning. Forecasting involves assessing the uncertain future and making provision for it. A plan is really a synthesis of various forecasts. No plan can be prepared without knowledge of future events. Planning is not only looking ahead but preparing for it.

- 7. Planning Involves Choice:** Planning is basically a problem of decision-making or choosing among alternative courses of action. There is no need for planning if there is only one way of doing something. Plans are decisions made in advance of operations. According to Billy E. Goetz, "*planning is fundamentally choosing and a planning problem arises only when an alternative course of action is discovered. Planning presupposes the existence of alternatives and there are a few business decisions for which some kind of alternatives does not exist.*"

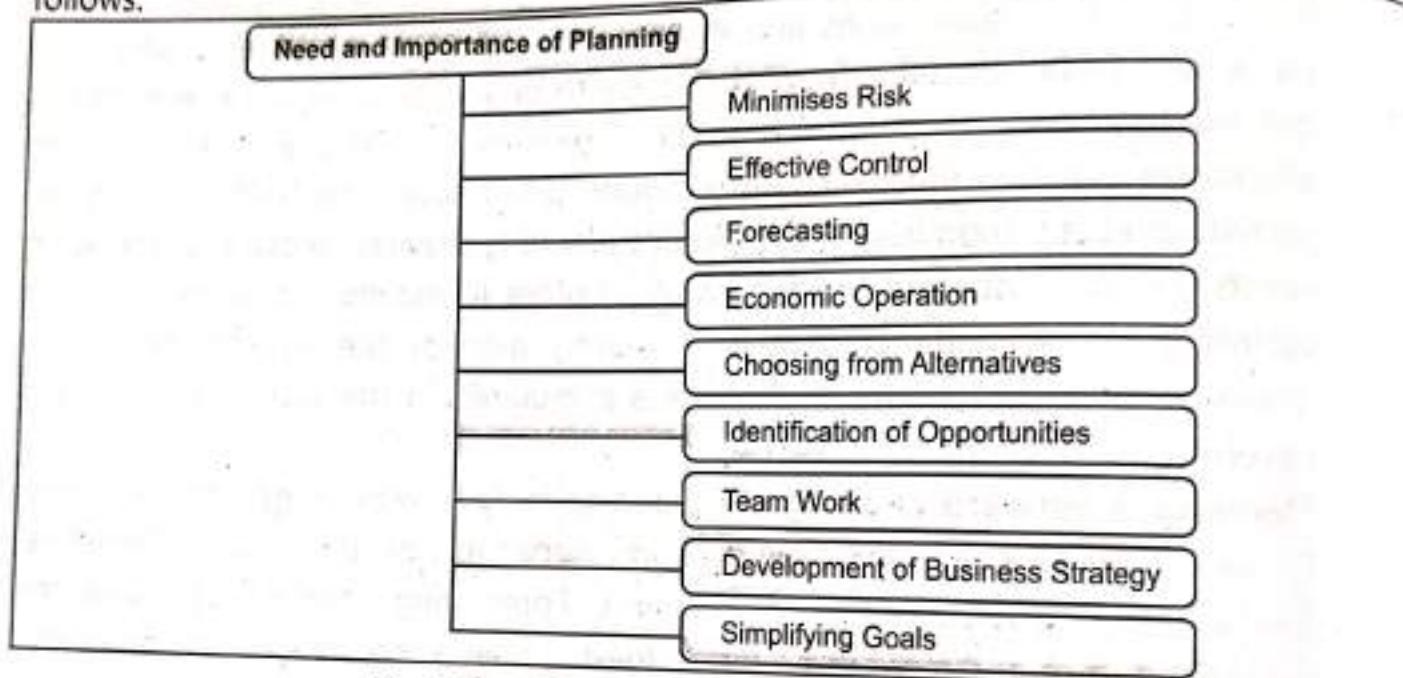
Planning involves a careful evaluation of various alternatives to select the most appropriate alternative. Planning is decision-making of a special kind while decision-making is the core aspect of planning.

**8. Planning is an Integrated Process:** Planning does not just happen, it has to be initiated. Planning is a structured process and different plans constitute a hierarchy. Different plans are interdependent and inter-related. Every lower level plan serves as a means towards the ends of higher plans. This is known as the 'ends means chain'. Planning is a 'time-bound concept' and every plan has a definite time horizon.

After studying the nature of planning, we shall now study the need and importance of planning as a function of management.

### (C) Need and Importance of Planning

Planning has a very great importance and need in an organisation. It is said that if you fail to plan, you plan to fail. The need and importance of planning can be studied as follows:



**Fig. 3.2: Need and Importance of Planning**

The importance of planning as an element in the management process is universally accepted. It plays a positive role in the management of a business unit. Planning brings stability and prosperity to a business unit. It brings unity of purpose and diverts all efforts in one direction for the achievement of certain well defined objectives. Planning also improves the performance of a business unit. In fact, in the absence of planning there will be disorder, confusion, inefficiency, wastage of human efforts and material resources. Planning is rightly treated as the pre-requisite to efficient management. The fact that large majority of business units use planning as a tool of management indicates its utility and importance. Planning brings safety to business operations. It is the only way for survival in the competitive business world.

Planning is important as it is more than a mere theoretical exercise or paperwork. It has practical utility and creative value. Planning is also a rational and intelligent activity. It is, now, rightly treated as a highly professionalized aspect of business management.

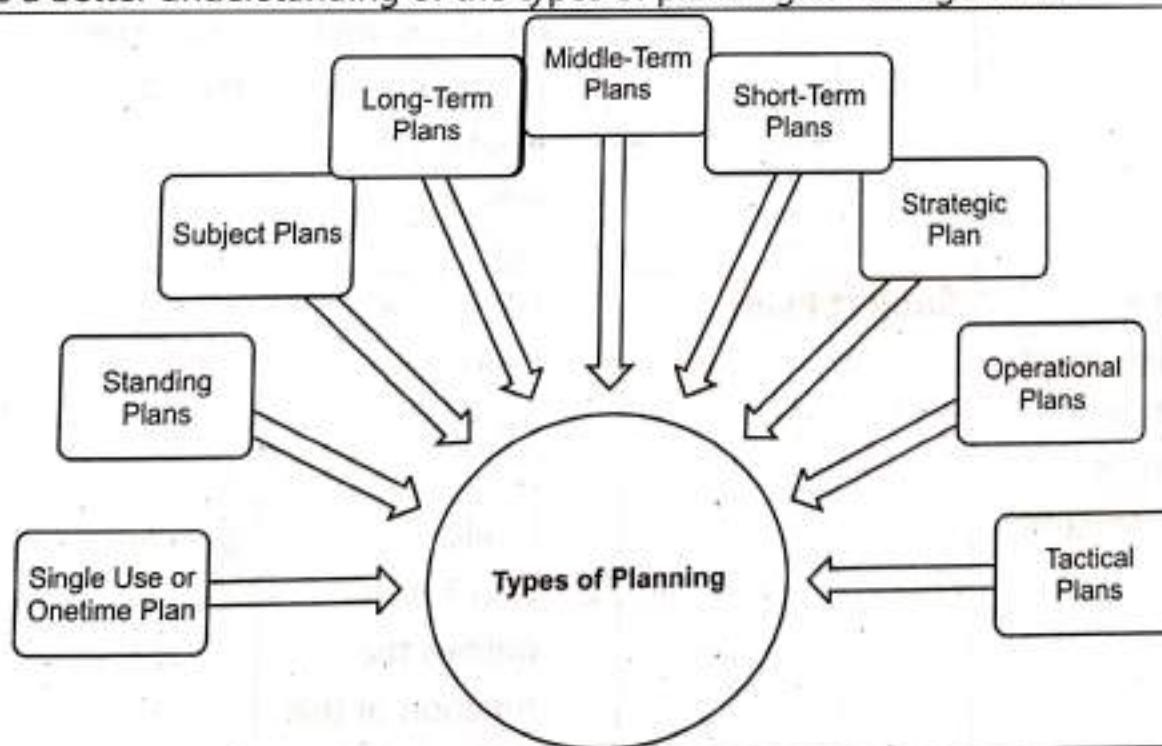
Planning is important but planning alone is not adequate. It should be supplemented by suitable follow-up actions on the part of managers. Planning may not be able to solve all managerial problems, but it certainly helps the thoughtful managers in overcoming various managerial problems. A plan will remain on paper if suitable follow-up steps are not taken at different levels for its execution. Thus, planning is a means and not the end in itself. The need of planning is universally accepted in the business as well as in other aspects of life.

The following points justify the need of business planning/planning in business:

1. Planning is needed for survival and growth of a business unit in an orderly manner.
2. Planning is needed in order to face new problems/difficulties developed due to growth of markets, market competition, changes in consumer expectations and so on.
3. Planning is needed in order to face challenges created by changing environmental factors/forces.
4. Planning is needed as it acts as a pre-requisite to good management. It is needed as it is the core of the whole management process.
5. Planning is needed in order to achieve the objectives decided by the management. It is also needed as it ensures accuracy, economy and operational efficiency in business management.

#### (D) Types of Planning

Planning has been classified based on various aspects. Different kinds of planning have been identified on the basis of its applicability. Fig. 3.3 and the given chart will help us have a better understanding of the types of planning in management.



**Fig. 3.3: Types of Planning**

Table 3.1: Types of Planning

Classification	Type of Planning	Description	Examples
1. Based on Application or Use:	Single use or one time Plan	<ul style="list-style-type: none"> <li>1. Used for unique decisions.</li> <li>2. Non-programmed decision which managers make in some critical conditions.</li> <li>3. For unorganised areas which are discrete in nature.</li> </ul>	Sudden slow down market affects the demand and time, managers have to take action/make contingency plan for supply.
2. Based on Management Functions/ Branches/ Departments:	<b>Standing Plans</b>  <b>Subject Plans</b>	<ul style="list-style-type: none"> <li>1. Ongoing plans that provides guidance to day-to-day activities.</li> <li>2. It is well organised and programmed decision that manager makes.</li> </ul>	Just In Time (JIT) technique is an appropriate example. Each and every activity/document is organised and overviewed by manager.

Classification	Type of Planning	Description	Examples
<b>3. Based on Time Frame:</b>	<b>Long-term Plans</b>	Plans that are formulated to extend beyond five years.	1. New product establishment plans. 2. Revenue generation plans. 3. Industrial development plans.
	<b>Middle-term Plans</b>	1. Plans made to study an impact of particular process/thought/assignment/task for limited period of time. 2. It is also called feasibility study on product/service before launch.	Advertisement campaign for expansion of business in new market.
	<b>Short-term Plans</b>	1. Plans are made to cover a period of less than a (one) year. 2. To attract the viewers/readers interest.	1. Best offers on cellular phones. 2. High speed internet broadband plans. 3. Gift hampers, launching plans on cloths, bikes, etc.
<b>4. Based on Managerial Levels in the Organisation:</b>	<b>Strategic Plans</b>	1. These are organisation-wide. 2. To set organisations objectives in terms of its environment.	Apple strategy is to produce innovative product and service for specific audience.

Principles of Management		Description
Classification		
	Operational Plans	<ol style="list-style-type: none"> <li>Execution method.</li> <li>Specify check list, milestones.</li> <li>How to achieve overall objectives of an organisation?</li> </ol>
	Tactical Plans	<ol style="list-style-type: none"> <li>These are department-wise.</li> <li>Restricted with specific area of the organisation.</li> <li>Intend to achieve tactical goals of an organisation.</li> </ol>

Planning is of the following types based on various classifications as follows:

### 1. Based on Application or Use

Planning is required at each and every stage in the organisation. Abundantly, it has types based on application or nature of work been carried out in that department such as, marketing does marketing plans, finance does budgeting plans, production does production plan etc. It has further classifications based on use of planning, single use / one time planning, standing plans.

- (i) **Single use or one time planning:** This type of planning is based on uncertainties, improper forecasting, delay in decision-making and it results into failure or frustration. Non-programmed decisions are needed to be taken on site by the manager to overcome the failure. With the increasing demand of multi skill owned requirement in market, dedicated skill required industry is affected a lot because of less manpower such as sketchers, writers, philosophers etc.
- (ii) **Standing plans:** With the enhancement of the industries and the technology, and increased returns on Indian economy, managers and entrepreneur get promoted towards tracking the day-to-day activities inside the organisation, so as to maintain growth rate and thus sustain in the market. The standing plan always looks out for a problem definition and gives remedies to those problems. They also do the benchmarking of those problems and

corrective actions are taken for future reference. Increased demands in market, generates increase in production rates. Whereas cost of raw material, services and government taxes are increasing day by day and entrepreneurs as well as managers have to work hard on how to reduce unnecessary cost due to scrap, transportation, after sales services etc. Some of the ways in this regard are like lean management technique, job card, daily production sheet tracking, first pass yield (FPY) technique, just in time (JIT).

## 2. Based on Management Function

Unlike use or application, management function only deals with the department inside the organisation. To understand managerial functions we should know the departments first, here are the names of departments, Marketing, Finance, Human Resource, Production, Distribution, After Sale Service and Purchase or Procurement, Import-Export etc. Functions are nothing but their role play in the organisation.

(i) **Subject plans:** After understanding the importance of departments for management functions, we shall study the management functions in detail. Every function has their rules and regulations as well as demands, means marketing has freedom to play in market, also inside the organisation to interact and give feedback on time to time basis. The plans subjected to marketing are only related with market conditions, demand and supply relations, forecasting and budget for sales and services. Subject plans only deals with single task or operation of the managerial function.

## 3. Based on Time Frame

Planning has inherent characteristics and that is 'time'. No single plan can be implemented without time frame. We shall study the types of time frames for managerial functions:

(i) **Long term plans:** These plans are formulated to extend up to beyond five years. So they are based on forecasting of product, market, process, technological change or more importantly on market trend. These plans are formulated by consistently tracking internal and external environments, also they are structured and periodically over viewed and modify based on required changes. It's probably better to think in terms of '*planning*'. The term 'plans' may imply set, unchanging formats and diagrams. Long term plan is the scheme of work.

### Importance of long term planning

- o The long term plan will provide a forward vision of the range, content and is focused over a longer period of time.
- o The long term plan will link to the medium-term plans and, by implication, the short term plans.
- o The long term plan will be adaptable and evolve according to changing circumstances and needs.

**Examples:** Today, construction companies develop a home not because it is a need but as a part of art of living in metropolitan cities. The concept of home in 1970's was to fulfill a need rather than the number of amenities held in their house to make it lavish. They were constructed by black or brown stone (Jambha) which was user friendly, no harm to humanity or to earth. Now days stones are replaced by bricks and cement. Those houses were of one or two floors and did not take more than a month to build. Where as now there are 24 floored buildings and it takes 5 to 6 years. So the construction company has to have their execution plan ready a year before they start construction. In olden days, they had to plan, but the time for planning and execution was not more than a quarter (3 months).

**Conclusion:** Though planning is essential in both examples mentioned above, both are of long term planning. Time frame of newer development process is a direct example of Long term planning by considering the efforts taken for manpower handling, machines, material etc. The process may reduce the time frame if objectives are clear and confirmed.

(ii) **Middle term plan:** *The work which can be measured by any type of unit is always treated as middle term plan in planning'. A successful middle term plan will result of possible formats and ideas for what a short term plan or resource might be.*

#### **Importance of Middle term Plan:**

- It will clearly focus on specific aspects of progression, around suitable objectives or assessment outcomes.
- It will identify strategies and activities that will support while working on any objectives and outcomes.
- It will be evaluated through feedback to indicate that the unit is both effective and engaging.

(iii) **Short-term plan:** A short term plan is the planning for 'lesson'. Whatever the format, style or content of the resource that will guide short term work, it will need to have personalisation at its heart and, alongside it, how the short term plan will aid progression.

The following set of processes may assist you in the short term planning process; there are three areas against which to reflect your plans and processes:

- Building, practicing and applying skills
- The learning process
- Progression through levels and leading independence

#### **4. Based on Managerial Levels in the Organisation**

This type develops in 1950's. Due to the detailed planning of the business circumstances, the importance of this increased rapidly. In 1960's and 70 it was considered to be solution for problems. In 1980's; two important revolutions occurred in the business world:

## (i) Computers

## (ii) Business Applications (Today's word, excel &amp; power point).

It was the time when demands of such tools were on their peak and the grand entry of computers and business applications had delivered the great success to the industry. It reduces the unwanted delays and human errors which was the main concern in late 70's. This technology made it more interesting and the industries now are completely dependent on it. Organisational levels can be defined in single word and that is 'Role play'.

**(i) Strategic Plan:** "The process of developing and maintaining a relation between organisational goals and capabilities and its changing market condition is called strategic planning".

To meet changing conditions in their industries, companies need to be farsighted and visionary, and must develop long term strategies. Strategies planning involve developing strategy to meet competition and ensure long-term survival and growth. Since most companies are interested in growth, this chapter explores several growth alternatives within the context of strategic planning and portfolio analysis. The product/market expansion grid shows four avenues for growth: market penetration, market development, product development, and diversification. Many companies operate without formal plans.

**Benefits of Formal Planning :**

However, formal planning can provide many benefits,

- (a) It encourages management to think ahead systematically.
- (b) It forces managers to clarify objectives and policies.
- (c) It leads to better condition of company efforts.

**(ii) Operational Planning:** Operational planning is used to supervise the operations of the organisation. It is directly involved with non-management employees, implementing the specific plans developed by tactical managers. These are the actual working hands of this company. So this role is crucial to play, as the operational manager is a link between management and non-management personnel. They have to achieve the set targets and their most important role is to follow the decisions of management.

Operational planning directly proportional to market demands, set target may vary on market so this planning is critical as compared to others. This is more operational / practical; statistics of this graph is on facts and figures. Now a day's there are tools to manage operational planning's: SAP, ERP, and CRM. However, operational planning can provide many benefits,

operational planning can provide many benefits,

- (a) It leads to better execution of strategic planning.
- (b) It provides clear performance standards for control.

(iii) **Tactical Planning:** Tactical planning is concerned with translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions or tactics, involve both a shorter time horizon and coordination of resources. Tactical planning is the later stage of strategic planning and the earlier stage of operational planning. The role of tactical planner is critical, as the tactical planning manager have to take the responsibility of operational planning and execution.

**B.C.A. Oct. 2012, April 2013**

### (E) Steps in the Planning Process

Planning is a lengthy process which moves gradually and a step by step approach is usually adopted. These steps are like stations in the journey of planning process. Usual steps in the planning process are briefly explained below:

- Step One – Classifying the problems:** The planning process starts with clear understanding and classifying business problems faced by a business unit. Identification of problems or opportunities by managers justifies the need for action. It is like the diagnosis of the health problem of a patient by his doctor. Planners have to understand the problems of the organisation first and, then prepare a plan to deal with the problems in the light of the prevailing business environment.
- Step Two – Determining the objectives:** In this second stage in the planning process, the planners decide the overall objectives to be achieved. Planning is always for achieving certain well defined objectives and naturally objectives must be spelt out precisely. Objectives act as pillars of the entire planning process. Business objectives may be decided in terms of profit, sales, production or market reputation. Objectives may be defined in quantitative or qualitative terms.
- Step Three – Collecting complete information and data:** The planners have to collect information relating to problems facing the business unit. Such information is necessary and useful for analysing the problems in depth and also for accuracy in planning. Information can be collected from internal and external sources. Reliable, updated and adequate data make planning process result oriented.
- Step Four – Analysing and classifying the information:** At this stage, the information collected is analysed and interpreted systematically for drawing specific conclusions. This facilitates purposeful use of information, while preparing alternative plans. Irrelevant information can be discarded through such analysis.
- Step Five – Establishing planning premises:** Planning premises are various assumptions and predictions about the future business situation. Such premises act as background for planning activities. The planning premises are expected to

supply relevant facts, information and data on the basis of which forecasts are prepared and future trends are indicated. Planning premises reduce uncertainties in the planning process. Planning premises are three in number viz., (a) Controllable premises, (b) Semi-controllable premises, and (c) Uncontrollable premises.

- 6. Step Six – Determining alternative plans:** Here, the planners prepare and keep ready alternative plans suitable for use under different situations. The best preparation of alternative plans is used for actual execution. The preparation of alternative plans is essential as one plan is normally not adequate under all types of situations. It is a type of stand-by arrangement useful for meeting any emergency situation.
- 7. Step 7 – Selecting operating plan and preparing derivative plans:** After study of the business environment and the alternative plans available, the planners select the best plan for actual execution. This decision is a delicate one and must be made with proper care. After the selection of operating plan, the planners have to prepare derivative plans. Such plans are related to different departments/activities and constitute sub-sections of the operating plan. The division of overall plans into derivative plans is necessary for effective execution.
- 8. Step Eight – Arranging timing and sequence of operations:** Timing involves fixation of starting and finishing time for each job or piece of work. Sequence of operations ensures proper flow of work. This step in the planning process is important as it brings coordination in the activities of different departments. The timings and sequence of operations must be communicated to concerned departments, managers and staff for implementation of the plan.
- 9. Step Nine – Securing participation of employees:** Planning needs willing participation of all employees and departments. For this, information regarding the operative plan should be given to employees well in advance. Here, the internal communication system should be used extensively. For such participation, employees should be associated with the planning process.
- 10. Step Ten – Follow-up of the proposed plan:** The purpose of follow-up is to make periodical review of the execution process. It is useful for understanding actual progress and deficiencies in the process of execution of the plan. This also facilitates adoption of suitable remedial measures as and when required.

#### (F) Advantages of Planning

B.C.A. : April 2013, 2017 Oct. 2013

- 1. Planning facilitates quick achievement of objectives:** Planning facilitates quick achievement of business objectives. In the planning process, the objectives to be achieved are clearly decided / finalised and plans are prepared and executed for achieving such well-defined objectives. Planning ensures achievement of objectives in an orderly and quick manner.

- 2. Brings unity of purpose and direction:** Planning brings unity of purpose and direction before the entire organisation as it is for achieving certain well defined goals. Planning diverts all resources in one direction for achieving well defined objectives.
- 3. Ensures full utilisation of resources:** Planning ensures effective/maximum utilisation of available human and material resources. It eliminates wastages of all kinds (of material resources and human efforts) and this ensures fuller utilisation of available resources.
- 4. Avoids inconsistency in efforts:** Planning avoids inconsistency in efforts and also avoids possible frictions and duplications. It ensures economy in business operations.
- 5. Raises competitive capacity/strength:** Planning raises competitive potentialities of a business unit. It enables a business unit to stand with confidence in competitive market. It keeps ready solutions for possible problems and enables business unit to function with confidence.
- 6. Promotes managerial efficiency:** Planning promotes managerial efficiency. It covers all managerial functions and helps management to execute future programmes in a systematic manner. It makes managerial direction and control effective.
- 7. Avoids hasty decisions and actions:** Due to planning, hasty decisions and haphazard actions by managers are avoided. It also encourages systematic thinking by the managers. Planning facilitates effective delegation of authority, removes communication gaps and thereby raises overall efficiency. It even encourages innovative thinking among managers.
- 8. Ensures effective control on the Organisation:** Planning ensures effective control on the whole organisation. It fixes targets in clear terms and draws plans and programmes for achieving them. This facilitates effective control on the functioning of the business unit.
- 9. Acts as an insurance against future uncertainties:** Planning acts as an insurance against future uncertainties. It takes care of all business uncertainties. In fact, in planning, future problems and situations are studied in advance and alternative solutions are kept ready. This enables management to face any type of critical situation with ease and confidence.
- 10. Facilitates other managerial functions:** Planning facilitates other managerial functions. It is the basic managerial function and other managerial functions such as organising, etc. move as per the plans prepared. It acts as a motivating force behind other managerial functions.
- 11. Improves motivation:** Planning facilitates participation of managers and workers in the normal functioning of an enterprise. It develops team spirit and raises

morale and motivation of employees. Workers know what is expected from them. This ensures high degree of efficiency from them. Planning also provides training to managers. It serves as a tool for manpower development in an organisation. Planning ensures survival, stability and progress of a business unit.

- Ensures uniform decision-making.
- Acts as a key to solve problems and challenges faced by a business unit.
- Sets performance standards for functional departments.
- Planning enables a business unit to adjust it with ever changing business environment.

### (G) Limitations of Planning/Disadvantages of Planning

**B.C.A. : April 2013, Oct. 2013**

1. **Time-consuming and costly:** It is argued that planning is a lengthy process as it involves collection of data, forecast, research and analysis. Similarly, planning is essentially the job of highly paid experts. As a result, planning is a time-consuming and costly activity. Only large firms can undertake planning due to heavy cost and lengthy procedure involved in it.
2. **Ineffective due to environmental changes:** Business environment changes frequently and plans are required to be adjusted as per the changes in the situation through suitable modifications. However, such revision/modification creates a number of problems. Such adjustments in the operational plan are always costly, time-consuming.
3. **Dangers of unreliable data:** Planning needs accurate data from internal and external sources. The quality of planning depends on such accurate feedback. If the information supplied by various departments is unreliable, the planning process will be adversely affected. Planning based on incomplete information may prove to be even dangerous. In brief, plans based on unreliable data are not useful /effective. Securing reliable information is always difficult and this brings deficiencies in the entire planning process.
4. **Encroachment on individual freedom and initiative:** Planning is a centralised process. At the lower levels, plans are to be executed as per the directives issued. This affects individual freedom and initiative at the lower levels. Employees at the lower levels act as instruments for the execution of plan prepared by the top level managers. People are asked to become cogs in the machine with little scope for initiative or independent thinking.
5. **Delays actions:** Planning is a lengthy process. As a result, the actions to be taken for execution are delayed. Planning is not useful when quick decisions and actions are required.
6. **Unsuitable to small firms:** Small firms prefer to function without long term comprehensive planning as they find planning rather costly and time-consuming.

They prefer to face the situations as they come. Similarly, quick decisions and prompt actions are necessary in the case of certain business activities. Here, long term planning is not suitable.

7. **Limited practical value:** It is argued that planning is too theoretical and has limited practical utility. Planning takes long time for preparation and the situation changes when such plans are ready for execution. Planning for example, is not suitable in the case of speculative business. It is also not useful for taking quick benefits of business opportunities. In brief, planning has limited practical value.
8. **No guarantee of expected results:** Planning is for achieving certain well defined objectives. However, there is no guarantee that the objectives will be achieved within the specific time limit by using planning as a tool. Actual performance may not be as per the expectation due to various reasons. Thus planning has an element of uncertainty. Planning leads to probable results and not the expected results. It gives benefits but may not be exactly as per the expectation. Thus, there is no guarantee that planning will give 100 per cent positive/expected results.
9. **Generates frustration:** At the lower levels, plans are imposed on the employees. No consideration is given to their difficulties, views and opinions. The targets may be too ambitious and the employees may not be able to achieve them in spite of best efforts. This leads to frustration among employees at lower levels.
10. **Involves huge paper work:** Planning involves huge paper work in the preparation of master plan and departmental plans.
11. **Danger of overdoing:** Sometimes, planners overload the work. Elaborate reports are prepared without practical utility.

The advantages of planning are more important significant while its limitations are few and also not of serious nature. Moreover, these limitations can be minimised. The practical utility of planning is universally accepted. It is not fair to give up the concept of planning due to certain limitations. The better alternative is to make it more effective, purposeful and result oriented.

### 3.2

### FORECASTING : NEED, TYPES, METHODS, ADVANTAGES (MERITS) DISADVANTAGES

#### (A) Meaning and Features of Forecasting

Forecasting is a process of predicting or estimating the future based on past and present data. Forecasting provides information about the potential future events and their consequences for the organisation. It may not reduce the complications and uncertainty of the future. However, it increases the confidence of the management to make important decisions. Forecasting is the basis of premising. Forecasting uses many statistical techniques. Therefore, it is also called as Statistical Analysis.

Forecasting is the process of predicting changing conditions and future events that may significantly affect the business of an organisation. Forecasting is important to both planning and decision-making. Forecasting is used in a variety of areas such as: production planning, budgeting, strategic planning, sales analysis, inventory control, marketing planning, logistics planning and purchasing among others. A planning tool that helps management in its to cope with the uncertainty of the future, relying mainly on data from the past and present analysis of trends. It starts with certain assumptions based on the management's experience, knowledge, and judgment.

Forecasts are vital to every business organisation and for every significant management decision. While a forecast is never perfect due to the dynamic nature of the external business environment, it is beneficial for all levels of functional planning, strategic planning, and budgetary planning. Decision-makers use forecasts to make many important decisions regarding the future direction of the organisation.

Forecasting techniques and models can be both qualitative and quantitative, and their level of sophistication depends on the type of information and the impact of the decision. The forecasting model a firm should adopt depends on several factors including:

- Forecasting time horizon,
- Data availability,
- Accuracy required,
- Size of the forecasting budget, and
- Availability of qualified personnel.

#### **Peculiarities, Characteristics or Features of Forecasting:**

1. Forecasting is concerned with future events.
2. It shows the probability of happening of future events.
3. It analysis past and present data.
4. It uses statistical tools and techniques.
5. It uses personal observations.

#### **(B) Need and Advantages of Forecasting**

Forecasting is extremely important in the functioning of an organisation for the following reasons:

1. Forecasting provides relevant and reliable information about the past and present events and the likely future events. This is necessary for sound planning.
2. It gives confidence to the managers for making important decisions.
3. It is the basis for making planning premises.
4. It keeps managers active and alert to face the challenges of future events and the changes in the environment.

Forecasts are however prepared based on their purpose of requirement considering the applicability and the availability of resources. The following table 3.1 will help in deeper understanding of the concept of the kinds of forecasts.

Table 3.1

Range	Horizon	Application	Methods
Long:	> 5 years	Facility Planning Capacity planning Product planning	Economic Demographic Market Information Technology
Intermediate:	1 seasons ~ 2 years	Staffing plans Aggregate production plan	Time Series Regression
Short:	1 day ~ 1 year	Purchasing Detailed scheduling job	Trend exploration Graphical Method Exponential Smoothing

Demand management exists to coordinate and control all sources of demand so that productive system can be used efficiently and the product delivered on time. Demand can be either dependent on the demand for other products or services or independent because it cannot be derived directly from that of other products.

### (C) Major Areas of Forecasting

Economic Forecasting	Technology Forecasting	Demand Forecasting
<ul style="list-style-type: none"> <li>Predicts what the general business conditions will be in the future (e.g. Fuel rates, Tax, Level of employment).</li> <li>Moreover the growth of business is based on capabilities of organisation and the market demand. Accordingly management have to plan organisations future areas of</li> </ul>	<ul style="list-style-type: none"> <li>Predicts probability and/or possible future development in technology.</li> <li>Based on changing market trend technologists do their research and anticipate the future need.</li> <li><b>Example:</b> Apple Inc., founded in early 80's by two young persons, one is great visionary and second is technology master.</li> </ul>	<ul style="list-style-type: none"> <li>Predicts the quantity and timing of demand for a firm's product.</li> <li>Based on statistics you can trace the demand and expected time frame.</li> <li><b>Example:</b> Cell phone industry has an inclination towards growth and it is rapidly increasing. Though there is a competition each manufacturer has good amount of</li> </ul>

investments and handle their movements.

- Example:** Petroleum companies in INDIA are working rigorously to reduce a cost of fuel/litr and can give cost benefits to customer.

Today they have varied product line which starts from IMac, iPhone, IPad, IPod etc. are in sales and others are on the large to launch.

demand from market. They can predict based on changing market trend.

#### (D) Steps for Forecasting

Procedure, stages or general steps involved in forecasting are given below:

- Step One – Analysing and understanding the problem:** The manager must first identify the real problem for which the forecast is to be made. This will help the manager to fix the scope of forecasting.
- Step Two – Developing sound foundation:** The management can develop a sound foundation, for the future after considering available information, experience, type of business, and the rate of development.
- Step Three – Collecting and analysing data:** Data collection is time consuming. Only relevant data must be kept. Many statistical tools can be used to analyse the data.
- Step Four – Estimating future events:** The future events are estimated by using trend analysis. Trend analysis makes provision for some errors.
- Step Five – Comparing results:** The actual results are compared with the estimated results. If the actual results tally with the estimated results, there is nothing to worry. In case of any major difference between the actuals and the estimates, it is necessary to find out the reasons for poor performance.
- Step Six – Follow up action:** The forecasting process can be continuously improved and refined on the basis of past experience. Areas of weaknesses can be improved for the future forecasting. There must be regular feedback on past forecasting.

#### (E) Forecasting Methods and Techniques

Primary forecasting techniques help organisations plan for the future. Some are based on subjective criteria and often amount to little more than wild guesses or wishful thinking. Others are based on measurable, historical quantitative data and are given more credence by outside parties, such as analysts and potential investors. While no forecasting tool can predict the future with complete certainty, they remain essential in estimating an organisation's forward prospects.

- Delphi Technique:** The RAND Corporation developed the Delphi Technique in the late 1960s. In the Delphi Technique, a group of experts responds to a series of questionnaires. The experts are kept apart and unaware of each other. The

- results of the first questionnaire are compiled, and a second questionnaire based on the results of the first is presented to the experts, who are asked to reevaluate their responses to the first questionnaire. This questioning, compilation and requisitioning continue until the researchers have a narrow range of opinions.
2. **Scenario Writing:** In Scenario Writing, the forecaster generates different outcomes based on different starting criteria. The decision-maker then decides on the most likely outcome from the numerous scenarios presented. Scenario writing typically yields best, worst and middle options.
  3. **Subjective Approach:** Subjective forecasting allows forecasters to predict outcomes based on their subjective thoughts and feelings. Subjective forecasting uses brainstorming sessions to generate ideas and to solve problems casually free from criticism and peer pressure. They are often used when time constraints prohibit objective forecasts. Subjective forecasts are subject to biases and should be viewed skeptically by decision-makers.
  4. **Time-Series Forecasting:** Time-series forecasting is a quantitative forecasting technique. It measures data gathered over time to identify trends. The data may be taken over any interval: hourly; daily; weekly; monthly; yearly; or longer. Trend, cyclical, seasonal and irregular components make up the time series. The trend component refers to the data's gradual shifting over time. It is often shown as an upward- or downward-sloping line to represent increasing or decreasing trends, respectively. Cyclical components lie above or below the trend line and repeat for a year or longer. The business cycle illustrates a cyclical component. Seasonal components are similar to cyclical in their repetitive nature, but they occur in one-year periods. The annual increase in gas prices during the summer driving season and the corresponding decrease during the winter months is an example of a seasonal event. Irregular components happen randomly and cannot be predicted.
  5. **Brainstorming technique:** Brainstorming technique is used to forecast demand, especially for new products. In this method, many experts sit together and each expert gives his own idea (forecast) and reason for it. One idea leads to many more ideas. The group of experts will develop much more ideas than one person. Based on these ideas, demand can be forecasted.
  6. **Goal oriented forecast technique:** In this technique, a goal is first fixed. Then the technological developments which are required for achieving that goal is identified. Later, a forecast is made about when these technological developments would take place in the future. So, an estimate is made about the timing of these technological developments in an upcoming future. This method is used by large companies, which have their own research and development departments.

7. **Graphic charting technique:** Graphic charting technique is used to forecast future technological developments by plotting past technological developments on a logarithmic scale. This technique is based on the assumption that knowledge expands. This technique estimates when the next major (big) technological development is likely to take place.
8. **Matrix technique:** Matrix is a combination of two or more matters relating to the production process. A matrix is prepared with technological developments, product functions and time factor. Matrix technique is comprehensive. It is flexible and so it can adjust with the changing times. This technique is used only by large companies.
9. **Nominal group technique (NGT):** In nominal group technique (NGT), the group members think independently. Each group member contributes his own ideas. This technique does not allow interaction between the group members at an early stage. Interaction takes place only when the ideas are presented by every single member of the group.
10. **Simple average technique:** In simple average technique, forecasts are based on the average value for a given period of time. A simple average (SA) is the average of demand (sales) for all previous periods. The demands of all periods are equally weighted. SA equals 'Sum of Demands for all periods' divided by 'Number of periods.' Average calculations are made at different intervals in order to reduce error due to seasonal variations. Instead of taking the simple average of the full year's sales, quarterly averages or monthly averages are taken. This gives realistic trends. Averaging reduces the chances of being misled by gross fluctuations that may take place in any single period. However, if the underlying pattern changes over time, simple averaging will not detect the change.

#### (F) Disadvantages of Forecasting

1. Forecasting is based on certain assumptions. Thus, they may not always become true.
2. Forecasts are not always true, they merely indicate the trend of future happenings.
3. Forecasting is a costly and time consuming exercise.

### 3.3 DECISION MAKING : TYPES, PROCESS AND TECHNIQUES

#### (A) Meaning and Definitions of Decision-making

Decision-making is an essential aspect of modern management. It is a primary function of management. A manager's major job is sound/rational decision-making. He takes hundreds of decisions consciously and subconsciously. Decision-making is the key part of manager's activities. Decisions are important as they determine both managerial and organisational actions. A decision may be defined as "a course of action which is

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consciously chosen from among a set of alternatives to achieve a desired result." It represents a well-balanced judgment and a commitment to action.

It is rightly said that the first important function of management is to take decisions on problems and situations. Decision-making pervades all managerial actions. It is a continuous process. Decision-making is an indispensable component of the management process itself. Means and ends are linked together through decision-making. To decide means to come to some definite conclusion for follow-up action. Decision is a choice from among a set of alternatives. The word 'decision' is derived from the Latin words 'de ciso' which means 'a cutting away or a cutting off or in a practical sense' to come to a conclusion. Decisions are made to achieve goals through suitable follow-up actions. Decision-making is a process by which a decision (course of action) is taken. Decision-making lies embedded in the process of management.

According to **Peter Drucker**, "Whatever a manager does, he does through decision-making". A manager has to take a decision before acting or before preparing a plan for execution. Moreover, his ability is very often judged by the quality of decisions he takes. Thus, management is always a decision-making process. It is a part of every managerial function. This is because action is not possible unless a firm decision is taken about a business problem or situation.

This clearly suggests that decision-making is necessary in planning, organising, directing, controlling and staffing. For example in planning, alternative plans are prepared to meet different possible situations. Out of such alternative plans, the best one (i.e., plan which most appropriate under the available business environment) is to be selected. Here, the planner has to take correct decision. This suggests that decision-making is the core of planning function. In the same way, decisions are required to be taken while performing other functions of management such as organising, directing, staffing, etc. This suggests the importance of decision-making in the whole process of management.

The effectiveness of management depends on the quality of decision-making. In this sense, management is rightly described as decision-making process. According to R. C. Davis, "management is a decision-making process." Decision-making is an intellectual process which involves selection of one course of action out of many alternatives. Decision-making will be followed by second function of management called planning. The other elements which follow planning are many, such as organising, directing, coordinating, controlling and motivating.

Decision-making has priority over the planning function. According to Peter Drucker, it is the top management which is responsible for all strategic decisions such as the objectives of the business, capital expenditure decisions as well as such operating decisions as training of manpower and so on. Without such decisions, no action can take place and naturally the resources would remain idle and unproductive. The managerial

**Important Definitions of Decision-making**

1. **The Oxford Dictionary:** "Decision-making is the action of carrying out or carrying into effect".
2. **Trewatha & Newport:** "Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

**(B) Characteristics of Decision-making**

Based on the discussion about the concept of decision-making, we have understood the importance of decision-making in the functions and operations of management. We shall now study the characteristics of decision-making ahead:

1. **Decision-making implies choice:** Decision-making is choosing from among two or more alternative courses of action. Thus, it is the process of selection of one solution out of many available. For any business problem, alternative solutions are available. Managers have to consider these alternatives and select the best one for actual execution. Here, planners/decision-makers have to consider the business environment available and select the promising alternative plan to deal with the business problem effectively. It is rightly said that "Decision-making is fundamentally choosing between the alternatives". In decision-making, various alternatives are to be considered critically and the best one is to be selected. Here, the available business environment also needs careful consideration. The alternative selected may be correct or may not be correct. This will be decided in the future, as per the results available from the decision already taken.

In short, decision-making is fundamentally a process of choosing between the alternatives (two or more) available. Moreover, in the decision-making process, information is collected; alternative solutions are decided and considered critically in order to find out the best solution among the available. Every problem can be solved by different methods. These are the alternatives and a decision-maker has to select one alternative which he considers as most appropriate. This clearly suggests that decision-making is basically/fundamentally choosing between the alternatives. The alternatives may be two or more. Out of such alternatives, the most suitable is to be selected for actual use. The manager needs capacity to select the best alternative. The benefits of correct decision-making will be available only when the best alternative is selected for actual use.

2. **Continuous activity/process:** Decision-making is a continuous and dynamic process. It pervades all organisational activity. Managers have to take decisions

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- on various policy and administrative matters.
3. **Mental/intellectual activity:** Decision-making is a mental as well as intellectual business management activity/process and requires knowledge, skills, experience and maturity on the part of decision-maker. It is essentially a human activity.
  4. **Based on reliable information/feedback:** Good decisions are always based on reliable information. The quality of decision-making at all levels of the organisation can be improved with the support of an effective and efficient management information system (MIS).
  5. **Goal oriented process:** Decision-making aims at providing a solution to a given problem/ difficulty before a business enterprise. It is a goal-oriented process and provides solutions to problems faced by a business unit.
  6. **Means and not the end:** Decision-making is a means for solving a problem or for achieving a target/objective and not the end in itself.
  7. **Relates to specific problem:** Decision-making is not identical to problem solving but it has its roots in a problem itself.
  8. **Time-consuming activity:** Decision-making is a time-consuming activity as various aspects need careful consideration before taking final decision. For decision makers, various steps are required to be completed. This makes decision-making a time consuming activity.
  9. **Needs effective communication:** Decision taken needs to be communicated to all concerned parties for suitable follow-up actions. Decisions taken will remain on paper if they are not communicated to concerned persons. Following actions will not be possible in the absence of effective communication.
  10. **Pervasive process:** Decision-making process is all pervasive. This means managers working at all levels have to take decisions on matters within their jurisdiction.
  11. **Responsible job:** Decision-making is a responsible job as wrong decisions prove to be too costly to the organisation. Decision-makers should be matured, experienced, knowledgeable and rational in their approach. Decision-making need not be treated as routine and casual activity. It is a delicate and responsible job.

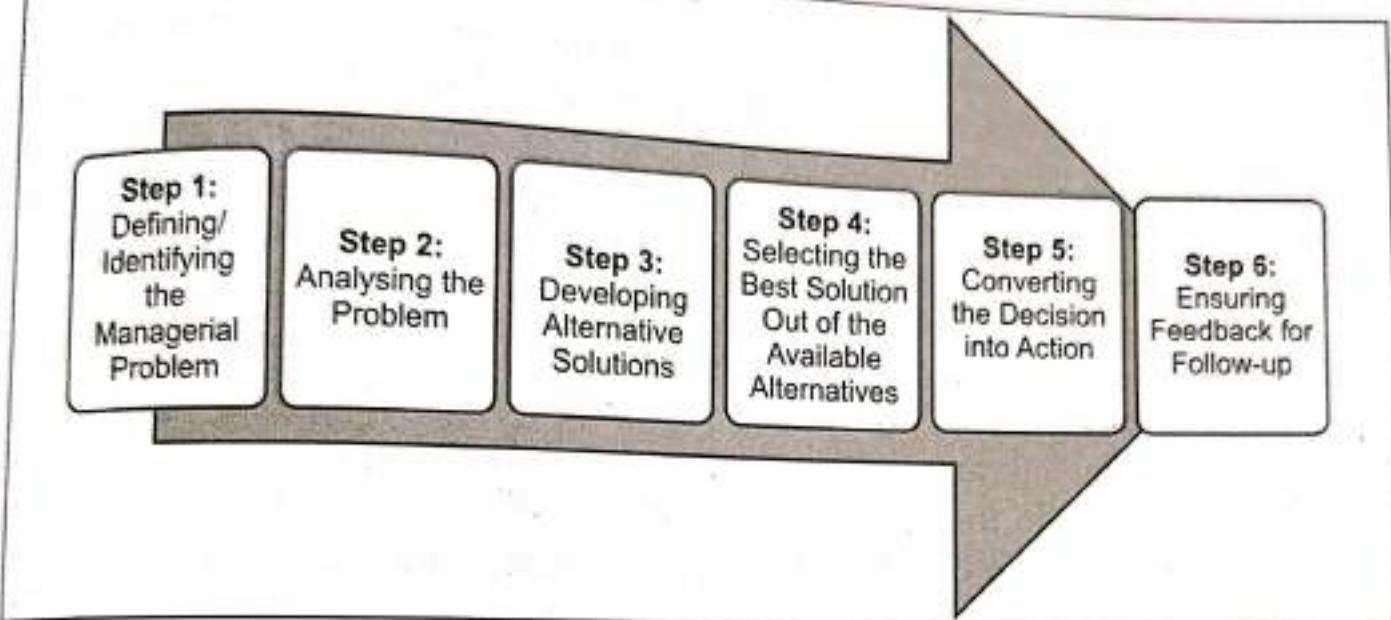
### (C) Steps Involved in Decision-making / Process of Decision-making

Decision-making involves a number of steps which need to be taken in a logical manner. This is treated as a rational or scientific 'decision-making process' which is lengthy and time consuming. Such a lengthy process needs to be followed in order to take rational/scientific/ result oriented decisions. Decision-making process prescribes some rules and guidelines as to how a decision should be taken / made. This involves

B.C.A., Oct. 2011

many steps logically arranged. It was Peter Drucker who first strongly advocated the scientific method of decision-making in his world famous book 'The Practice of Management' published in 1955. Drucker recommended the scientific method of decision-making which, according to him, involves the following six steps:

1. **Step 1:** Defining / Identifying the managerial problem,
2. **Step Two:** Analysing the problem,
3. **Step Three:** Developing alternative solutions,
4. **Step Four:** Selecting the best solution out of the available alternatives,
5. **Step Five:** Converting the decision into action, and
6. **Step Six:** Ensuring feedback for follow-up.



**Fig. 3.4: Steps Involved in Decision-making**

1. **Step One - Identifying the Managerial Problem:** Identification of the real problem before a business enterprise is the first step in the process of decision-making. It is rightly said that a problem well-defined is a problem half-solved. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. This is how the problem can be diagnosed. Clear distinction should be made between the problem and the symptoms which may cloud the real issue. In brief, the manager should search the 'critical factor' at work. It is the point at which the choice applies. Similarly, while diagnosing the real problem the manager should consider causes and find out whether they are controllable or uncontrollable.
2. **Step Two – Analysing the Problem:** After defining the problem, the next step in the decision-making process is to analyse the problem in depth. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Here, the following four factors should be kept in mind:
  - o Futurity of the decision,

- o The scope of its impact,
- o Number of qualitative considerations involved, and
- o Uniqueness of the decision.

**3. Step Three – Collecting Relevant Data:** After defining the problem and analysing its nature, the next step is to obtain the relevant information/data about it. There is information flood in the business world due to new developments in the field of information technology. All available information should be utilised fully for analysis of the problem. This brings clarity to all aspects of the problem.

**4. Step Four – Developing Alternative Solutions:** After the problem has been defined, diagnosed on the basis of relevant information, the manager has to determine available alternative courses of action that could be used to solve the problem at hand. Only realistic alternatives should be considered. It is equally important to take into account time and cost constraints and psychological barriers that will restrict that number of alternatives. If necessary, group participation techniques may be used while developing alternative solutions as depending on one solution is undesirable.

**5. Step Five – Selecting the Best Solution:** After preparing alternative solutions the next step in the decision-making process is to select an alternative that seems to be most rational for solving the problem. The alternative thus selected must be communicated to those who are likely to be affected by it. Acceptance of the decision by group members is always desirable and useful for its effective implementation.

**6. Step Six – Converting Decision into Action:** After the selection of the best decision, the next step is to convert the selected decision into an effective action. Without such action, the decision will remain merely a declaration of good intentions. Here, the manager has to convert 'his decision' into 'their decision' through his leadership. For this, the subordinates should be taken in confidence and they should be convinced about the correctness of the decision. Thereafter, the manager has to take follow-up steps for the execution of decision taken.

**7. Step Seven – Ensuring Feedback:** Feedback is the last step in the decision-making process. Here, the manager has to make built-in arrangements to ensure feedback for continuously testing actual developments against the expectations. It is like checking the effectiveness of follow-up measures. Feedback is possible in the form of organised information, reports and personal observations. Feedback is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

Every step in the decision-making process is important and needs proper consideration by managers. This facilitates accurate decision-making. Even quantitative

techniques such as CPM, PERT/OR, linear programming, etc. are useful for accurate decision-making. Decision-making is important as it facilitates the entire management process. Management activities are just not possible without decision-making as it is an integral aspect of management process itself. However, the quality of decision-making should be always superior as faulty/irrational decisions are always dangerous. Various advantages of decision-making (already explained) are easily available when the entire decision-making process is followed properly. Decisions are frequently needed in the rational. Faulty and hasty decisions are wrong and even dangerous. This clearly suggests that various advantages of decision-making are available only when scientific decisions are taken by following the procedure of decision-making in an appropriate manner.

For accurate/rational decision-making attention should be given to the following points:

- Identification of a wide range of alternative courses of action i.e., decisions. This provides wide choice for the selection of suitable decision for follow-up actions.
- A careful consideration of the costs and risks of both positive and negative consequences that could follow from each alternation.
- Efforts should be made to search for new information relevant to further evaluation of the alternatives. This is necessary as the quality of decision depends on the quality of information used in the decision-making process.
- Re-examination of the positive and negative effects of all known alternatives before making a final selection.
- Arrangements should be made for implementing the chosen course of action including contingency plans in the event that various known risks were actually to occur.
- Efforts should be made to introduce creativity and rationality in the final decision taken.

#### (D) Techniques of Decision-making

Decision taken must be accurate and should not lead to confusion; the decisions taken must also be scientific and available for accuracy and verification. The important techniques that aid the manager in decision-making are operations research and other quantitative techniques.

1. **Operations Research (OR):** "Operations Research is the application of methods of science to complex problems arising in the direction and management of large system of men, machines, materials and money in industry, business, government and defense".

"Operations Research utilises the planned approach and an interdisciplinary team in order to represent functional relationships as mathematical models for the purpose of providing a quantitative basis for decision-making and uncovering new problems for quantitative analysis".

— Robert Thierauf

Operations Research helps the decision maker to make objective decisions. Operations Research does this by providing factual basis to guide and support judgment, easing the burden of effort and time on the executive. Operations Research is a particular way of viewing the problem, team, task force and mathematical reasoning to the alternatives meant for solving them. The common approach in any operations research is the construction and study of a mathematical model. Some of the managerial problems usually subjected to operations research analysis include production scheduling, inventory control, sales policies, expansion of plant etc. Management accountant holds key for the ultimate success or failure of operations research. The quality of decision-making will improve with the application of mathematical model but the feasibility of a mathematical model application will depend on the adequacy and accuracy of accounting information.

*(More details in the later pages of this chapter).*

2. **Models:** Model building is the central concept in the application of OR while making use of quantifying models. Models are simple, convenient and relatively economic resource conservation device for testing hypothesis. Mathematical models help the optimisation concept in decision-making. This is very important in the calculation and choice of best possible alternative solutions for a given problem.
3. **Simulation:** This technique is used to test the feasibility and possible outcome of various decision alternatives. "Simulation is a quantitative technique for evaluating alternative courses of action based upon facts and assumptions with a computerised mathematical model in order to represent actual decision-making under conditions of uncertainty."
4. **Linear Programming:** This is defined as "How could a company with limited resources make optimum use with their resources, combination for the achievement of the desired objective, or goal was, the central idea of this mathematical technique". A linear or straight line relationship exists between variables and that the limits of variation can be determined. It adopts an analytical instead of intuitive approach in decision-making. It is also concerned with problem of planning. A group of complex independent activities are expressed by means of developing mathematical formula.

5. **Games Theory:** Games theory attempts to work out an optimum solution in which an individual in a given situation can develop a strategy irrespective of what a competition does with maximising gains or minimising losses. It involves mathematical study of tactics under conditions of uncertainty.
6. **PERT and CPM:** Programme Evaluation and Review Technique is useful to analyse and control the timing aspects of programmes. In planning and controlling a programme, PERT helps in obtaining lower costs and reducing programme time, bringing about better utilisation of human and physical resources.
- Critical Path Method (CPM) is a commonly used term for all network analysis and for a particular version of these techniques.
- PERT relies on three estimates, an optimistic, most likely and pessimistic of the time each activity may take. CPM relies only one 'most likely'.
7. **Probability Theory Analysis:** Probability refers to a chance that a particular event will occur. The events must be random and be effected by chance and not by design. The probability of success is defined as the number of successful outcomes divided by the total number of outcomes. It cannot be denied that some element of probability does exist in all decision-making.

#### (E) Relationship between Planning and Decision-making

There is a close relationship between planning and decision-making. Decision-making has priority over the planning function. It is the starting point of the whole management process. In fact, decision-making is a particular type of planning. A decision is a type of plan involving commitment to resources for achieving specific objective. According to Peter Drucker, it is the top management which is responsible for all strategic decisions such as the objectives of the business, capital expenditure decisions as well as operating decisions such as training of manpower and so on. Without management decisions, no action can take place and naturally the resources would remain idle and unproductive. The managerial decisions should be correct to the maximum extent possible. For this, scientific decision-making is essential.

#### (F) Types of Decision-making

(1) **Programmed and Non-Programmed Decisions :** Programmed decisions are of repetitive nature concerned with routine type of problems. These decisions are taken normally by lower level managers. Such decisions have short-run impact. As they are concerned with routine matters of less importance, managers should not spend much

time in respect of such decisions. In fact, specific policies and procedures should be fixed for taking such decisions, e.g. purchase of stationary, granting a leave to an employee etc.

- Non-programmed decisions are novel or new decisions taken in respect of special types of problems or situations. These decisions are normally taken by the top management e.g., introduction of a new product in the market, offer of bonus shares to the shareholders.

**(2) Major and Minor Decisions :** Depending upon the importance or possible effect on the organisation as a whole, decisions may be classified as major and minor decisions. For example, deciding the location of the new plant, stopping the production of a product / item which is failed in the market, etc. are major decisions, while deciding to change the interior decoration of office is a minor decision.

**(3) Individual and Group Decisions :** Individual decision is taken by an individual person and may be of a simple and routine nature.

- Group decisions are taken by a group or by a committee constituted for the specific purpose. Normally, these are important decisions.

**(4) Departmental and Organisational Decisions :** Depending upon the functional areas of departments, the decisions can be classified as production decisions, marketing decisions, purchase decisions etc. For example, marketing decisions are concerned only with the marketing activities of the organisation and production decisions are concerned with manufacturing activities of the organisation.

### 3.4 DIRECTION : NATURE AND PRINCIPLES

#### (A) Meaning and Nature of Direction

B.C.A. : April 2017

Directing is the process through which a manager communicates with and influences other members of the organisation in the pursuit of company objectives. It is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.

Directing is said to be the heart of the organisational management process. Directing initiates action and it is from here that the actual work starts. Direction is said to be consisting of human factors.

Direction may be defined as the function of management which is related with instructing, guiding and inspiring human factors in the organisation to achieve organisational objectives. It is not merely issuing orders and instructions by a superior to his subordinates. It also includes the process of guiding and inspiring these activities. The analysis of definition reveals that the direction function consists of three elements:

1. Motivation

2. Leadership
3. Communication

### **definitions of Direction**

1. According to **Human**, "Directing consists of a process or technique by which instruction can be issued and operations can be carried out as originally planned". Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organisational goals.
2. According to **Earnest Dale**, "Directing is what has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards". Hence, it is rightly said that direction is the essence of management process.

In short, directing involves:

- Making the employees aware of what is to be done and explaining how to accomplish it.
- Issuing instructions and orders to the hierarchy of management and subordinates.
- Inspiring the team to contribute towards the achievement of organisational objectives.
- Supervising the activities and tasks of the employees and workers.
- Enhancing the operations with effective leadership and motivation.

The managerial function of directing is similar to the activities of a teacher in a classroom. In order to teach, a teacher has to guide the students, maintain discipline, inspire them and lead them to the desired goal. It is a very important function in the management of any enterprise. It helps the management in ensuring quality performance of jobs by the employees and achievement of organisational goals. In the absence of direction, employees will have no idea as to what task is to be accomplished. Implementation of plans is, hence largely the primary function of directing. As a function of management, directing is useful in many ways:

- It guides and helps the subordinates to complete the given task properly and as per schedule.
- It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do the best.
- It helps in maintaining discipline and rewarding those who achieve the targets.
- Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.
- Different people perform different activities in the organisation.

- All the activities are interrelated. Directing is vitally important in order to coordinate the activities carried out in different departments and to ensure that they are performed as per the schedule. It thus helps in integrating the various functions of the organisation and also towards the integration of individual goals with the organisational goals.
- Directing involves leadership that essentially helps in creating appropriate work environment and in building up the team spirit.

Planning, organising, staffing will face failures if direction is not executed efficiently. Directing initiates action and it is from here that the actual work starts. Direction is said to be consisting of human effort factors in the operational process.

In simple words, it can be described as the function of providing information and guidance to the workers and employees in executing work and actions effectively and efficiently. In the field of management, direction is considered to include all such activities which are designed to encourage the subordinates to work effectively and efficiently.

### (B) Characteristics of Direction

The characteristics of Directing can be discussed as follows:

- 1. Directing is a Pervasive Function:** Directing is required at all levels of organisation. Every manager provides guidance and inspiration to his subordinates.
- 2. Directing is a Continuous Activity:** Direction is a continuous activity as it is constantly required throughout the life of an organisation in all the phases of business.
- 3. Directing has a Human Factor:** The directing function is related to subordinates and therefore it is influenced by the human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes very critical, complex and hence vitally important for execution.
- 4. Creative Activity:** Direction function converts plans into actions, hence it is considered to be the performance oriented function of management.
- 5. Executive Function:** Direction function is carried out by all managers and executives at all the levels of management throughout the working of an enterprise.
- 6. Delegate Function:** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and channelising the human behaviour and attitudes towards the goals of the enterprise are the most complex tasks in the hands of management.

**(C) Importance of Direction**

Direction is considered to be the central point around which accomplishment of goals exists. A few philosophers consider direction as the "Life spark of an enterprise". Being the central character of an enterprise, it provides many benefits to an organisation. These can be studied as follows:

- 1. It Initiates Actions:** Direction is the function which is the inception point of the work performance of subordinates. It is from this function that the action starts taking place, subordinates understand their jobs and work according to the instructions and responsibilities delegated to them.
- 2. It Integrates Efforts:** Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this purpose, the efforts and contribution of each and every individual is required towards the accomplishment of goals. It is through direction that the efforts of each department can be related and integrated with other departments. This can be done through persuasive leadership and effective communication.
- 3. Means of Motivation:** The direction function helps in the achievement of goals and objectives of an organisation. A manager makes use of the element of motivation in direction to improve the performances of the employees and workers. This is done by providing incentives or compensation, whether monetary or nonmonetary, which serves as a "Morale booster" to the subordinates. Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.
- 4. It Provides Stability:** Stability and departmental balance in an organisation becomes essentially important for long term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function:
  - Judicious blend of persuasive leadership.
  - Effective communication.
  - Strict supervision.
  - Efficient motivation.

- 5. Coping Up with the Changes:** It is human behaviour that human beings show resistance to change. Adaptability with the changing environment helps in sustaining planned growth and becoming a market leader. It is the directing function which is useful in meeting changes in an environment – both internal as well as external. Effective communication helps in coping up with the changes. It is the role of management to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaptions and smooth running of an enterprise.

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For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was for the benefit of the subordinates. Through more mechanization, production increases, and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.

- 6. Efficient Utilisation of Resources:** The function of direction helps in clarifying the roles of all the subordinates towards their work. The resources are utilised efficiently only when wastages, duplication of efforts, overlapping of performances are substantially reduced. Through direction, the role of subordinates becomes clear as manager makes use of his supervisory, guidance, instructions and motivation skills to inspire the subordinates. This helps in the maximum utilisation of resources – men, machine, materials and money which helps in reducing costs and thereby increasing profits.

**(D) Principles of Direction**

B.C.A. April 2014, 2015

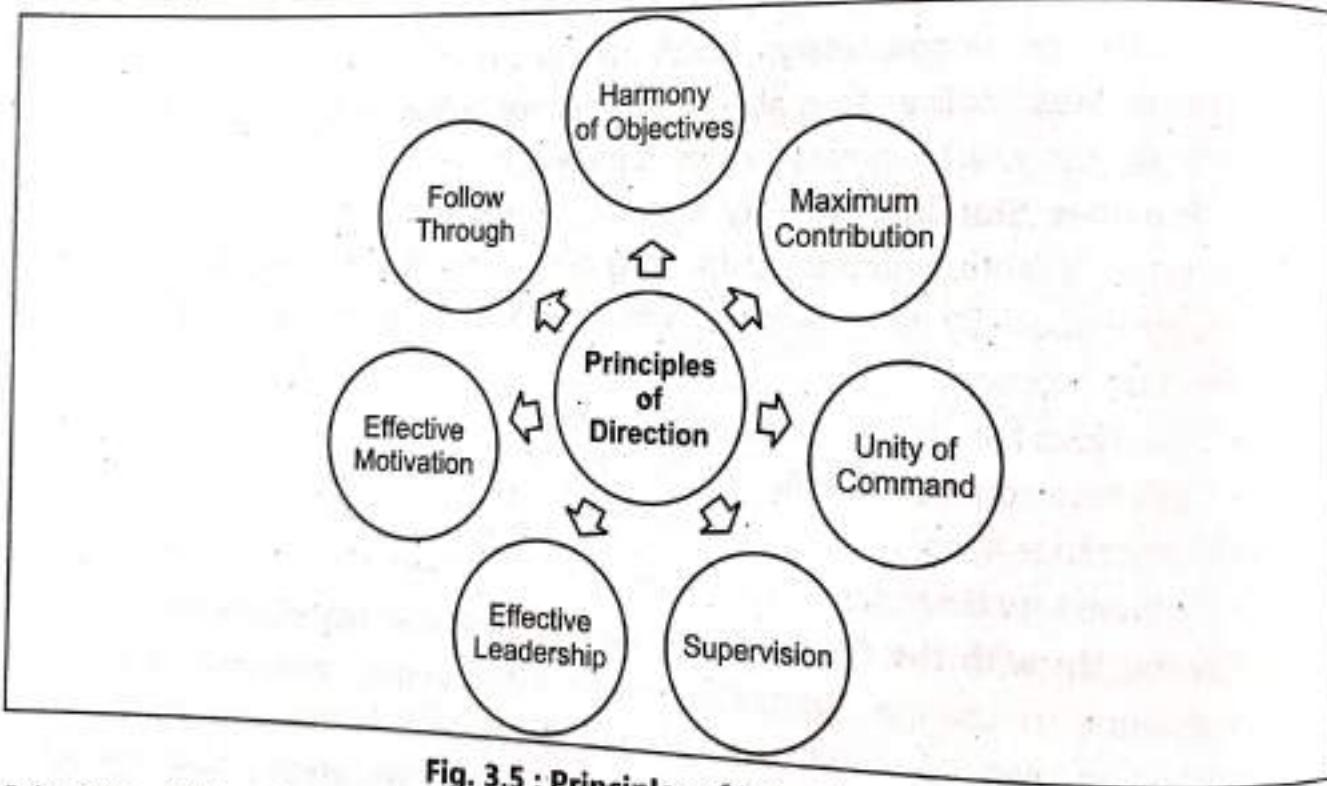


Fig. 3.5 : Principles of Direction

Principles of Directing shall be discussed as follows:

- 1. Principles of Unity of command:**

According to this principle, a person in an organisation must receive orders and instructions only from one superior and he

should be answerable only to the supervisor who coordinates his activities. Dual command, i.e. getting orders from more than one superior, creates conflict, confusion, disorder and instability in an organisation.

**2. Principle of Appropriateness of Direction Technique:** There are three direction techniques:

- Authoritarian
- Consultative, and
- Free-rein.

Each technique has its own relative strength. Moreover, each technique can be used in different cases depending upon the nature of superior and subordinate and the situational variables. Hence, the technique which is the most appropriate considering the phase and situation of business must be implemented.

**3. Principles of Managerial Communication:** In an organisation, success depends upon effective communication between the superior and his subordinates. A superior, through downward communication, passes to his subordinates, orders, ideas about work, etc., and through upward communication from his subordinates; he understands how the hierarchies are working. Thus, effective communication makes direction effective both ways.

**4. Principles of Comprehension:** Direction conveys tasks and targets to the subordinates. Hence, understanding and comprehending what has been conveyed by the superior is extremely important for the subordinates as a perfect understanding enables them in understanding the situation perfectly and avoids unnecessary queries and explanation from superiors.

**5. Principle of Use of Informal Organisation:** A formal organisation structure prescribes the official relationships among individuals. Besides, people working together develop certain relationships known as informal groups or informal organisations. Through this informal group of employees, information is passed very fast, though many times the information may be wrong and against the health of the organisation.

**6. Principle of Leadership:** Leadership is the process of influencing individuals in the organisation for goal achievement. When subordinates function efficiently, organisational goals are achieved. The subordinates are influenced through the exercise of authority and exercise of leadership. However, the former course of action has a serious limitation of affecting the morale of subordinates adversely.

**(A) Meaning and Nature Motivation**

The term 'motivation' has its origin in the Latin word "mover" which means to "move". Thus, motivation stands for movement. One can get a donkey to move by using a "carrot or a stick", with people one can use incentives, or threats or reprimands. However, these only have a limited effect. These work for a while and then need to be repeated, increased or reinforced to secure further movement. The term motivation may be defined as "the managerial function of ascertaining the motives of subordinates and helping them to realise those motives".

Motivation avoids clashes and non-cooperation and brings harmony, unity and cooperative outlook among employees. Managers have to work as motivators of their subordinates. For this, effective communication, proper appreciation of work done and positive encouragement are necessary and useful. Motivation is inspiring and encouraging people to work more and contribute for achieving the objectives of the company. The creation of the desire and willingness to perform the job efficiently is known as motivation.

Motivation is a psychological and sociological concept as it relates to human behaviour and human relations. It is the most fundamental and all pervasive concept of psychology. In motivation, efforts should be made to satisfy the different needs of employees so that they will be satisfied, happy and away from tensions. This creates a favourable environment because of which employees take more interest and initiative in the work and perform their jobs efficiently. Motivation is a technique of creating attraction for the job. It is encouraging employees for better performance in order to achieve the goals of an organisation. The process of motivation is a continuous one (circular one) and is beneficial to both - employer and employees. It is a key to improve work performance of employees.

According to **Dubin** motivation could be defined as "*the complex of forces starting and keeping a person at work in an organisation. Motivation is something that moves the person to action, and continues him in the course of action already initiated*". Motivation refers to the way a person is enthused at work to intensify his/her desire and willingness to use and channelise his/her energy for the achievement of organisational objectives. It is something that moves a person into action and helps him to continue in the course of action enthusiastically. The role of motivation is to develop and intensify the desire in every member of the organisation to work effectively and efficiently in his position.

According to **McFarland** motivation is "*a form of tension occurring within individual with resulting behaviour aimed at reducing, eliminating or diverting the tension*".

predict human behaviour ultimately providing a sound basis for managerial decision and action." Thus, motivation is the term, which applies to the entire class of urges, drives, desires, needs and similar forces.

Human motives are based on needs. These needs may be primary or secondary in their existence. Primary needs are the physiological requirements such as water, air, food, sleep, shelter and other basic requirements. Whereas secondary needs are all other requirements which do not directly affect the life of a person. For example, need for safety and security or social needs or self-esteem needs such as brand conscious requirements are secondary needs which do not directly impact the life of a person. Hence, though primary needs will remain constant with everyone, secondary needs will change from each class of individuals. The intensity of these needs will also change drastically.

### **Importance of Needs**

Understanding needs is extremely necessary before we study motivation because needs give birth to wants. Wants give birth to Desires. Desires give birth to Motives. Motives give birth to Goals. Goals give birth to Productivity and Productivity gives birth to Motivation.

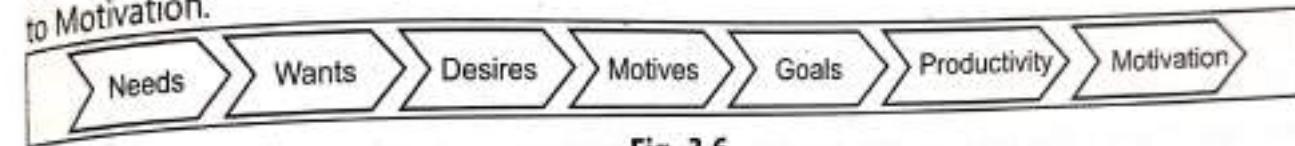


Fig. 3.6

### **(B) Types of Motivation**

Motivation can be broadly classified into two main types. As we discussed earlier, motivation is just a charge to achieve the goals and motives, such charge can be received either from an external force or an internal force. When it is received from an internal force, we very easily term it as "Self-Motivation" whereas when it is needed to be transmitted from some other person or factor or force it is termed as "External Motivation". There are many theories which discuss the importance and factors affecting External Motivation. Management sciences have also developed many Motivation Models in this regard.

Self-Motivation helps a person to hunt for success even in his tough times. There may not be any external force of motivation constantly with a person. At such times, it is the constant force of self-motivation which drives him towards success.

External forces of motivation on the other hand, help a person realise the advancement of his needs from the levels of the need hierarchy, and help him polish his standard of living and to raise his personal and professional motives. Such external forces may be countable in terms of money, promotion, status, leisure, respect, or an

award or anything which may drive a person towards achieving and advancing his motives and goals.

In the management theory, self-motivation is considered as Intrinsic Motivation, whereas external motivation is considered as extrinsic motivation. All types of motivation are important as they have the potential to shape our experiences and how well we perform.

### 1. Intrinsic Motivation

Becoming and staying motivated is easy when you have to do something that is interesting and enjoyable. It might even be easy when you have to do something that you think is a challenge. This type of motivation is called intrinsic motivation. Intrinsic motivation is when you see a task as being fun, or interesting, or you see the task as a challenge. This is what helps you get motivated as you find the task motivating. Features of intrinsic motivation include being enthusiastically involved in a task, striving for excellence, striving to improve and seeing the purpose in what you are doing. Seeing the purpose in what you are doing is also referred to as goal direction. Intrinsic motivation is important. It helps you to develop and grow. Intrinsic motivation has the potential to influence your learning and thinking; how you socialize with your friends, family and colleagues; it may even influence how you physically develop. Intrinsic motivation shapes your opportunities for growth, development and ultimately what goals you do or don't achieve in your life. Intrinsic motivation is an important capacity to identify, nurture and develop.

Intrinsic motivation means that the individual's motivational stimuli are coming from within. The individual has the desire to perform a specific task, because its results are in accordance with his belief system or fulfills a desire and therefore importance is attached to it. Our deep-rooted desires have the highest motivational power. Below are some examples:

- **Acceptance:** We all need to feel that we, as well as our decisions, are accepted by our co-workers.
- **Curiosity:** We all have the desire to be in focus.
- **Honour:** We all need to respect the rules and to be ethical.
- **Independence:** We all need to feel we are unique.
- **Order:** We all need to be organised.
- **Power:** We all have the desire to be able to have influence.
- **Social contact:** We all need to have some social interactions.
- **Social Status:** We all have the desire to feel important.

Extrinsic motivation refers to doing something because it leads to an outcome that will help you achieve something other than the task at hand. But not all of us can call upon intrinsic motivation all of the time as we don't always find daily tasks fun, enjoyable or interesting. In these circumstances, we may need to look outside of ourselves in order to get motivated. This is called extrinsic motivation. In these circumstances, getting motivated can be improved by finding some way of working out how the task that we have to do might relate to us.

Intrinsic and extrinsic motivations were once viewed as opposites, but the latest research suggests that these two types of motivation can coexist. Optimising both of these types of motivation is the key as this will help with adaptation to different goals and situations.

Extrinsic motivation is distinct from doing a task because it feels fun, interesting or challenging. Intrinsic motivation may be more relevant when tasks are fun, interesting or challenging. In contrast, an example of extrinsic motivation is where you might be motivated to complete a task because you may get a reward or bonus of some sort.

Another example of extrinsic motivation is where you are motivated to do well in your studies in order to get into a degree programme because getting into the degree programme will help you get enough money to have a comfortable lifestyle. You may not find the study particularly motivating. Alternatively, you might be motivated to do well at work in order to get a promotion that involves more success and a higher salary. Features of extrinsic motivation include focusing on feedback, praise, rewards and grades, for example. There are many different variations of extrinsic motivation.

Extrinsic motivation can range from not feeling motivated at all to having some belief in the value of the task and a sense of how the success of this task might stem from you. Extrinsic motivation was once viewed as something that we all just have to put up with now and again, but the latest research shows ways to shape our types of extrinsic motivation. This means that we can harness our extrinsic motivation potential in order to get motivated and achieve our goals. Another reason why motivation is important is because it both shapes our interactions with others and influences people's perceptions of us. In this respect, motivation is integral to our social environment. For example it operates in schools, in our places of work and within our informal social environments. Basically, motivation is involved in all of our social encounters. It is involved anywhere that we meet and interact with others, including social networks. The types of motivation that we experience have the potential to shape how we relate to others and our relationships.

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Extrinsic motivation means that the individual's motivational stimuli are coming from outside. In other words, our desires to perform a task are controlled by an outside source. Note that even though the stimuli are coming from outside, the result of performing the task will still be rewarding for the individual performing the task. Extrinsic motivation is external in nature. The most well-known and the most debated motivation is money. Below are some other examples:

- Employee of the month award
- Benefit package
- Bonuses
- Organised activities

**Interrelationship of Goals and Motivation**

The importance of motivation and goal setting in business cannot be overstated. The setting of goals is important to guide the company and employees toward defined objectives. Motivation is important because it is the psychological catalyst employee and owners require reaching the goal. Without goal setting and the necessary motivation for goal attainment, businesses are without purpose or direction.

- 1. Importance of Goals:** Business goal setting is important because it turns aspirations into tangible objects which require commitment and action. Used for measuring performance, increasing revenue and meeting business challenges, goals ideally include specific guidelines, details and outline resources necessary for attainment.
- 2. Importance of Motivation:** Motivation is important in business because it impacts mental and physical human reactions. Highly-motivated individuals and staff have a willingness to get the job done efficiently and effectively, resulting in higher productivity, increased revenue, cost savings and satisfied employees and business owners. Employees and staff with low motivation tend to work slower, without regard for productivity or efficiency, and end up costing the business money.
- 3. How Goals Affect Motivation:** It is important for business owners and managers to understand how goals affect motivation. Having no goals at all will almost certainly cause low motivation, but badly-planned goals, or those that are too vague or don't adhere to the company's direction, can have the same effect. Goals that are well-defined, within the grasp of reality and adhere to the company's primary objectives, mission and scope of work, will almost always result in positive motivation.
- 4. Motivation and Goal Attainment:** Just as goals have an effect on motivation, motivation has an important effect on goal attainment. Even the most well-

defined, reachable goals will be difficult to attain if motivation is low, and goals alone are not a sure cure for low motivation. The company's culture, working atmosphere and attitude must be positive in order to raise motivation to productive levels.

5. **Balance:** There is an important balance between goals and motivation. Goal-setters within the organisation must always consider how goals will effect motivation, and how the current motivation level will effect attaining the goal. One way to create and maintain this balance is to add incentives to the goal that positively impact employees.

### (C) Characteristics of Motivation

Motivation is a process through which individual does something in order to satisfy some basic needs. It is the responsibility of a manager to motivate the employees towards the attainment of organisational goals through higher level of performance. Motivation holds the following characteristics:

1. **Motivation is Personal and Psychological Concept:** Motivation is a personal as well as psychological concept; hence, managers have to study the mental and psychological aspects of individuals. The person's activation depends upon the felt needs and expectations. The process of motivation, which is mainly concerned with needs, desires, expectations, confidence, satisfaction, is a psychological pheno-menon.
2. **Motivation is a Process:** Motivation is a process of inspiring, energising, reducing and activating the employees for higher level of performance.
3. **Motivation is a Continuous Process:** It is a continuous and circular process. Subordinates need motivation in a continuous manner as their needs and expectations change from time to time.
4. **Motivation is a Complex Subject:** Motivation is a complex subject in the sense that the individual's needs and wants may be unpredictable. The level of needs of a person depends on his/her psychological and physiological aspects.
5. **Motivation is Goal Oriented:** Motivation diverts human behaviour towards certain goals. Attainment of organisational and individual goals depends on the motive-tional plans.
6. **Intrinsic and Extrinsic Motivation:** Individuals can be motivated either by intrinsic factors or extrinsic factors. The intrinsic factors include recognition, social status, self-esteem and self-actualisation needs which are related to inner aspects of an individual. On the other hand, the extrinsic factors are physiological and social needs such as food, shelter, health, education, salary and benefits etc.

- 7. Positive and Negative Motivation:** By the term motivation we mean positive motivation which is related to the process of stimulating employees for good performance. But it is not necessary that all the time motivation must be positive, rather sometimes it can be negative also. The negative motivation is also known as punishment which is not desired by the employees.
- 8. Motivation is Behaviour-oriented:** As motivation is person specific, it is related with the personal behaviour of an employee. Behaviour is a series of activities undertaken by an individual in the organisational work place.
- 9. Motivation is Dynamic and Situational:** Motives, behaviour and goals are all dynamic in nature. What drives a person today may not drive him tomorrow. His needs, drives, expectations, value judgment remain changing and hence the process of motivation is highly dynamic.
- 10. Motivation is an Unending Process:** Man is a social animal. As a social animal he has innumerable wants which induce him to work.
- 11. Art of Stimulating Someone or Oneself:** A manager can use motivation to inspire not only his subordinates, but to motivate himself also. For self-motivation, he has to take the following steps:
- He should set a goal for himself and should not lose sight of it.
  - He should supplement his long term objectives with short-term goals.
  - He should learn a challenging task every year.
  - He should make his job a different one with a view to improving objectives for his position and increasing his productivity.
  - He should develop an area of expertise by building on his strengths and developing his weaknesses into strengths.
  - He should give himself the feedback and reward himself by celebrating his accomplishment.
- 12. Produces Goal – Directed Behaviour:** Motivation is closely intertwined with behaviour. As a behavioural concept, it directs human behaviour towards certain goals.
- 13. Motivation is System Oriented:** Motivation is the result of interplay among three sets of different factors:
- Influences operating within an individual, for example, his needs, tensions, motives, values, goals etc.
  - Influences operating within the organisation for example, its structure, technology, physical facilities, various processes, the nature of job, advancement avenues etc.

- Forces operating in the external environment, for example, society is culture, norms, values, customs, government policy regarding the business of the enterprise etc.

**14. Motivation is Different from Satisfaction:** Motivation refers to the drive and effort to satisfy a want or goal. Satisfaction refers to the contentment experienced when a want is fulfilled. In other words, motivation implies a drive toward an outcome and satisfaction is the outcome already experienced.

**15. Initiative by Manager:** The initiative for motivation is by the manager by offering guidance and also by other methods like appreciation of good work or employees. Management has to adopt special measures for motivating employees. They include monetary as well as non-monetary.

**16. Broad Concept:** Motivation covers needs, human relations and satisfaction of employees. For employee motivation, monetary and other incentives need to be offered. Job satisfaction is one such need and is useful for their motivation.

**17. Essence of Management Process:** Motivation is an essential function of a manager. He has to motivate his subordinates for achieving organisational objectives. A motivated labour force is an asset to a business unit. Motivated employees bring prosperity to a business unit.

**18. Beneficial to Employees and Management:** Motivation offers benefits to employees and organisations. It avoids clashes and encourages cooperative outlook among employees. Motivation leads to cordial labour-management relations. It provides more profit to management and better welfare to employees.

**19. Varied measures available for motivation:** For motivation, various monetary and non-monetary incentives can be offered to employees by the management. Attractive wages, welfare facilities, job satisfaction, appreciation of good work, encouragement to self-development, job security and fair treatment are some measures of motivating employees.

B.C.A. April 2015

#### (D) Importance of Motivation

Motivation occupies an important place and position in the whole management process. This technique can be used fruitfully for encouraging workers to make positive contribution for achieving organisational objectives. Motivation is necessary as human nature needs some sort of inducement, encouragement or incentive in order to get better performance. Motivation of employee's offers may benefit to the organisation and also to the employees.

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The importance of Motivation can be understood as follows:

**1. Importance of Motivation to Management / Organisation**

- (i) Increase in the efficiency and productivity of employees. Motivation ensures a high level performance of employees.
- (ii) Better co-operation from employees and cordial labor-management relations.
- (iii) Reduction in the rate of labor absenteeism and turnover.
- (iv) Reduction in the wastages and industrial accidents.
- (v) Improvement in the morale of employees.
- (vi) Quick achievement of business/corporate objectives and favorable corporate image.

**2. Importance of Motivation to Employees / Workers**

- (i) Employees get various monetary and non-monetary facilities/benefits which provide better life and welfare to them.
- (ii) Security of employment and other benefits due to cordial relations with the management.
- (iii) Job attraction and job satisfaction.
- (iv) Higher status and opportunities of participation in management.
- (v) Positive approach and outlook of employees towards company, management and superiors.
- (vi) Reduction in the rate of labor turnover which is harmful to employees and management.
- (vii) Better scope for improvement in knowledge and skills of employees.

#### **(E) Tools of Motivation**

Various tools can be used for effective motivation of the employees and the labor force. The tools of motivation may be financial or non-financial. These tools of motivation can be further understood as follows:

##### **(A) Monetary or Financial Incentives**

Monetary incentives are offered in terms of money. Such incentives provide more cash or purchasing power to employees. Monetary incentives are extremely attractive to employees (particularly those working at lower levels) as they get the benefit quickly and in concrete terms. At the higher levels of management, non-monetary incentives are more important than monetary incentives.

Monetary incentives may be further classified as following:

- 1. Individual Monetary Incentives:** The benefit of individual monetary incentive is available to concerned worker only. For example, F. W. Taylor suggested differential piece rate system which offers different wage rates to different

workers as per their production efficiency. Different incentive wage plans are the examples of individual monetary incentives as the benefit is offered individually to every worker.

2. **Group Monetary Incentives:** In the group monetary incentives, the monetary benefit is not given individually but to a group of workers or to all workers in the Organisation. Workers have to work jointly/collectively as a team, in order to secure the benefits of group monetary incentives. Bonus payments, pension, P.F., production/productivity bonus, profit sharing, etc. are the examples of group monetary incentives. For the employer/management, group incentives are more important as they offer many benefits to the management.

#### (b) Non-monetary Incentives for Employee Motivation

1. **Job security and job enrichment:** Job security is useful for the motivation of employees. Such security keeps the employee away from the tension of becoming unemployed. Job enrichment provides an opportunity for greater recognition and advancement.

2. **Fair treatment to employees:** Employer should give attention to the needs, difficulties and grievances of employees. Small work groups and effective communication are useful for solving the problems of workers. Employees must be given decent treatment. They will be co-operative only when they are treated with sympathy and love, affection and dignity. Employees should also be given help in personal matters.

3. **Recognition of good work:** Recognition of good work at an appropriate time gives encouragement to employees to show better performance in future. As an appreciation of good work, prizes, rewards, promotions, etc. should be given.

4. **Encouragement to self-development and career development:** Employees should be given varied training facilities. Training facilitates self-development and also provides opportunities for career development. Every employee has a desire to grow, develop and rise higher. This desire should be exploited fully for motivating employees. For this, training as well as management development programmes should be introduced.

5. **Delegation of authority:** Due to delegation of authority, a subordinate employee feels that his superior has faith in him and also in his ability to use authority in a proper manner. Employees get mental satisfaction when authority is given to them. They take interest and initiative in the work and try to prove that they are competent to work at the higher levels. Thus, delegation of authority becomes a motivating factor.

- 6. Congenial working conditions:** It is a non-financial incentive for motivation. Employees should be given various facilities and conveniences at the work place. The work environment should be pleasant and safe. This creates desire to work efficiently.
- 7. Helpful attitude of management:** The helpful attitude of management towards its employees creates a sense of affinity for the Organisation. Fair treatment to workers creates better understanding among workers. Cordial industrial relations also motivate employees. Thus, enlightened and pro-employee attitude of management acts as a motivating factor.
- 8. Fair opportunity of promotion:** Fair opportunity of promotion to all eligible workers is one more method useful for motivating employees. They take interest in the work as they feel that they will be rewarded in the form of promotions. Training facility should be provided to employees in order to make them eligible for promotion.
- 9. Labor participation in management:** Labour participation in management is useful for the motivation of employees. Workers get higher status and better scope for expressing their views through such participation. Even the formation of quality circles or joint management councils is useful for motivating employees.
- 10. Designation and status:** When an employee is provided with a better designation, it adds to his status. Employees are proud to reveal their attractive and high-sounding designations.

#### (F) Theories of Motivation

##### (I) Abraham Maslow's Hierarchy of Needs Theory :

B.C.A. : Oct. 2013

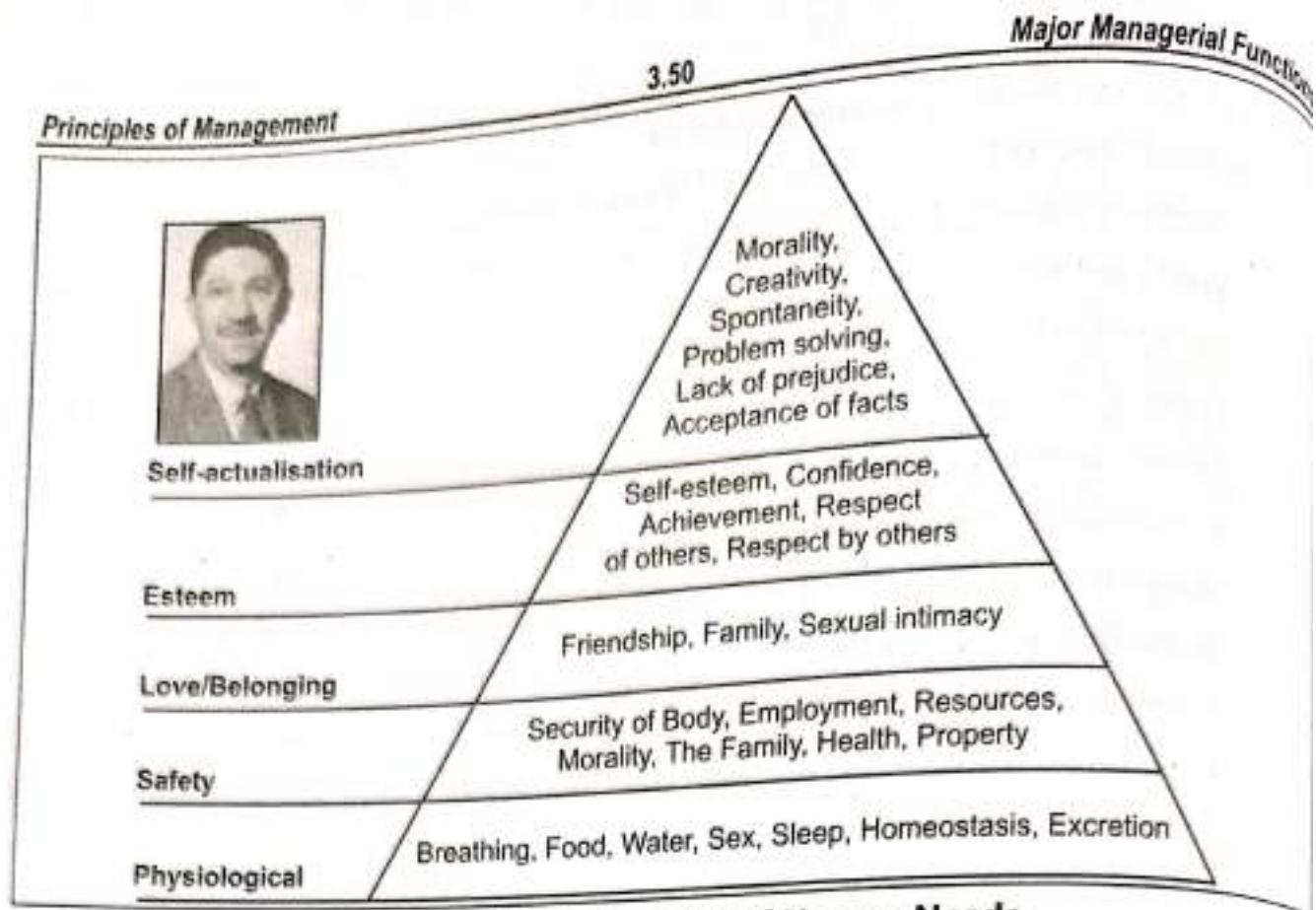
BCA April 2016

It was in 1943 a Psychologist Mr. Abraham Harold Maslow suggested his Theory of Human Motivation. His theory is one popular and extensively cited theory of motivation. Maslow's theory is based on the Hierarchy of Human Needs. According to Maslow human behaviour is related to his needs. It is adjusted as per the nature of needs to be satisfied. In hierarchy of needs theory, Maslow identified five types / sets of human needs of needs is satisfied, it ceases to be a motivating factor. He concluded that when one set in the hierarchy order takes its place. These needs in hierarchy can be compared to a pyramid. At the lowest level, there will be first set of needs which can be described as basic needs and are universal in character. This will be followed by other sets of needs.

## Assumptions in Hierarchy of Needs Theory

Maslow's Assumptions in Hierarchy of Needs Theory are:

1. Man is a wanting being, i.e. his wants are growing continuously even when some wants are satisfied. Human needs are of varied and diversified nature. They can be arranged in a hierarchy of importance progressing from a lower to a higher order of needs.
2. Needs have a definite hierarchy of importance. As soon as needs on a lower level is fulfilled, those on the next level will emerge and demand satisfaction. This suggests that bread (food) is essential and is a primary need of every individual. According to Maslow, "Man lives by bread alone when there is no bread." However, he feels the other needs when his physiological needs are fulfilled. In brief, bread is important but man does not live by bread alone. There are other needs (security / safety, social, esteem and self actualisation which influence behaviour of people (employees) to work. This is the basic feature of Maslow's need hierarchy. Attention to all human needs is essential for motivation of employees. Attention to the provision of bread alone is not adequate for motivating employees. Bread can act as motivating factor when there is no bread, but when it is available, its use as motivator comes to an end. Here, other motivators (e.g. security of job, social status, etc.) will have to be introduced for motivating employees. Attention to other needs such as security needs, social needs, esteem needs and self actualisation needs is equally important and essential for the motivation of different categories of employees. Maslow, in his theory, has referred to different needs and suggested that attention needs to be given to all such needs as attention to physiological needs alone is not adequate for motivating employees. According to Maslow, "Man does not live by bread alone". This conclusion of Maslow is a practical reality and needs to be given adequate attention while motivating employees.
3. A satisfied need does not act as a motivator.
4. As one need is satisfied, another replaces it.



**Fig. 3.7 : Maslow's Pyramid of Human Needs**

#### **The Maslow's Pyramid of Human Needs :**

- (a) **Physiological Needs:** Physiological needs are the basic needs for sustaining human life. These needs include food, shelter, clothing, rest, air, water, sleep and sexual satisfaction. These basic human needs (also called biological needs) lie at the lowest level in the hierarchy of needs as they have priority over all other needs. Unless and until these basic physiological needs are satisfied to the required extent, other needs do not motivate an employee. A hungry person, for example, is just not in a position to think of anything else except his hunger or food. According to Maslow, 'man lives by bread alone,' when there is no bread. The management attempts to meet such physiological needs through fair wages.
- (b) **Security / Safety Needs:** These are the needs connected with the psychological fear of loss of job, property, natural calamities or hazards, etc. An employee wants protection from such types of fear. He prefers adequate safety or security in this regard i.e. protection from physical danger, security of job, pension for old age, insurance cover for life, etc. The safety needs come after meeting the physiological needs. Such physiological needs lose their motivational potential when they are satisfied. As a result, safety needs replace them. They begin to manifest themselves and dominate human behaviour. Safety needs act as motivational forces only if they are unsatisfied.
- (c) **Social Needs:** An employee as a human being is rightly treated as a social animal. He desires to stay in a group. He feels that he should belong to one or

the other group and the member of the group should accept him with love and affection. Every person desires to be affiliated to such groups. This is treated as basic social need of an individual. Social needs occupy third position in the hierarchy of needs.

(d) **Esteem Needs:** This category of needs include the need to be respected by others, need to be appreciated by others; need to have power and finally held in esteem both by him and also by others. Thus, esteem needs are two fold in nature. Self-esteem needs include those for self-confidence, self-respect, competence, etc. The second group of esteem needs are those related to one's personal ego which needs to be satisfied. The Organisation can satisfy this need (ego) by giving recognition to the good work of employees. Esteem needs do not assume the motivational properties unless the previous needs are satisfied.

(e) **Self-actualization Needs:** This is the highest among the needs in the hierarchy of needs advocated by Maslow. Self-actualisation is the desire to become what one is capable of becoming. It is a 'growth' need. A worker must work efficiently if he is to be ultimately happy. Here, a person feels that he should accomplish something in his life. He wants to utilize his potentials to the maximum extent and desires to become what one is capable of becoming. A person desires to have challenges and achieves something special in his life or in the area of his specialization. Though everyone is capable of self-actualization, many do not reach this stage. This need is rarely fully satisfied.

## (II) Fredrick Herzberg's Theory of Motivation :

**B.C.A. : April 2014**

Herzberg's theory of motivation is also called '**Two Factor Theory**', 'Dual Factor Theory' and 'Hygiene / Maintenance Theory of Motivation'. This theory is based on the information collected by him and his associates (in the USA in 1959) by interviewing two hundred engineers and accountants. The information collected relates to the attitude of people towards work. This attitude towards work depends on two sets of factors namely hygiene or maintenance factors and the motivating factors.

### Hygiene Factors of Two Factor Theory

According to Frederick Herzberg, the **Hygiene Factors** do little contribution to provide job satisfaction. He called them "dissatisfies" as their absence causes dissatisfaction but their presence is not motivating but only prevent dissatisfaction. The hygiene factors meet man's needs to avoid unpleasantness but do not motivate them to take more interest in the work. Hygiene factors (when provided) create a favorable environment for motivation and prevent job dissatisfaction. They are not an intrinsic part

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of a job, but they are related to the conditions under which a job is performed. When employer is unable to provide enough of these factors to his employees, there will be job dissatisfaction. However, if they are provided, they will not necessarily act as motivators. They will just lead employees to experience no job dissatisfaction. Such hygiene factors are as noted below.

**Hygiene / Maintenance Factors of Two Factor Theory :**

1. Company's Policies and Administration,
2. Supervision,
3. Working Conditions,
4. Interpersonal Relations with superiors and other subordinates,
5. Salary,
6. Job Security,
7. Status,
8. Personal Life, and
9. Employee Benefits.

**Motivating Factors of Two Factor Theory**

**Motivating Factors** act as forces of **job satisfaction**. They create positive and a longer lasting effect on employee's performance and are related to work it. Adequate provision of such factors called is 'Satisfiers'. They make people happy with their jobs because they serve man's basic needs for psychological growth. In addition, they also motivate employees in their work. Such factors are five and are called motivators by Herzberg. The motivating factors are:

**Motivating Factors are:**

1. Achievement,
2. Recognition for Accomplishment,
3. Increased Responsibility,
4. Opportunity for Growth and Development, and
5. Creative and Challenging Work.

Motivating factors motivate subordinates to take more interest in the work. They raise efficiency and productivity of employees. According to Frederick Herzberg, motivating factors are essential in order to provide job satisfaction and in order to maintain a high level of job performance. Employees will not have job satisfaction if the motivating factors are not provided in sufficient quality by the employer.

Hygiene factors	Motivating factors
<ul style="list-style-type: none"> <li>• Company's Policies and Administration</li> <li>• Supervision</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement</li> <li>• Recognition for accomplishment</li> <li>• Increased responsibility</li> </ul>

<ul style="list-style-type: none"> <li>• Working conditions</li> <li>• Interpersonal relations</li> <li>• Salary</li> <li>• Job security</li> <li>• Status</li> <li>• Personal Life</li> <li>• Employee Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity of growth and development</li> <li>• Creative and Challenging work</li> </ul>
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According to Frederick Herzberg, these two sets of factors are quite independent of each other. It may be noted that hygiene factors, when satisfied, tend to eliminate dissatisfaction, but do not motivate an individual employee for better performance. The motivating factors will permit an individual to grow and develop in a natural way. In brief, hygiene factors affect an individual's willingness to work while motivating factors affect his ability and efficiency to work. This theory can be compared to Maslow's theory of human needs as both the theories refer to needs and their role in motivation. In addition, the assumptions in both the theories are identical.

#### Comparison of Maslow's Theory and Herzberg Theory of Motivation

Distinction between Maslow and Herzberg's Theory of Motivation:

Aspect	Maslow's Theory of Motivation	Herzberg's Theory of Motivation
Meaning	This is based on human needs and their satisfaction.	This is based on the use of motivators which include achievement, recognition and opportunity for growth.
Basis of Theory	This is based on the hierarchy of human needs. Maslow identified sets of human needs (on priority basis) and their satisfaction in motivating employees.	Herzberg refers to hygiene factors and motivating factors in his theory. Hygiene factors are dis-satisfiers while motivating factors motivate subordinates. Hierarchical arrangement of needs is not given.
Nature of Theory	Maslow's theory is rather simple and descriptive. This theory is based on a research on human behaviour and needs.	Herzberg's theory is more prescriptive. It suggests the motivating factors which can be used effectively. This theory is based on actual information collected by Herzberg by interviewing 200 engineers and accountants.

Aspect	Maslow's Theory of Motivation	Herzberg's Theory of Motivation
<b>Applicability</b>	<ul style="list-style-type: none"> <li>It is most popular and widely cited theory of motivation and has wide applicability.</li> <li>Maslow's theory is mostly applicable to poor and developing countries where money is still a motivating factor.</li> </ul>	<ul style="list-style-type: none"> <li>Herzberg's theory is an extension of Maslow's theory of motivation. Its applicability is narrower.</li> <li>Herzberg's theory is applicable to rich countries where money is a less important motivating factor.</li> </ul>
<b>Descriptive/ Prescriptive</b>	Maslow's Motivation theory is descriptive in nature.	Herzberg's Theory is prescriptive in nature.
<b>Motivators</b>	According to Maslow, any need can act as a motivator provided it is not satisfied or relatively less satisfied.	In the dual factor model of Herzberg, hygiene factors (lower level needs) do not act as motivators. Only the higher order needs (achievement, recognition, challenging work) act as motivators.

### (III) David McClelland's Achievement Motivation, Manifest Need Theory

Some people have an intense desire to achieve while others are not so keen about achievement. David C. McClelland had studied this phenomenon for over twenty years at Harvard University and proposed his Achievement Motivation Theory (Also called Manifest Need Theory). According to him, there are certain needs that are learned and socially acquired as the individual interacts with the environment. McClelland classified such needs into three broad categories. These are:

1. Need for power,
2. Need for affiliation, and
3. Need for achievement.

**(1) Need for Power:** This need is indicated by a person's desire to control and influence the behaviour of others. A person with desire for power likes to compete with others when the situation is favorable for such domination. Such persons prefer jobs that provide them an opportunity to acquire leadership with power. There are two aspects of power accordingly to McClelland. These are: positive and negative. Positive use of a power is necessary when a manager desires to achieve results through the efforts of others. The negative use of

power is possible when a person uses power for personal aggrandizement. Such use of power may prove to be harmful to the organisation.

(2) **Need for Affiliation:** Here, the person has a need/desire for affection and wants to establish friendly relationships. A person with high need for affiliation seeks to establish and maintain friendships and close emotional relationships with others. He wants to be liked by others and develops a sense of belonging by joining informal groups in the organisation. Such persons (managers) prefer tasks that require frequent interaction with subordinates/co-workers.

(3) **Need for Achievement:** Here, the person desires to succeed in competitive situations. He desires to prove his superiority over others. Such a person sets reasonably difficult but potentially achievable goals for himself. He accepts moderate degree of risk. He is more concerned with personal achievement than with the rewards of success. Moreover, he feels that he can achieve the goal with his efforts and abilities. He also desires to have concrete feedback (social or attitudinal) on his performance. Such a person has high level of energy and capacity to work hard. He naturally prefers jobs which tax his abilities and skills fully. This again is for achieving the objectives set. According to McClelland, the need for achievement is the most important need which can be used effectively for the economic progress of a nation.

Persons with achievement needs tend to be motivated by difficult, challenging and competitive work situations and not by routine and non-competitive situations. They habitually spend their time thinking about doing things better. They are not motivated by money but in their future achievements. Such employees are better achievers and naturally get promotions faster. An organisation also grows faster and moves towards prosperity with the support of such achievement seeker employees.

### **Importance of Achievement Motivation Theory**

McClelland's theory is important as he argues that the achievement motive can be taught. It can be achieved by learning. A manager can raise achievement need level of his subordinates by creating a healthy work atmosphere, provision of reasonable freedom to subordinates, provision of more responsibilities and by making tasks more interesting and challenging. Even reward and appreciation of high performance of subordinates is useful for raising their achievement need level. This is how motivation of employees is possible by developing the desire for higher achievement in their mind. Such achievement motivation is necessary and useful for the success of an enterprise.

McClelland's theory of motivation is quite extensive. He developed achievement motive for motivation. His assertion that achievement motive can be developed among

the employees is important. This is possible through well-conceived and deliberate learning process. This he (McClelland) proved in an experiment carried out in a large U.S. Corporation.

According to McClelland, every person has an achievement motive to some extent. However, some are constantly more achievement-oriented than others. Most people will put more efforts into their work if they are challenged to do better. However, the achievement-motivated person is likely to outstrip all others in his zeal to improve performance when he is challenged. He makes more efforts and accomplishes more. This background can be used for motivation of employees. In fact, McClelland's achievement motivation theory is based on this experience which he gained while working with Harvard University.

Achievement motivation is very essential for the success of an entrepreneur or enterprise. Every employee should have some objective which he desires to achieve. Such desire for achievement acts as a motivating factor. According to McClelland, the need for achievement is the most important need. It can be used as motivating factor for economic progress of a nation and even for the success of an enterprise or entrepreneur. An entrepreneur or a manager has to put forward some objective before every employee and encourage the employee to achieve the same. To create the desire for achievement of objective is a way to motivate employee. In this way, achievement motivation is useful for the success of an enterprise/entrepreneur.

#### (G) Principles of Motivation

- 1. Recognise the Individuality of Individuals:** Remember that people are different. Psychologically, no two persons are the same. It is dangerous to assume that all the members of a group are motivated by the same needs or desires. Without finding out what needs are craving in the minds of the individual, it is difficult to motivate him adequately.
- 2. Make Your Subordinates Feel Important:** Human beings generally nurture the desire to be appreciated and are considered important. Satisfaction of this need to feel important can be provided by asking for opinions and praising in public. It is for this reason that one of the rules often given for human relations, or **private.** Give credit where it is due and show interest in, an appreciation of, getting things done through people, is "**Praise in public and criticise in private.**" Give credit where it is due and show interest in, an appreciation of, subordinates a sense of importance of their work.

3. **Guide Rather than Order:** The job of a manager as a leader is to guide his subordinates towards the attainment of the departmental goals. However, instead of giving orders, providing suggestions are likely to produce better results.
4. **Set a Good Example:** Remember that the manager sets the style for his people. Subordinates are always watching their superior and often presuming that the superior's conduct is the appropriate one for adoption. Therefore, play up the positive and be consistent.
5. **Show Confidence in your Subordinates:** An indication of confidence in the subordinates would instill confidence in themselves. Therefore, show confidence in your subordinates and adopt the attitude that you are sure that they will do their best. Even ask them for their counsel and suggestions.
6. **Listen Attentively:** Before guidance can be given, it is necessary to understand the facts. Listening can provide this deeper understanding. Very often, merely listening and thereby permitting the subordinate to talk without interruption can result in the subordinate seeing the error of his own opinion.
7. **Watch How You Communicate:** Be careful not only of **what** you say but **how** you say it. Even the tone of the voice is relevant. Be aware of unconscious communications, such as the frown.
8. **Encourage Participation:** Whenever possible, provide the subordinates with an opportunity to take part in the decisions, particularly where they affect such subordinates. Keep them also well-informed on matters which affect them as effective participation requires possession of adequate knowledge by the subordinates.
9. **Do Not Be Secretive:** Being secretive induces frustration in the subordinates. Motivation requires the creation of a feeling of belonging. Team spirit and group cohesiveness have to be inspired. This cannot be done by a secretive leader.
10. **Make Your Subordinates "Want To Do" things that you want them to do:** This summarises the most important element of effective motivation. Merely asking the subordinates to do something cannot get the same result as when the subordinates "Want To Do" those very things themselves. Making the subordinates want to do the thing is only secured by an integration of objectives whereby the subordinates feel that they will achieve their own goals best by striving towards the achievement of the organisation's goals.

3.6

## ORGANISING : CONCEPT, DELEGATION OF AUTHORITY, DECENTRALISATION : CONCEPT AND IMPORTANCE

### (A) Definitions and Meaning of Organisation

B.C.A. : Oct. 2011, 2012, April 2015, 2017

**1. Louis A. Allen:** "Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationship for the purpose of enabling people to work most effectively in accomplishing objectives".

**2. Koontz and O'Donnell:** "Organisation involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority, delegation and coordination".

Thus, organising is the determining, grouping and arranging of various activities deemed necessary for the attainment of the objectives, the assigning of people to activities, providing of suitable physical factors of environment and indicating the relative authority delegated to each individual.

### (B) Features of Organisation

B.C.A. : April 2015, 2017

Organisation has certain essential features. They have been discussed below:

- 1. Division of work:** The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labour.
- 2. Coordination:** Coordination of various activities is as essential as their division. It helps in integrating and harmonising various activities. Coordination also avoids duplication of work and delays.
- 3. Common objective:** An organisational structure is a means towards achievement of enterprise goals. The goals of various segments lead to the achievement of major business goals.
- 4. Co-operative relationship:** An organisation creates co-operative relationship among various members of the group. Organising leads to a system which helps in creating meaningful relationship among persons. The structure should be so designed that it motivates people to perform their part or work together.
- 5. Well-defined authority-responsibility relationship:** An organisation consists of various positions arranged in a hierarchy with well-defined authority and responsibility.

### (C) Steps in Organisation

B.C.A. : Oct. 2011, 2012

Organising is the function of management which follows planning. It is a function in which the synchronisation and combination of human, physical and financial resources

takes place. All the three resources are important to get results. Therefore, organisational function helps in achievement of results which in fact is important for the functioning of a concern. According to Chester Barnard, "Organising is a function by which the concern is able to define the role positions, the jobs related, and the co-ordination between authority and responsibility". Hence, a manager always has to organise in order to get results.

A manager performs the organising function with the help of following steps:-

- 1. Identification of activities:** All the activities which have to be performed in a concern have to be identified first. For example preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.
- 2. Departmentally organising the activities:** In this step, the manager tries to combine and group similar and related activities into units or departments. This organisation of dividing the whole concern into independent units and departments is called departmentation.
- 3. Classifying the authority:** Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.
- 4. Coordination between authority and responsibility:** Relationships are established among various groups to enable smooth interaction toward the achievement of the organisational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organisational structure is drawn and all the employees are made aware of it.

#### (D) Objectives of Organisation

Organisation aims at the achievement of the following objectives:

- 1. To help management:** The function of organisation helps management in having a control over various business functions. The work is divided properly and control centers are established. The authority is delegated and

responsibilities are fixed. It helps the management in having a coordinated administration.

2. **To increase production:** The duties are assigned according to the principles of division of labour. The efficient system of organisation encourages every employee to make his best contribution in raising output.
3. **Co-operation of employees:** The organisation structure will succeed only if employees co-operate in the work; the employees learn working in close cooperation of other. The management introduces various incentive schemes and gives monetary and other benefits to the employees, so that they work with a team spirit.

#### (E) Types of Organisation

Small companies can use a variety of organisational structures. However, a small company's organisation structure must be designed to effectively meet its goals and objectives, according to the Lamar University article titled "Organisational Structure" on its website. Types of organisational structure in management can include flat structures as well as functional, product and geographical-structured organisations.

**1. Flat Organisational Structure:** Many small companies use a flat organisational structure, where very few levels of management separate executives from analysts, secretaries and lower-level employees. Flat organisations work best when a company has less than 20 employees, especially if the company employs one or two employees per department. One advantage of using a flat organisational structure for management is that decisions can be made relatively quickly. The flat organisational lacks the typical bureaucracy of taller organisational structures--those with many levels of management.

**2. Functional Organisational Structure:** A functional organisational structure is centered on job functions, such as marketing, research and development and finance. Small companies should use a functional organisation when they want to arrange their organisational structure by department. For example, a small company may have a director, two managers and two analysts in the marketing department. A functional organisational structure works well when small companies are heavily project-focused. Directors can assign certain projects to managers, who can then divide up tasks with their analysts. The department can then more effectively meet their project deadlines.

**3. Product Organisational Structure:** A product organisational structure has managers reporting to the president or head of the company by product type. Product organisational structures are primarily used by retail companies that have stores in various cities. However, stores in each city may still need a local human resources or marketing department to carry out functions locally.

**4. Geographical Organisational Structure:** The Small Business Administration is responsible for defining small businesses in different industries. A geographical organisational structure is when companies decentralise the functional areas. For example, unlike the product organisational structure, there may be a local marketing, finance, accounting and research development person based in each region. For example, a small consumer products food company may be large enough to place a marketing research manager and analyst in each of six different regions. This can be important because consumers in various areas have different tastes. Hence, a geographical structure will enable the company to better serve the local market.

### (f) Delegation of Authority

**B.B.M.: Oct. 2017**

Delegation of authority is a very vital organisational process. It is inevitable along with the expansion and growth of a business enterprise. Delegation means assigning of certain responsibilities along with the necessary authority by a superior to his subordinate managers. Delegation does not mean surrender of authority by the higher level manager. It only means transfer of certain responsibilities to subordinates and giving them the necessary authority, which is necessary to discharge the responsibility properly. Delegation is quite common in all aspects of life including business. Even in the college, the principal delegates some of his authority to the vice-principal. In delegation, an attempt is being made to have meaningful participation and cooperation from the subordinates for achieving certain well-defined results. Due to delegation, the routine responsibilities of the superior are reduced. As a result, he concentrates on more urgent and important matters. Secondly, due to delegation, subordinate becomes responsible for certain functions transferred to him. Delegation is a tool, which a superior manager uses for sharing his work with the subordinates and thereby raising his efficiency.

Delegation is not a process of abdication. The person who delegates does not divorce himself from the responsibility and authority with which he is entrusted. He remains accountable for the overall performance and also for the performance of his subordinates. Delegation is needed when the volume of work to be done is in excess of an individual's physical and mental capacity.

- Delegation involves the following three basic elements:
- Assignment of duties to subordinates,
- Granting of authority to enable the subordinates to perform the duties assigned, and
- Creation of obligation on the part of subordinate to perform duties in an orderly manner.

## **Definitions of Delegation of Authority**

**1.** According to F. C. Moore: "Delegation means assigning work to the others and giving them authority to do so."

**2.** According to O. S. Miner: "Delegation takes place when one person gives another the right to perform work on his behalf and in his name and the second person accepts a corresponding duty or obligation to do that is required of him."

**3.** According to Louis Allen: "Delegation is the dynamics of management, it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement, can perform effectively, and so that he can get others to help him with what remains."

### **Need of Delegation of Authority**

**1. Relieves manager for more challenging jobs:** Delegation makes it possible for the managers to distribute their workload to others. Thus, managers are relieved of routine work and they can concentrate on higher functions of management like planning, organising, controlling, etc.

**2. Leads to motivation of subordinates:** Subordinates are encouraged to give their best at work when they have authority with responsibility. They take more initiative and interest in the work and are also careful and cautious in their work. Delegation leads to motivation of employees and manpower development.

**3. Facilitates efficiency and quick actions:** Delegation saves time enabling the subordinates to deal with the problems promptly. They can take the decisions quickly within their authority. It is not necessary to go to the superiors for routine matters. This raises the overall efficiency in an organisation and offers better results in terms of production, turnover and profit.

**4. Improves employee morale:** Delegation raises the morale of subordinates as they are given duties and supporting authority. They feel that they are responsible employees. The attitude and outlook of subordinates towards work assigned becomes more constructive.

**5. Develops team spirit:** Due to delegation, effective communication develops between the superiors and subordinates. The subordinates are answerable to superiors and the superiors are responsible for the performance of subordinates. This brings better relations and team spirit among the superiors and subordinates.

### **6. Maintains cordial relationships:**

The superiors trust subordinates and give them necessary authority. The subordinates accept their accountability and this develops cordial superior-subordinate relationships.

**Facilitates management development:** Delegation acts as a training ground for management development. It gives opportunity to subordinates to learn, to grow and to develop new qualities and skills. It builds up a reservoir of executives, and can be used as and when required. Delegation creates managers and not mere messengers.

**Advantages of delegation will not be available easily and automatically:**

The advantages of delegation will not be available easily and automatically. They will be available only when the process of delegation moves smoothly. Problems will develop, if the delegation is not introduced with proper planning and may develop. For example, the authority given to subordinate is inadequate or proper spirit. For example, the authority given to subordinate is inadequate or the subordinate is not competent to discharge the responsibilities assigned or the superior fails to monitor the whole process of delegation effectively. In all such cases, the delegation will be ineffective and the expected advantages will not be available to the organisation and also to concerned parties.

#### **Difficulties or Obstacles on the part of a Manager**

**Difficulties or the manager to delegate authority:** Some

1. **Unwillingness:** Managers tend to think that they can do the job better when they themselves handle the job. The attitude that 'I can do it better myself' on the part of superior acts as an obstacle to delegation. Some managers (superiors) who are autocratic and power worshippers feel that delegation will lead to reduction of their influence in the Organisation. A manager may feel that if he has a competent subordinate and if he delegates authority to the subordinate, quite likely he will outshine him (manager) and may be promoted.

2. **Fear of competition:** A manager may feel that if he has a competent subordinate and if he delegates authority to the subordinate, quite likely he will outshine him. Fear of subordinate's excellence may come in the way of delegation.

3. **Lack of confidence in subordinates:** A manager may hesitate to delegate authority, if he feels that his subordinate is not competent to deal with the problem and take decisions. Even fear of losing control over the subordinates acts as an obstacle to delegation. In addition, fear of being exposed due to personal shortcomings may act as an obstacle to delegation.

4. **Lack of ability to direct:** Sometimes, a manager may experience difficulty in directing the efforts of his subordinates because of his inability to identify and communicate the essential features of his long-range plans and programmes.

5. **Absence of controls that warn of coming troubles:** An organisation the serious have developed the controlling techniques to know in advance

problems lying ahead. It may happen due to concentration of power in the hands of few people. As a result, manager may resist delegation.

6. **Conservative and cautious temperament of the manager:** If a manager has a conservative and over-cautious approach, there will be psychological barrier in the way of delegation. A manager avoids delegation as he feels that something may go wrong even when the instructions given are clear and the subordinates are reliable.

7. **Desire to dominate subordinates:** Managers (Superiors) normally, have a desire to dominate the subordinates functioning under their control. They feel that their domination will reduce if the powers are delegated to subordinates. They also feel that due to delegation, the subordinates will know their managerial deficiencies. In order to maintain their superior status and in order to dominate the subordinates, they avoid delegation itself.

#### **Difficulties on the Part of the Subordinates**

1. **Too much dependence on the manager for decisions:** Some subordinates avoid responsibility even when the superior/manager is prepared to delegate authority. They want the manager to tackle problems and take decisions. A subordinate who is not confident about his performance/ability will certainly try to shirk responsibility even though his superior is prepared to delegate functions and authority.

2. **Fear of criticism:** Subordinates express unwillingness to accept delegated authority because of the fear of criticism in the case of mistakes. They fear that they may be criticized by others if they commit mistakes. Such subordinates have the following feeling in their mind, "Why should I stick my neck out for my boss?"

3. **Lack of information:** A subordinate may hesitate to accept a new assignment when he knows that necessary information to perform the job is not likely to be made available to him. He is reluctant to accept delegated functions and authority as he feels that he will not be able to perform well due to inadequate information available.

4. **Absence of positive incentives:** Positive incentives like recognition of work and rewards go a long way in building up the morale of subordinates. In the absence of such incentives in the form of recognition, appreciation or monetary benefit, a subordinate may not be prepared to accept delegation of authority.
5. **Absence of self-confidence:** A subordinate may lack self-confidence about his ability to take quick and correct decisions. He may not like to accept new challenging functions as he lacks self-confidence. Thus, lack of self-confidence on the part of subordinates is one obstacle which comes in the way of delegation of authority.

### **difficulty in decision-making:**

A subordinate may not have the skill and the expertise to take quick and correct decisions. He prefers to go to his superior (boss) and ask for his guidance or opinion. Such psychology acts as a cause for non-acceptance of delegation. A subordinate avoids delegation due to such mental tension or inferiority complex.

### **poor superior-subordinate relations:**

Absence of cordial relations in between the superior and the subordinates hampers the process of delegation of authority. The attitude of the superior towards subordinate may not be friendly but hostile. There may be undue interference in the work assigned to the subordinate. Even the good work of subordinate may not be appreciated by the superior. Such situation creates unfavorable attitude of subordinate towards delegation. He avoids delegation as and when offered.

### **Undue interference by superior:**

A superior should not interfere in the duties delegated to the subordinate. He may offer guidance as and when asked for. Some superiors interfere in the work of his subordinate and try to control him often and again. In the absence of legitimate freedom, the subordinate becomes uneasy and prefers to remain away from the process of delegation.

### **Fear of being exposed:**

Some subordinates may have an inferiority complex. They feel that they have limited capacity to accept the challenges which are bound to come out to delegation. They feel that their inability to deal with new problems will be exposed due to delegation. This fear acts as an obstacle to delegation.

## **[f] Decentralisation**

Decentralisation means diffusion of authority. The dispersal of authority of decision-making to the lower level management is termed as decentralisation. Decentralisation of authority is a fundamental phase of delegation and the extent to which authority is not delegated is called centralisation. According to Fayol "Everything that goes to increase the importance of the subordinate's role is called decentralisation."

Decentralisation in relation to office denotes disperse of office services and activities. The necessity of decentralisation of office services occurs when official activities are performed at functional departmental level. Thus, decentralisation in relation to office may include departmentation of activities. When authority is dispersed, decentralisation is present.

The need for decentralisation is felt when the business grows in its size which necessitates diversification of office activities. Decentralisation occurs at the time of decisions of routine nature but if decisions are vital, the authority is not decentralised. The technological development, political factors, availability of managers also affects the

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degree of decentralisation. Decentralisation does not exist in its pure sense. There is a mixture of the two because some activities are centralised and some are decentralised.

#### **Advantages of Decentralisation**

1. **Distribution of burden of top executive:** Decentralisation enables to its executive to share his burden with others at lower levels because here authority is delegated. The top executive is relieved of some burden and concentrates his activities to think for the future of the organisation.
2. **Increased motivation and morale:** The morality of the employees is increased because of delegation of authority. Decentralisation helps to increase employees' morale because it involves delegation. The employees are motivated to work.
3. **Greater efficiency and output:** Decentralisation gives emphasis on care, cautious and enthusiastic approach to the work which in turn results in increased efficiency and output. This is possible because it involves delegation of authority and responsibility.
4. **Diversification of Activities:** Decentralisation helps in diversification of activities. It creates more employment opportunities because new managers are to be entrusted with new assignments.
5. **Better Coordination:** The various operations and activities are coordinated in a decentralised set up.
6. **Maintenance of Secrecy:** Decentralisation enables to maintain secrecy without much cost and unnecessary trouble.
7. **Facilitate effective control and quick decision:** Decentralisation enables to measure the work according to standard easily and quickly. This facilitate taking up quick decision.

#### **Disadvantages of Decentralisation**

A decentralised organisation suffers from the following disadvantages:

1. **More cost:** Decentralisation is costly because it encourages duplication of functions and equipment's. As it is costly, it cannot be adopted by small organisations.
2. **No specialisation:** Specialisation suffers in decentralisation because everyone becomes jack-of-all-trades but master of none. So specialisation is affected.
3. **Need more specialists:** In decentralisation more specialists are needed. The services of specialists are not utilised effectively and efficiently, as they are large in numbers.
4. **No uniform action:** It becomes difficult to maintain uniformity in action because routine and methods differ from organisation to organisation and department to department.

**No equitable distribution of work:** It becomes difficult to distribute workload equitably among different employees.

## CONTROLLING : MEANING, NEED, PROCESS, TECHNIQUES

3.7

**B.C.A., 2 April 2015**

**(A) Meaning of Control :**

In 1916, Henri Fayol formulated one of the first definitions of control as it pertains to management: "Controlling consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established. Its object is to point out weaknesses and errors in order to rectify [them] and prevent recurrence."

Management control can be defined as a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards. It is also used to determine, presumably, if any remedial action is required to ensure that human and other corporate resources are being used in the most effective and efficient way possible to achieve corporate objectives.

Control can also be defined as "that function of the system that adjusts operations as needed to achieve the plan, or to maintain variations from system objectives within allowable limits." The control subsystem functions in close harmony with the operating system. The degree to which they interact depends on the nature of the operating system and its objectives. Stability concerns a system's ability to maintain a pattern of output without wide fluctuations. Rapidity of response pertains to the speed with which a system can correct variations and return to expected output.

### **(B) Characteristics/ Features of Controlling**

- Controlling is a continuous process.
  - Controlling is a management process.
  - Controlling is embedded in each level of organisational hierarchy.
  - Controlling is forward-looking.
  - Controlling is closely linked with planning.
  - Controlling is a tool for achieving organisational activities.
  - Controlling is an end process.
  - Controlling is an activity that can be understood in greater depth as follows:
- The characteristics of controlling can be understood in greater depth as follows:
- 1. Controlling is a Continuous Process:** Controlling is not a single step activity. Rather, it is a dynamic process that involves constant analysis of actual and planned performance and the resultant deviations as well as the revision of objectives, plans, policies, procedures, positions, incentives etc. in the light of such deviations.

- 2. Purpose of Controlling is Positive:** George Terry says, the function of controlling is positive – it is to make things happen, i.e. to achieve the goal within stated constraints, or by means of the planned activities. Controlling is a managerial necessity and a help, not an impediment or a hindrance.
- 3. Controlling is an exercise at all levels in the Management Hierarchy:** Controlling is a function of every manager, from Chairman and Managing Director to a supervisor, though it may vary in scope among managers. For example the top managers are concerned with administrative control, which is exercised through broad policies, plans and other directives. The middle level managers are concerned with the executor control for the purpose of getting the plans, policies, and programmes executed. At the lower level, supervisors exercise operational control to ensure successful performing of actual operations or production activities by their close monitoring.
- 4. Controlling Guides Behaviour of People and use of Resources and Facilities:** Controlling guides the action and the behaviour of the people who are responsible for carrying out different activities or operation.
- 5. Control is mainly Forward Looking:** Controlling mainly aims at the future because future is ahead and past is gone.
- 6. Control Measures and Evaluates Performances:** Controlling involves measurements of the actual results in order to facilitate other evaluation or comparison against the planned results. It also suggests guidelines for future course of action.
- 7. Control Facilities Coping with Environment:** An effective controlling system foresees the likely changes in consumer preferences and demands and therefore guides the members of the organisation to modify the products or services to meet the anticipated needs and requirements of the consumers in the future market.
- 8. Control Closely Related to Planning:** Planning is the basis of controlling. Controlling implies the existence of certain standards or yardsticks against which actual results are to be evaluated. Planning provides such standards, if there is no plan; it means that there is no basis for control. Planning sets the course of action and controlling monitors the operation or activities to follow such course of action. In fact, planning initiates the process of management and control completes this process.
- On the other hand, planning without control is not a reality. Controlling ensures to the organisational activities and the functions on the right track and aligned with plans and goals. Standards for evaluation of performance are the beginning point of the

process. Controlling indicates the need for revision of plans in case the standards are not achievable or if the environment has changed. The information collected by the control system is also useful for planning in future. Without control, planning will be a futile exercise remaining on the papers only. Controlling makes plans meaningful and effective, similarly controlling is effective only when it is specially tailored to plans. Thus, it is correct to comment that planning is meaningless without control and thus, is aimless without planning. Weihrich and Kortz comments, planning and controlling may be viewed as the blades of a pair of scissors, the scissors cannot work unless there are two blades. Without plans and objectives, control is not possible because performance has to be measured against some established criteria. Similarly, without control, realization of plans is not possible to be guided on the right path leading to the accomplishment of plans. Therefore, Weihrich and Koontz have commented - Planning and controlling are inseparable the Siamese twins of management. Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control. Thus, there is complete interdependence between planning and controlling.

### (C) The Elements of Control

The four basic elements in a control system are as follows:

1. **The characteristic or condition to be controlled:** The first element is the characteristic or condition of the operating system that is to be measured. We select a specific characteristic because a correlation exists between it and how the system is performing. The characteristic may be the output of the system at any stage of processing or it may be a condition that is the result of the system. For example, it may be the heat energy produced by the furnace or the temperature in the room that has changed because of the heat generated by the furnace. In an elementary school system, the hours a teacher works or the gain in knowledge demonstrated by the students on a national examination are examples of characteristics that may be selected for measurement, or control.
2. **The sensor:** The second element of control, the sensor, is a means for measuring the characteristic or condition. For example, in a home-heating system, this device would be the thermostat; and in a quality-control system, this measurement might be performed by a visual inspection of the product, the comparator, determines the need for correction by comparing what is occurring with what has been planned.
3. **The comparator:** The third element of control, the comparator, determines the need for correction by comparing what is occurring with what has been planned. Correction from plan is usual and expected.

those acceptable limits, corrective action is required. It involves a sort of preventative action to indicate that good control is being achieved.

4. **The activator:** The fourth element of control, the activator, is the corrective action taken to return the system to expected output. The actual person, device, or method used to direct corrective inputs into the operating system may take a variety of forms. It may be a hydraulic controller positioned by a solenoid or electric motor in response to an electronic error signal, an employee directed to rework the parts that failed to pass quality inspection, or a school principal who decides to buy additional books to provide for an increased number of students. As long as a plan is performed within limits, corrective action is not necessary.

#### (D) Process of Controlling

We have understood the concept and elements of controlling. Controlling is a continuous and a circular process which is carried out on a chain basis. The steps of the controlling process are discussed ahead:

##### 1. Step 1: Fixing the Control Standards / Objectives / Targets

A standard is a criterion (base) which is used to measure the performance of the subordinates. Standards may be of two types, i.e. Quantitative Standards and Qualitative Standards.

- (a) Quantitative Standard can be easily defined and measured. For e.g. number of products, number of customers, cost, net profit, time limits, etc.
- (b) Qualitative Standard cannot be easily defined and measured. For e.g. measurement of morale, measurement of job satisfaction, measurement of effect of a training programme, advertisement programme, etc. It is better to have quantitative standards because they are measurable.

The standards should be as clear as possible. It should be easily understood by both superiors and subordinates. The responsibility of each individual should also be clearly defined i.e. everyone should be responsible for achieving a particular goal, objective, target, etc.

**Example:** The marketing department fixes a standard - "We will sell 2,000 units of product X in one month". So here the standard is 2,000 units.

##### 2. Step 2: Measuring the Actual Performances

After establishing the standards, the subordinates should be provided with all the resources for performing the job. They should be directed and motivated to perform the job. Similarly, they should be supervised. If the subordinated comes under Theory X they require maximum supervision. However, if they come, under Theory Y then they require minimum supervision. After they complete the job their performance

be measured. There are many traditional and modern techniques for measuring the performances of subordinates.

**Example:** After one month, the marketing department sold only 10,000 units of product X. So, their actual performance is only 10,000 units.

### **Step 3: Comparison**

The actual performances of the subordinates are compared with established standards, and then the deviations are found out. The deviations which are found out may be positive or negative.

Positive Deviation means that the actual performance is better than the established standards. Positive deviations should be appreciated.

(a) Negative Deviation means that the actual performance is less than the established standards. The management should pay special attention to the negative deviation. They should find out the cause of negative deviations.

Generally, minor (small) deviations are ignored. However, major deviations should be immediately addressed and reported to the top management. PERT, Budgetary Control, Observation, Inspection, Reports, etc. are some of the methods used for comparison.

**Example:** 10,000 units (Standard) minus 9,000 units (Actual Performance) = 1,000 units (Negative Deviation).

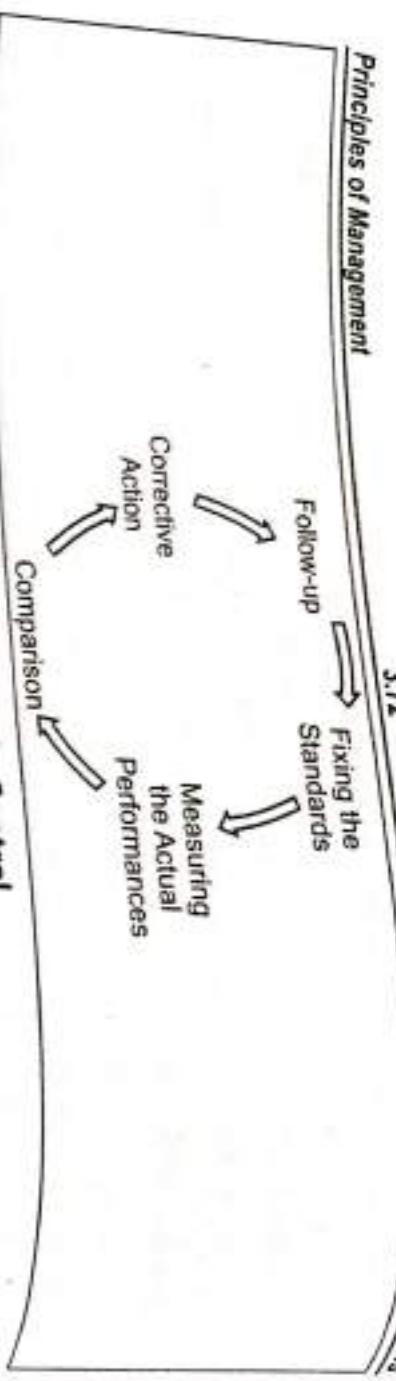
### **Step 4: Corrective Action**

After finding out the negative deviations and their causes, the managers should take steps to correct these deviations. Corrective action may include, changing the standards, providing better motivation, giving better training, using better machines, etc. The management should take essential steps to prevent these deviations in the future.

**Example:** The cause of the negative deviation was less advertising and untrained salesmen. So, the company must spend reasonable money on advertising and training.

### **Step 5: Follow-up**

After taking corrective action, the management must do a follow-up. Follow up finds out whether the deviations and their causes are removed. If follow-up is done properly, then the actual performance will be equal to or better than the established standards.



**Fig. 3.8 : Follow-up in Control**

#### (E) Techniques of Controlling

The ten types of traditional techniques of controlling are discussed below:

- 1. Direct Supervision and Observation:** Direct Supervision and Observation' is the oldest technique of controlling. The supervisor himself observes the employees and their work. This brings him in direct contact with the workers. So, many problems are solved during supervision. The supervisor gets firsthand information, and he has better understanding with the workers. This technique is most suitable for a small-size business.
- 2. Financial Statements:** All business organisations prepare Profit and Loss Account. It gives a summary of the income and expenses for a specified period. They also prepare Balance Sheet, which shows the financial position of the organisation at the end of the specified period. Financial statements are used to control the organisation. The figures of the current year can be compared with the previous year's figures. They can also be compared with the figures of other similar organisations.

Ratio analysis can be used to find out and analyse the financial statements. Ratio analysis helps to understand the profitability, liquidity and solvency positions of the business.

- 3. Budgetary Control:** A budget is a planning and controlling device. Budgetary control is a technique of managerial control through budgets. It is the essence of financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue. Budgetary control is done by the budget committee.
- 4. Break Even Analysis:** Break Even Analysis or Break Even Point is the point of no profit, no loss. For example when an organisation sells 50000 cars it will break even. It means that, any sale below this point will cause losses and any sale above this point will earn profits. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take

corrective action to improve its performance in the future. Break-even analysis is a simple control tool.

#### **5. Return on Investment (ROI):**

Investment consists of fixed assets and working capital used in business. Profit on the investment is a reward for risk taking. If the ROI is high then the financial performance of a business is good and vice-versa. ROI is a tool to improve financial performance. It helps the business to compare its present performance with that of previous years' performance. It helps to conduct inter-firm comparisons. It also shows the areas where corrective actions are needed.

#### **6. Management by Objectives (MBO):**

MBO facilitates planning and control. It must fulfill the following requirements:

- Objectives for individuals are jointly fixed by the superior and the subordinate.
- Periodic evaluation and regular feedback to evaluate individual performance.
- Achievement of objectives brings rewards to individuals.

#### **7. Management Audit:**

Management Audit is an evaluation of the management as a whole. It critically examines the full management process, i.e. planning, organising, directing, and controlling. It finds out the efficiency of the management. To check the efficiency of the management, the company's plans, objectives, policies, procedures, personnel relations and systems of control are examined very carefully. Management auditing is conducted by a team of experts. They collect data from past records, members of management, clients and employees. The data is analysed and conclusions are drawn about managerial performance and efficiency.

#### **8. Management Information System (MIS):**

In order to control the organisation, the management needs accurate information. They need information about the internal working of the organisation and also about the external environment. Information is collected continuously to identify problems and find out solutions. MIS collects data, processes it and provides it to the managers. MIS may be manual or computerised. With MIS, managers can delegate authority to subordinates without losing control.

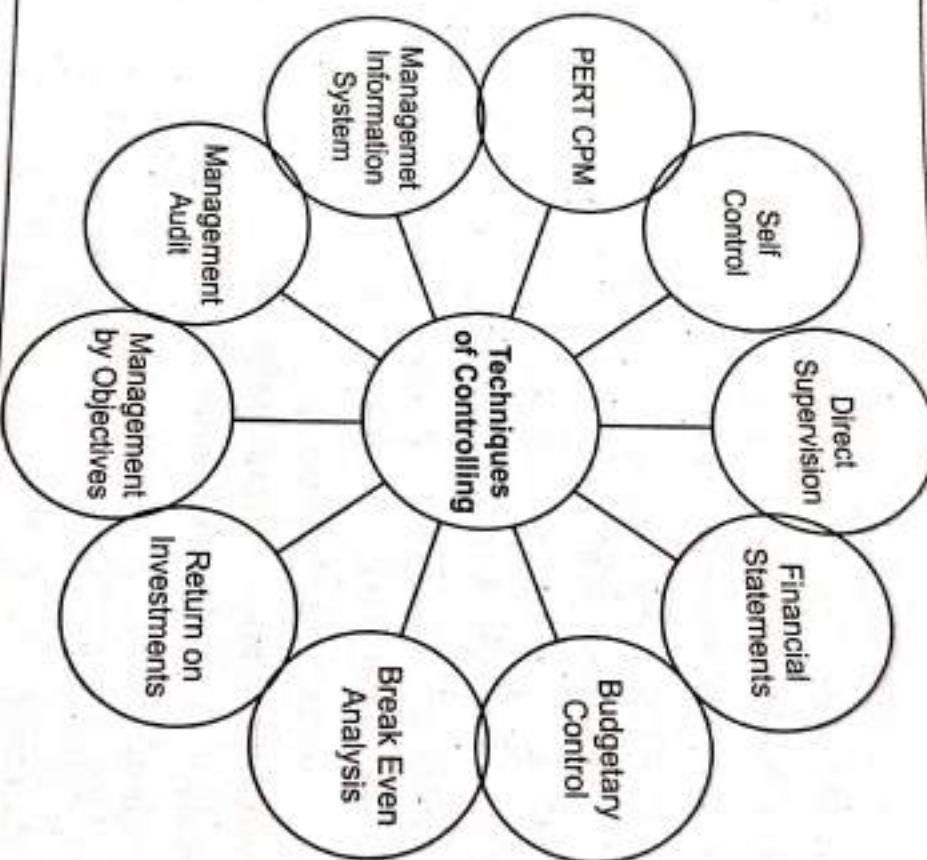
#### **9. PERT and CPM Techniques:**

Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) techniques were developed in USA in the late 50's. Any programme consists of various activities and sub-activities. Successful completion of any activity depends upon doing the work in a given sequence and in a given time. CPM / PERT can be used to minimize the total time or the total cost required to perform the total operations.

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Importance is given to identifying the critical activities. Critical activities are those which have to be completed on time otherwise the entire project will be delayed. So, in these techniques, the job is divided into various activities / sub-activities. From these activities, the critical activities are identified. More importance is given to completion of these critical activities. So, by controlling the time of the critical activities, the total time and cost of the job are minimized.

**10. Self-Control:** Self-control means self-directed control. A person is given freedom to set his own targets, evaluate his own performance and take corrective measures as and when required. Self-control is especially required for top level managers because they do not like external control. However, self-control does not mean no control by the superiors. The superiors must control the important activities of the subordinates.



**Fig. 3.9 : Techniques of Controlling**

**(F) Importance of Controlling in Business**

"The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark."

The control function guides the management in achieving pre-determined goals. The control process also ensures the efficiency of various functions. The shortcoming in

fields is also reported for taking corrective measures. Control provides basis for future action.

Future enables management to avoid repetition of past mistakes. Whenever there is a deviation between standard and actual performance the control helps in deciding the course of action.

Decentralisation of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control. The targets or goals of various departments are used as a control technique.

The management by exception enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralisation without losing control over activities.

Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals. Similarly, the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest. Controls put psychological pressure on persons in the organisation.

The rewards and punishments are also linked with performance. The employees will always be under pressure to improve upon their work. Since performance measurement is one of the important tools of control, it ensures that every person tries to maximize his contribution.

#### **(G) Controlling as a Feedback System**

Managerial Control is the same basic process as is found in physical, biological, and social systems. Many systems control themselves through information feedback which shows deviations from standards and initiates changes. In other words, systems use some of their energy to feedback information that compares performance with a standard and initiates corrective action.'

Management Control is perceived as a feedback system similar to that which operates in the usual household. This can be seen clearly by studying the feedback process of management control discussed in the figure. This system places control in a more complex and realistic light, than would regarding it merely as a matter of establishing standards, measuring performance, and correcting for deviations. Managers do measure actual performance, compare this measurement against standards, identify and analyse deviations. But, to make the necessary corrections, they must

**Principles of Management** develop a programme for corrective action and implement this programme in order to arrive at the desired performance.

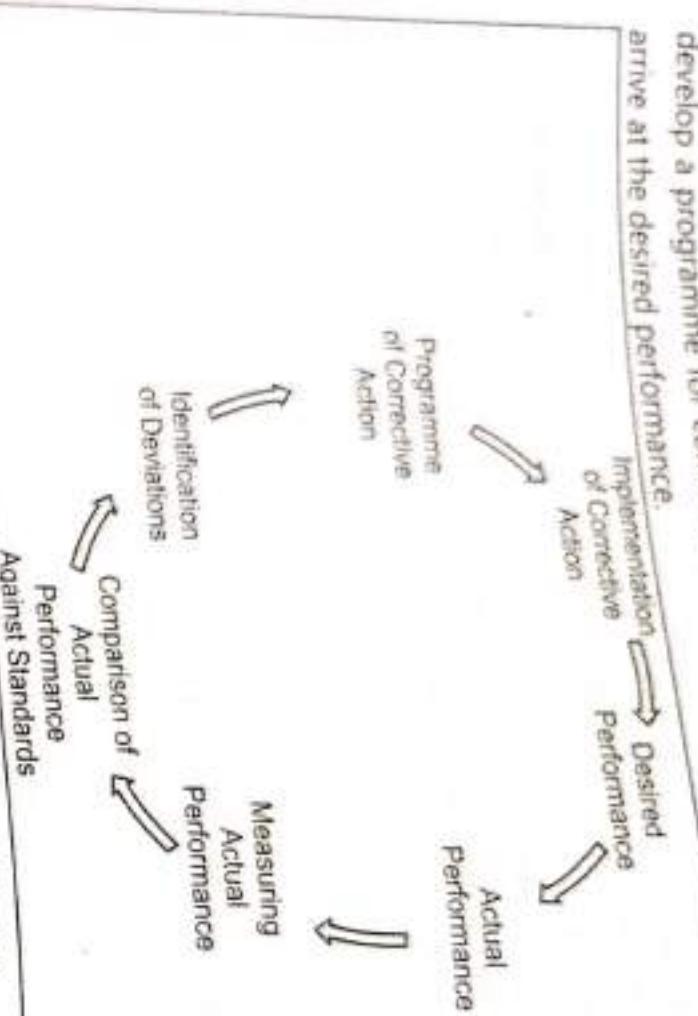


Fig. 3.10: Controlling as a Feedback System

#### ❖ Questions for Discussion ❖

1. Write a detailed note on the functions of planning.
2. Describe the concept, process and characteristics of planning in detail.
3. What is forecasting? How is it different from planning?
4. Elaborate the role of decision-making as a function of management.
5. What is the organising function of management? Discuss its need and importance.
6. Discuss the importance of Delegation of Authority as a function of management.
7. What are the benefits from delegation of authority?
8. Write a note on decentralisation.
9. What is the direction function of management? Discuss the need and importance of it.
10. "Motivation plays a significant role in the success of an organisation." Discuss.
11. What are the theories of motivation and leadership?
12. What is controlling? How does controlling function influence the other functions of management?

#### ❖ Questions from Past Examinations : BCA and BBM (IB) : Sem I ❖

1. **What is Organisation? Explain various steps involved in Organising Process.**

**Ans. :** Refer to Article 3.6 (A) and (C) of this Chapter.

**What is Planning? Explain its process.**

2. Refer to Article 3.1 (A) and (E) of this Chapter.

**What is Organising? Explain steps involved in Organising Process.**

3. Refer to Article 3.6 (A) and (C) of this Chapter.

**What is Planning? Explain advantages and limitations of Planning.**

Ans.: Refer to Article 3.6 (A), (F) and (G) of this Chapter. **B.C.A.: April 2013**

**What is Planning? Explain advantages and limitations of Planning.**

Ans.: Refer to Article 3.1 (A), (F) and (G) of this Chapter. **B.C.A.: April 2013**

**Write short notes on:**

5. **Need of Delegation of Authority** **B.C.A.: April 2011**

Ans.: Refer to Article 3.6 (F) of this Chapter.

**Process of Rational Decision-making** **B.C.A.: April 2011**

Ans.: Refer to Article 3.3 (C) of this Chapter.

**Delegation of Authority** **B.C.A.: Oct. 2012**

Ans.: Refer to Article 3.6 (F) of this Chapter.

**Types or organizations.** **B.C.A.: April 2013**

Ans.: Refer to Article 3.6 (E) of this Chapter.

**Decentralisation.** **B.C.A.: April 2013**

Ans.: Refer to Article 3.6 (G) of this Chapter.

**Define Motivation. Briefly explain any two Theories of Motivation.** **B.C.A.: April 2011**

Ans.: Refer to Article 3.6 (D) of this Chapter. **B.C.A.: April 2013**

**What is Control? Explain essential steps in Control Process.** **B.C.A.: April 2013**

Ans.: Refer to Article 3.7 (A) and (D) of this Chapter.

**Write short notes on:**

(a) **Features of Controlling.** **B.B.M. (IB): April 2011**

Ans.: Refer to Article 3.7 (B) of this Chapter.

(b) **Importance of Motivation.** **B.C.A.: Oct. 2011**

Ans.: Refer to Article 3.5 (D) of this Chapter. **B.C.A.: Oct. 2013**

9. **What is Planning ? Explain advantages and limitations of Planning.**

Ans.: Refer to Article 3.1 (A), (F) and (G) of this Chapter. **B.C.A.: Oct. 2013**

10. **Define Motivation. Briefly explain any two theories of motivation.** **B.C.A.: April 2014**

Ans.: Refer to Article 3.5 (A) and (F) of this Chapter.

11. **What is Planning ? Explain its Importance.**

Ans.: Refer to Article 3.1 (A) and (C) of this Chapter.

**12. What is Motivation ? Critically examine the Herzberg's Two Factor Theory.**

Ans. : Refer to Article 3.1 (A) and (F) of this Chapter.

**13. What is Organisation ? Explain the essential features of Sound organisation.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.6 (A) and (B) of this Chapter.

**14. Define Control. Explain the features of Control.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.7 (A) and (B) of this Chapter.

**15. Explain in detail the steps involved in planning process.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.1 (E) of this Chapter.

**16. Explain the Maslow need Hierarchy Theory of Motivation.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.5 (F) (I) of this Chapter.

**17. Define the Planning. Explain the advantages and limitations of planning.**

**B.B.M. (IB) : April 2017, BCA : April 2017**

Ans. : Refer to Article 3.1 (A), (F) and (G) of this Chapter.

**18. Write Short Notes :**

**(A) Decentralisation.**

**B.C.A.: Oct 2013**

Ans. : Refer to Article 3.6 (G) of this Chapter.

**(B) Principles of Directions.**

**B.C.A.: April 2014, 2015, B.B.M. (IB) April 2017**

Ans. : Refer to Article 3.4 (D) of this Chapter.

**(C) Importance of Motivation.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.5 (D) of this Chapter.

**(D) Direction.**

**B.C.A.: April 2015**

Ans. : Refer to Article 3.4 (A) of this Chapter.

**(E) Delegation of Authority.**

**B.C.A.: Oct 2017**

Ans. : Refer to Article 3.6 (F) of this Chapter.

◆ **Multiple Choice Questions** ◆

1. .... is the primary function of management.
  - (a) Planning
  - (b) Organising
  - (c) Staffing
  - (d) Control
2. .... is concerned with future events.
  - (a) Directing
  - (b) Decision making
  - (c) Forecasting
  - (d) Organising
3. .... means assigning work to others.
  - (a) Delegation
  - (b) Staffing
  - (c) Motivation
  - (d) Directing
4. .... is said to be heart of the organization.
  - (a) Controlling
  - (b) Directing
  - (c) Planning
  - (d) Staffing
5. .... is closely inter-wined with behaviour.
  - (a) Staffing
  - (b) Motivating
  - (c) Control
  - (d) Directing

Ans. : (1) – (a), (2) – (c), (3) – (a), (4) – (b), (5) – (b)



# 4 Chapter

## RECENT TRENDS IN MANAGEMENT

### \* Synopsis \*

- 4.1 Management of Change
- 4.2 Management of Crisis
- 4.3 Total Quality Management
- 4.4 Stress Management
- 4.5 Knowledge Management
- 4.6 Outsourcing
- ◆ Questions for Discussion
- ◆ Questions from Past Examinations
- ◆ Multiple Choice Questions

### 4.1 MANAGEMENT OF CHANGE

B.C.A.: April 2011, 2013, Oct 2013

#### (A) Introduction

With the constantly changing structure of the global and national economies, it has become extremely necessary for the organisations to make their operations more dynamic in the markets. In the quest to make the operations more dynamic, organisations come up with new and innovative practices of business to overpower the competition.

Change is an inevitable factor for achieving economic growth. Businesses which constantly adapt to the changes according the environments are businesses which

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succeed with overwhelming profit margins. It is very well said that the only thing that is permanent in this universe is change.

Adapting to change is quite a simple task on a personal level. However, making the entire organisation adapt to such change is a challenging factor for the management.

Understanding the enhanced dynamics of the economy and the constantly changing business environment, the need for a structured study of "Change Management" or

"Management of Change" has emerged in the business organisation.

However, in order to succeed, an intimate understanding of the human side of change management — the alignment of the company's culture, values, people, and behaviors is also needed to encourage the desired results. Plans themselves do not capture value; value is realised only through the sustained, collective actions of all the employees who are responsible for designing, executing, and living with the changed business environment.

Long-term structural transformation has four essential characteristics:

- Scale (the change affects all or most of the organisation).
- Magnitude (it involves significant alterations of the status quo).
- Duration (it lasts for months, if not years), and
- Strategic importance.

However, companies will reap the rewards only when the desired change occurs at the level of the individual employee in an organisation. Many senior executives know this and worry about it. When asked what keeps them up concerned about change, CEOs involved in transformation often say they are concerned about how the work force will react, how they can get their team to work together, and how they will be able to lead their people. They also worry about retaining their company's unique values and sense of identity and about creating a culture of commitment and performance. Leadership teams that fail to plan for the human side of change often find themselves wondering why their best-laid plans have gone awry.

### **(B) Meaning and Causes of Change**

Change is a natural phenomenon. Organisation is an open system and is influenced by change in its internal as well as external environment. Management decisions regarding matters like organisation structure, corporate objectives, policies and strategies should not be regarded as final for success and survival of the enterprise, it is necessary that management anticipates change and effectively deals with it.

Organisational change looks both at the process in which a company or any organisation changes its operational methods, technologies, organizational structure, strategies, as well as what effects these changes have on it.

Change may be defined as a variation in the established way of life to which people are accustomed to in the organisation. Change basically results from stimuli – both outside and inside the business enterprise. It can be natural, such as growth of an organism; reactive, such as a forced adjustment to change in technology or practice, introduction of a new employee benefit scheme with a view to enhancing personnel satisfaction and productivity. Particularly, in an organisational context, in view of the inevitability of change, managers have two options:

1. Either to wait until the moment when change is thrust upon the organisation,

OR

2. To voluntarily initiate steps to bring about the necessary change, or to prepare the organisation to strengthen its competencies in anticipating, planning and implementing change.

In any case, there could be a need to identify the various internal and external forces acting as stimulants to change. These external and internal forces that influence and affect the adaptability and acceptance of change have been discussed ahead:

### Forces Facilitating Change :

#### 1. External Forces

These forces lie in the external environment of the organisation. They have been classified as follows:

- (a) **Educational and Cultural Forces:** Educational and Cultural Forces influence the basic mentalities of the population. Such mentalities influence the success of an organisation and its products in the market. Similarly, the identification and acceptance of change in the structures of companies and their products is greatly influenced by the educational and cultural forces of the society.
- (b) **Economic Forces:** Economics is the study and science of money. All the factors which affect and influence the monetary aspects of the society come under the scope of economics. Economic forces determine the income levels, employment opportunities and the general inflation graph of the economy. The social mentalities are structured and built on the base of such economic aspects of the society. Hence, economic forces play a significant role in determining the acceptance of a change in the market.
- (c) **Technological Forces:** Technological forces are the driving forces of productions and operations in an economy. Technology determines the technical progress of an economy. Technological advancements have two fold benefits for the organisations – they can reduce number of people employed (reduction in costs) and they can work in the enhancements of the products and services (gaining the competitive edge).

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(d) **Political Forces:** Political structure and political preferences highly influence the success of the execution of a change in an economy. The formulation of policies, success of the execution of the industrial segments by the political agencies and the interpretation of the changes in the industries drive the cart of support and encouragement for the changes in an economy.

(e) **Social Forces:** Social forces such as the tastes and preferences of the society, the success of the execution of change in an economy. The formulation of policies, success of the execution of traditions determine the resistance at general mental levels and the preferences of traditions determine the resistance, and acceptance of organisational changes in the markets. Customs, traditions, and acceptance of organisational changes that exist in the economy, cultures and religions influence the preferences that exist in the economy. Companies must first understand and work upon such factors and then derive the strategies to execute change in the markets.

#### 2. Internal Forces

Internal Forces are such forces which influence the functioning of the organisation internally. They are completely controllable forces in the power and capacity of the organisation. They are the factors which are a part of the execution process of the organisation. These factors which internally influence the execution of change of an organisation can be studied as follows:

- Organisational structure:** Organisational structure is a very important and influential factor as it determines the structure and length of the organisation. Changes are formulated and designed at the top level of the organisational structure, while they are executed by the lowest level of the organisational structure. The deviation though between these two levels must be the least. Hence, organisational structure plays a significant part in the execution of change in an economy.
- Production:** Productions and operations are the core execution areas of the organisation. Production means the conversion of inputs into outputs with the help of some value additions in the inputs. The chain and value of production determines the execution of change in the economy.
- Marketing:** Marketing activities design the face and existence of the organisation in the market. Hence, marketing activities and actions must be closely monitored and controlled in the process of execution of change in the market economy.
- Finance:** Finance is a function of the management which derives funds for the operations of the company. Changes if thought for further execution must be controlled and coordinated with the Finance Department of the company.
- Human Resource:** Human Resources determine the requirement and allocation of people in the various functions executable for the change in an organisation.

Human Resources is such a function of the organisation which works on the people who work for the company. Any change before execution must allocate perfect people after the considerations of the human resources department.

(f) **Research and Development:** Research and development activities help in constant advancements and improvements in the products, services and structures of the companies. Many times, change is an outcome of the activities of the research and development activities in the organisation. Research and Development activities greatly influence the execution of change in an organisation.

Such internal and external factors influence the functioning and execution of change in an organisation. However, the gravity of influence will change from region to region, organisation to organisation, people to people, product to product. Hence, there cannot be a thumb rule for execution of change in the economy.

#### **Causes of Change :**

<b>External Causes</b>		<b>Internal Causes</b>
1.	Globalisation	1.
2.	Technological advances	2.
3.	Macro economic changes	3.
4.	Legal changes	Organisational changes
5.	Competitor's actions	Relocation
6.	Environmental factors.	Cost cutting to improve competitiveness

#### **(C) Guiding Principles of Change Management**

No single methodology fits every company, but there is a set of practices, tools, and techniques that can be adapted to a variety of situations. Researchers have come up with ten guiding principles for effectively and efficiently managing such change in a business organisation. These ten guiding principles of change management have been discussed ahead:

**1. Address the "Human Side" Systematically :** Any significant transformation creates "people issues." New leaders will be asked to step up, jobs will be changed, new skills and capabilities must be developed, and employees will be uncertain and resistant. Dealing with these issues on a reactive, case-by-case basis puts speed, morale, and results at risk. A formal approach for managing change — beginning with the leadership team and then engaging key stakeholders and leaders — should be developed early, and adapted often as change moves through the organisation. This demands as much data collection and analysis, planning, and implementation discipline as does a redesign

of strategy, systems, or processes. The change-management approach should be fully integrated into program design and decision making, both informing and enabling strategic direction. It should be based on a realistic assessment of the organisation's history, readiness, and capacity to change.

**2. Start at the Top:** As change is inherently unsettling for people at all levels of an organisation, when it is on the horizon, all eyes will turn to the CEO and the leadership team for strength, support, and direction. The leaders themselves must embrace the new approaches first, both to challenge and to motivate the rest of the institution. They must speak with one voice and model the desired behaviors. The executive team also needs to understand that, although its public face may be one of unity, it, too, is composed of individuals who are going through stressful times and need to be supported.

Executive teams that work well together are best positioned for success. They are aligned and committed to the direction of change, understand the culture and behaviors the changes intend to introduce, and can model those changes themselves. At one large transportation company, the senior team rolled out an initiative to improve the efficiency and performance of its corporate and field staff before addressing change issues at the officer level. The initiative realized initial cost savings but stalled as employees began to question the leadership team's vision and commitment. Only after the leadership team went through the process of aligning and committing to the change initiative was the work force able to deliver downstream results.

**3. Involve Every Layer of the Organisation:** As transformation programs progress from defining strategy and setting targets to design and implementation, they affect different levels of the organisation. Change efforts must include plans for identifying leaders throughout the company and pushing responsibility for design and implementation down, so that change "cascades" through the organisation. At each layer of the organisation, the leaders who are identified and trained must be aligned to the company's vision, equipped to execute their specific mission, and motivated to make change happen.

Insurance Company with consistently flat earnings decided to change performance and behavior in the preparation for going public. The company followed this "cascading leadership" methodology, training and supporting teams at each stage. First, 10 officers set the strategy, vision, and targets. Next, more than 60 senior executives and managers designed the core of the change initiative. Then 500 leaders from the field drove implementation. The structure remained in place throughout the change program, which doubled the company's earnings far ahead of schedule. This approach is also a superb way for a company to identify its next generation of leadership.

**4. Make the Formal Case:** Individuals are inherently rational and will question to what extent change is needed, whether the company is headed in the right direction, and whether they want to commit personally in making change happen. They will look to the leadership for answers. The articulation of a formal case for change and the creation of a written vision statement are invaluable opportunities to create or compel leadership-team alignment.

Four steps should be followed in developing the case:

- 1<sup>st</sup> Step : Confront reality and articulate a convincing need for change.
- 2<sup>nd</sup> Step : Demonstrate faith that the company has a viable future and the leadership to get there.
- 3<sup>rd</sup> Step : Provide a road map to guide behavior and decision making.
- 4<sup>th</sup> Step : Leaders must then customize this message for various internal audiences, describing the pending change in terms that matter to the individuals.

A consumer packaged-goods company experiencing years of steadily declining earnings determined that it needed to significantly restructure its operations by executing a 30 percent work force reduction in order to remain competitive. In a series of offsite meetings, the executive team built a brutally honest business case that downsizing was the only way to keep the business viable, and drew on the company's proud heritage to craft a compelling vision to lead the company forward. By confronting reality and helping employees understand the necessity for change, leaders were able to motivate the organisation to follow the new direction in the midst of the largest downsizing in the company's history. Instead of being shell-shocked and demoralized, those who stayed felt a renewed resolve to help the enterprise advance.

**5. Create Ownership:** Leaders of large change programs must over perform during the transformation and be the zealots who create a critical mass among the work force in the favor of change. This requires more than mere buy-in or passive agreement that the direction of change is acceptable. It demands ownership by leader's willingness to accept responsibility for making change happen in all of the areas they influence or control. Ownership is often best created by involving people in identifying problems and crafting solutions. It is reinforced by incentives and rewards. These can be tangible (for example, financial compensation) or psychological (for example, camaraderie and a sense of shared destiny).

At a large health-care organisation that was moving to a shared-services model for administrative support, the first department to create detailed designs for the new organisation was human resources. Its personnel worked with advisors in cross-functional teams for more than six months. But as the designs were being finalized, top

departmental executives began to resist the move to implementation. While agreeing that the work was top-notch, the executives realized they hadn't invested enough individual time in the design process to feel the ownership required to begin implementation. On the basis of their feedback, the process was modified to include a "deep dive." The departmental executives worked with the design teams to learn more, and get further exposure to changes that would occur. This was the turning point; the transition then happened quickly. It also created a forum for top executives to work as a team, creating a sense of alignment and unity that the group hadn't felt before.

**6. Communicate the Message:** Too often, change leaders make the mistake of

believing that others understand the issues, feel the need to change, and see the new direction as clearly as they do. The best change programs reinforce core messages through regular, timely advice that is both inspirational and practicable. Communications flow in from the bottom and out from the top, and are targeted to provide employees the right information at the right time and to solicit their input and feedback. Often this will require over-communication through multiple, redundant channels.

**7. Assess the Cultural Landscape:** Successful change programs pick up speed and intensity as they cascade down, making it critically important that leaders understand and account for culture and behaviors at each level of the organisation. Companies often make the mistake of assessing culture either too late or not at all. Thorough cultural diagnostics can assess organisational readiness to change, bring major problems to the surface, identify conflicts, and define factors that can recognize and influence sources of leadership and resistance. These diagnostics identify the core values, beliefs, behaviors, and perceptions that must be taken into account for successful change to occur. They serve as the common baseline for designing essential change elements, such as the new corporate vision, and building the infrastructure and programs needed to drive change.

**8. Address Culture Explicitly:** Once the culture is understood, it should be addressed as thoroughly as any other area in a change program. Leaders should be explicit about the culture and underlying behaviors that will best support the new way of doing business, and find opportunities to model and reward those behaviors. This requires developing a baseline, defining an explicit end-state or desired culture, and devising detailed plans to make the transition.

Company culture is an outcome of shared history, explicit values and beliefs, and common attitudes and behaviors. Change programs can involve creating a culture (in mergers or acquisitions of large companies), combining cultures (in consumer goods or manufacturing companies), or reinforcing cultures (in long-established companies). It is essential to understand that all personal identification. This is often an effective way to jump-start culture change.

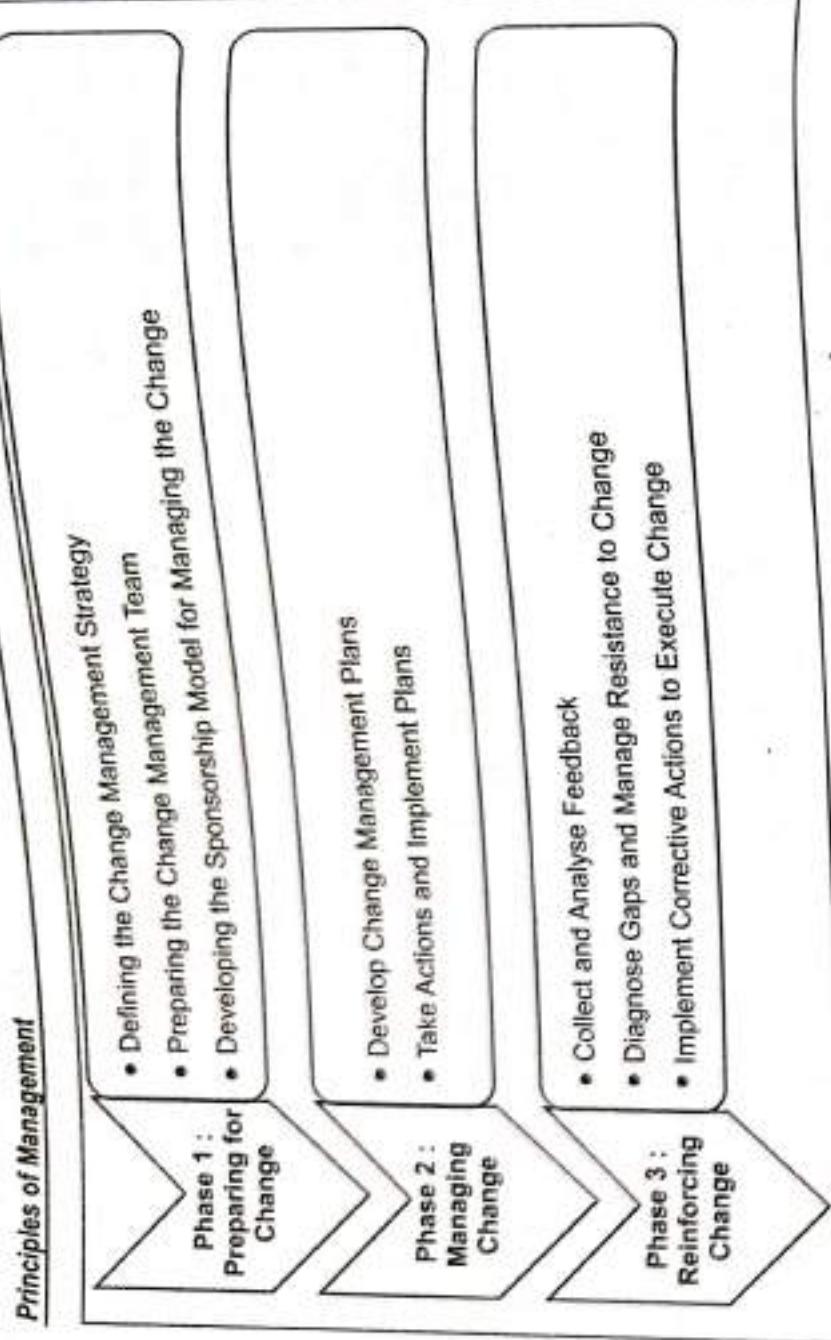
consumer goods company with a suite of premium brands determined that consumers demanded a greater focus on profitability and bottom-line profitability. In addition to redesigning metrics and incentives, it developed a plan to dramatically change the company's culture, beginning with marketing, the company's primary center. It brought the marketing staff into the process early to create a new philosophy who adapted marketing campaigns, spending plans, prioritists for the new programs to be more accountable. Seeing these culture leaders grab onto an incentive program, the rest of the company quickly fell in line.

**9. Prepare for the Unexpected:** No change program goes completely according to plan. People react in unexpected ways; areas of anticipated resistance fall away; and the environment shifts. Effectively managing change requires continual assessment of its impact and the organisation's willingness and ability to adopt the next wave of transformation. Fed by real data from the field and supported by next wave of solid decision-making processes, change leaders can then make the information necessary to maintain momentum and drive results.

A leading U.S. health-care company was facing competitive and financial pressures from its inability to react to changes in the market. A diagnosis revealed shortcomings in organisational structure and governance, and the company decided to implement a new operating model. In the midst of detailed design, a new CEO and leadership team took over. The new team was initially skeptical, but was ultimately convinced that a solid case for change, grounded in facts and supported by the organisation at large, existed. Some adjustments were made to the speed and sequence of implementation, but the fundamentals of the new operating model remained unchanged.

**10. Speak to the Individual:** Change is both an institutional journey and a very personal one. People spend many hours each week at work; many think of their colleagues as a second family. Individuals (or teams of individuals) need to know how their work will change, what is expected of them during and after the change program, how they will be measured, and what success or failure will mean for them and those around them. Team leaders should be as honest and explicit as possible. People will react to what they see and hear around them, and need to be involved in the change process. Highly visible rewards, such as promotion, recognition, and bonuses, should be provided as dramatic reinforcement for embracing change. Sanction or removal of people standing in the way of change will reinforce the institution's commitment.

Most leaders contemplating change know that people matter. It is all too tempting, however, to dwell on the plans and processes, which don't talk back and don't respond emotionally, rather than face up to the more difficult and more critical human issues. But mastering the "soft" side of change management needn't be a mystery.

**Fig. 4.1: Process of Change Management**

Understanding the guidelines and the process of Change Management, it has become vitally essential for organisations to effectively execute change in the internal and external cores of their business. Change is a very powerful tool which keeps the companies active and competitive in the market. Hence, a study and understanding of Management of Change is significantly important in the progressive global economy.

#### (D) Merits of Management of Change

1. The organisations can respond faster to customer demands.
2. It helps to align existing resources within the organisation.
3. Change management allows the organisation to assess the overall impact of change.
4. Organisational effectiveness and efficiency is maintained or even improved by acknowledging the concerns of staff.

### 4.2 MANAGEMENT OF CRISIS

#### (A) Introduction

Management of Crisis means the identification of threats to an organisation and its stakeholders, and the methods used by the organisation to deal with these threats. Owing to the irregularity of the global events and situations, organisations must be able

with the potential drastic changes in the way they conduct business. Crisis often requires decisions to be made within a short time frame, and often management has already taken place. In order to reduce the level of uncertainty in the event of a crisis, organisations often create a crisis management plan. Unlike risk management, which involves planning for events which may occur in the future, crisis management involves reacting to an event after it has occurred. An oil company for example, may have a plan in place to deal with the possibility of an oil spill, but if such a spill actually occurs, the magnitude of the spill, the backlash of public opinion and cleanup can vary greatly and may exceed expectations. Actions which are taken to avoid such events are activities of risk management while actions taken for avoiding of this event is a part of crisis management.

After occurrence of unexpected event leading to major unrest amongst the individuals at the workplace as organisation crisis. Crisis is defined as any emergency situation which disturbs the employees as well as leads to instability in the organisation. Crisis which individual, group, organisation or an entire society.

#### **Causes of Crisis**

(b) **Causes of suddenly disturbing events which negatively impact the Crisis** is a sequence of suddenly disturbing events which negatively impact the Crisis generally arises on a very short notice. Crisis triggers a feeling of fear in an organisation. Crisis can arise in an organisation amongst the individuals and employees.

Crisis amongst the individuals and threat amongst the following reasons:

and threat amongst the following reasons: due to any of the following reasons and breakdown of machines.

1. Technological failure and breakdown of software, errors in passwords.
  2. Problems in internet, corruption in the software, errors in the software, errors in passwords.
  3. Crisis arises when employees disagree with each other's preferences and get on indefinite periods, disputes and the violent track.
  4. Crisis arise as a result of boycott, strikes for indefinite periods, disputes and lay-offs.
  5. Violence, thefts and terrorism at the workplace result in organisation crisis and a situation lay-offs.
  6. Neglecting minor issues in the beginning can lead to major crisis and a situation lay-offs.
  7. Illegal attitudes such as accepting bribes, frauds, data or information tampering on its employees and should not adopt a casual attitude at work.
  8. Crisis also arises when organisation fails to pay its creditors and declares it to be a bankrupt organisation.
- The process of handling unexpected and sudden changes in organisation culture is called as crisis management.

**Principles of Management**

Crisis Management prepares the individuals to face unexpected developments and adverse conditions in the organisation with courage and determination. Employees can adjust well to the sudden changes in the organisation in cases of crisis. Employees can understand and analyze the causes of crisis and cope with it in the best possible way. Crisis Management helps the managers to devise strategies to come out of uncertain conditions and also decide on the future course of action. Crisis Management helps the managers to feel the early signs of crisis, warn the employees against the aftermath and take necessary precautions for the same.

**(C) Essential Features of Crisis Management**

Crisis Management includes activities and processes which help the managers as well as employees to analyse and understand events which might lead to crisis and uncertainty in the organisation.

Crisis Management enables the managers and employees to respond effectively to changes in the organisation culture. It consists of effective coordination amongst the departments to overcome emergency situations.

Employees at the time of crisis must communicate effectively with each other and try their level best to overcome tough times. The quick help for employees and management in the period of crisis can be seen ahead:

1. Employees and Management shouldn't panic or spread rumors about the crisis. Patience is the best solution to handle crisis effectively.
2. In the period of crisis, the management must be in regular communication and coordination with the employees, external clients, stakeholders as well as media.
3. Organisations must avoid being too rigid. They must adapt quickly to the changes and new situations in a highly flexible manner.
4. Crisis refers to a sequence of unwanted events leading to major disturbances and uncertainty at the workplace.
5. Crisis is an unexpected event which not only causes harm to the organisation but also triggers a feeling of fear and insecurity amongst the individuals.
6. Organisations must be prepared well to face the inevitable threats and come out of tough times without much difficulty.
7. Individuals must immediately jump into action; the moment crisis is being detected at the workplace.

In order to face the crisis in a very efficient and effective way, crisis management plans are developed and executed. Crisis Management plans help in reducing the impacts of the unfavorable situations on the organisation – both internally as well as externally.

#### (D) Crisis Management Plan

Individuals need to adopt a step by step approach during critical situations. Planning is an essential component in the period of crisis. Tensed attitudes and stretched situations do not work as solutions but increase the gravity of the problems. It is considered as an ethical crime to undertake impulsive actions and hasty decisions during crisis. It is essential to think rationally and devise strategies which would work best during emergency situations. Complaining and cribbing about the crisis will not combat the solution.

Crisis management plan refers to a detailed plan which describes the various actions which are framed to be taken during critical situations or crisis. The plan prepared by the senior and experienced members of the crisis management team and related employees to overcome crisis in the best possible way is called as the crisis management plan.

Crisis management plan helps the employees to adopt a focused approach during emergency situations. It elaborates the actions to be taken by the management as well as the employees to save organisation's reputation in the industry and the society. It gives a detailed overview of the roles and responsibilities of employees and management during the period of crisis.

#### Principles of Crisis Management Plan

As per the discussion above it is very obviously understood that crisis management plan is greatly essential to control and combat the situations of crisis in an organisation. These plans must be framed and prepared with a very detailed research and perceptions. The characteristics of Crisis Management Plans can be studied ahead:

1. Crisis Management Plan should be made in the presence of all executives and employees.
2. Every member of crisis management team must have a say in the plan irrespective of their position and authority. It is important for each one to contribute their valuable inputs and suggestions towards crisis management plans. This increases the dimensions of the plan.
3. Crisis Management Plan should take into account all identified problematic areas and come up with a solution for all of the 'potential crisis areas' to help the organisation come out of the crisis as soon as possible.
4. Management should make sure that the plans are practical, realistic and solve the purpose of saving organisation's reputation and name in the society.
5. Management must identify the potential threat areas and various factors which may lead to crisis at the workplace.
6. They must discuss issues and areas of concern amongst themselves on an open forum for everyone to share their respective opinions.

**Principles of Management**

7. They should also make sure that they possess accurate information.
8. Guess works and assumptions in such plans must be avoided as far as possible.
9. Crisis Management Plans should not only focus on ways to overcome crisis but also on making the processes foolproof to avoid emergency situations in future.

**(E) Merits of Management of Crisis**

1. It helps to understand the nature of crisis.
2. It helps to understand the impact of crisis on individuals and how it affects communication.
3. It helps to learn tools for managing and communicating information in a crisis.

**4.3 TOTAL QUALITY MANAGEMENT**

B.C.A. : Oct. 2012, April 2013, 2015, 2017

**(A) Introduction**

"Quality management" ensures superior quality products and services. Quality of a product can be measured in terms of the performance, reliability and durability of the product. Quality is a crucial parameter which differentiates an organisation from its competitors. Quality management tools ensure changes in the systems and processes which eventually result in superior quality products and services.

Quality management methods such as Total Quality management or Six Sigma have a common goal - to deliver a high quality product. It is essential to create superior quality products which not only meet but also exceed customer satisfaction. It is very important for customers to be satisfied with the quality of the products of an organisation.

Business marketers are successful only when they emphasize on quality of the product rather than quantity of sale. Quality products ensure that organisations survive the cut throat competition even in purview of the adverse market conditions, while in normal market scenarios optimum quality assures significant market shares.

Quality management is essential for customer satisfaction which eventually results in customer loyalty. Customers would repurchase the products only if they are satisfied with the products and services. Hence, we must make sure that the customers are satisfied with the final product. The customer would be happy and satisfied only when the product meets his expectations and fulfills his needs.

Quality management ensures high quality products and services by eliminating defects and incorporating continuous changes and improvements in the system. High quality products in turn lead to loyal and satisfied customers who bring ten new customers along with them. Companies value the fact that they might save some money by ignoring quality management processes but ultimately lose out on their major customers, thus incurring huge losses.

Quality management ensures that companies deliver products as per the commitments made to the customers through various modes of promotions. Quality management tools help an organisation to design and create a product which the customer actually wants and desires to have.

### **Concept of Total Quality Management**

(b) Total Quality is a description of the culture, attitude and organisation that strives to provide customers with products and services that satisfy their needs. Total Quality Management, TQM, is a method by which management and employees can become involved in the continuous improvement of the production of goods and services. It is a combination of quality and management tools, aimed at increasing business and reducing losses due to wasteful practices. Some of the companies who have implemented TQM include Ford Motor Company, Phillips Semiconductor, SGL Carbon, Motorola and Toyota Motor Company.

TQM is a management philosophy that seeks to integrate all organisational functions (marketing, finance, design, engineering, and production, customer service, etc.) to focus on meeting customer needs and organisational objectives. It views an organisation as a collection of processes. It maintains that organisations must strive to continuously improve these processes by incorporating the knowledge and experiences of workers. The simple objective of TQM is "Do the right things, right the first time, every time."

TQM is infinitely variable and adaptable. Although originally applied to manufacturing operations, and for a number of years only used in that area, TQM is now becoming recognized as a generic management tool, just as applicable in service and public sector organisations.

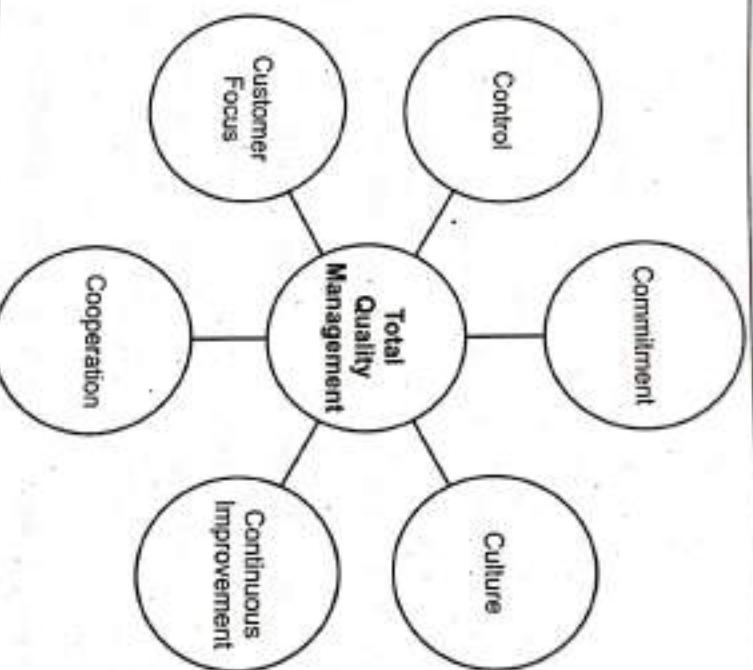
TQM is mainly concerned with continuous improvement in all the work, from high level strategic planning and decision-making, to detailed execution of work elements on the shop floor. It stems from the belief that mistakes can be avoided and defects can be prevented. It leads to continuously improving results, in all aspects of work, as a result of continuously improving capabilities, people, processes, and technology and machine capabilities. Continuous improvement must deal not only with improving results, but more importantly with improving capabilities to produce better results in the future. The five major areas of focus for capability improvement are demand generation, supply generation, technology, operations and people capability.

A central principle of TQM is that mistakes may be made by people, but most of them are caused, or at least permitted, by faulty systems and processes. This means that the root cause of such mistakes can be identified and eliminated, and repetition can be prevented by changing the process.

Total Quality Management is a combined effort of both top level management as well as employees of an organisation to formulate effective strategies and policies to deliver high quality products which not only meet but also exceed customer satisfaction.

With the advancements in the studies of the concept of Total Quality Management, 6 Cs have been recognized which determine and influence the process of Total Quality Management. These 6 Cs are as follows:

1. Commitment
2. Culture
3. Continuous Improvement
4. Cooperation
5. Customer Focus
6. Control

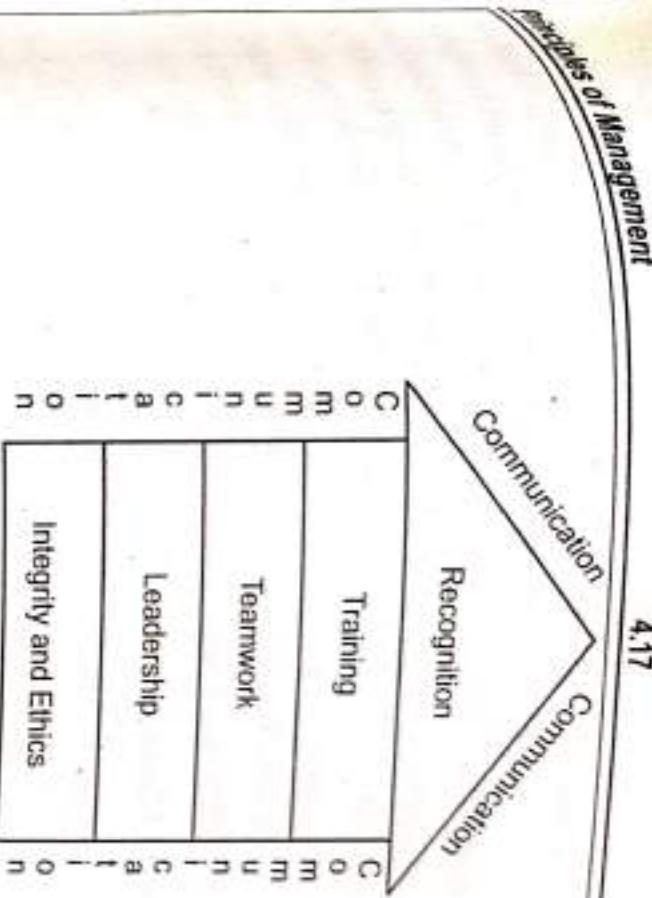


**Fig. 4.2 : Total Quality Management**

**(C) Elements of Total Quality Management**

The culture requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from operations. To be successful implementing TQM, an organisation must concentrate on the eight key elements:

1. Ethics
2. Integrity
3. Trust
4. Training
5. Teamwork
6. Leadership
7. Recognition
8. Communication



**Fig. 4.3 : Elements of Total Quality Management**

TQM has been coined to describe a philosophy that makes quality the driving force behind leadership, design, planning, and improvement initiatives. For this, TQM requires help of the eight key elements. These elements can be divided into four groups according to their function. The groups are:

- Foundation:** It includes Ethics, Integrity and Trust.
- Building Bricks:** It includes Training, Teamwork and Leadership.
- Binding Mortar:** It includes Communication.
- Roof:** It includes: Recognition.

### 1. The Foundation of Total Quality Management

TQM is built on a foundation of ethics, integrity and trust. It fosters openness, fairness and sincerity and allows involvement by everyone. This is the key to unlocking the ultimate potential of TQM. These three elements move together, however, each element offers something different to the TQM concept.

- Ethics:** Ethics is the discipline concerned with good and bad in any situation. It is a two-faceted subject represented by organisational and individual ethics. Organisational ethics establish a business code of ethics that outlines guidelines that all employees are to adhere to in the performance of their work. Individual ethics include personal rights or wrongs.
- Integrity:** Integrity implies honesty, morals, values, fairness, and adherence to the facts and sincerity. The characteristic is what customers (internal or external) expect and deserve to receive. People see the opposite of integrity as duplicity. TQM will not work in an atmosphere of duplicity.

(c) **Trust:** Trust is a by-product of integrity and ethical conduct. Without trust, the framework of TQM cannot be built. Trust fosters full participation of all members. It allows empowerment that encourages pride ownership and it encourages commitment. It allows decision making at appropriate levels in the organisation, fosters individual risk-taking for continuous improvement and helps to ensure that measurements focus on improvement of process and are not used to contend people. Trust is essential to ensure customer satisfaction. So, trust builds the cooperative environment essential for TQM.

## 2. The Bricks of Total Quality Management

Based on the strong foundation of trust, ethics and integrity, bricks are placed to reach the roof of recognition. It includes:

- (a) **Training:** Training is very important for the employees to be highly productive. Supervisors are solely responsible for implementing TQM within their departments, and teaching their employees the philosophies of TQM. Training that employees require are interpersonal skills, the ability to function within teams, problem solving, decision making, job management, performance analysis and improvement, business economics and technical skills. During the creation and formation of TQM, employees are trained so that they can become effective employees for the company.
- (b) **Teamwork:** To be successful in business, teamwork is also a key element of TQM. With the use of teams, the business will receive quicker and better solutions to problems. Teams also provide more permanent improvements in processes and operations. In teams, people feel more comfortable bringing up problems that may occur, and can get help from other workers to find a solution. There are mainly three types of teams that TQM organisations adopt:
- (i) **Quality improvement teams or excellence teams (QITs):** These are temporary teams with the purpose of dealing with specific problems that often recur. These teams are set up for period of three to twelve months.
  - (ii) **Problem solving teams (PSTs):** These are temporary teams to solve certain problems and also to identify and overcome causes of problems. They generally last from one week to three months.
  - (iii) **Natural work teams (NWTs):** These teams consist of small groups of skilled workers who share tasks and responsibilities. These teams use concepts such as employee involvement teams, self-managing teams and quality circles. These teams generally work for one to two hours a week.
- (c) **Leadership:** It is possibly the most important element in TQM. Leadership in TQM requires the manager to provide an inspiring vision, make strategic directions that are understood by all and to instill values that guide subordinates. For TQM

to be successful in the business, the supervisor must be committed in leading his employees. A supervisor must understand TQM, believe in it and then demonstrate their belief and commitment through their daily practices of TQM. The supervisor makes sure that strategies, philosophies, values and goals are transmitted down throughout the organisation to provide focus, clarity and direction. A key point is that TQM has to be introduced and led by top management in creating and deploying clear quality values and goals consistent with the objectives of the company and in creating and deploying well defined systems, methods and performance measures for achieving those goals.

### **The Binding Mortar of Total Quality Management**

(a) **Communication:** It binds everything together. Starting from foundation to roof of the TQM house, everything is bound by strong mortar of communication. It acts as a vital link between all elements of TQM. Communication means a common understanding of ideas between the sender and the receiver. The success of TQM demands communication with and among all the organisation members, suppliers and customers. Supervisors must keep open airways where employees can send and receive information about the TQM process. Communication coupled with the sharing of correct information is vital. For communication to be credible the message must be clear and receiver must interpret in the way the sender intended.

There are different ways of communication such as:

(i) **Downward communication:** This is the dominant form of communication in an organisation. Presentations and discussions basically do it. By this the supervisors are able to make the employees clear about TQM.

(ii) **Upward communication:** By this the lower level of employees are able to provide suggestions to upper management of the effects of TQM. As employees provide insight and constructive criticism, supervisors must listen effectively to correct the situation that comes about through the use of TQM. This forms a level of trust between supervisors and employees. This is also similar to empowering communication, where supervisors keep open ears and listen to others.

(iii) **Diagonal communication:** This type of communication is important because it breaks down barriers between departments. It also allows dealing with customers and suppliers in a more professional manner.

### **4. The Roof of Total Quality Management**

(a) **Recognition:** Recognition is the last and final element in the entire system. It should be provided for both suggestions and achievements for teams as well as individuals. Employees strive to receive recognition for themselves and their

teams. Detecting and recognizing contributors is the most important job of supervisor. As people are recognized, there can be huge changes in self-esteem, productivity, quality and the amount of effort exhorted to the task at hand. Recognition comes in its best form when it is immediately following an action that an employee has performed. Recognition comes in different ways, places and time such as,

- (i) **Ways:** It can be by way of personal letter from top management. Also by award banquets, plaques, trophies etc.
- (ii) **Places:** Good performers can be recognized in front of departments, on performance boards and also in front of top management.
- (iii) **Time:** Recognition can be given at any time like in staff meeting, annual award banquets, etc.

Hence, we can conclude that these eight elements is the key to ensuring the success of TQM in an organisation and that the supervisor is a huge part in developing these elements in the work place. Without these elements, the business entities cannot be successful TQM implementers.

#### **(D) Implementation Principles and Processes of Total Quality Management**

A preliminary step in TQM implementation is to assess the organisation's current reality. Relevant preconditions have to do with the organisation's history, its current needs, precipitating events leading to TQM, and the existing employee quality of working life. If the current reality does not include important preconditions, TQM implementation should be delayed until the organisation is in a state in which TQM is likely to succeed.

If an organisation has a track record of effective responsiveness to the environment, and if it has been able to successfully change the way it operates when needed, TQM will be easier to implement. If an organisation has been historically reactive and has no skilled change agents. If this condition prevails, a comprehensive program of management and leadership development may be instituted. A management audit is a good assessment tool to identify current levels of organisational functioning and areas in need of change. An organisation should be basically healthy before beginning TQM. If it has significant problems such as a very unstable funding base, weak administrative systems, lack of managerial skill, or poor employee morale, TQM would not be appropriate.

#### **(E) Merits of TQM**

1. Higher employee morale.
2. Lower costs.
3. Improves reputation.

- Decrease waste.
4. Improved access to global markets.
  5. Higher customer retention levels.
  6. Maximum quality improvement.
  7. .

## STRESS MANAGEMENT

4.4 E.C.A. : Oct. 2012, April 2013, 2015, 2017, B.B.M. (IB) / April 2017, 2018

### Introduction

(A) **Introduction** Work stress is recognised worldwide as a major challenge to a worker's health and healthiness of their organisations. Workers who are stressed are also more likely to be unhealthy, poorly motivated, less productive and less safe at work. Their organisations are less likely to be successful in a competitive market. Stress can be brought about by pressures in personal and professional lives. Employers cannot usually protect workers from stress arising outside work, but they can protect them from stress that arises through work. Stress at work can be a real problem to the organisation as well as its workers.

Good management and good work organisation are the best forms of stress prevention. If employees are already stressed, their managers should be aware of it and know how to help them recover from it.

### (B) Work Stress

Work related stress is the response people may have when presented with work demands, and pressures that are not matched to their knowledge and abilities and which challenge their ability to cope. Stress occurs in a wide range of circumstances, but is often made worse when the employees feel they have little support from supervisors and colleagues, and where they have little control over work, or how they can cope with its demands and pressures.

There is often confusion between pressure and stress. Pressure at workplace is unavoidable due to the demands of the contemporary work environment. Pressure perceived as acceptable by an individual may even keep workers alert, motivated, able to work and learn, depending upon the available resources and personal skillsets. However, when that pressure becomes excessive or unmanageable, it leads to stress. Stress can damage worker's health and business performance as well.

Stress results from a mismatch between the demands and pressures on the person on one hand and their knowledge and abilities on another. It challenges the ability to cope with work. This includes not only situations where the pressures of work exceed the worker's ability to cope, but also where the worker's ability and knowledge are not sufficiently utilized. A healthy job is likely to be one where the pressures on employees

are appropriate in relation to their abilities and resources to the amount of control they have over their work, and to the support they receive from the people who matter. As health is not merely an absence of disease or infirmity, but a positive state of complete physical, mental and social well-being, a healthy working environment is one in which there is not only an absence of harmful conditions but an abundance of health promoting ones.

#### **Definition of Stress :**

*"Stress is regarded as an interaction between the coping skills of the individuals and the exact demands imposed by the environment surrounding him." – Spielberger*

These may include continuous assessment of risks to health, the provision of appropriate information and training on health issues and the availability of health promoting organisational support practices and structures. A healthy work environment is one in which the staff has made health and health promotion a priority and part of their working lives.

#### **(C) Causes of Work Stress**

The designing of jobs and work systems and the system of their management may cause work stress. Excessive and unmanageable demands and pressures can be caused by poor work design, poor management, and unsatisfactory working conditions. Similarly, these things can result in workers not receiving sufficient support from others or not having enough control over their work and its pressures. Research findings show that the most stressful type of work is that which values excessive demands and pressures that are not matched to workers' knowledge and abilities, where there is little opportunity to exercise any choice or control and where there is little support from others.

The more the demands and pressures of work are matched to the knowledge and abilities of workers, the less likely they are to experience work stress. The more support workers receive from others at work, or in relation to work, the less likely they are to experience work stress. The more control workers have over their work and the way they do it, and the more they participate in decisions that concern their jobs, the less likely they are to experience work stress. Most of the causes of work stress concern the way work is designed and the way in which organisations are managed. As these aspects of work have the potential for causing harm, they are called stress related hazards. The literature on stress generally recognizes nine categories of stress related hazards. These categories can be studied as follows:

##### **(I) Work Content**

###### **1. Job Content:**

- Monotonous, Under-stimulating, meaningless tasks.
- Lack of Variety

*Approaches of Management*

- Unpleasant Tasks

**Aversive Tasks**

- Having too much or too little work pressure.

**Work Load and Work Pace:**

- Having under time pressures.

**Working Hours:**

- Working under strict and inflexible working schedules

**3. Work Hours:**

- Strict and unsocial hours
- Long and unpredictable working hours
- Unpredictable shift systems
- Badly designed shift systems

**Participation and control:**

- Participation in decision making
- Lack of Control
- Lack of Control

**4. Work Context**

**1. Career Development, Status and Pay:**

- Job Insecurity
- Lack of promotion prospects
- Under promotion or over promotion
- Work of low social value
- Piece Rate payment schemes
- Unclear or unfair performance evaluation systems
- Unclear or unfair performance evaluation systems
- Being over-skilled or under-skilled for the job

**2. Role in the Organisation:**

- Unclear Role
- Conflicting Roles within the same job
- Responsibility for the people
- Continuously dealing with other people and their problems

**3. Inter personal Relationships:**

- Inadequate, inconsiderate or unsupportive supervision.
- Poor relationships with co-workers
- Bullying, Harassment and violence
- Isolated or solitary work
- No agreed procedures for dealing with problems

**4. Organisational Culture:**

- Poor Communication
- Poor Leadership
- Lack of clarity about organisational objectives and structure.

**5. Work-Home Interface:**

- Conflicting demands of work and home

- Lack of support for domestic problems at work
- Lack of support for work problems at home.

#### (D) Effects of Work Stress

Stress affects different people in different ways. The experience of work stress can cause unusual and dysfunctional behavior at work and contribute to poor physical and mental health. In extreme cases, long term stress or traumatic events at work may lead to psychological problems and be conducive to psychiatric disorders resulting in absence from work and preventing the worker from being able to work again. When under stress, people find it difficult to maintain a healthy balance between professional and personal life. At the same time, they may engage in unhealthy activities such as smoking, drinking and abusive drugs. Stress may also affect the immune system, impairing people's ability to fight infections.

When affected by work stress, people may:

1. Become increasingly distressed and irritable.
  2. Become unable to relax or concentrate.
  3. Have difficulty thinking logically and making decisions.
  4. Enjoy their work less and feel less committed to it.
  5. Feel tired, depressed, and anxious.
  6. Have difficulty in sleeping.
  7. Experience serious physical problems such as heart disease, disorders of digestive system, increase in blood pressure and headaches, musculo-skeletal disorders.
- If key staff or a large number of workers are affected, work stress may challenge the healthiness and performance of their organisation as well. Unhealthy organisations do not get the best from their workers, and this may affect not only their performance in the increasingly competitive market, but eventually, even their survival.

Work stress is thought to affect organisations by:

1. Increasing absenteeism.
2. Decreasing commitment to work.
3. Increasing staff turnover.
4. Impairing performance and productivity.
5. Increasing unsafe working practices and accident rates.
6. Increasing complaints from clients and customers.
7. Adversely affecting staff recruitment.
8. Increasing ability to legal claims and actions by stressed workers.
9. Damaging the organisation's image - both internally and externally.

Hence, to conclude, we can say that work stress is a real challenge for workers and their employing organisations. As organisations and their working environment

transform, so do the kinds of stress problems that employees face. It is important that organisation is being continuously monitored for stress problems. Further, it is not only important to identify stress problems, promote healthy work environment and reduce harmful aspects of work. Work in itself can be a self-promoting activity as long as it takes place in a safe, development and health promoting environment.

### **(E) Merits of Stress Management**

It helps individual to release his stress.

1. Physical health gets better.
2. Stabilization of emotions.
3. Ability to focus improved.
4. Increase in productivity.
5. Able to learn and achieve.

## **4.5 KNOWLEDGE MANAGEMENT**

### **(A) Meaning**

- Knowledge Management (KM) refers to a multi-disciplined approach to achieve organizational objectives by making the best use of knowledge.
- Knowledge Management is the systematic management of an organisation's knowledge assets for the purpose of creating value and meeting tactical and strategic requirements.

### **(B) Merits of Knowledge Management**

1. Improves quality of service to users.
2. Improves user satisfaction.
3. Increase adoption of self service.
4. Higher first call resolution rates.
5. Reduction in training time and cost.
6. Reduce time to diagnose incidents and problems.
7. Increase responsiveness to changing business demands.
8. Improved business processes.
9. Improved organizational agility.
10. Better communication.

**(C) Demerits of Knowledge Management**

1. Dependency on knowledge contributors.
2. Creating confusion among managers and employees.
3. Mishandling of valuable company information.
4. Knowledge management systems are complex and hard to understand for the average workers.
5. Lack of company strategy to fully utilize the information that it collects.

**4.6 OUTSOURCING****(A) Meaning**

- Outsourcing is the business practice of hiring a party outside a company to perform services and create goods that traditionally be performed in-house by the company's own employees and staff.
- A firm may follow the strategy of outsourcing sometimes. In this strategy, some of the existing functions of a firm may be outsourced in the sense; they may be given to an outside agency. Agreed service charges are required to be paid for rendering these services.
- A firm may outsource its functions as part of cost control and cost reduction. For example, a firm may decide that accounting function may be outsourced to outside firm on payment of certain service charges.
- In such situation, the outsourcing firm will not be required to maintain its staff. All that it will be required is to pay the service charges to the service provider. A firm may decide to outsource some other functions such as human resources management, after sale service and repair and maintenance.

**(B) Merits/Importance of Outsourcing**

1. **Cost Reduction:** An activity can be performed more cheaply by outside specialists. Many PC makers, for example, have shifted from assembling units in-house to using contract assemblers because of the sizeable scale economies associated with purchasing PC components in large volumes and assembling PCs.
2. **Better Quality:** An activity can be performed better by outside specialists.
3. **Reducing Company's Risk Exposure:** It reduces the company's risk exposure to changing technology and/or changing buyer preferences.
4. **Streamlining Company Operations:** It streamlines company operations by reducing the time it takes to get newly developed products into the market place, lower internal co-ordination costs, to improve organisational flexibility.

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concentrate on strengthening Core Competencies: It allows a company to focus on distinctive competencies. Ideally outsourcing allows a company to focus on core competencies. Ideally competitively important activity that results in sustainable competitive advantage over rivals.

### (C) **Demerits of Outsourcing**

1. Loss of managerial control to some extent.
2. Rise in hidden costs.
3. More security risks.
4. Reduction in quality control.
5. Job losses.
6. Need to manage new relationships with the outsource.
7. Creeping privatization of the public sector reducing government control.
8. Loss of internal competence to perform an outsourced activity thereby making subsequent insourcing of that activity problematic.

### ❖ Questions for Discussion ❖

1. What is Change ? Explain the Causes of Change in the organisation.
2. Explain the Principles of Change Management.
3. What is Management of Crisis ?
4. State the Characteristics of Crisis Management.
5. What is Total Quality Management ?
6. Describe the Elements of TQM.
7. Explain the Causes of Work Stress.
8. State the Effects of Work Stress.
9. What is Knowledge Management ? State its Merits and Demerits.
10. What is Outsourcing ? State its Merits and Demerits.
11. Write Short Notes :
  - (A) Merits of Management of Change.
  - (B) Crisis of Management Plan.

### ❖ Questions from Past Examinations : BCA and BBM (IB) : Sem.II ❖

1. Write Short Notes :

(A) **Management of Change.**

Ans. : Refer to Article 4.1 of this Chapter.

(B) **Management of Crisis.**

Ans. : Refer to Article 4.2 of this Chapter.

**(C) Stress Management.**

**B.C.A. : Oct. 2012, April 2013, 2015, 2017, B.B.M. (IB) : April 2017, 2018**

**Ans. :** Refer to Article 4.4 of this Chapter.

**(D) Total Quality Management.**

**Ans. :** Refer to Article 4.3 of this Chapter.

**(E) Causes of Stress.**

**Ans. :** Refer to Article 4.4 (C) of this Chapter.

◆ **Multiple Choice Questions** ◆

1. .... creates a feeling of fear and threat amongst individuals and employees.  
(a) Crisis  
(b) Stress  
(c) Disaster  
(d) None of these.
2. .... is built on a foundation of ethics, integrity and thrust.  
(a) TQM  
(b) Stress management  
(c) Crisis management  
(d) Management of change
3. .... is an inevitable factor for achieving economic growth.  
(a) Stress  
(b) Total Quality Management  
(c) Change  
(d) None of these.
4. .... are the temporary teams with the purpose of dealing with specific problems that often occur under TQM.  
(a) Excellent Teams  
(b) Problem Solving Teams  
(c) Natural Work Teams  
(d) None of these

**Ans. :** (1) – (a), (2) – (a), (3) – (c), (4) – (a).

