



**ANNAI WOMENS COLLEGE  
(ARTS AND SCIENCES), KARUR  
DEPARTMENT OF COMMERCE(CA)**



**COURSE MATERIAL**

**BUSINESS MANAGEMENT**

**CLASS : I.B.COM(CA)**

**PREPARED BY**

**DR.M.SANTHI PH.D.,**

**ASSISTANT PROFESSOR**

**CORE COURSE –III  
BUSINESS MANAGEMENT**

**Objective:** To impart knowledge on the concepts and principles of Management and application of practices in various organisation. (Theory only)

**UNIT I**

**Management – Definition, nature, scope, functions and Levels of Management-Art, Science and Profession - functions of Managers- Development of management thought – Contribution by F.W.Taylor, Henry Fayol and others.**

**UNIT II**

**Planning –Classification – Objectives – characteristics-Steps - process- types- Methods- advantages - limitations,Decision making – Policies.**

**UNIT III**

**Organisation and Structure– Types – Supervision and Span of Control - Departmentation – Organisation charts – Authority and Responsibility- Delegation and Decentralisation.**

**UNIT IV**

**Motivation - types -Theories – Maslow, Herzberg, McGregor, and others. Communication - Principles - types and barriers of communication.**

**UNIT V**

**Leadership –functions - styles - theories. Co-ordination – features – types and techniques. Control-process- effective control system - Techniques of control.**

**Text and Reference Books (Latest revised edition only)**

- 1. DinkarPagare, “Principles of Management,” Sultan Chand & Sons New Delhi.**
- 2. K. Sundar, “Principles of Management, “Vijay Nicole Imprints Private Limited, Chennai.**
- 3. Drucker Peter F, Butterworth Heinemann,” Management Challenges,” Oxford.**
- 4. Weihrich and Koontz, et.al, “ Essentials of Management,” Tata- McGraw Hill, New Delhi.**
- 5. Fred Luthans,” Organizational Behaviour;” McGraw Hill, NewYork.**
- 6. Louis A.Allen, “Management and Organisation,” McGraw Hill, Tokyo.**
- 7. Hampton, David R, “Modern Management”, McGraw Hill, New York.**
- 8. Stoner and Free, “Management,” Prentice - Hall, New Delhi.**
- 9. Prasad. L.M, “Principles & Practice of Management”, Sultan Chand & Sons, New Delhi.**

## UNIT - I

---

### INTRODUCTION

Organizations of some kind will always be part of human life. We are born in an organisation (a Family), live in organisation (Society) and work in organizations (Business, College, School, Government, Army etc.). Each one of these organizations is a group of persons working together to achieve some common objectives. The organizations can be successful only when the efforts of various individuals in the group are integrated into teamwork. The central agency which performs this task is known as management. It plays the same role in an organisation which brain does in the human body.

Managers are needed to convert the disorganized resources of men, machines, money and materials into a useful and effective enterprise. Without effective management resources are likely to be wasted. Resources have to be channeled or directed or managed and this is done by the manager.

### What do you mean by Management?

Management is an individual or a group of individuals that accept responsibilities to run an organisation. They plan, organize, direct and control all the essential activities of the organisation. Management does not do the work themselves. They motivate others to do the work and co-ordinate (i.e. bring together) all the work for achieving the objectives of the organisation.

Management brings together all **Six Ms** i.e. Men and Women, Money, Machines, Materials, Methods and Markets. They use these resources for achieving the objectives of the organisation such as high sales, maximum profits, business expansion, etc.

### Define management.

- ★ “Management is the coordination of all resources through the process of planning, organizing, directing and controlling in order to attain stated objectives”. - **Henry L. Sisk**.
- ★ “Management is the art of getting things done through and with people in formally organized groups” - **Horold koontz**.
- ★ “Management is a multipurpose organ that manages a business and manages Managers and manages Workers and work”. - **Peter Drucker**
- ★ “Management is knowing exactly what you want men to do, and then seeing that they do it in the best and cheapest way” – **F.W Taylor**.

### Explain the Concepts of Management.

The term management has been interpreted in several ways; some of which are given below:

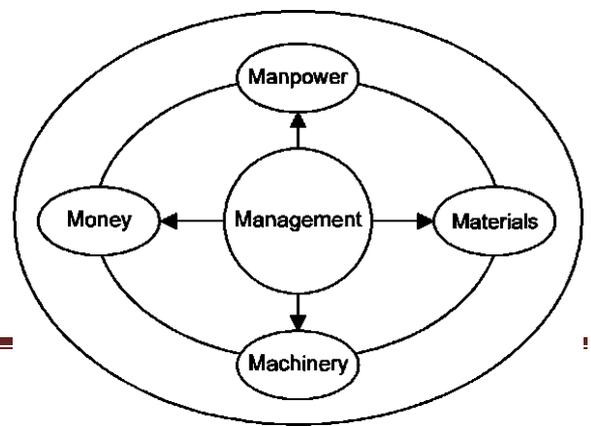
#### 1. Management as a Team

- ✚ As a group of persons, management consists of all those who have the responsibility of guiding and coordinating the efforts of other persons.
- ✚ These persons are called as managers who operate at different levels of authority (top, middle, operating).

#### 2. Management as an Economic Resource

Like land, labour and capital, management is an important factor of production. Management occupies the central place among productive factors as it combines and coordinates all other resources. This is shown in Fig. 1.1.

#### 3. Management as an Academic Discipline



Management has emerged as a specialized branch of knowledge. It comprises principles and practices for effective management of organizations.

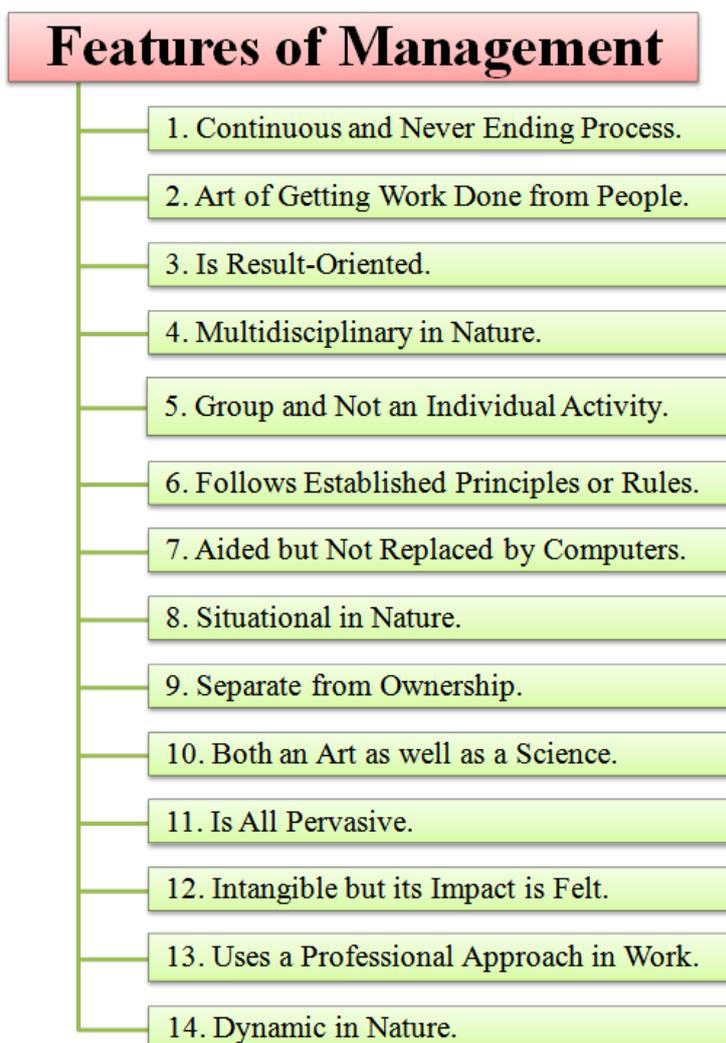
#### 4. Management as a Group

- Management means the group of persons occupying managerial positions. It refers to all those individuals who perform managerial functions.
- All the managers, e.g., chief executive (managing director), departmental heads, supervisors and so on are collectively known as management.

### NATURE AND CHARACTERISTICS OF MANAGEMENT

#### What are the Characteristics of Management? (Or) What are the Features of Management?

The salient features which highlight the nature of management are as follows:



Now let's briefly discuss each feature of management.

#### 1. Continuous and never ending process

Management is a Process. It includes four main functions, viz., Planning, Organising, Directing and Controlling. The manager has to Plan and organize all the activities. He had to give proper directions to his subordinates. The manager has to perform these functions continuously. Therefore, management is a continuous and never ending process.

#### 2. Getting things done through people

The managers do not do the work themselves. They get the work done through the workers. The workers should not be treated like slaves. They should not be tricked, threatened or forced to do the work. A favourable work environment should be created and maintained.

### **3. Result oriented science and art**

Management is result oriented because it gives a lot of importance to "**Results**". Examples of Results like, increase in market share, increase in profits, etc. Management always wants to get the best results at all times.

### **4. Multidisciplinary in nature**

Management is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.

### **5. A group and not an individual activity**

Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve group (owners) objectives. It tries to satisfy the needs and wants of a group (consumers). Nowadays, importance is given to the team (group) and not to individuals.

### **6. Follows established principles or rules**

Management follows established principles, such as division of work, discipline, unity of command, etc. These principles help to prevent and solve the problems in the organisation.

### **7. Aided but not replaced by computers**

Now-a-days, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes the final responsibility. Thus Management is aided (helped) but not replaced by computers.

### **8. Situational in nature**

Management makes plans, policies and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, decisions and styles for different situations. This is called **Situational** Management.

### **9. Need not be an ownership**

In small organizations, management and ownership are one and the same. However, in large organizations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.

### **10. Both an art and science**

Management is result-oriented. Therefore, it is an Art. Management conducts continuous research. Thus, it is also a Science.

### **11. Management is all pervasive**

Management is necessary for running a business. It is also essential for running business, educational, charitable and religious institutions. Management is a must for all activities, and therefore, it is all pervasive.

### **12. Management is intangible**

Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realised by its results. The success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and vice-versa.

### **13. Uses a professional approach in work**

Managers use a professional approach for getting the work done from their subordinates. They delegate (i.e. give) authority to their subordinates. They ask their subordinates to give suggestions for

improving their work. They also encourage subordinates to take the initiative. Initiative means to do the right thing at the right time without being guided or helped by the superior.

#### 14. Dynamic in nature

Management is dynamic in nature. That is, management is creative and innovative. An organisation will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.

#### What are the Objectives of Management?

The objectives of management are narrated as under.

##### 1. Organisational objectives

Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include:

- Reasonable profits so as to give a fair return on the capital invested in business
- Survival and solvency of the business, i.e., continuity.
- Growth and expansion of the enterprise
- Improving the goodwill or reputation of the enterprise.

##### 2. Personal objectives

An organisation consists of several persons who have their own objectives. These objectives are as follows:

- Fair remuneration for work performed
- Reasonable working conditions
- Opportunities for training and development
- Participation in management and prosperity of the enterprise
- Reasonable security of service.

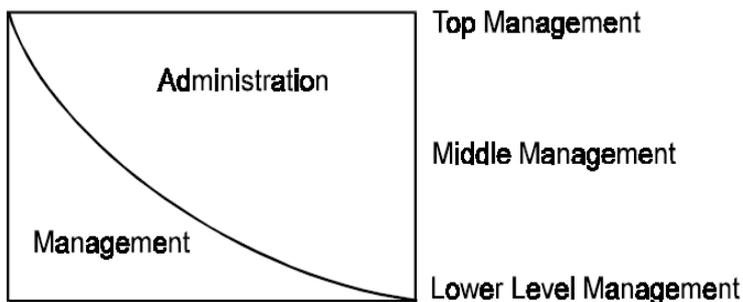
##### 3. Social objectives

Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfill the objectives of the society which are given below:

- Quality of goods and services at fair price to consumers.
- Honest and prompt payment of taxes to the Government.
- Conservation of environment and natural resources.
- Fair dealings with suppliers, dealers and competitors.
- Preservation of ethical values of the society.

#### What is meant by Administration?

- ✦ Oliver Sheldon in his "The Philosophy of Management" defines '**Administration**' as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organisation, under the ultimate control of the executive.' In business firms, administration refers to the higher and policy-determining levels.



- ✦ On the other hand, '**Management**' is concerned with the execution of the policy, within the limits setup by administration and the employment of the organisation for the particular objects before it.

Thus Sheldon declares administration as a thinking process and management as doing process.

### Differentiate between Administration and Management.

<i>Points of distinction</i>	<b>ADMINISTRATION</b>	<b>MANAGEMENT</b>
<b>Nature</b>	It is a determinative or thinking function.	It is an executive or doing function
<b>Status</b>	Administrators are the owners of the concern.	Managers are the paid employees of the concern.
<b>Type of Work</b>	It is concerned with the determination of major objectives and policies.	It is concerned with the implementation of policies.
<b>Level of Authority</b>	It is mainly a top level function.	It is largely a middle and lower level function.
<b>Influence</b>	Administrative decisions are influenced mainly by public opinion and other outside forces.	Managerial decisions are influenced by objectives and policies of the organisation.
<b>Direction of Human efforts</b>	It is not directly concerned with the direction of human efforts.	It is actively concerned with direction of human efforts in the execution of plans.
<b>Main Functions</b>	Planning and Controlling are the main functions involved in it.	Directing and organizing are the main functions involved in it.
<b>Skills Required</b>	Conceptual and human skills.	Technical and human skills.
<b>Usage</b>	Used largely in Govt. and Public sector.	Used mainly in business organizations.
<b>Illustrations</b>	Commissioner, Registrar, Vice-Chancellor, Governor etc.	Managing Director, General Manager, Sales Manager, Branch Manager etc.
<b>Efforts</b>	Administration is basically interested in results i.e., profitability, sales, future prospects and so on	Managers actually work for the remuneration they get. They direct their efforts towards the attainment of goal set the administration.
<b>Stableness</b>	Administration is almost a permanent body. No major change, therefore takes place in it.	Manage is not a static body. Managers may resign, retire, or may even be removed from service.

### Explain the difference between Entrepreneur and Manager?

An entrepreneur is a person who makes effort to establish a business enterprise and undertakes the financial and legal responsibility for the success or failure of the same. A manager, on the other hand, is employed by the entrepreneur to work for the attainment of the objectives of the latter's business venture.

“A manager is someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals.”

	<b>ENTREPRENEUR</b>	<b>MANAGER</b>
<b>1</b>	He is responsible for the establishment of the enterprise	He is employed by the entrepreneur to work for the accomplishment.
<b>2</b>	He has the freedom to determine the specific objectives of his business.	He has to simply work within the framework of objectives set by the entrepreneur.
<b>3</b>	He has to be constantly involved in the task of bringing out the something new. He is, therefore, an innovator.	He is only concerned with the routine affairs of the business and is not expected to be an innovator.

4	The profits available to the entrepreneur are uncertain and also irregular.	The manager is always assured of his salary, which is often a fixed amount.
5	He is always expected to undertake risks. He, however, takes only calculated risks.	He does only a routine job and does not undertake any kind of business risk.
6	He makes all-important decisions.	His job is only to implement the decisions. Routine decisions may be made by him.
7	He has to invest a huge amount as capital.	He does not contribute any capital to work as manager.
8.	Availability of resources government regulations, market conditions etc., influence his decisions.	Beliefs, attitudes, opinions etc., influence decisions made by a manager on certain routine matters.
9.	He is rewarded with profits.	He gets his salary for the work done by him

### **NATURE OF MANAGEMENT**

#### **Explain the Nature of management.**

To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers.

#### **Management is Combination of Art and Science**

Management knowledge exhibits characteristics of both art and science, the two are not mutually exclusive but supplementary.

- Every discipline of art is always backed by science which is basic knowledge of that art.
- Similarly, every discipline of science is complete only when it is used in practice for solving various kinds of problems faced by human beings in an organisation or in other fields of social life which is more related to an art.
- Art basically deals with an application of knowledge personal skill and know-how in a specific situation for efficiently achieving a given objective. It is concerned with the best way of doing things and is consequently, personalized in nature.

#### **Management as a Science**

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Thus, the essential features of science are as follows:

- ⊕ Basic facts or general principles capable of universal application
- ⊕ Developed through scientific enquiry or experiments
- ⊕ Establish cause and effect relationships between various factors.
- ⊕ Their Validity can be verified and they serve as reliable guide for predicting future events.

Let us now examine as to what extent management satisfies the above conditions:

#### **1. Systematic body of knowledge**

Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organizations.

#### **2. Universal principles**

- ✦ Scientific principles represent basic facts about a particular field enquiry. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time.
- ✦ Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organisation-business or non business.

### 3. Scientific enquiry and experiments

- Scientific principles are derived through scientific investigation and reasoning. Rather these can be scientifically proved at any time. For example, the principle that the earth revolves around the sun has been scientifically proved.
- Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.

### 4. Cause and effect relationship

- ✦ Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapour.
- ✦ Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.

### 5. Tests of validity and predictability

- Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground.
- Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science - Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behaviour of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation.

### Management as an Art

Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are:

- ★ Practical knowledge
- ★ Personal skill
- ★ Result oriented approach
- ★ Creativity
- ★ Improvement through continuous practice

Let us judge how far management fulfils these requirements:

#### 1. Practical knowledge

- ◆ Every art signifies practical knowledge. An artist not only learns the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours.

- ◆ Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life.

## 2. Personal skill

- Every artist has his own style and approach to his job. The success of different artists differs even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success.
- Similarly, management is personalized. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.

## 3. Result-oriented approach

- ◆ An art seeks to achieve concrete results.
- ◆ The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results.

## 4. Creativity

- Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create.
- Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services.

## 5. Improvement through practice

- ✦ Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance.
- ✦ Similarly, manager gains experience through regular practice and becomes more effective.

Thus, "management is both a science as well as an art". It is a science because it has an organized body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other.

## Management as a Profession

A profession is calling that requires specialized knowledge and often, long intensive academic preparation. The essential features of profession are as follows:

- ◆ Well defined body of knowledge
- ◆ Service motive
- ◆ Code of Conduct
- ◆ Representative professional association

Let us examine to what extent management fulfils the above requirements:

### (i) Specialized body of knowledge

- ✦ Every profession has a well defined body of knowledge relevant to the area of specialization. In order to practice a profession, a person requires specialized knowledge of its principles and techniques.
- ✦ A manager must have intensive devotion and involvement to acquire expertise in the science of management. In addition, there should be competent application or judicious utilization of this knowledge in solving complex problems.

### (ii) Service motive

- ✦ A profession is a source of livelihood but professionals are primarily motivated by the desire to serve the community. For example, a doctor earns his living from his medical practice. But he does not treat his

patients only for the sake of money. He has a concern for the suffering of others and a desire to help the community.

- ✦ Similar is the case with managers. A manager of a factory is responsible not only to its owners, but he is also expected to produce quality goods at a reasonable cost and to contribute to the well-being of the community.

### **(iii) Representative association**

- In every profession there is a statutory association or institution which regulates that profession. For example, the Institute of the Chartered Accountants of India establishes and administers standards of competence for the auditors.
- In management also associations have been established both in India and abroad. Managers have formed associations for the regular exchange of knowledge and experience. In India, there is the All India Management Association.

### **(iv) Code of conduct**

- ✦ Members of one profession have to abide by a code of conduct which contains rules and regulations providing the norms of honesty, integrity and professional ethics. For example a chartered accountant is not expected to commercially advertise his firm.
- ✦ The All India Management Association has framed code of conduct for managers. The code requires the managers to fulfill their social and moral obligations.

The above discussion reveals that management fulfils several essentials of profession. But like other professions, management does not restrict the entry into managerial jobs to people with a special academic degree. Doctors owe their loyalty to patients. But managers are responsible to the owners as well as to other social groups.

## **What are the Levels of Management?**

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. For conducting a business efficiently, managerial personnel may be placed in three levels, that is, top, middle and lower or supervisory level.

### **1. Top Management**

It consists of the board of directors and chief executive. Chief executive may be known as managing director, general manager, president, chairman, etc. The functions of the top management are as follows.

- \* To analyze, evaluate and deal with the environmental forces
- \* To establish overall long-term goals, and board policies of the company
- \* To appoint departmental and key executives
- \* To represent the company to the outside world, e.g., trade associations, government, trade unions, etc.

### **2. Middle Management**

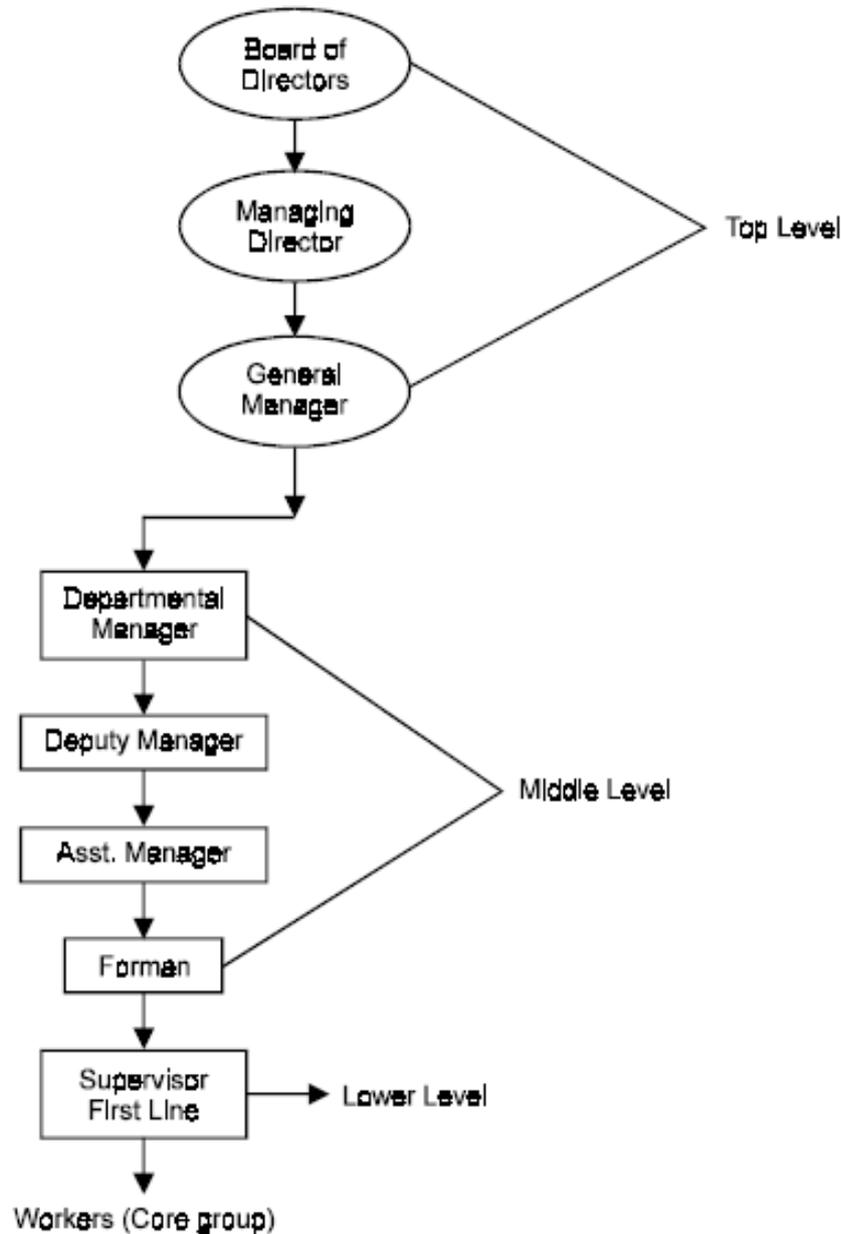
This level of management consists of deputy heads of departments and sectional officers such as plant manager, and sales manager or branch manager, office manager, purchase officer, etc. These executives serve as a link between top management and supervisory management. The middle management usually performs the following functions.

- \* To interpret and explain the policies framed by top and intermediate managements
- \* To compile and issue detailed instructions regarding operations.
- \* To motivate supervisory personnel to work for organizational goals
- \* To develop and train supervisory and operative personnel

### **3. Supervisory or Lower level management:**

It is the lowest level of management, it consist of plant superintendent, foreman and frontline supervisors, sales officers, etc. it also serves as the link between management and workers.

- \* To plan the day-to-day production within the goals laid by higher authority
- \* To assign jobs to workers and to make arrangements for their training and development
- \* To supervise and control workers to maintain personal contact with them
- \* To arrange materials and tools and to maintain machinery.



**Describe the skills of a good manager. [Or] What is the Importance of Manager?**

In modern business the job management has become very difficult. Several skills are required to manage successfully a large organisation in a dynamic environment. These skills of managers have been classified into four categories, namely technical, human, diagnostic and conceptual skills.

**(i) Technical Skills**

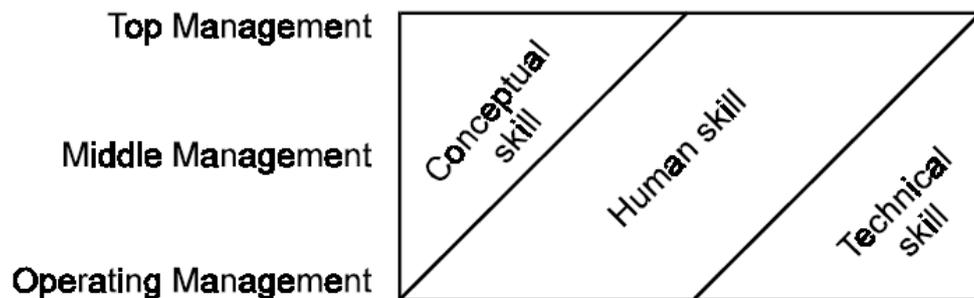
1. Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialized knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill.
2. Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers.

## (ii) Human Skills

- A human skill consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers.
- While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'. Human skills are equally important at all levels of management because every manager has to deal with people.

## (iii) Conceptual Skills

- Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy.



## SCOPE OR FUNCTIONAL AREAS OF MANAGEMENT

### What are the Scopes of Management? (Or) What are the Functional areas of Management?

The various functional areas of management may be classified as follows:

#### 1. Production Management

Production management implies planning, organizing, directing and controlling the production function so as to produce the right goods, in right quantity, at the right time and at the right cost. It consists of the following activities.

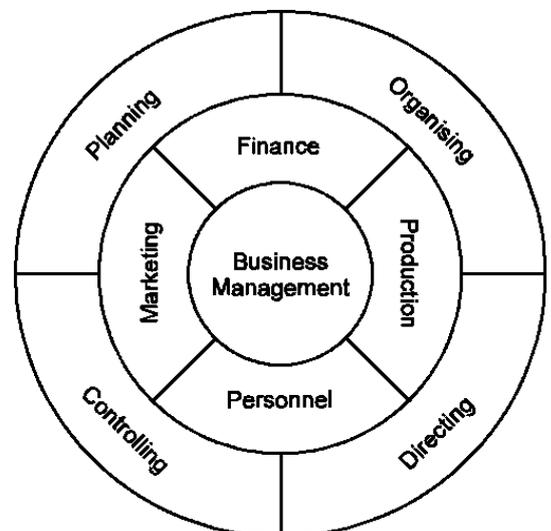
- ✦ Designing the product
- ✦ Location and layout of plant and machinery
- ✦ Operation of purchase and storage of materials
- ✦ Planning and control of factory operations
- ✦ Repairs and maintenance

#### 2. Marketing Management

Marketing management refers to the identification of consumer's needs and supplying them the goods and services which can satisfy these wants. It involves the following activities.

- ✦ Marketing research to determine the needs and expectations of consumers.
- ✦ Planning and developing suitable products
- ✦ Setting appropriate prices
- ✦ Selecting the right channels of distribution
- ✦ Advertising

#### 3. Financial Management



Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. It comprises of following,

- ✦ Estimating the volume of funds required for both long term and short term needs of business.
- ✦ Selecting the appropriate sources of funds.
- ✦ Raising the required funds at the right time.
- ✦ Ensuring proper utilization and allocation of raised funds, so as to maintain safety and liquidity of funds and the credit worthiness and profitability of business and
- ✦ Administration of earnings.

#### 4. Personal Management

Personnel management involves planning, organizing, directing and controlling the procurement, development, compensation, maintenance etc of human resources in an enterprise. It consists of the following activities.

- ✦ Personnel planning
- ✦ Recruitment and selection
- ✦ Training and development
- ✦ Wage administration
- ✦ Performance Appraisal
- ✦ Industrial relation

### FUNCTIONS OF MANAGEMENT

**What are the Functions of Management? (Or) What are the Elements of Management? What are the essential tasks of Management?**

According to **J.L. Lundy**, management is “a task of planning, co-coordinating, motivating and controlling the efforts of others towards a specific objective”.

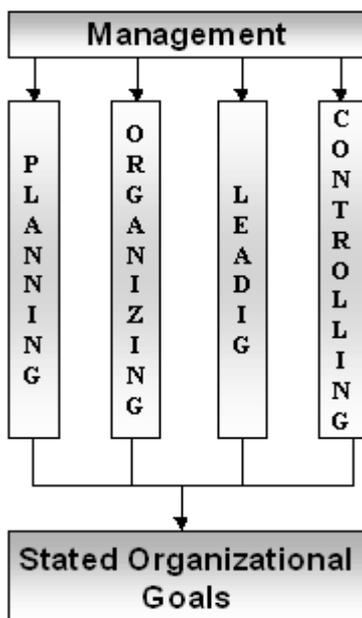
The individual management functions are shown in the following figure:

#### 1. Planning

Planning is the most basic functions of management. Planning involves determining the objectives and selecting a course of action to achieve them. It implies looking ahead and deciding in advance what is to be done, when and where it is to be done. It consists of forecasting, decision making and problem solving.

The process of planning thus consists of:

- Determination of objectives
- Forecasting and choice of a course of action.
- Formulation of policies, programmes, budget.



#### 2. Organizing

Once the plan is formulated, the next step is that of organizing. Organizing is the process of establishing authority-responsibility relationships among the members of the enterprise. It is the function of creating a structure of duties and responsibilities. According to Fayol, “To organize a business is to provide it with everything useful to its functioning raw materials, tools, capital and personnel.”

The process of organization consists of the following step:

- ◆ Determining and defining the activities required for achieving the goals
- ◆ Grouping the activities into logical and convenient units
- ◆ Assigning the duties and activities to specific position and people
- ◆ Delegating authority to these position and people

### **3. Staffing**

Staffing is the process of filling all positions in the organization with adequate and qualified Personnel. It includes manpower or human resource planning.

- ✦ Staffing involves recruitment, selection, induction and positioning the people in the organization.
- ✦ Decisions on remuneration packages are part of staffing.
- ✦ Training, retraining, development, mentoring and counseling are important aspects of staffing.
- ✦ It also includes performance appraisals and designing and administering the motivational packages.

### **4. Directing**

Directing is the managerial function of guiding, supervising, motivating and leading people towards the attainment of planned targets of performance. In the process of directing his subordinates, a manager takes active steps to ensure that the employees accomplish their task according to the established plans. Directing is the executive function of management because it is concerned with the executions of plans and policies.

Directing function of management embraces the following activities:

- ✦ Issuing orders and instructions
- ✦ Supervising people at work
- ✦ Leadership or influencing the behaviour of employees.

### **5. Controlling**

Controlling is the process of ensuring that the organization is moving in the desired direction and that progress is being made towards the achievement of goals. The process of controlling involves the following steps:

- ★ Establishing standards for measuring work performance,
- ★ Measurement of actual performance and comparing the actual performance with the standards,
- ★ Finding variances, if any
- ★ Taking corrective action for correcting deviations.

### **6. Co - Ordinating**

Each managerial function is an exercise of co-ordination. It is said that co-ordination is the essence of management. It is an integral part of leadership. Co-ordination is concerned with harmonious and unified. Action directed towards a common objective. It involves inter-relating various part of the work or organization.

### **7. Decision-Making**

Every employee of an organization has to take a number of decisions every day. Decision-making helps in the smooth functioning of an organization.

### **8. Representation**

A manager has to act as a representative of a company. He has dealing with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relations with others.

### **9. Innovation**

Innovation refers to the preparation of personal and organization to face the changes made in the business worlds. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, and new techniques in production, new package, and new design of a product and cost reduction.

### **10. Communication**

Communication is the transmission of human thoughts, view or opinions form one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done, and when it is to be done. Communication helps the regulation of job and coordinates the activities.

## **What are the advantages of Management? (Or) What is the Importance of Management?**

The success and growth of an organization depends largely upon the efficiency and effectiveness of its management. Sound management provides the following benefits:

### **1. Achievement of group goals**

Management enables an enterprise to achieve its desired objectives through proper planning and control. It decides what should be done and how. It lays down the long term and short term goals keeping in mind the resource of the enterprise.

### **2. Optimum utilization of resources**

Materials, machinery and money are the physical factors of production. The efficient use of these resources depends upon the efficiency and motivation of workers. Management makes the workers efficient and motivate through training, supervision and inspiring leadership. Managers guide and motivate workers towards best performance.

### **3. Fulfillment of social obligations**

Sound management monitors the environment of business and makes necessary changes in business policies and practices so as to keep the consumers and workers satisfied. In this way managers help an enterprise to fulfill its obligations towards different sections of society. Management balances and integrates various interests in group efforts.

### **4. Economic growth**

Management is the catalyst of economic growth. Importance is given to management and labour rather than capital and labour. "Development is a matter of human energies rather than of economic growth, and the generation of human energies is the task of management.

### **5. Stability**

Management ensures the survival of an organization in a fast changing environment. It coordinates the activities of different departments in an organization and maintains team spirit amongst the personnel. Just as mind controls body, similarly management directs and controls the organization to keep it on the right track.

### **6. Human development**

Management is not simply the direction of things but the development of men. It improves the personality and caliber of people to raise their efficiency and productivity. A good manager serves as a friend and also as a guide to his subordinates.

### **7. Meets the challenge of change**

Management is catalytic force that enables an organization to face its challenge of change. The environment of business has become very turbulent. Managers maintain a dynamic equilibrium between an organization and its environment.

### **8. Motivation of employees**

It motivates employees to take more interest and initiatives in the work assigned and contribute for raising productivity and profitability of the enterprise.

## **SCIENTIFIC MANAGEMENT**

### **What is Scientific Management?**

F.W. Taylor is known as the father of Scientific Management. He started his career as an apprentice in a small shop. His ideas about management grew out of his wide-ranging experience in three companies. He found that there was rampant wastage and inefficiency. Workers were performing much below their capacity.

The main cause of widespread inefficiency and wastage was ignorance on the part of both the workers and management. Trial and error or thumb methods were used.

Management had no clear idea of the best way of doing work and no scientific work standards were applied. There was no clear cut division of responsibilities between the management and workers. Taylor was convinced that there is a science for each job and 'one best way' of doing work.

### **Define Scientific Management.**

According to Taylor, management is 'the art of knowing exactly what you want men to do and seeing that they do it in the best and cheapest way'. His ideas on scientific management were brought out as book titled 'principles of Scientific Management' in the year 1911.

## **CONTRIBUTIONS BY F.W. TAYLOR (1856-1915)**

### **Explain the contribution made by F.W Taylor towards management.**

F.W. Taylor is one of the founders (the other two are Max Weber and Henry Fayol) of classical thought/classical theory of management. He suggested scientific approach to management also called scientific management theory. He is called the father of scientific management for his scientific approach to solve management problems. He started his carrier as a mechanist in a small concern in the U.S and by his hard work, he could go up to the level of chief engineer in the same concern within a short span of time. During his period of work, Taylor found that the workers were performing below their capacity.

### **Important aspects of Scientific Management or Principles**

#### **1. Replacement of thumb rule method by a scientific one**

In scientific management, the standard time required for doing any work is determined. A worker will be considered efficient only if he does the work within the standard time. The working environment will be provided on scientific lines. The tools, the materials used the methods used etc are all standardized.

#### **2. Scientific selection, placement, training and development of workers**

Scientific management provides for the selection of the right man for the right job. Placement of workers will be done based on their capabilities. Training enables the workers to perform their duties with maximum efficiency.

#### **3. Harmonious relationship between the workers and management**

Scientific management enables efficient workers to earn more as payment is linked to output. As the management is also benefited as a result of increased output, there exists harmonious relationship between the workers and the management.

#### **4. Co-operation between the workers and the management**

Management can expect higher profit only if the workers work with maximum efficiency. The workers will be benefited only if the operation between the workers and the management.

#### **5. Maximum and not restricted output**

For the management maximum output would mean greater profits and lower cost of production. Greater output enables the workers to earn more remuneration. Thus both the management and the workers are interested in maximizing production under scientific management.

### **Describe the classification of activities, qualities, training and elements of management?**

#### **Classification of Activities**

- ✦ Technical activities related to production.
- ✦ Commercial activities relating to purchase of basic raw materials and other resources, selling of products and exchange
- ✦ Financial activities relating to identification and utilization of available funds

- ✦ Security activities relating to the steps taken to protect the property of enterprise and persons
- ✦ Accounting activities relating to the recording and maintaining of accounts, stock taking and preparation of cost sheets, Balance sheets and statistical data
- ✦ Managerial activities relating to planning, organizing, commanding, co-coordinating, and controlling.

### **Elements of management**

1. Planning, 2. Organizing 3. Commanding or directing 4. Coordination 5. Control

### **What are the Techniques of scientific management according to F.W Taylor?**

The following are the important techniques of management,

#### **1. Work-study**

Aims at improving efficiency under scientific management the amount of work an average worker can do under standard working conditions is objectively determined. This is referred as fair day work. In determining fair days work, the following studies are used.

- **Time study:** is to determine the standards time needed to perform every job. For this, the various elements associated with the job are identified and the time taken to perform each such element is recorded.
- **Motion study:** Motion study is conducted to know the movement of workers from one place another during working hours to perform their work. The idea is to identify and eliminate unnecessary and wasteful movements.
- **Method Study:** aims at determining the most appropriate method of doing any job.

#### **2. Scientific task planning**

It lays down production targets and ensures their attainment. It ensures quality of output. However cost of production, specialization, optimum use of resources, sales maximization etc. is the other objectives of scientific task planning.

#### **3. Standardization and simplification**

Under scientific management the product, the material used for its manufacture, the tools and equipment used, the methods used, quality time and the working conditions are all standardized. Standardization ensures uniformity and promotes efficiency.

#### **4. Mental revolution**

Taylor contemplated mental revolution on the part of both the management and the workers on two issues.

- ✦ To work sincerely towards increasing the size of the surplus instead of quarrelling over sharing the surplus and
- ✦ To adopt the scientific methods of work in place of the thumb rule method.

### **Criticism of Scientific Management**

Some of the criticisms are as follows:

- \* This concept has failed to consider the physical and mental well being of workers. Maximum productivity is achieved only through employing first class workers.
- \* In practice, all the workers cannot be expected to be excellent. Worker's efficiency was improved through adoption of standards techniques and tools. Increase in production is possible in scientific management.
- \* But, the wages of workers are not increased in direct proportion to increased production. It was argued that the time study, motion study, fatigue study, standardization of wage rates etc were not scientifically measured.
- \* The introduction of scientific management is an expensive one. Standardization of tools and equipments and working condition involves heavy expenditure.

- \* Wages are paid according to piece rate system under scientific management. This system benefits the experienced and efficient workers. New workers do not derive any benefits from this system. This creates a sense of insecurity of job in the minds of workers in general.
- \* The introduction of scientific management disturbs the smooth functioning of the organization. The scientific management cannot be introduced within a day. It requires lot of time, and introduced only after standardizing tools and equipments and altering working condition.

### **Describe the Contribution Given By Elton Mayo along with Hawthorne experiments.**

Elton Mayo was the leader of the team that conducted the famous Hawthorne Experiments. These experiments were conducted at the Hawthorne plant of Western Electric Company in Chicago, U.S.A. Mayo was a professor of an Industrial psychology at the Harvard Business School. 'The Human Problem of an industrial Civilization', 'Management and Morale', 'The social Problems of an Industrial Organisation' are some of the books brought out by Mayo.

The Hawthorne Experiments were conducted in **four stages**. These are given below.

1. **Illumination Experiments** – The main objective of the illumination experiments was to study the effect of the quality of lighting in the workroom on the efficiency of the workers. For this purpose the workers are divided into groups.
2. **Relay Assembly Test Room Experiments** – These experiments were conducted in an assembly department where telephone relay units were assembled. The object of the experiments was to ascertain the relationship between working conditions and productivity.
3. **Interview Programme** – A massive interview programme was conducted covering more than ten thousand workers to find out their views on their jobs, working conditions, supervision, etc. The interviews programme revealed that the morale of the workers improved as they had the satisfaction that their views were heard.
4. **Bank Wiring Group observations** – The main aim of study here is to find out the influence of the group on a worker to restrict his output in spite of the existence of incentives for higher output. The working conditions were not altered for the sake of the investigation.

### **Findings of Hawthorne Experiments:**

The following are the findings of the Hawthorne Experiments:

- ☛ Social factors such as recognition, sense of belonging, etc., influence production more than physical factors.
- ☛ Monetary incentives do not induce a worker, working in a group, to increase output. He cares more for the friendship and respect of his co-workers.
- ☛ Workers do not react as individuals but as members of a group. No worker wants to incur the ill will or displeasure of his co-workers.
- ☛ An individual in a group is accepted as its leader by the other members. Such an informal leader is able to guide and influence the co-workers.
- ☛ What encourages a worker more is the feeling that his views and suggestions are heard by the management.

### **Criticism of Hawthorne Experiments**

The following are some of the criticisms of the Hawthorne Experiments:

1. The study is confined to a particular company. The findings therefore lack universal applicability.
2. The study has considered only the internal environment and has ignored the external environment completely.
3. There was no basis for the selection of the workers, the physical environment, etc. The study, therefore, was unscientific.
4. The view that satisfied workers produce more output has also not been accepted.

5. Undue importance has been given to social factors like affection, sense of belonging etc., in determining the quantum of output. The fear of loss of job in the event of a deliberate attempt to restrict output must also be there in every worker.

### **Explain the concept of MBO together with its merits and demerits.**

An importance contribution of Drucker is his idea of MBO. It is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.

Management by objectives requires that, for several organizational levels, to establish a hierarchy of objectives and these are identified and, wherever possible, specified in the form of measurable goals. These measurable goals shall contribute to the overall products or service objective of the organization. These goals need not stress particular methods of procedures to be followed, such an approach is called management by objectives.

#### **1. Establishment of Objectives**

- Once the basic objectives of the enterprise have been established, objectives of individual departments will have to be set.
- The targets of the subordinate of every department will then be fixed mutually between the subordinate concerned and his superior. This will be done after a certain number of meetings between the two.
- In other words, there shall be perfect co-ordination between the targets of the subordinates and those of the enterprise. The subordinates shall express their expected tasks in clear measurable terms.

#### **2. Periodical Review**

The performance of the subordinates shall be subject to period review. The superiors shall provide appropriate direction for the effective performance of the task undertaken. The targets may also be revised if it is found that the subordinates are not able to proceed in the right direction.

#### **3. Final Review**

In the final meetings between the superior and the subordinate, to review the latter's performance, if it is found that the subordinate has successfully accomplished his tasks, he gets not only appreciations but also reward in the form of promotion or such other benefit. If the performance of the subordinate is not satisfactory, he may be given additional training to carry out his tasks better in the next period.

### **Advantages of MBO**

1. It promotes better communication relationship between the superior and his subordinates.
2. It gives the subordinate an opportunity to fix his own targets in consultation with his superior. This he will do by considering his own potentials. The subordinate knows precisely what he is expected to do.
3. As the subordinates have the freedom to determine their own targets, they feel motivated and also show keen interest in their attainment.
4. The periodic review of the subordinate's performance enables him to know whether he is proceeding in the right direction.

### **Disadvantages of MBO**

1. The superior and his subordinate may have to meet several times for the sake of setting the objectives mutually.
2. Periodic review of the subordinate's performance involves lot of time and also paper work.
3. MBO has not much to do with the lower levels of management.

### **CONTRIBUTIONS BY HENRY FAYOL**

**Explain Henry Fayol's general principles of management. (Or) "To manage is to forecast and plan, to organize, to compound, to co-ordinate and to control" – Analyze this statement. (Or) critically analyze Fayol's contribution to the theory of management.**

## Henry Fayol (1841-1925)

Henry Fayol started his career as a junior engineer in a coalmine company in France and became its general manager in 1880. He is known as, “Father of management or Founder of management”. His contribution may be classified under three categories: Classification of business activities, Functions of management and principles of management.

### Henry Fayol’s Classification of business activities

- a. Technical activities (production, manufacture, adaptation).
- b. Commercial activities (buying, selling and exchange).
- c. Financial activities (search for and optimum use of capital).
- d. Security activities (protection of property and persons).
- e. Accounting activities (stock taking, balance sheet, cost, and statistics).
- f. Managerial activities (planning, organizing, command, coordination and control).

### Functions of management or Elements of management

- Planning** – to foresee and provide means for future
- Organizing** – to provide a business with raw materials, tools, capital, and personnel
- Commanding** – to maintain activity among personnel
- Coordinating** – to unify all activity and effort
- Controlling** – to see that everything occurs in established rules and expressed commands.

## PRINCIPLES OF MANAGEMENT (14)

Henry Fayol gave the following fourteen principles of management. They are as follows,

### 1. Division of Work

The full work of the organisation should be divided among individuals and departments. This is because a division of work leads to specialisation, and specialisation increases efficiency, and efficiency improves the productivity and profitability of the organisation.

### 2. Authority and responsibility

According to Henri Fayol, there should be a balance between Authority (Power) and Responsibility (Duties). Authority must be equal to Responsibility. If the authority is more than responsibility then chances are that a manager may misuse it. If responsibility is more than authority then he may feel frustrated.

### 3. Discipline

Discipline means a respect for the rules and regulation of the organisation. Discipline may be Self-discipline, or it may be Enforced discipline. Self-discipline is the best discipline. However, if there is no self-discipline, then discipline should be enforced through penalties, fines, etc. No organisation can survive without discipline.

### 4. Unity of Command

According to this principle, a subordinate (employee) must have only one superior (boss or manager). A subordinate must receive orders from only one superior. In other words, a subordinate must report to only one superior.

### 5. Unity of Direction

All activities which have the same objective must be directed by one manager, and he must use one plan. This is called Unity of Direction. For example, all marketing activities such as advertising, sales promotion, pricing policy, etc., must be directed by only one manager.

### 6. Subordination of Individual Interest to Group Interest

In an organisation, there are two types of interest, viz., the individual interest of the employees, and the general interest of the organisation. The individual interest should be given less importance, while the general interest should be given most importance. If not, the organisation will collapse.

## 7. Remuneration

Remuneration is the price for services received. If an organisation wants efficient employees and best performance, then it should have a good remuneration policy. This policy should give maximum satisfaction to both employer and employees.

## 8. Centralization

In centralization, the authority is concentrated only in few hands. However, in decentralization, the authority is distributed to all the levels of management. No organisation can be completely centralized or decentralized.

- If there is complete centralization, then the subordinates will have no authority (power) to carry out their responsibility (duties).
- Similarly, if there is complete decentralization, then the superior will have no authority to control the organisation. Therefore, there should be a balance between centralization and decentralization.

## 9. Scalar Chain

Scalar Chain is a line of authority. This line joins all the members (managers and employees) from top to bottom. Every member must know who his superior is. He must also know who his subordinate is. Scalar Chain is necessary for good communication.

## 10. Order

There should be an Order for things and people in the organisation. Material Order refers to "a place for everything and everything in its place." Social Order refers to the selection of the "right man in the right place". There must be orderly placement of the resources such as Men and Women, Money, Materials, etc. Misplacement will lead to misuse and disorder.

## 11. Equity

The managers should use the equity while dealing with the employees. Equity is a combination of kindness and justice. Equity creates loyalty and devotion in the employees.

## 12. Stability of Tenure

An employee needs time to learn his job and to become efficient. Therefore, he should be given time to become efficient. When he becomes efficient, he should be made permanent. In other words, the employees should have job security.

## 13. Initiative

Management should encourage initiative. That is, they should encourage the employees to make their own plans and to execute these plans. This is because an initiative gives satisfaction to the employees and brings success to the organisation.

## 14. Esprit De Corps

Esprit de Corps means "**Team Spirit**". Therefore, the management should create unity, co-operation and team-spirit among the employees. They should avoid the divide and rule policy.

---

**END OF UNIT I**

### References:

1. **Business Management – Dr. C B Gupta**
2. <http://kalyan-city.blogspot.com>

## **INTRODUCTION**

Planning is the most fundamental function of management. It precedes other functions. Without setting the goals it cannot be reached the courses of action like organizing, staffing, directing and controlling in an effective manner. Planning provides the framework within which coordinating, motivating and controlling can be undertaken. There is nothing to do unless the objectives and the ways of achieving them are decided.

### **What is Planning?**

**(2 Marks)**

- ☞ Planning is the process selecting and developing the best course of action to accomplish an objective. It is the process of deciding in advance what is to be done. It also involves the selection of objectives, policies, procedures and programs from among alternatives.
- ☞ Planning is the important and primary function of management. A manager must plan before coming in action. It is concerned in deciding in advance what to do? How to do? When to do? Why to do? Where to do? And who to do?

### **Define planning.**

**(2 Marks)**

- ✦ “Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap from where we are to where we want to go.” - **Koontz and O’Donnell.**
- ✦ Planning involves selecting from among alternative future courses of actions for the organization as a whole and for every department or section within it. - **Cook, Hunsaker.**

## **NATURE OF PLANNING**

### **What are the Features of Planning? (Or) What is the Nature of Planning? (Or) What are the basic Characteristics of planning?**

**(5 Marks)**

The essential nature of planning can be highlighted by the four major aspects of planning:

#### **1. Contribution to Purpose and Objectives**

Plans are means to achieve some ends and without planning, we cannot achieve goals and objectives of an organization.

#### **2. Primacy of Planning**

Planning is the primary management function, the one that precedes and is the basis for the organizing, influencing, staffing, leading and controlling functions of managers.

#### **3. An intellectual activity**

Planning involves choosing the proper course of action from among alternatives & calls for decision-making which is an intellectual process.

#### **4. A continuous function**

Management is a dynamic process and planning as its function cannot be an exception to it. More over as plans beget a number of sub-plans and since plans have to be revised in the light of changing environment, planning becomes a continuous function of Management.

#### **5. Planning is flexible**

As already pointed out, while planning, any one of the available alternatives is selected. Planning selects the best alternatives based on certain assumptions. There is a possibility of dead log in the functions of the management. Planning has one more alternative to suit future situations.

#### **6. For all managerial functions**

Planning is a pervasive function of management. It is found at all levels and all departments of an organization. Top management looks after strategic planning. It involves choosing the future course of action from among alternatives.

### **IMPORTANCE OF PLANNING**

**What is the importance of Planning? (OR)What are the merits of Planning? (OR)What are the advantages of Planning? (5 Marks) (10 Marks)**

Sound plans are essential to effective management, because they serve as guides to all management functions. Planning is useful to an organization in the following ways:

#### **1. Provides Direction**

- Planning provides a clear sense of direction to the activities of the organization and to the job behavior of managers and others.
- It strengthens their confidence in understanding where the organization is heading and what for, how best to make the organization move along the chosen path.

#### **2. Provides opportunity to analyze alternative courses of action**

- ★ Another source of importance of planning is that it permits managers to examine and analyze alternative course of action with a better understanding of their likely consequences.
- ★ If managers have an awareness of the possible future effects of alternative courses of action, for making a decision, they will be able to proceed cautiously to choose the most feasible course of action.

#### **3. Reduces risk**

- Uncertainty and change are inevitable and planning cannot eliminate them. But planning enables the organization to cope up with uncertainty and change.
- With the help of planning, an enterprise can predict future events and make due provision for them.

#### **4. Helps to Resource Allocation**

- ★ Planning helps the management to allocate the resources in an efficient manner for achieving goals of the organization.
- ★ The resources include funds, highly competent executives, technological talent, good contacts with government, exclusive dealer network and so on.

#### **5. Optimum Utilization of Resources**

- For an ongoing organization, planning contributes towards a more efficient functioning of the various work units. Planning facilitates optimum utilization of available resources.
- There is better utilization of the organization's existing assets, resources and capabilities, human efforts and skills so as to bring about an overall improvement in resource use efficiency.

#### **6. Encourages innovation and creativity**

- ★ Innovation and creativity are the prerequisites to continuous growth and steady prosperity of business. Planning requires continuous monitoring of environment for new ideas and developments.
- ★ As a result the enterprise becomes dynamic. Being anticipatory in nature, planning improves the adaptability of an organization to the changing environment.

#### **7. Guides decision-making**

Planned targets serve as the criteria for the evaluation of different alternatives so that the best course of action may be chosen. By predicting future, planning helps in taking future-oriented decisions.

**What are the limitations of Planning? (Or) What are the drawbacks of Planning? (Or) What are the demerits of Planning? (5 Marks)**

- ☹ **Inaccuracy:** Planning is based on forecasts which are never cent per cent accurate. The accuracy and reliability of forecasting diminishes as the forecasting period increases. If reliable forecast and data are not available planning becomes unrealistic.
- ☹ **Time consuming:** Planning is a time consuming and expensive process. Time, effort and money are required in the formulation and revision of plans.
- ☹ **Rigidity:** Planning may result in internal inflexibilities and procedural rigidities which curb initiative and individual freedom. Sometimes planning may cause delay in decision making.
- ☹ **Resistance:** Planning often requires some change in the existing set-up. Unless the required change in forthcoming planning may be ineffective. Resistance to change is an important obstacle in planning.
- ☹ **False security:** Planning may create a false sense of security in the organization. A manager feels that all problems will be solved once the plans are put into operation.
- ☹ **External constraint:** The effectiveness of planning may be affected by external forces which are beyond the control of those responsible for preparing plans. Government control, natural calamities and other unforeseen events may create hurdles in the implementation of plans.

### STEPS IN PLANNING

**What are the Steps in Planning? (Or) Explain the Process of Planning? (Or) What the Stages involved in Planning? (10 Marks)**

#### **1. Identification of Goals**

- ✦ Planning cannot be successful unless the organizations know what it wants to achieve. The company must clearly set the objectives for the entire organization.
- ✦ These objectives must also be duly accepted by the organizational members. Clear identification of goals helps to optimum allocation of resources.

#### **2. Analyze the present Situation**

- ✦ For the plans to be effectively implemented, it is essential for management to be aware of the present status of the organization, both in internal and external environment.
- ✦ The internal environment consists of its various departments and sub-units. External environment will help to identify the opportunities and constraints for the enterprise. It consists of the market, its competitors, customers etc.
- ✦ To be effective planning must enable the organization to adapt itself to the environmental changes.

#### **3. Identification of Barriers to Planning**

The managers must identify the barriers if any, which can prove to be a hindrance to the successful implementation of plans and try to overcome them.

#### **4. Development of alternative courses of action**

- ☞ There are several ways of achieving same objectives. The various available alternatives should be identified.
- ☞ For example, in order to increase sales an enterprise may intensify sales efforts, explore new markets or develop new products.

#### **5. Evaluation of different courses of Action**

The various alternatives are compared and weighed in the light of objectives and premises. Each alternative has its merits and demerits but all alternatives cannot be equally appropriate or practicable. Several statistical and mathematical techniques are used to evaluate alternative course of action.

#### **6. Selecting the best course of Action**

After evaluating the various alternatives, the most appropriate alternative is selected. It is the point at which the plan is adopted. Sometimes, evaluation may suggest that more than one alternative is good. Manager may choose several alternatives and combine them in action.

## 7. Implementation of derivative Plans

Once the plan (policy and strategy) is decided, various supporting or subsidiary plans are formulated. These include procedures, policies, programmes, budgets etc., such plans are required to implement the basic plan.

## 8. Feedback

The final process of planning function is getting feedback about the plan from the employees. It helps to correct the deviations of the planning process.

### What are steps to make Planning Effective? (Or) How planning can be made effectively? (5 Marks)

The following points can serve as the keys to success with planning. They are,

- ☞ The success of planning depends upon the effectiveness with which the forecast has been made. If the forecast is accurate here is very possibility that the plan will be a success.
- ☞ Flexibility must be introduced in the plan. Whenever necessary so that the employees can work with sustained interest and effort.
- ☞ All members concerned with the organization must be involved in the tasks of preparing the plan. The viewpoints of the employees, who are actually going to perform the tasks, must be secured and their ideas may be incorporated in the plans, if found suitable.
- ☞ The plan should not be prepared to focus on the financial goals of the business alone. It must have something for the employees. There must be some provisions in the plan to reward efficient workers.
- ☞ The plan must be realistic. The plan must not expect too much output from every person.
- ☞ The plan must be communicated effectively to all the subordinates' staff. The successful implementation of the plan depends on the extent to which subordinates participate willingly in the performance of the tasks.
- ☞ A co-ordinate effort on the part of every department is required for the success of the plan. To achieve this, the department concerned shall work with proper understand.

### Explain in detail the Classification of Plans? (OR)What are the types of Plans? (5 Marks) (10 Marks)

#### ☞ On the basis of time period

#### 1. Long term Planning

Long-term plan is also called strategic planning because it prepares the business to face the effects of long term changes. The period covered by the long-term plan is usually 5 to 15 years. Long term planning is needed in the following circumstance.

- ◆ Introducing of new product
- ◆ Entering a new market
- ◆ Changing the technique of production
- ◆ Increasing the scale of operation etc.

#### 2. Medium term Planning

It is also known as tactical planning. The period covered by the medium term plan is usually one to five years. Such a plan may be necessary in the following cases.

- Making additions to an existing plant.
- Expanding output from its present level
- Appointment of additional staff to cope with the volume of work etc.

#### 3. Short-term Planning

The period of short term panning is less than one year. It is also known as operational planning. Such a plan may relate to any of the following matters.

- ✦ Purchase of raw materials
- ✦ Arranging for employee training
- ✦ Provisions of certain amenities for the staff with the available funds etc.

### ☞ On the basis of Scope

#### 1. Corporate Planning

- ◆ Corporate planning or organisation planning is concerned with the organisation as a whole. It is usually long term and is done by top level of management.
- ◆ It lays down the overall objectives, strategies and policies for the total enterprise. It is also known as strategic planning. The focus here is on the total enterprise.

#### 2. Divisional Planning

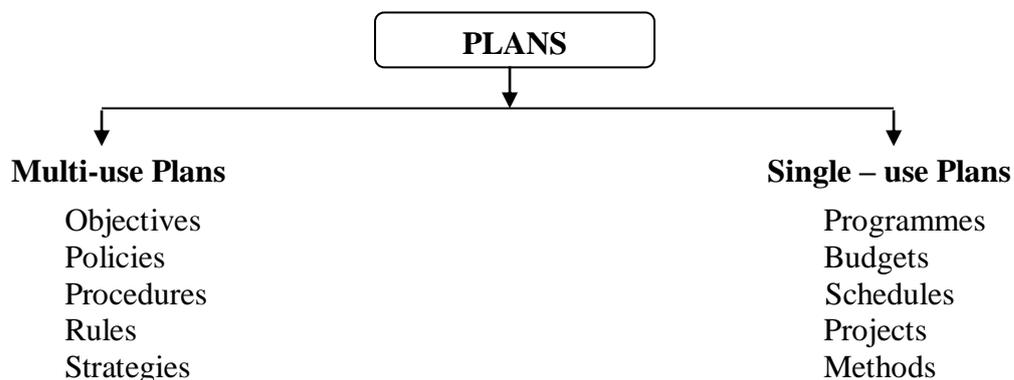
- It determines the scope of a division's activities and establishes policies and budgets to attain divisional goals. It is also known as tactical planning or operational planning.
- Whereas corporate planning is concerned with the selection of broad plans to achieve organizational goals, divisional planning redefines these goals in terms of activities of each division, e.g., production, sales, finance, personnel, etc.

#### 3. Departmental or Unit Planning

It involves development of specific plans for each department or a division so as to accomplish the divisional plans. The focus here is on day-to-day actions of work units and on meeting planned schedules and budgets.

**What are the Types of Plans? (Or) What are the various Methods of Planning?**

**(5 Marks)**



#### 1. Multi – use Plans

It refers to those plans that are used again and again. They are used to serve as guidelines for problems of a repetitive nature. They are long- term in nature, and relate to the organization as a whole. These plans facilitate delegation of authority and coordination of different activities. The various elements of this type are described below:

- ☞ **Objectives:** Objectives are the ends towards which the activities of an organization are directed. Objectives are known by different names, e.g., goals, aims, purposes, missions, targets etc. they are the end points of planning as planning is done to achieve objectives. E.g. increase sales by 10%.
- ☞ **Policies:** A policy is a general guide of thinking and action rather than a specific course of actions. It defines the area of limits within decisions can be made to achieve organizational objectives. Policies are flexible and board plans providing scope for judgments and interpretation on the part of subordinate managers. E.g. employees will be promoted on the basis of seniority.
- ☞ **Procedures:** A procedure is a chronological sequence of steps to be undertaken to enforce a policy and to attain an objective. It lays down the specific manner in which a particular activity is to be performed. E.g. steps to taken for selecting sales persons.
- ☞ **Rules:** Rules are concerned with do's and don'ts. They are always rigidly enforced. There is always a fine or a penalty for the violation of rules. Example no smoking in the workplace, spit only in the spittoons etc.
- ☞ **Strategy:** A strategy may be defined as gamesmanship or an administrative course of action designed to achieve success in the face of difficulties. It is the overall plan prepared for meeting the challenge posed by the activities of competitors and other environmental forces. E.g. advertising to meet competition.

## 2. Single use Plan

Single use plan are developed to meet non-repetitive situations. A single use plan lays down a course of action to fit a specific problem. It is discarded when the particular problem is solved.

- ☞ **Programmes:** A programme is a concrete scheme of action designed to accomplish a given task. It specifies the step to be taken, resources to be used, time limits for each step and assignment of task. A programme is thus a combination of objectives, policies, budgets, task assignment and procedures. E.g. installation of computer.
- ☞ **Budgets:** A budget is a statement of expected results expressed in numerical terms for a definite period of time in the future. Budgets serve as a means of coordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down verifiable and measurable goals for a specified period of time. E.g. produce 10,000 tons of sugar next year.
- ☞ **Schedules:** Scheduling is the process of establishing a time sequence for the work to be done. It lays down a time table fixing starting and finishing dates for different activities. It is essential for avoiding delays and ensuring continuity of operations. E.g. complete installation of computer within 3 months.

### What is mean by Planning Premises? Explain the components of Planning Premises? (5 Marks)

Plans are prepared for future. But future is uncertain. Therefore management makes certain assumptions about the future. The assumptions about the future derived from forecasting and used in planning are known as planning premises. Developing sound premises is vital for successful planning.

There are three factors which determine the planning premises. They are as follows,

#### 1. External and Internal premises

External premises are those which lie outside the firm. These are many kinds:

- General business environment including economic, technology, political and social conditions.
- The product market consisting of the demand and supply forces for the product, and
- The factor market for land, labour, capital etc.,

Internal premises refer to the factors within the enterprise. These includes sales forecast, capital investment in plant and equipment, competence of management personnel, skill of labour force etc.

#### 2. Tangible and Intangible Premises

☞ Tangible premises are those which can be quantified. E.g. money, unit of production etc.

☞ Intangible premises refer to the qualitative factors like public relations, company's reputation, employee morale etc. Such premises play an important role in planning.

#### 3. Controllable and Uncontrollable Premises

- ☞ Those premises which are entirely within the control of management are known as controllable premises. It includes the policies, programmes and rules of the enterprise.
- ☞ Premises over which an enterprise has absolutely no control are uncontrollable premises. Examples are war, natural calamities, new inventions, population trends etc.
- ☞ Some premises are such over which the management has partial control e.g. union-management relations, supply position in the industry etc. such premises are called semi-controllable premises.

## FORECASTING

### What do you mean by Forecasting?

(2 Marks)

Forecasting is the process of predicting future conditions that will influence and guide the activities, behavior and performance of the organization. It is a systematic attempt to probe the future by influence from known factors.

## Define Forecasting.

(2 Marks)

- ☉ “Business forecasting refers to the statistical analysis of the past and current movement in the given time series so as to obtain clues about the future pattern of these movements.” - **Neter and Wasserman**.
- ☉ Forecasting is the formal process of predicting future events that will significantly affect the functioning of the enterprises. - **Glueck**

## What are the characteristics of forecasting? (OR) What are the features of forecasting? (5 Marks)

On the basis of the foregoing definition, the following features of forecasting can be identified:

- ♣ Forecasting is concerned with future events. It defines the probability of happening of future events.
- ♣ Forecasting is done by analyzing the past and present events relevant to the functioning of the enterprise.
- ♣ Forecasts are made on the basis of data collected from within (internal sources) and outside (external sources) the organisation.
- ♣ The quality of forecasts depends on the reliability of information.
- ♣ Forecasts may be made for long term or short term. Long-term forecasts tend to be less accurate than short-term forecasts.
- ♣ Forecasts can be of several types. Economic forecasts are made to predict general economic conditions. Sales forecasts predicting the sales for particular enterprise or product. Technological forecasts predict changes in the attitudes and preferences of people.

## Explain the Process of Forecasting. (Or) Describe the essential steps involved in making a Decision. (5 Marks) (10 Marks)

Redfield has identified the following elements in business forecasting:

### 1. Developing the Ground Work

- ☞ First of all, the real problem about which the forecasting is to be done and the purpose of forecasting should be made clear.
- ☞ Then the structure on which future estimates can be based is built. A thorough investigation and analysis of various factors influencing the organisation is necessary.
- ☞ The past events should be analyzed and compared with the present events. This will reveal the causes of various changes in the relevant factors.

### 2. Estimating Future Trends

In the second stage an estimate of relevant future events is made. Past trends are projected and the necessary data are analyzed. These probable trends are intelligent guesses rather than absolute guides to executive action.

### 3. Collection of result

All the information can be collected. Relevant records are prepared and maintained to collect the results. Nothing can be omitted and irrelevant can be avoided while collecting the results.

### 4. Comparing Actual with Estimated Results

The actual results are periodically compared with the estimates. Such comparison reveals deviations. All significant deviations are analyzed to identify their causes and suitable corrective action is taken.

### 5. Refining the Forecast

In the light of past experience, forecasting process is refined and sharpened. Forecasting is an ongoing process. Proficiency in forecasting can be achieved slowly through constant improvements in data and techniques over a period of time.

**Explain the various Forecasting Techniques? (Or) What are methods of forecasting? (OR) What are the types of forecasting? (5 Marks)**

- 👉 **Similarity events methods:** forecast is made on the basis of events happened in the past which are most similar to current events happened in the past which are most similar to current events.
- 👉 **Jury of executive opinion:** the opinion may be on the area of sale, finance, purchase, and the like. Some ideas are generated which can be evaluated for their feasibility and profitability.
- 👉 **Survey method:** Both quantitative and qualitative information may be collected.
- 👉 **Sales person's opinion:** sales person are very closer to the consumers. So, the opinions expressed but the sales persons are of great value. A reasonable sales trend can be predicated based on the opinions of sales person.
- 👉 **Business barometers:** Business trends, seasonal fluctuations of a business and cyclical movements are studied with the help of index numbers. Index numbers indicate the direction, which the business is going on.
- 👉 **Expectation of consumer:** an overall forecast can be made on the basis of the expectations of consumers.
- 👉 **Time series analysis:** the future is forecast on the assumption that past activities are good indicators of future activities.
- 👉 **Delphi method:** A panel of experts is requested to give their opinion in writing for a prescribed questionnaire. Their opinions are analyzed, summarized and submitted once again to the same experts for future consideration and evaluations.
- 👉 **Extrapolation:** Means estimation of future behaviors from the known date i.e., past behavior.
- 👉 **Input and output analysis:** the input requirement can be forecast on the basis of output. Example: power requirement rate in various sectors.

**What is the Importance of Forecasting? (Or) State the Advantages of Forecasting.**

**1. Key of planning**

Forecasting provides the vital facts and pertinent information for effective planning. It improves the quality of managerial planning in several ways. With the help of forecasting management can anticipate future trends and decide the appropriate course.

**2. Means of Coordination**

People at different levels participate in the process of forecasting. Regular interactions between the members of the organisation facilitate operation and unity among them. Forecasting helps in integrating various departmental plans into the corporate plan.

**3. Basis for Control**

Forecasting provides relevant information for exercising control. Forecasting can disclose the areas where control is lacking. Once such areas are identified steps can be taken to make control effective.

**4. Executive Development**

Forecasting requires executives to look ahead, think through the future and improve their mental faculties. Managers develop the habit of collecting, analyzing and interpreting data instead of depending on guesswork.

**5. Facing Environmental Challenges**

Forecasting provides clues about the future happenings. With the help of this knowledge managers can save the organisation from the impact of trade cycles and other threats. Without business forecasting external forces may cause irreparable damage to the organisation and many opportunities might be lost.

Thus, forecasting is helpful not only in planning but in the entire management process.

## FORECASTING & PLANNING

**State the difference between Forecasting and Planning.**

**(2 Marks)**

S.No.	Forecasting	Planning
1	Forecasting is the basis for planning.	Planning is basis for future course of action.
2	No decision can be taken without the help of forecasting.	Planning helps to arrive at certain decisions, they are regarding what is to be done, how is to be done and when is to be done.
3	Forecasting is done at the middle or level of management.	Planning is done at the top level of management.
4	A few members are involved in forecasting process.	A large number of persons are involved in planning process.
5	Forecasting does not stimulate activity among employees.	Planning stimulates some activity to achieve the objective of the organization.
6	Forecasting is a tool of planning.	Planning is not a tool of forecasting
7	Forecasting is done by experts.	Planning can be done any person.

**What are the Disadvantages of Forecasting? (Or) Explain the Limitations of Forecasting. (5 Marks)**

On the basis of forecasting assumptions about future trends are made. These may not be fully true because future can rarely be predicted with complete accuracy. These limitations are as follows:

### **1. Based on Assumptions**

All forecasts are based on certain assumptions which may not always be true. The basic assumption behind forecasting is that events do not change unevenly and there is an orderly pattern in their behaviour. As a result forecasts may become unreliable.

### **2. Time-consuming and Expensive**

Lot of time and money are involved in the collection, analysis and interpretation of data for forecasting.

### **3. Not Absolute Truth**

Forecasts merely indicate the trend of future events and may not be fully true. The various techniques of forecasting simply project the future trends and cannot guarantee that a particular trend will occur in future. All forecasts are wrong, they only differ in the degree of error. There is always possibility of mistake.

These limitations do not imply that forecasting is useless and should be discarded. Rather they suggest that managers should take adequate precaution while making forecasts.

## DECISION MAKING PROCESS

**What is meant by Decision – Making?**

**(2 Marks)**

- ✎ A decision is a calculated choice from available alternatives and it is the outcome of judgment and evaluation. It is a course of action consciously chosen from two or more alternatives for achieving the desired result.
- ✎ Decision making is the process of choosing a course of action from available alternatives. This process involves understanding the problem, collecting information, developing and evaluating alternatives, choice of a solution and its evaluation.

**Define Decision – Making.**

**(2 Marks)**

- \* “Decision-making is the process of selection from a set of alternative course of action which is thought to fulfill the objective of the decision – problem satisfactorily the others.” – Haynes and Massie.

- \* “Decision – Making is the selection based on some criteria from two or more possible alternatives” – **George.R.Terry.**
- \* “A decision is the selection of a course of action from two or more alternatives: the decision –making process is a sequence of steps leading to that selection”. **Henry sisk and clifston Williams**

**What are the Characteristics or Features of decision – making? (5 Marks)**

- ✦ Decision-making is a goal-oriented activity. It is aimed at achieving certain stated goals of the organisation. A decision can be considered as good or bad only in relation to specific goal.
- ✦ Decision-making is a process of selection from amongst alternative courses of action. If there is only one alternative no decision is required.
- ✦ Decision-making is a conscious and human process. The choice implies freedom to choose from among alternatives without externally imposed coercion.
- ✦ Decision-making involves commitment in the face of uncertainty. The final result of each possible course of action is uncertain.
- ✦ Decision-making is a complex mental exercise involving use of careful thinking and deliberation, analysis and verification.
- ✦ Decision-making is both an art and a science. It contains both conscious and unconscious aspects. It is a science so far as deductive reasoning is concerned. But it is an art in the sense that it involves judgement and intuition of the decision-maker.
- ✦ Decision-making can be both positive and negative. It may just be a decision not to decide.
- ✦ Decision-making involves a time dimension and a time lag.
- ✦ Decision-making is situational. A manager may take one decision under particular circumstances and another in a different situation.
- ✦ Decision-making is an on-going activity. A manager has to continuously make decision of one type or the other. It is a continuous process.

**What is the need for decision-making? (Or) What is the importance of decision-making? (Or) What are the advantages of decision-making?**

- Decision making makes it possible to adopt the best course of action in carrying out a given task.
- The conflicts in an organization are resolved through decisions.
- By choosing the best method of doing any work, decision-making ensures optimum use of the enterprise resources.
- Decision-making helps to find a solution to any problem in a work place.
- Decision-making helps to identify the best course of action in each given situation and there by promotes efficiency.

### **TYPES OF DECISION**

**Explain the various types of decision. (OR) Briefly explain the types of decisions. (10 Marks)**

Managerial Decisions may be classified into the following categories. They are,

#### **1. Organizational and Personal Decisions**

- ◆ Organisational decisions are those which an executive takes in his official capacity and on behalf of the organisation. Authority for such decisions can be delegated to others.
- ◆ Personal decisions are those which an executive take his individual capacity and not as a member of the organisation. Such decisions cannot be delegated to others.

#### **2. Routine and Strategic Decisions**

- ☞ **Routine or tactical decisions** are repetitive in nature. They cover a short-term period and affect only a small segment of the organisation.
- ☞ There are well-established procedures for taking such decisions and, therefore, little thought and deliberation is needed for them. They relate to the present.

**Ex:** Better lighting, parking facilities, etc.

- ★ **Strategic or basic decisions** involving long-term commitments, large investment of funds and are of permanent nature.
- ★ A mistake in such decisions would seriously affect the welfare of the business. Therefore, much thinking and deliberation is required in such decisions.

Ex: Lowering the price of the product, Installation of an automatic plant, etc.

### 3. Programmed and Non-Programmed Decisions

- ☞ **Programmed decisions** are of a routine and repetitive nature for which systematic procedures already exist in the organisation. Therefore, it need not be treated as unique case each time.
- ☞ Such decisions deal with well-structured and familiar problems. These decisions are usually made at lower levels of management.

**For example**, if an employee is absent without leave, he can easily be dealt with under the set procedure. The supervisor need not refer it to the higher authorities.

- ★ **Non-programmed decisions** are of one-shot, novel and unstructured nature. They deal with unexpected and unpredicted situations, *e.g.*, opening, a new branch.
- ★ Therefore, no standard (set) procedures can be designed for them. Such decisions are generally made at higher levels of management.

### 4. Policy and Operating Decisions

- ☞ **Policy decisions** are of fundamental nature as they affect the whole organisation. They set forth the basic goals and direction for the enterprise. Such decisions have far-reaching consequence and, therefore, they are generally taken at the top level of management. These decisions relate to policy matters.
- ★ **Operating decisions** are made for executing policy decisions. Such decisions determine the means to be used. They are made by lower level executive at the point where the work is carried out. They are concerned with day to day operations of business.

### 5. Individual and Group Decisions

- ☞ Decisions taken by a single individual are called individual decisions.
- ★ Group decisions are those taken by a group of persons. Group decision-making is considered better because the knowledge and imagination of a group is better than that of an individual.
- ★ Group decision-making also fosters co-operation and coordination in the organisation. But group decision-making is more time consuming and more costly

**What are the problems in decision-making? (Or) What are the Disadvantages of decision-making? (Or)What are the Limitations of decision-making? (5 Marks)**

- ☒ **Lack of knowledge of the alternative course of action:** Often, the decision maker is oblivious of the alternatives available. In such a situation he selects the option according to his intention.
- ☒ **Indecisiveness:** It means unable to decide. It may not be possible for some managers to arrive at a decision easily. Such managers tend to postpone decisions to the extent possible.
- ☒ **Failure to make correct diagnosis:** A person suffering from headache may take a tablet to get rid of it. It may give him relief sometime but not always, likewise, in a workplace, lack of employee motivation cannot always be attributed to lack of tangible benefits.
- ☒ **Unavailability of necessary information:** The information needed for the purpose of decision may not be easily available. In such situation, the correct decision cannot be made.
- ☒ **Resistance:** In certain organization, there may always be resistance by subordinate staff to any decision.
- ☒ **Making decision by itself cannot solve any problem:** Implementation of the decision and periodical review alone can produce the expected results.

## Describe the Process or Steps involved in Decision – making?

(10 Marks)

### 1. Defining the Problem

The first step in the decision – making process is recognizing a problem. It involves defining and formulating the problem clearly and completely. “Defining a problem in most instances is a time consuming task, but it is well spent” – T.Haimann.

### 2. Analyzing the Problems

The identified problems should be thoroughly analyzed and information related to it should be collected. This will help the management to get a clear idea of the problem.

### 3. Developing alternative Solutions

Unless otherwise alternatives are developed a solution may not be good. The sound decision necessitates the consideration of all alternatives. This step involves the identification of limiting factors because it will enable the management to search for those alternatives which will overcome the limiting factors.

### 4. Evaluating the alternatives

After developing various alternatives, the next step is to evaluate them and select the right one, while comparing them various factors like quantitative or tangible and qualitative or intangible are to be considered.

### 5. Selecting the Best Solution

The next step is deciding the best alternative. The economy risk factors, the limitation of resources, feasibility of its implementations etc., should be taken into account at the time of deciding the best. Koont’s O’Donnell suggested 3 bases

- ◆ Past experience
- ◆ Experimentation
- ◆ Research and Analysis

### 6. Implementing the Decision

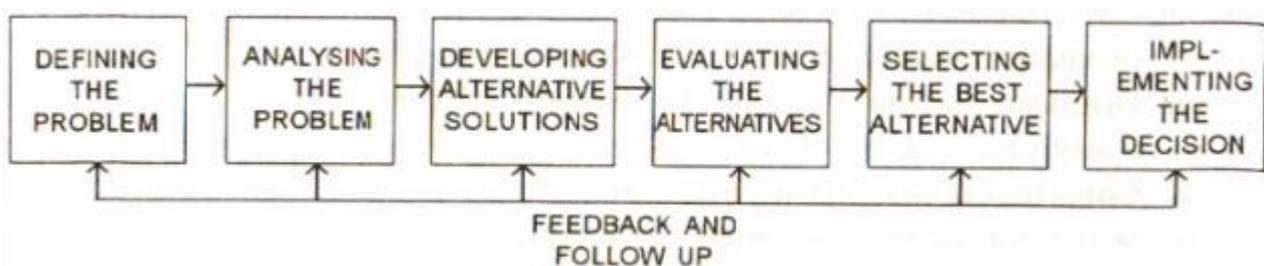
Once a decision is made, it should be converted into action i.e. implemented. Implementation involves the following steps

- Communicating the decisions to all the employees.
- Assigning responsibility of carrying out the decision to certain employees.
- Developing procedures for the purpose of execution of decision.
- Developing feedback mechanism to check on the progress of the implementation

### 7. Feedback and Control:

Controlling involves

- ◆ Comparing the actual with the expected results.
- ◆ Finding out deviations.
- ◆ Analyze the reasons for deviations
- ◆ Taking necessary steps to modify the decisions if necessary.



## What are the factors considered in Decision-making?

(2 Marks)

The factors are to be considered while making managerial decision may be

☞ **Tangible factors** are those, which can be easily identified and measured namely profit, production, sales, purchases, inventory level. Etc.

☞ **Intangible factors** are subjective in nature and cannot be precisely measured like – consumer satisfaction, employee attitude, manager subordinate relationship etc.

**Explain the Techniques of decision-making. (Or) Explain the Methods of decision-making. (10 Marks)**

Several techniques have been developed to help the decision-maker. Some of these techniques are given below:

**1. Break-even analysis**

Break-even analysis is concerned with the determination of that level activity of a business at which total costs and total revenue are equal. Break-even point is the point at which the business neither makes profits nor suffers any loss. Break-even analysis is helpful in making decisions regarding the level of production necessary to make profits and also avoid losses.

**2. Cost benefit analysis**

Under this method, the benefits are likely to accrue, as result of proposal, are compared with the cost incurred. The decision to accept the proposal is made only if the benefit exceeds the cost.

**3. Intuition**

Business decision is based on intuition too. It is just a mental calculation that a particular phenomenon is going to happen. It is based on the manager's inner feeling and convictions. Intuition helps to take quick decision. Decisions on certain not so important matter may be making by this approach.

**4. Past experience**

A decision made in the past over a particular issue may be applied may be if a similar situation arises in the future. A decision made once become a precedent and can be applied in identical.

**5. Trial and Error approach**

The decision maker has to try out all the alternative course of action in order to select the best. The method cannot be used under all circumstance. It is a time consuming method and may prove to be expensive also.

**6. Sampling method**

This method is widely used in different areas of business research, example: marketing research, quality control etc. In this approach, a study of the samples, drawn from the population or universe is made. Based on the finding of the sample study, decisions are made about the population.

**7. Decision tree**

Decision tree is a graphical representation of the alternatives available in a given decision situation together with the outcomes of each alternative. With the help of probability the pay off are calculated. The alternative with the highest pay maybe finally selected.

**Reference:**

**1. Business Management – Dr. C. B. Gupta**

---

**END OF UNIT II**

**UNIT – III**

---

## ORGANIZATION

### INTRODUCTION

The word organization means a structure of interrelated and interdependent parts. The parts or components of organization consist of men, machines, materials, methods, money, functions, authority and responsibility. The task of the organization is to unite or integrate these components for the purpose of attaining the common goal.

#### What is Organisation?

(2 Marks)

Organisation is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner. It is the process of structuring and arranging the different parts, e.g. people, work, technology etc.

#### Define Organisation.

(2 Marks)

- ☛ The grouping of activities necessary to attain objectives, the assigning of each grouping to managers with authority to supervise and the provision for coordination horizontally and vertically in the enterprise structure”. – **Koontz and O’Donnell**.
- ☛ “Organizing is the process of identifying and grouping the work is to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.” – **Allen**.

## NATURE OF ORGANIZATION

### Explain the Nature of an Organization? (Or) What are the characteristics/Features of an organization? (5 Marks)

The following are the important characteristics of organization.

#### 1. Specialization and Division of work

- ✦ The division of work is assigning responsibility for each organizational component to a specific individual or group.
- ✦ The division of labour results in the creation of specialized person because a person does the same work again and again. No waste of time, energy and resources are some of the advantages of division of labour.

#### 2. Orientation towards goals

Every organization has its own purposes and objectives. Organizing is the function employed to achieve the overall goals of the organization. Organization harmonizes the individual goals of the employees with overall objectives of the firm.

#### 3. Composition of individuals and groups

Individuals form a group and the groups form an organization. Thus, organization is the composition of individual and groups. Individuals are grouped into departments and their work is coordinated and directed towards organizational goals.

#### 4. Differentiated functions

The organization divides the entire work and assigns the tasks to individuals in order to achieve the organizational objectives; each one has to perform a different task and tasks of one individual must be coordinated with the tasks of others. Collecting these tasks at the final stage is called integration.

#### 5. Continuity

An organization is a group of people with a defined relationship in which they work together to achieve the goals of that organization. This relationship does not come to end after completing each task. Organization is a never ending process.

## IMPORTANCE OF ORGANIZATION

**State the Importance of Organisation. (Or) What are Advantages of Organisation? (Or) Explain the Purpose of Organisation. (5 Marks)**

Organizing is needed for an effective and successful organisation. Thus the following are the importance of organizing.

- 1. Helps to achieve organizational goal:** Organization is employed to achieve the overall objectives of business firms. Organization focuses attention of individuals' objectives towards overall objectives.
- 2. Optimum use of resources:** To make optimum use of resources such as men, material, money, machine and method, it is necessary to design an organization properly. Work should be divided and right people should be given right jobs to reduce the wastage of resources in an organization.
- 3. To perform managerial function:** Planning, Staffing, Directing and Controlling cannot be implemented without proper organization.
- 4. Facilitates growth and diversification:** A good organization structure is essential for expanding business activity. Organization structure determines the input resources needed for expansion of a business activity similarly organization is essential for product diversification such as establishing a new product line.
- 5. Human treatment of employees:** Organization has to operate for the betterment of employees and must not encourage monotony of work due to higher degree of specialization. Now, organization has adapted the modern concept of systems approach based on human relations and it discards the traditional productivity and specialization approach.
- 6. Organisation stimulates creative thinking:** A good organisation will provide maximum opportunity for the creative people to develop their ideas for the benefit of the concern. It also provides the ways and means of doing things in a better way.
- 7. Organisation facilitates effective communication:** With the clear-cut definition of authority, an organisation can develop the most efficient channels of communication.
- 8. Organisation helps in the smooth delegation of authority:** Executive can delegate the authority downwards so that he can get the things done smoothly. It also helps in fixing up the responsibility for the tasks. A good organisation will clearly define the authority-responsibility relationships.

**Explain the Principles of an organization? (10 Marks)**

The following principles are helpful in developing a sound and efficient organisational structure:

**1. Unity of Objectives**

The type of organisation structure depends upon the objectives of the enterprise. Therefore, the objectives must be stated in clear and concise terms. Every part of the organisation should be designed to facilitate the accomplishment of common objectives.

**2. Division of Work**

The total work should be divided in such a way that as far possible every individual performs a single function. This is also called the principle of specialization.

**3. Span of Control**

No executive in the organisation should be required to supervise more subordinates than he can effectively manage. At the same time number of levels of authority should be as few as possible so as to speed up decision-making and communication.

**4. Scalar Principle**

The line of authority (called the chain of command) from the top executive to the lowest level executive should be clear and unbroken. Every individual should know whom he reports and who reports to him.

**5. Principle of Exception**

Every manager should take routine decisions himself. Only exceptional matters beyond the scope of authority should be referred to higher authorities. This is also known as authority level principle.

## **6. Unity of Command**

Each individual should receive orders from and be accountable to only one boss. Dual subordination should be avoided as it undermines authority, creates disorder and confusion and leads to indiscipline.

## **7. Functional Definition**

The authority and responsibility of every individual should clearly defined. The relationships between different jobs should be clearly specified. Clear differentiation should be made between line and staff functions.

## **8. Unity of Direction**

There must be one head and one plan for a group of activities directed towards the same objective. This is necessary to ensure completion of tasks and coordination of activities.

## **9. Delegation**

Authority delegated to an individual should be adequate to enable him to accomplish the results expected of him.

## **10. Correspondence**

Authority and responsibility must be conterminous and coextensive. Authority delegated to a position should be commensurate with the responsibility of that position and *vice versa*. This is called parity of authority and responsibility.

## **11. Simplicity**

The organisation structure should be kept simple with minimum number of levels. This is necessary for effective communication and coordination.

## **12. Flexibility**

The organisation structure should be adaptable to changing circumstances. There should be scope for expansion without disrupting the basic design.

## **13. Continuity**

The organisation structure should be serviceable for a long period of time. This is necessary to enable people to gain experience in positions of responsibility.

## **Explain the Theories of organization? (Or) Bring out the theories of Organisation.**

Many theories have been developed to explain the structure, functioning and performance of organization and also the behaviour of individuals and groups within an organization. The important theories are given below.

### **1. CLASSICAL THEORY**

The theory explains the concept of organization through the following elements.

#### **🌟 Division of labour**

It implies that work must be divided to obtain a clear-cut specialization with a view to improve the performance of workers. It is based on the assumption that the more a particular job is broken down into its simplest component parts, the more specialized a worker can become in carrying out his part of job.

#### **🌟 Scalar and Functional Process**

These processes deal with the vertical and horizontal growth of the organization respectively. Scalar chain refers to a series of superior-subordinate relationships from the top to the bottom of the organization. It serves as a means of delegation of authority, communication and remedial action.

#### **🌟 Structure**

Structure implies the logical relationship of functions in an organization arranged to accomplish its objectives efficiently. Classical theorists usually emphasis two basic structures: line and staff. But committees very much fall within the purview of structural theory.

### 🏠 **Span of Control**

This implies the number of subordinates a manager can effectively supervise. Span of control determines the levels of authority and the shape of the organization.

## **2. NEO-CLASSICAL THEORY**

The neo classical organization theory is commonly identified with the human relations movement. The foundations of this theory were laid down by the Hawthorne experiments conducted by Mayo. These experiments revealed that informal organization and socio-psychological factors exercise much greater influence on human behavior than physiological variables.

The **important aspects** of the neo-classical theory may be summed as follows:

- 🏠 The organization in general is a social system composed of several interacting parts.
- 🏠 Within the formal organization there exists an informal organization. The two affect each other.
- 🏠 Human beings are interdependent. Their behaviour can be predicted in terms of social and psychological factors at work.
- 🏠 Motivation is a complex process. Many socio-psychological factors operate to motivate people at work.
- 🏠 Team work is essential for efficient functioning of organization. But this is not automatic and has to be achieved.

## **3. MODERN ORGANIZATIONAL THEORY**

The Modern organization theory is a conceptual, analytical base and places a great reliance on empirical research data. It considers organizations as a system. A system is defined as an organized or complex whole; an assemblage or combination of things or parts forming a complex unitary whole. Parts of the system are known as sub-systems.

The various sub-systems are interrelated and they are arranged according to some scheme so that whole is more than the sum of the parts. This is done to ensure the efficient functioning of the system as a whole. A system has a boundary which maintains proper relationship between the system and its environment.

The various stages involved in studying organization under the modern theory are:

- 🌀 Identifying the strategic parts,
- 🌀 Studying the processes in the system that link the parts together, and
- 🌀 Analyzing the goals sought to be achieved by the system.

### **Explain the Steps in the Process of Organization? (Or) What are the Functions of Organisation?**

The main steps involved in the process of organizing are as follows:

#### **1. Determining the activities to be performed**

- 🌀 The first step in the organic process is to identify the activities required for the accomplishment of organisational objectives. For this purpose the total work has to be divided into number of functions and sub-functions.
- 🌀 For example, in a manufacturing concern, the activities may be divided into purchase, production, sales, storage, advertising, correspondence, accounting, etc.

#### **2. Grouping of Activities**

- ✦ Once the activities are identified they are grouped into departments and divisions on the basis of their similarity and relatedness. Identical or closely related activities are grouped together in one department.
- ✦ For example, the activities relating to purchase, storage and production may be grouped in one department; sales, advertising and shop display in another department.

#### **3. Assignment of duties**

- ◆ After grouping activities into manageable limits, each group of activities is assigned to a position most suited for it. While assigning duties specialization, qualifications, experience and aptitude of people should be duly considered.
- ◆ Right man should be selected for each job and proper physical environment should be provided. For example, the purchasing activities are assigned to the Purchase Manager and the production activities are assigned to Production Manager.

#### 4. Delegation of Authority

Appropriate amount of authority is delegated to each individual for enabling him to perform the duties assigned. For example, the purchase manager is given the authority to purchase goods and pay for them.

#### 5. Defining authority relationships

- ♣ After granting authority, relationships between different members of the organisation are created. Such organisational relationships are known as superior-subordinate relationships.
- ♣ Each and every individual should know who is his boss, from whom he has to take orders and to whom he will be answerable. Similarly, he must know who are his subordinates, to whom he can issue orders.

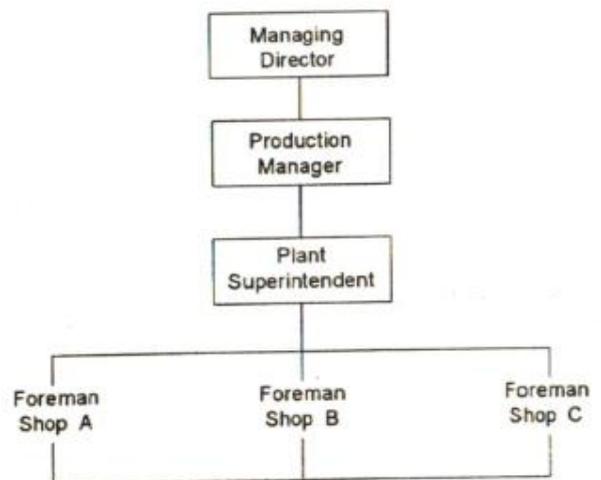
### TYPES OF ORGANIZATION

#### What are the Types of organization? (Or) What are the Classifications of organization?

The organisation can be classified on the basis of authority and responsibility assigned to the personnel and the relationship with each other. The various forms of authority relationship are listed below.

#### 👤 Line Organization

- This is a "line" organization, wherein all the positions in the organization are in the direct line of authority from the top of the company to the bottom.
- It is also known as military or scalar organisation. Every person is in direct chain of command. He gets orders from the man immediately above him and is directly accountable to only one superior.



#### Advantages:

- 👤 **It is very simple:** It can be easily understood by the employees. There are no complicated relationships.
- 👤 **The authority and responsibility of each position is clearly defined:** Each individual knows to whom he is responsible.
- 👤 **It facilitates prompt decisions:** A manager has not to consult staff specialists. Speedy action is possible.
- 👤 **There is a unity of command:** Each executive has full control over the subordinates. This facilitates unity of control and effective supervision.

#### Disadvantages:

1. There is **lack of specialization:** each executive is responsible for both planning and execution of work.
2. Key executives are **overburdened** with administrative work. They cannot use conceptual thinking when the organisation grows.
3. It may result in **autocratic control.** Each manager has monopoly of decision-making and may not listen to the suggestions of his subordinates.

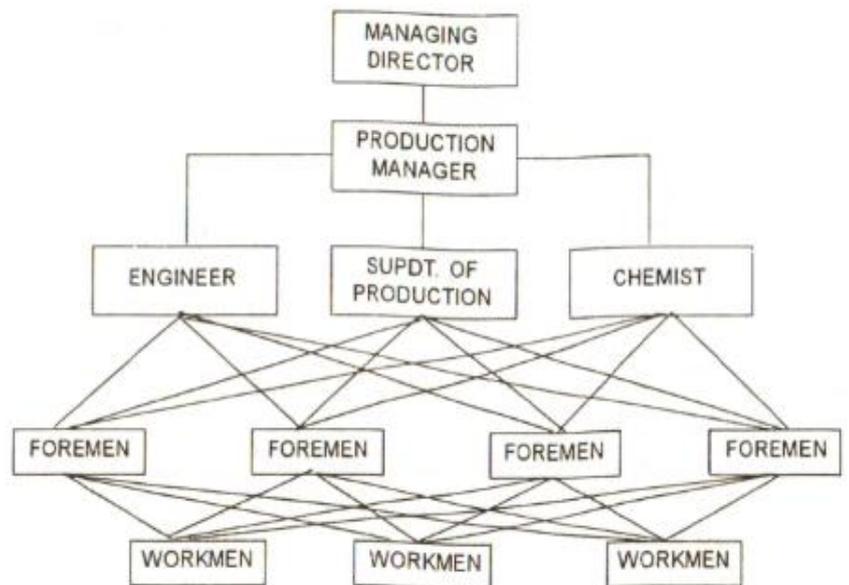
#### 👤 Functional / Staff Organisation

- ◆ Functional organisation is based on the concept of "functional foremanship" developed by F.W. Taylor.
- ◆ He suggested that there should be eight specialists to guide workers in the factory.

- ◆ Four of them should be concerned with the planning of work and the other four with the execution of plans.
- ◆ Under **functional organisation**, the organisation is divided into a number of functional areas. Each function is managed by an expert in that area.
- ◆ For example, the purchase department handles purchases for all departments.

#### Advantages:

1. **Specialization:** functional organisation promotes logical division of work.
2. **Reduction of workload:** every functional head looks after one function only, and, therefore, burden on top executives is reduced.
3. **Better control:** one-man control is done with and there is joint supervision of work. As a result control becomes more effective.
4. **Scope of expansion:** the success and growth of the organisation is not limited to the capabilities of a few line managers. Specialization facilitates mass production.



#### Disadvantages:

- ☛ **Double command:** a person is accountable to several superiors. As a result, his responsibility and loyalty gets divide.
- ☛ **Complexity:** there are many cross relationships which create confusion. A worker may receive conflicting orders.
- ☛ **Delay in decision making:** a decision problem requires the involvement of several specialists. Therefore decision making process in functional organisation is slow.

#### 👤 Line and Staff Organization

- \* Line and staff organisation is a combination of line and functional structures. Under it line authority flows in a vertical line as in the same manner as in the line organisation.
- \* In addition, staffs specialists are attached to line position to advise them on important matters. These specialists do not have power to command over subordinates of other departments.
- \* They are purely of advisory nature. When the work of line executives increases, they need advice, information and help of staff specialists.

#### Advantages

- 👉 **Expert advice:** line managers receive specialized advice and assistance from staff experts. They are enabled to discharge their responsibilities more efficiently.
- 👉 **Relief to top executives:** staff carries out detailed investigation and supply information to line executives. Therefore, the burden of line executives is reduced.
- 👉 **Quality decision:** staff specialist provides adequate information and expert advice. As a result line executives can take better decisions.

#### Disadvantages

1. **Line staff conflicts:** the main problem of the line and staff organization is that conflicts often arise between the line managers and staff specialists.
2. **Confusion:** in actual practice, it is often very difficult to define clearly the authority relationships between line and staff.
3. **Ineffective staff:** staff personnel are not accountable for the results. Therefore they may not take their tasks seriously. They may also be ineffective due to lack of command authority.

#### 👤 Committee Organization

A committee means groups of persons formed for a stated purpose. It may be authorized to deal with all or specific services. Committees are a valuable form of organizational structure, e.g. Board of Directors.

### Types of committees

- 🔔 **Standing or Adhoc Committees:** A standing committee is a permanent committee, which is always present in the organization. An adhoc committee is a temporary special-purpose committee, which is appointed to deal with any specific problem or issue.
- 🔔 **Executive or advisory committee:** An executive committee has the authority to make and execute decisions. An advisory committee has authority to make recommendation only.
- 🔔 **Line or staff committee:** A line committee is responsible for controlling and coordinating the activities of subordinates. A staff committee simply gives advice and assistance to line managers.
- 🔔 **Formal or informal committee:** A formal committee is constituted as per organization policies and rules, deriving its authority from the same policies and rules. Informal committees are not constituted policies or rules of the organization and it has no formal authority as such.

### Advantages

1. Group judgment
2. Motivation through participation
3. Effective Communication
4. Effective co ordination
5. Management development
6. Check against misuse of Powers

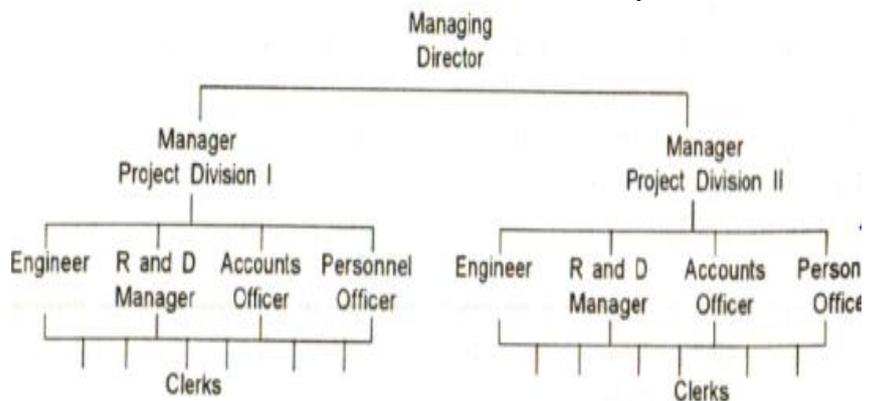
### Disadvantages

- ☒ Expensive, Time-consuming Compromise and Slow decisions, Lack of accountability.
- ☒ Free-form organization.

### 👤 Project Organization

★ When an organization has to execute large projects of long duration, it may adopt a project organization. Each project is organized as a semi-autonomous project division.

★ A project team consists of specialists in different fields. The activities of project team members are coordinated by the project manager who is ultimately responsible for the successful completion of the project.



### Advantages

- 👉 Project organization facilitates concentrated attention that a complex project requires.
- 👉 It allows maximum use of specialized knowledge and skills.
- 👉 It provides greater flexibility in handling specialized projects. It provides better coordination of organizational resources.
- 👉 It provides greater check over the project work and facilitates fixation of individual responsibility for results.

### Disadvantages

1. There is uncertainty because the project manager has to deal with specialists from a number of diverse fields.
2. The job of the project manager becomes very difficult due to lack of clearly defined responsibility, lack of clear communication lines and lack of performance standards for various professionals.

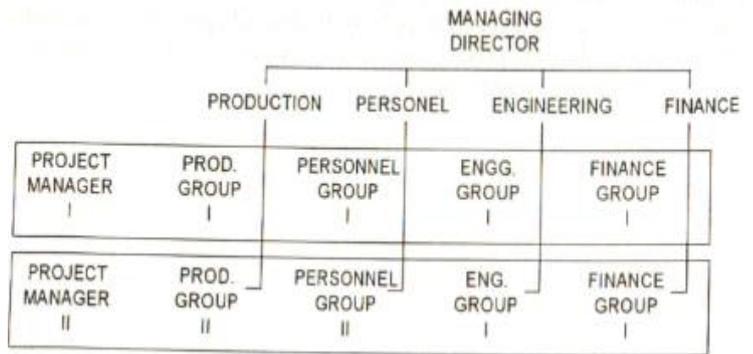
### 👤 Matrix organization

\* Matrix organization is a two-dimensional pattern developed to meet the problems of growing size and complexity of undertakings. Such undertakings require an organizational structure more flexible and technically oriented than the traditional line and staff structures.

\* Matrix structure has been clearly defined as “any organization that employs a multiple command system that includes not only multiple command structure but also related support mechanism and an associated organizational culture and behavior pattern.”

**Advantages**

- ☞ It helps the organizations in the optimum development and utilization of specialized functional services.
- ☞ Since functional services are commonly available to all their units, this leads to economy in efforts.
- ☞ The functional services may also be organized in such a way as to apply them effectively to different organizational outputs.



**Disadvantages**

1. It violates the principle of unity of command as functional groups receive orders from both functional bosses and project manager
2. The organizational relationship becomes very complex and there is great confusion among personnel.
3. Co-ordination of people drawn temporarily from different functional departments becomes very difficult.

**What do you mean by Organisational Structure?**

Organisation structure is the established pattern of relationships among components or parts of the organisation. It prescribes the relationships among various positions and activities in business. Since various positions are held by persons so structure creates relationship among them.

**SPAN OF CONTROL**

**What is Span of Control?**

The term ‘span of management’ is also known as ‘span of control’ and ‘span of supervision’. Span of management refers to the number of subordinates that report directly to a single manager or supervisor.

- ◆ If the number of subordinates reporting to a manager is very large, he may not be able to exercise effective supervision and control.
- ◆ On the other hand, if the number is too small, full use of the manager’s abilities may not be made and the subordinates may not get adequate autonomy of work.

In every organization it must be decided how many subordinates a superior can manage.

**Define Span of Control.**

- 🕒 **According to Louis Allen**, "Span of control refers to the number of people that a manager can supervise."
- 🕒 **According to Prof. Dimock**, "The span of control is the number and range of direct, habitual communication contacts between the Chief Executive of an enterprise and his principal fellow officers."

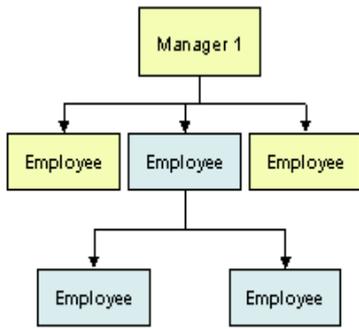
**Explain about Wide and Narrow Spans.**

**1. Narrow Span**

It means a very few subordinates report directly to a manager. At higher levels of management planning and policy making is the major task. Therefore, a narrow span (executive) of three to seven is usually adopted.

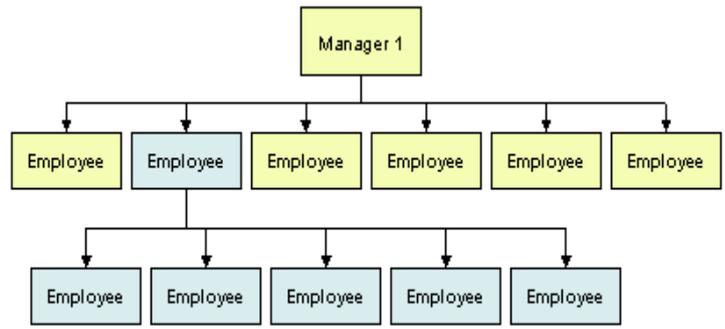
Advantages	Disadvantages
<ol style="list-style-type: none"> <li>1. Close supervision.</li> <li>2. Close control</li> <li>3. Fast communication between subordinates and superiors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Superiors tend to get too involved in subordinates work.</li> <li>2. Many levels of management</li> <li>3. High cost to many levels</li> <li>4. Excessive distance between lowest level and top level</li> </ol>

### Example of a Narrow Span of Control



Each employee holding a position of authority is responsible for at least two others – i.e. the span of control is at least 2

### Example of a Wide Span of Control



Each employee holding a position of authority is responsible for at least five others – i.e. the span of control is at least 5

## 2. Wide Span

Wide span implies a large number of subordinates reporting to a manager. At middle and supervisory levels, work is primarily of routine nature requiring less direct contact and interaction.

Advantages	Disadvantages
1. Superiors are forced to delegate. 2. Clear policies must be made 3. Subordinates must be carefully selected.	1. Tendency of overloaded to superiors 2. Danger of superiors loss of control 3. Requires exceptional quality of managers.

The effective supervision depends upon the efficiency of the supervisor and the number of the subordinates to be supervised. The effectiveness of the supervision decreases if the number of relationship (subordinates) increased. Therefore the management should fix the number of subordinates to each supervisor according to the nature of work.

### What are the Factors determining Span of control?

An appropriate span of control for a manager depends upon various factors which are listed below:

#### 1. Nature of work

When the work performed by the subordinates is simple and repetitive, they do not require frequent guidance. As a result the managers can supervise a large number of subordinates. But if the work is different or non identical span has to be narrow.

#### 2. Type of technology

Firms using mass production and assembly line technology can have wider spans than those employing batch or process production system.

#### 3. Ability of the manager

Managers possessing qualities like leadership, communication, decision making and control can manage more subordinate. Moreover, the attitudes and personality of a manager also determine the span can be larger.

#### 4. Capacity of the Subordinates

Efficient and trained subordinates may perform their jobs efficiently without much help from the managers. They need only broad guidelines. In such a case, less time is needed. In such a case, less time is needed in managing and the span can be larger.

#### 5. Degree of Decentralization

- ☆ When a manager does not delegate adequate authority to subordinates, they require frequent consultation and the manager has to take decision himself. As a result he can supervise the subordinates.
- ☆ If on the other hand, a manager clearly delegates authority, subordinates themselves will take many decisions and the manager can effectively supervise a large number of people.

## 6. Planning

If policies, procedures and rules are clearly defined subordinates can direct their own work on the basis of these guidelines. In the absence of clear plans, span has to be narrow, because subordinates require much consultation and guidance.

## 7. Staff assistance

Use of staff assistants, like private secretary, can reduce the work load of the manager, thereby permitting him to handle more subordinates.

## 8. Communication techniques

Where everything is communicated by face-to-face contact, it takes much of a manager's time and span has to be small. Use of electronics and other devices speed up communication thereby increasing the span of management.

## 9. Time available for supervision

At higher levels top managers have less time for supervision. They have to devote the major portion of their time in planning and organizing. Therefore, span has to be narrow.

## 10. Geographical dispersion of subordinates

When the employees are physically dispersed at different places, their supervision and control from the headquarters is difficult. Therefore, span of management has to be narrow.

## DELEGATION

### What do you mean by Delegation of Authority / Powers?

Delegation of authority 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 organizational placement can perform effectively and so he can get others to help with what remains".

### What are the Characteristics of delegation of Authority?

- ✚ Delegation takes place when a superior grants discretion to a subordinate.
- ✚ A manager cannot delegate the entire authority to his subordinates.
- ✚ A manager retains the authority to take policy decision and to exercise control over the activities of subordinates.
- ✚ The extent of delegation of authority depends upon several factors, viz, the ability of the subordinate, the philosophy of management, the confidence of the superior in his subordinates etc.

### Explain the Types of Delegation. (Or) What are ways to delegate the authority?

Delegation may be of the following types:

#### 1. General or Specific Delegation

- ▲ In **general delegation**, the subordinate is granted authority to perform all the functions in his department or division.
- ▲ Under **specific delegation**, a person is given authority regarding specific fund or functions. For example, a sales person may be given the authority to collect payments from debtors.

#### 2. Formal or Informal Delegation

- ☞ When authority is delegated as per organisation structure, it is called formal delegation. For example, a sales person may be granted authority to grant discount upto 5 per cent on the list price to customers buying goods worth Rs. 5,000 more.
- ☞ Informal delegation takes place when an individual or a group agrees to work under the direction of an informal leader.

#### 3. Written or Oral Delegation

- ★ Delegation made by written orders and instruction is known as written delegation.
- ★ Unwritten or oral delegation is based in custom and conventions.

#### 4. Downward and Sideward Delegation

- ☞ Downward delegation occurs when a superior assigns duties and grants authority to his immediate subordinate.
- ☞ Sideward delegation takes place when a subordinate assigns some of his duties and authority to another subordinate of the same rank.

#### Explain the Advantages/ Importance Of Delegation?

Delegation is the dynamics of management and the essence of sound organisation. Once a man's job grows beyond his capacity, his success lies in his ability to multiply himself through other people. Delegation of authority provides the following advantages,

- ♣ It enables the managers to distribute their workload to others. By reducing the workload for routine matters they can concentrate on more important policy matters.
- ♣ Delegation facilitates quick decisions because the authority to make decisions lies near the point of action.
- ♣ Delegation helps to improve the job satisfaction, motivation and morale of the subordinates.
- ♣ By clearly defining the authority and responsibility of the subordinates, a manager can maintain healthy relationships with them.
- ♣ Delegation enables a manager to obtain the specialized knowledge and expertise of subordinates.

#### PROCESS

#### Explain the Delegation process?

The process of delegation consists of the following steps:

- 🌐 **Determination of results expected:** First, a manager has to define the results he wants to obtain from his subordinates for achievement of organizational objectives.
- 🌐 **Assignment of Duties:** The manager has to decide what part of the work he will perform and what will be transferred to his subordinate. Duties should be assigned according to the qualification, experience and aptitude of the subordinates.
- 🌐 **Granting of authority:** Duties cannot be performed without granting of the necessary authority. Hence, enough authority must be granted so that subordinates can perform their duties. By granting authority subordinates are permitted to use resources to take decision and to exercise discretion.
- 🌐 **Creation of Accountability:** The subordinates to whom authority is delegated must be made answerable for the proper performance of assigned duties and for delegated authority. The extent of accountability depends upon the extent of delegation of authority and responsibility. Thus, responsibility authority and accountability are three fundamental components of delegation.

#### What are the Problems to Delegation (Or) Obstacles to delegation?

There are some practical difficult or problems in the process of delegation. The problems of delegation are classified into 3 categories.

##### 🌟 On the part of the Delegator

- ☞ Some managers may not delegate authority because of their lure of authority. They are autocrats and think that delegation will lead to reduction of their influence in the organization.
- ☞ Some managers feel that none can do the job as well as they can do.
- ☞ When a manager is incompetent his work methods and procedures are likely to be faulty.
- ☞ Few managers are inclined to accept the risk of wrong decisions which the subordinates might take.
- ☞ A manager may not delegate authority because he feels that the subordinates are not capable and reliable. He lacks confidence in his subordinates.

##### 🌟 On the part of Subordinates

1. Subordinates may not like to accept delegation when they lack self-confidence.
2. Some subordinates are unwilling to accept authority due to play safe by depending on the boss.
3. A subordinate who is afraid of committing mistakes and does not like to be criticized by the boss is likely to avoid delegation of authority.
4. They may not come forward to accept delegation of authority when no incentives are available to them.

## ☆ On the part of the Organisation

Delegation may be hampered due to weakness in the organisation structure, which are as follows:

- ❖ Inadequate planning.
- ❖ Lack of unity of command
- ❖ Absence of effective control techniques.
- ❖ Non-availability of managers
- ❖ Unclear authority relationships

## How will you make delegation effective? [Or] What are the guidelines for Effective delegation?

Delegation is essential in the modern management practice to accomplish effective results. The following are some measures which will help in making delegation more effective.

- \* **Establishment of definite goals:** Delegation is a means for achieving the organizational objectives. Hence, objectives must be clearly defined for meaningful delegation. Proper goal-setting provides attention on what authority will be required to achieve the goals.
- \* **Clear definition of authority:** The authority and responsibility of each subordinate should be defined in clear terms. This prevents, the over tapping of authority avoids gaps in responsibility and avoids confusion. The superior and within what invites.
- \* **Proper motivation:** Subordinates should given position incentives for accepting responsibility. Managers having delegated authority should be suitably rewarded.
- \* **Appropriate Environment:** A work climate free from fear and frustration should be created. Top management should provide adequate information and support to subordinates for effective delegation.
- \* **Proper training:** The subordinates should be given adequate training for proper use of delegated authority. This will also help to develop their self-confidence and morale.
- \* **Effective control mechanism:** Proper control techniques should be developed to ensure that authority is properly used by subordinates. However, control system should not interfere in the day-to-day functioning of subordinates.
- \* **Proper communication:** Sound communication will enable the superior to be in touch with his subordinates. Free communication will enable the subordinates to get the help of the manager in discharging their duties.

## PRINCIPLES

### What are the principles of delegation?

Delegation of authority cannot be effective unless certain principles are followed in practice.

- 1. Functional definition:** Before delegating authority a manager should define clearly the functions to be performed by subordinates. The objective of each jobs, the activities involved in it and its relationship with other jobs should be defined precisely.
- 2. Delegation by result expected:** Authority should be delegated only after the results to be achieved by the subordinates are decided. This will enable them to know by what standards their performance will be judged.
- 3. Parity between authority and responsibility:** There must be proper balance between authority and responsibility of a subordinate. Responsibility without authority will make a subordinate ineffective as he cannot discharge his duties.
- 4. Absoluteness of responsibility:** Responsibility cannot be delegated. No manager can avoid his responsibility by delegating his authority to subordinates. After delegating authority he remains accountable for the activities to subordinates.
- 5. Unity of command:** A subordinate is accountable to one command of one superior. If a person reports to two superiors for the same job, confusion and conflict will arise.
- 6. Well defined limits of authority:** The limits of authority of each subordinate should be clearly defined. This will avoid overlapping of authority and will allow the subordinate to exercise initiative.

## DECENTRALIZATION

### Define Decentralization.

- Decentralization refers to the systematic effort to delegate authority to the lowest levels.

- **Henry Fayol** states that “everything that goes to increase the subordinates’ role in decentralization. Everything which goes to reduce it is decentralization”. According to Louis Allen, “Decentralization is the systematic and consistent delegation of authority to the levels where the work is performed.

**State the difference between delegation and decentralization.**

S. No	Delegation	Decentralization
1	It means concentration of authority in the hands of a few at the top.	It means dispersal of authority throughout the organization.
2	It is a process or an act.	It is the end result of delegation.
3	It denotes relationship between a superior and his subordinates.	It refers to the relationship between the top management and various departments and divisions.
4	Delegation is important to get things done by the subordinates.	Decentralization is optional. The top management may not favor the proposal to decentralize.
5	The delegator exercise control over the subordinates.	The control may be delegated to departmental heads.

**What are the factors influencing Decentralization?**

1. **Uniformity of Action:** The desire to get uniform policy with respect to quality, price, credit and service favors centralization of authority.
2. **Costliness of Decision:** Costliness of decision usually determines the extent of decentralization. The more cost decision to be made. The more likely that the decision by top management.
3. **History of the enterprise:** Companies, which grow from within a limited condition, have a tendency to centralize authority. But, if it has expanded through amalgamation it is likely to be more decentralized.
4. **Management philosophy:** The philosophy of top management influences the degree of decentralization.
5. **Desire for independence:** When the top executive believes individual freedom, there will be a high degree of decentralization. But if top management is conservative, they will prefer centralized authority.
6. **Availability of managers:** The availability of competent managers largely determines the extent of decentralization of authority. Adequate training of managers is the obey solution to decentralization.
7. **Size of the organization:** In a large and complex organization, there is greater need for decentralization. But in a relatively small and simple organisation, centralization of authority provides better results.
8. **Business dynamics:** The fast changing nature of business with its expansion and complexity force the managers to delegate authority and thereby decentralize authority. In a slow-moving business, tendency to centralize authority is quite natural

**What are the Benefits of decentralization? (OR) What is the Importance of decentralization?**

1. **Relief to top managers:** with the dispersal of authority throughout the organization, the general manager and the various departmental managers need not worry about the routine matters. They may approach their superiors only if their advice is needed on a very important issue.
2. **Prompt decisions:** as the subordinates operating at every level have authority to make decisions on matters that are within their control, there may not be undue delay in evolving decisions.
3. **Motivation of subordinates:** since the subordinates have been given the authority to make decisions pertaining to the work done by them they feel motivated. Such a motivated person would certainly perform his duties with more interest and commitment.
4. **Progress due to autonomy:** under decentralization each department or division enjoys autonomy, as there is no direct interference in its decision-making authority by the top managerial personnel. Autonomy gives each department the freedom to act.
5. **Effective communication:** as the subordinates at different levels of the organizational hierarchy have decision-making authority, this result in effective communication throughout the organization.

**What are the disadvantages of decentralization? (OR)What are the limitations/demerits of decentralization?**

1. **Lack of co-ordination:** under decentralization the decision making authority is dispersed at various levels of the organizational hierarchy. This often poses the problem of co-ordination.

2. **Expensive:** under this system, every department has to be self sufficient, in terms of infrastructure and trained personnel required to perform various functions. These factors contribute to arise in cost of operations.
3. **Lack of uniformity:** decentralization may not provide scope for uniformity in policies or practices of different departments of an enterprise and sometimes even within a department. This occurs because each one is bound to make decisions according to his perception.
4. **Unsuitable for small enterprise:** decentralization is possible only if the scale of operation of the business is fairly large. It is unsuitable for a small concern.

## DEPARTMENTATION

### What is departmentation?

- 'Departmentation' is the process of dividing and grouping the activities and employees of an enterprise into departments.
- The total work of an enterprise is divided into function and sub-functions. Later, these are grouped together to form different departments.

In a manufacturing concern, the total work may be divided into the following functions:

Department	Nature of Work
1. Purchase Department	<ul style="list-style-type: none"> <li>• Purchase of raw materials.</li> <li>• Maintenance of necessary records pertaining to materials.</li> <li>• Stores control, etc.</li> </ul>
2. Production Department	<ul style="list-style-type: none"> <li>• Manufacture</li> <li>• Quality control.</li> <li>• Plant maintenance, etc.</li> </ul>
3. Marketing Department	<ul style="list-style-type: none"> <li>• Determination of sales targets.</li> <li>• Appointment of dealers and distributors.</li> <li>• Advertisement and Sales Promotion.</li> <li>• Monitoring the performance of salesmen, etc.</li> </ul>
4. Personnel Department	<ul style="list-style-type: none"> <li>• Recruitment and Selection of employees.</li> <li>• Training.</li> <li>• Wage administration, etc.</li> </ul>
5. Finance Department	<ul style="list-style-type: none"> <li>• Provision of Working Capital and also</li> <li>• Fixed Capital for all other departments.</li> </ul>

### Explain need of Departmentation?

- **Division of work** - Specialization
- **Expansion** – To expand the limits of a manager
- **Autonomy** - Freedom to act
- **Fixation of Responsibility** - Responsibility is fixed
- **Appraisal** - Better assessment of performance
- **Administrative control** - Better control over subordinates and their activities
- **Management Development** - Scope for expansion

### What factors would you consider while choosing the most appropriate basis of Departmentation?

The following are the factors must be borne in mind while selecting a basis for departmentation

- **Specialization:** the basis desired must give scope for specialization /specialization leads to efficiency in performance, saves time and also helps to increase output.
- **Effective control:** the particular pattern of departmentation should facilitate control and evaluation of the activities performed by different individuals
- **Co-ordination:** Although the activities performed by different departments and individuals are different, they are inter-related and inter-dependent.

- ❖ **Cost Effective:** Departmentation necessitates creation of additional facilities, i.e., construction of additional rooms, employment of additional staff, and purchase of additional equipment and so on
- ❖ **Avoidance of duplication of work:** departmentation must help to avoid duplication of work and overlapping of activities. It means that no two individuals or departments should be doing the same type of work.
- ❖ **Reduction in work burden:** It is also important that the proposal should not become an undue burden on the employees. Infact, it should help to reduce the existing work burden of the staff.

**Reference:**

1. **Business Management – Dr C B Gupta**
2. [www.Scribd.com](http://www.Scribd.com)
3. [www.Wikipedia.com](http://www.Wikipedia.com)

**END OF UNIT III**

**UNIT: IV**

**DIRECTING**

**INTRODUCTION**

Once the plans are prepared, the organization structure is created and employees are assigned jobs, the enterprise can begin its operations. No tangible results can be achieved unless the directing or actuating function is performed. Directing literally means moving into action.

**What do you mean by Directing? (Or) Bring out the meaning of Directing.**

- ✦ Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.
- ✦ It includes making assignments, issuing orders and instruction, providing guidelines and inspiration to subordinates for the achievement of organizational objectives.

**Define Directing.**

- \* “Directing is telling the people what to do and seeing that they do it to the best of their ability”- **E.Dale.**
- \* “Directing deals with the steps a manager takes to get subordinates and others to carry out plans”- **Newman and warren.**

**Bring out the Nature and Characteristics of Directing function.**

Directing is characterized by the following distinguishing features. They are,

- 👉 **Element of Management:** Direction is one of the important functions of management. It is through direction that management initiates action in the organization.
- 👉 **Continuing Function:** Direction is continuous process and it continues throughout the life of an organization. A manager never ceases to guide, inspire and supervise his subordinates.
- 👉 **Pervasive function:** Direction initiates at the top and follows up to the bottom of an organization. Every manager in the organization gives direction to his subordinates as superior and receives direction as subordinate from his superior.
- 👉 **Linking function:** Direction put plans into action and provides performance for measurement and control. In this way, it serves as a connecting link between planning and control.
- 👉 **Management as a Human Factor:** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.

**Explain the Importance of Directing (Or) What is the Significance of Directing?**

Directing or Direction function is said to be the heart of management of process and therefore, is the central point around which accomplishment of goals take place. Being the central character of enterprise, it provides many benefits to a concern which are as follows:-

### **1. It Initiates Action**

A direction is the function which is the starting point of the work performance of subordinates. The employees cannot commence their job until they are not informed about what to do and how to do the manager performs this job through direction.

### **2. Ensures Coordination**

Direction becomes necessary to integrate individuals' efforts so that organization achieves the goals in the most efficient manner. Thus, it is essential to establish coordination among all the activities. The manager establishes this coordination by supervising, providing good leadership, motivating and exchanging ideas with his subordinates.

### **3. Improves Efficiency**

In an organization every individual has some potential and capacity. Through direction, managers encourage and influence the employees to contribute to the best of their capability to achieve the goal.

### **4. It facilitates to implement Changes**

Often, the employees show resistance to change in their organizational structure. Direction enables the managers to make the workers accept changes in the work methods in the interest of both the organization and the individual.

For example, if in an office typewriters are replaced with computers, then a typist who does not have the knowledge of computer will definitely show resistance to this change.

### **5. Improves communication relationships**

Directing helps to improve communication relationships between the superior and his subordinates. For the purpose of issuing orders and instructions, the manager may meet his subordinates directly or indirectly. If the subordinates need any clarification, they do ask their superior.

### **6. Ensures effective control**

Supervision is an integral part of direction. The manager, while supervising the work of subordinates, will be able to know whether they are sincere and committed. Action can be taken against a subordinate showing indifference.

### **7. Ensures growth and stability**

The manager, through direction, is able to motivate and guide his subordinates. This certainly helps to achieve uninterrupted growth. Once the required level of growth is achieved, directing helps to maintain it at that level.

## **What are the Principles of Directing?**

### **1. Harmony of objectives**

Individuals join the organization to satisfy their physiological and psychological needs. They are expected to work for the achievement of organizational objectives. They will perform their tasks better if they feel that it will satisfy their personal goals.

### **2. Maximum individual contribution**

Organizational objectives are achieved at the optimum level when every individual in the organization makes maximum contribution towards them.

### **3. Unity of command**

A subordinate should get orders and instruction from one superior only. If he is made accountable to two bosses simultaneously, there will be confusion, conflict, disorder and indiscipline in the organization. Therefore the subordinate should report to one superior only.

#### **4. Appropriate techniques**

The managers should use correct direction techniques to ensure efficiency of direction. The technique used should be suitable to the superior, subordinate and the situation.

#### **5. Direct supervision**

Direction becomes more effective when there is a direct personal contact between the supervisor and his subordinates. Such direct contact improves the morale and commitment of employees. Therefore, whenever possible direct supervision should be used.

#### **6. Strategic use of informal organization**

Management should try to understand and make use of informal groups to strengthen formal relationships. This will improve the effectiveness of direction.

#### **7. Managerial communication**

A good system of communication between the superior and the subordinates helps to improve mutual understanding. Upward communication enables a manager to understand the subordinates and gives the opportunity to the subordinates to express their feelings.

#### **8. Comprehension**

Communication of orders and instructions is not sufficient. Managers should ensure that subordinates correctly understand what they are to do and how and what they are to do. This will avoid unnecessary queries and explanations.

#### **9. Effective leadership**

Managers should act as leaders so that they can influence the activities of their subordinates without dissatisfying them. As leaders, they should guide and counsel subordinates in their personal problems too. In this way, they can win the confidence and trust of their subordinates.

#### **10. Principle of follow through**

Directing is a continuous process. Therefore, after issuing orders and instructions, a manager should find out whether the subordinates are working properly and what problems they are facing. He should modify, if necessary, his orders in the light of these findings.

### **What are the techniques of Direction?**

Managers use several techniques to direct their subordinates in order to get things done,

#### **1. Delegation**

- Delegation of authority implies that a superior entrusts his subordinates with certain rights or powers. He assigns a part of work to the subordinates and authorizes him to do the work.
- Delegation is a useful technique of directing. It is a means of sharing authority with a subordinate and providing him the opportunity to learn.

#### **2. Supervision**

- Supervision implies expert overseeing of people of work in order to ensure compliance with established plans and procedures. Every executive have to supervise the work of the subordinates.
- At the operating level, supervision is the most significant part of a manager's job. He teaches proper work methods, maintains discipline and work standards and solves workers grievances or problems.

#### **3. Orders and Instructions**

Issuing orders and instructions is essential to direct the subordinates so that they may work efficiently and effectively for the realization of predetermined objectives. Orders must be effective and clear-cut.

- ☛ **Oral order:** It may be verbally transmitted.

- ☛ **Written order:** Such order is necessary when the subordinate is doing his work in a different place altogether and also when the task to be carried out is very important.
- ☛ **General order:** Such an order is necessary if the subordinates is capable of doing his work independently and requires only board guidelines.
- ☛ **Specific order:** It indicates every specific activity to be undertaken by a subordinate.

#### 4. Communication

Communication is the process of conveying messages by one person to another. The orders and instructions of the superior are communicated to his subordinates. Such communication is known as downward communication.

#### 5. Motivation

Motivation is the process of inducing the employees to perform well. It may be positive as well as negative. Positive motivation takes place when an employee who has performed well is suitably rewarded.

#### 6. Leadership

Leadership is the ability of a manager to induce his subordinates to perform well. A leader must be able to guide his followers properly. He must be a capable man himself.

### LEADERSHIP

#### Who is Called Leader?

A leader is a person who guides and directs others, called followers. He gives focus to the efforts of his followers.

#### What is mean by Leadership?

- ☛ Leadership is the ability of a manager to induce his subordinates to perform well to accomplish the specific goals.
- ☛ It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

#### Define Leadership.

- ♣ Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. - **Koontz and O'Donnell.**
- ♣ Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in choosing and attaining specified goals - **Theo Haimann.**

It is clear from the above definitions that leadership is the act of guiding and directing the subordinates in order to attain the desired goal.

#### Explain the Nature and Characteristics of Leadership.

The following are the characteristics of leadership:

##### 1. It is the personal quality of a person

Leadership, to a considerable extent, is an in-born or an inherent quality of a person. It is the potentials of the manager that determine his ability to guide, direct and co-ordinate the activities of his subordinates.

##### 2. It is a process of influencing others

Leadership is a process of influencing others to act. In an enterprise, the manager has to get things done by his subordinates. For this, he has to influence their beliefs, behaviour and attitudes.

##### 3. It requires the confidence of followers / subordinates

To be accepted as a leader, the manager must gain the confidence of his subordinates. For this, he must be very knowledgeable, sincere and committed to his work. He must be a role model for his subordinates.

##### 4. It requires motivation of subordinates

The leader is expected to motivate or induce his subordinates to work. By giving directions, orders and instructions alone, the manager may not be able to get things done.

### 5. Varying leadership styles

The styles of leadership vary from person to person. Some managers are, by nature, democratic leaders while there are others who may follow the autocratic style of leadership.

### 6. Leadership is a continuous process

The presence of a leader is always necessary in an organization. The subordinates need to be guided, influenced, controlled and induced to work continuously for the attainment of the organizational goal.

### What is the importance of leadership? (OR) What are the advantages of leadership?

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

- ★ **Initiates action:** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
- ★ **To motivate:** Leadership is necessary to induce the subordinates to put in greater efforts. The leader constantly motivates his subordinates to work for achieving the organizational goal.
- ★ **To have team work:** Leadership makes it possible for the employees to forget their individual differences and work as a team for the attainment of the organizational objective. It develops co-operation and friendliness among the staff.
- ★ **To guide:** Although the subordinates have potentials, they need to be properly guided to contribute their best. The leader knows how to get optimum performance from each of the subordinates working under him.
- ★ **To Create confidence:** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively.
- ★ **Builds work environment:** Management is getting things done from people. An efficient work environment helps in sound and stable growth. He should have personal contacts with employees and should listen to their problems and solve them.

### Discuss the Qualities of leader. (Or) What are all the Qualities expected from a Leader?

A leader has got multidimensional traits in him, which makes him appealing and effective in behavior. To be a successful leader, a person is expected to possess the followings:

- **Ability to analyze:** The leader must be able to analyze any problem and offer an immediate solution. He should be alert mentally.
- **Self-confidence:** A person cannot be a successful leader if he lacks self-confidence. If he has confidence in himself, he will be able to overcome resistance from anyone for his proposals.
- **Foresight:** The leader must foresee what is likely to happen. He must be able to visualize the future events and prepare his followers to meet challenges.
- **Sense of judgement:** The leader must be able to judge what is good under the given circumstances. Only then he will be able to evolve certain practical decisions.
- **Understanding:** The leader must not always thrust his views on his followers. He must also listen to their viewpoints particularly while making decision in a critical situation.
- **Mental courage:** The leader must be capable of taking certain bold decisions. For this he must have mental courage. He need not play safe by just endorsing the decisions of others.
- **Capacity to motivate:** Needless to say, the leader must be able to induce and motivate his followers to work for the mission he has undertaken.

- **Ability to guide:** The leader will be able to guide his followers in the work process only if he himself is well versed in the actual work.
- **Communication skills:** Successful leaders are always known for the communication skills. Such skills are essential to direct the followers to work for attaining the desired goal.
- **Sound physical health:** The leader must possess strong physical health. Mental health, no doubt, is important, physical health is equally important. E.g. He will be able to travel extensively and also speak for hours only if he has good physical health.

### **Explain the Functions performed by a Leader.**

The following are the important functions of a leader:

#### **1. Planning**

He has to prepare suitable plans for the effective functioning of his group / organization. Planning enables his followers to work for the attainment of the desired goal in a systematic manner.

#### **2. Policy-making**

The leader has to evolve suitable policies that guide his group in arriving at decisions. For example, the leader may evolve a policy of favouring 'merit' in matters pertaining to selection of candidates to various posts.

#### **3. Execution of plans and policies**

Preparing plans and formulating policies by itself will not serve any purpose. What is actually important is execution. The leader has to instigate his followers to work in accordance with the plans and policies in order to achieve the desired goal.

#### **4. Controlling internal relations**

The leader has to ensure that there are cordial relations among his group members and that they work in an atmosphere of proper co-operation and co-ordination. If there is any misunderstanding among his followers, the leader must do his best to set it right.

#### **5. Representing the group**

The leader has to represent his group both within and outside the organization and convey the feelings, sentiments and the stand of his group on important issues.

#### **6. Motivating Followers**

- ↳ If any subordinate has performed his task well and is sincere and committed to work, the leader shall reward such a person suitably. It may be done by offering certain tangible or intangible benefits.
- ↳ If, on the other hand, a subordinate is found to be insincere and shirking duties, the leader has to initiate disciplinary action against him.

#### **7. Answerability**

The leader becomes accountable or answerable not only for his actions but also for those of his followers.

### **LEADERSHIP STYLES**

**Discuss the different kinds of Leadership Styles with their relative merits and demerits. (Or) Describe the Types/styles of leadership.**

The following are the different kinds of leadership styles that have been identified. Let us discuss each one in detail.

#### **1. Autocratic Leader**

- \* An autocratic leader wants his subordinates to work in the manner he wants. He tells them what they should do, where, when and how.



**Autocratic style**

- \* He does not let his followers offer any suggestion. He specifies the goal, and sets the deadline within which the subordinates will have to complete the task.
- \* The autocratic leader does not have confidence in his subordinates. He thinks that they are basically lazy, have an inherent dislike for work and are not ambitious and creative.

### Merits

- ☑ Such a leadership style is suitable when subordinates are basically lazy and shirking duties.
- ☑ It helps to make quick decisions as decision-making is the prerogative of the leader alone.
- ☑ Inefficient and insincere workers can easily be identified and removed from service.

### Demerits

- ☒ Subordinates normally show resistance to this type of leadership style as it curtails their freedom to act.
- ☒ It kills initiative for work and results in frustration among workers.
- ☒ It often gives scope for conflicts between the leader and his followers which is bad for the organization.

## 2. Democratic Leader

- 🌐 Such a style of leadership is also known as 'participative leadership'. A democratic leader does not make unilateral or one-sided decisions.
- 🌐 He provides scope for his followers to participate in the decision-making process. He allows his subordinates to discuss the problem and put forth their views freely.
- 🌐 Democratic leadership is based on the assumption that the followers are all capable.



**Democratic style**

### Merits

- As the followers are able to participate in the decision-making process, they feel motivated.
- There is no resistance from the subordinates.
- As the subordinates do not have ill-feelings of any kind, the labour-management relationship is bound to improve.

### Demerits

- There may be delay in arriving at a decision, as consensus among the individuals is necessary.
- Democratic leadership is suitable only if the subordinates are all capable of making worthwhile suggestions.

## 3. Laissez Faire Leader or Free – rein Leader

- 🏆 The dictionary meaning of *laissez faire* is policy of non-interference. A free-rein leader gives complete freedom to his followers to establish their own goals and policies.
- 🏆 He does not lay down guidelines within which his followers have to work. He neither influences the subordinates' decisions nor does he interfere in the process of decision-making.



**Delegate style**

### Merits

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

### Demerits

1. The laissez faire leadership style will produce good results only if the subordinates are all highly efficient and capable of doing their work independently.

2. As the leader does not involve himself at all in the activities of his subordinates, control may become difficult.

#### 4. Functional Leader

- ☛ A functional leader is one who is an expert in a particular field of activity. He does not command any formal authority.
- ☛ Such a leader always thinks of the task he has undertaken and spends most of his time finding out ways and means of doing it better.
- ☛ The functional leader will be able to offer help to his subordinates provided the subordinates approach him for certain genuine job related problems.

#### Merits

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

#### Demerits

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

#### 5. Institutional Leader

- ☞ An institutional leader is one who has become a leader by virtue of his official position in the organizational hierarchy. For example, a person appointed as the General Manager of a concern.
- ☞ An institutional leader may not be an expert in his field of activity. He, therefore, may not be able to provide expert guidance to his followers. But he has to secure performance from them.

#### Merits

1. He has official authority to act.
2. He can demand performance from subordinates irrespective of his own credentials and the subordinates are officially answerable to him.

#### Demerits

- As the institutional leader may not be an expert in his field of activity, he will not be in a position to offer proper guidance to his followers.
- Although the leader has the official right to demand performance from his followers, he may not have the moral right, as his own credentials are less.

#### 6. Paternalistic Leader

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

#### Merits

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

#### Demerits

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

## Discuss the different kinds of Leadership Theories.

The researchers wanted to find out the determinants of leadership. Three such determinants were studied, namely, the personality of the leader, his behaviour and the situation. As a result, the following three theories came to be developed:

### A. The Traits Theory

This theory is based on the assumption that a leader is a person who possesses certain exceptional traits or qualities. Many such traits or qualities were identified. Those, who were successful leaders in the past, were found to be having all such traits. These are:

1. Intelligence
2. Communication skills
3. Judgement
4. Inquisitiveness
5. Integrity
6. Emotional stability
7. Imagination
8. Courage
9. Knowledge
10. Initiative
11. Sincerity
12. Endurance
13. Determination
14. Mental ability
15. Persuasion
16. Physical appearance

A person with these qualities can certainly emerge as a successful leader. These qualities need not always be inborn. These can be acquired through proper training.

### B. The Behavioural Theory

- ☞ According to this theory, leadership depends more on the acts of a person than on his personality traits. The behaviour of a person attracts many followers towards him.
- ☞ These followers are ready to accept him as their leader as they are influenced and impressed by his behaviour.
- ☞ The interaction between the leader, the followers, the goals and the environment will bring out the right behaviour. If the leader is able to give his followers what they want, he will be successful.

### C. Situational Theory

- ★ According to this theory, leadership is much influenced by the environment or the situation in which it is exercised. The style of leadership should change according to the situation.
- ★ It, therefore, becomes clear that there is no particular style of leadership that can be universally relevant. The leader, in order to be successful, should adapt himself to the situation.
- ★ If the relationship between the leader and his subordinates is good, the leader will be able to exercise influence. The same is true if the task to be accomplished by the subordinate is easy for him.

## Distinguish a leader from a manager. (Or) State the difference between Leader and Manager.

“Leadership and manager ship are two synonymous terms” is an incorrect statement. Leadership doesn’t require any managerial position to act as a leader. On the other hand, a manager can be a true manager only if he has got the traits of leader in him.

### Differences

Basis	Manager	Leader
♠ Origin	A person becomes a manager by virtue of his position.	A person becomes a leader on basis of his personal qualities.
♠ Formal Rights	Manager has got formal rights in an organization because of his status.	Rights are not available to a leader.
♠ Functions	A manager performs all five functions of management.	Leader influences people to work willingly for group objectives.
♠ Necessity	A manager is very essential to a concern.	A leader is required to create cordial relation between people working.
♠ Stability	It is more stable.	Leadership is temporary.
♠ Sanctions	Manager has command over allocation and distribution of sanctions.	A leader has command over different sanctions and related task records.

## MOTIVATION

### **What is meant by Motivation?**

Motivation is the process of inducing and instigating the subordinates to put in their best. Motivation is influenced significantly by the needs of a person and the extent to which these have been fulfilled.

### **Define Motivation.**

- ✍ Motivation means a process of stimulating people to action to accomplish desired goals. – **W. G. Scott.**
- ✍ Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward. – **Edwin B. Flippo**

### **What are the Nature and Characteristics of Motivation?**

The following salient features of motivation explain its nature.

#### **1. Motivation is a psychological concept**

The needs of person influence his behaviour. A subordinate, whose needs have been fully satisfied, feels mentally relieved. The quantum of tangible benefits provided, e.g., higher pay to a subordinate may not actually determine mental satisfaction. Even a word of appreciation from the manager may provide greater mental satisfaction to an employee and induce him to work harder.

#### **2. Motivation is always total and not piece-meal**

- ✗ It means that a person cannot be motivated in installments. An employee will not be motivated if some of his needs are partly satisfied.
- ✗ For example, if an employee awaits a transfer to his native place and is also due to get his promotion, he will not feel motivated if only one of the benefits is sanctioned. It is, therefore, the duty of the employer to grant any benefit to his employees fully and when it is due.

#### **3. Motivation may be financial or non-financial**

An employee may motivate through financial or non-financial incentives. Financial incentives are the monetary benefits provided to an employee in the form of higher pay, bonus, commission etc. Non-financial incentives are the non-monetary benefits such as greater decision-making authority, better designation and so on.

#### **4. Method of Motivation may be positive as well as negative**

Many people think that the method of motivation should always be positive. It may even be negative. The method is positive if it is in the form of higher pay, greater authority, better designation etc. The method of motivation negative in the following cases:

- Issue of Memo to a worker showing negligence.
- Placing a worker who is shirking duties under suspension.
- Imposing fines or penalties for violating rules and regulations in the work place etc.

#### **5. Motivation is a continuous process**

Man is a wanting animal. As soon as one need is satisfied another appears in its place. This is an unending process. Motivation, therefore, is not a time-bound process. In the work place, an employee needs to be motivated as long as he is in employment.

## IMPORTANCE OR BENEFITS OF MOTIVATION

### **Explain the Importance of Motivation. (Or) State the benefits of Motivation.**

Motivation, as a tool of direction, is important in view of the following reasons:

#### **1. Inducement of employees**

In the workplace, motivation is important to induce an employee to contribute to his maximum capabilities. Every employee has certain unfulfilled desires. The employer, by fulfilling the needs of the employee, motivates him to do his best.

## **2. Higher efficiency**

Well-motivated employees put in maximum efforts in discharging their duties. This leads to higher output and thereby reduces the average cost per unit produced. Optimum output and lower cost is what is essential to achieve maximum efficiency.

## **3. Optimum use of resources**

Motivated employees do not shirk their duties. It is, therefore, possible to make optimum use of the enterprise resources, particularly, materials and machines. The employees also do not remain idle during working hours. As a result, there is no loss of labour hours.

## **4. Avoidance of loss due to mishandling and breakage**

Properly motivated employees are always careful in their work. They do not show negligence. As a result, loss due to mishandling of machines and equipment and due to breakage will certainly be avoided.

## **5. No complaints and grievances**

Well-motivated employees do not make unnecessary complaints about anyone or anything. They like their job and the organisation. As all their needs are fulfilled by their employer, they hardly have any grievance.

## **6. Better human relations**

When an organisation has properly motivated staff, there will be better inter-personal relationships. The superiors trust their subordinates and vice versa. There is also greater co-operation among the employees.

## **7. Avoidance of strikes and lock-outs**

Employees resort to strike only when their demands are not conceded by their employer. In an organisation, where the management is always ready to fulfill all the needs of the workers, there will hardly be any need for the workers to resort to strike and for the employer to declare lock-out.

## **8. Reduction in labour turnover**

Workers leave their organisation in view of any of the following reasons:

- (i) If their pay benefits are not adequate.
- (ii) If their work is not recognized.
- (iii) If the inter-personal relationship is poor and so on.

But if the management is always ready to fulfill all the genuine needs of the employees and the latter are always properly motivated, the rate of labour turnover is bound to be low.

## **MASLOW'S NEED HIERARCHY THEORY**

### **Explain the Maslow's need hierarchy theory.**

Abraham H. Maslow, a psychologist, developed a theory called the 'Need Hierarchy Theory'. It is one of the oldest theories on motivation. He classified human needs into five categories and arranged the same in a particular order as given below:

Maslow regarded the first three (Physiological, Safety and Social Needs) as lower order needs' and the remaining two (Self-actualization and Esteem Needs) as 'higher order needs'.

- ☐ **Physiological Needs** - These need relate to the survival and maintenance of human life. These include food, clothing and shelter that are vital for the survival of mankind. A person cannot think of status when he is not able to earn adequately to satisfy his basic needs.

- ☐ **Safety needs** - The safety or security needs emerge once the basic or physiological needs of a person are fulfilled. People, generally, prefer secured jobs. Similarly, every employee wants to contribute to provident fund, insurance and protect his interests particularly in his old age when he cannot work.
- ☐ **Social needs** - At this stage, a person wants friendship, companionship, association, love and affection of particularly those with whom he mingles often. In the work place he may long for the association of the fellow-employees. In fact, it is for this reason that informal groups are formed within a formal organisation.
- ☐ **Esteem needs** - These needs arise in view of a person's desire to have his ego satisfied. The satisfaction of these needs gives a person the feeling that he is above others. It gives a person self-respect, self-confidence, independence, status, recognition and reputation.
- ☐ **Self-actualization needs** - According to Maslow, a person, who reaches this stage, wants to achieve all that one is capable of achieving. In other words, a person wants to perform to his potentials.

### **What is the criticism of Maslow's theory?**

- ✖ The order of the need may not follow the sequence suggested.
- ✖ Maslow has not given a classification of general human needs rather than the specific job-related needs of workers
- ✖ Maslow has not explained the relationship between the satisfaction of certain needs and its impact on productivity
- ✖ It is not correct to assume that certain higher order needs become dominant only after the preceding level needs have been fully satisfied
- ✖ By splitting the human needs into different categories the theory suggests that motivation can be a piecemeal exercise which is not correct.

### **MCGREGOR'S 'X' AND 'Y' THEORIES**

### **Explain the McGregor's 'X' and 'Y' Theories.**

Douglas McGregor developed two theories on motivation that explain the positive and negative qualities of individuals. He gave the theories the names 'X' theory and 'Y' theory. These theories have been discussed below:

#### **'X' Theory**

Theory 'X' is negative or pessimistic in approach. It is based on the following assumptions:

- ♣ People, in general, dislike work. They shirk their duties and are basically lazy.
- ♣ Most people are unambitious. They do not voluntarily accept any responsibility.
- ♣ Most people lack creativity. They show no preference for learning anything new.
- ♣ Satisfaction of physiological and safety needs alone is important for most people. Workers in general are only bothered about their salary, job security and such other extrinsic factors.
- ♣ While at work, an employee needs to be closely supervised and watched.

Theory 'X' does not want managers to involve workers in the decision making process. It expects the workers to work as per the directions of the managers.

#### **'Y' Theory**

Theory 'Y' is positive or optimistic in its approach. It is based on the following assumptions:

- ♣ People are not averse to work. Given the proper working conditions the workers would do their work with the kind of enthusiasm they show for their other activities like playing and eating.
- ♣ Workers are ambitious and they do come forward to accept responsibility.
- ♣ Workers do have the potentials to be creative. If the management has a positive outlook, it will certainly encourage the workers to display their creative ideas and skills.

- ☛ It is not correct to assume that only satisfaction of physiological and safety needs is important for most workers. The workers do many things to have their ego satisfied. There are workers with tremendous potentials who want to work to their maximum capabilities.
- ☛ Workers need not be directed and closely supervised. They are good in what is called 'self-direction'.

### **Evaluation of 'X' and 'Y' Theories**

The two theories 'X' and 'Y' bring out the two extreme qualities of a person. Theory 'X' talks about the negative qualities alone and Theory 'Y' talks only about the positive aspects. Practically speaking, no person is either too good or too bad. Every person has his or her own strong and weak points. By providing the right kind of environment and with proper motivation any individual can be made to perform well.

### **Discuss Herzberg's theory of motivation.**

Herzberg classified the factors influencing human needs into two categories. They are:

#### **Hygiene Factors**

According to Herzberg, hygiene factors do not actually motivate a person but their absence will lead to dissatisfaction. They help to maintain a reasonable level of job satisfaction among the employees. These are:

- ☛ Company policies and Administration
- ☛ Type of supervision
- ☛ Inter-personal relationships
- ☛ Working conditions
- ☛ Salary
- ☛ Job security and
- ☛ Status

The maintenance factors are known as hygiene factors as they influence the mental framework of the employees.

#### **Motivational Factors**

The motivational factors are also known as intrinsic factors. According to Herzberg, the presence of the intrinsic factors will motivate the employees but their absence will not lead to dissatisfaction. These are:

- ☛ Work itself
- ☛ Achievement
- ☛ Recognition
- ☛ Advancement
- ☛ Growth and Responsibility

Herzberg calls upon managers to use motivational factors to induce the employees to perform well.

### **Criticisms of Herzberg's Theory**

1. The view of Herzberg that extrinsic factors such as salary, working conditions etc., do not motivate employees has been criticized by many.
2. The critics also pointed out that there is no guarantee that satisfied workers would strive to increase productivity.
3. The terms 'satisfaction' and 'dissatisfaction' cannot be used as absolute measures. It is possible that an employee who is satisfied with one aspect of work may not be happy with another. For example, an employee who is happy with his job may feel dissatisfied when his work does not get proper recognition.

### **What do you mean by VROOMS expectancy theory/ Valence expectancy theory?**

Vroom developed a theory on motivation called the 'expectancy theory'. He tried to explain motivation through the following concepts:

- ☛ Valence,
- ☛ Expectancy and
- ☛ Instrumentality.

According to Vroom's theory, motivation is the sum of the product of valence, expectancy and instrumentality. That is,

$$\text{Motivation} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}$$

### Valence

Valence refers to the strength of a person's desire for a particular outcome. For example, a salesman who desires a good amount of commission from his company has to naturally achieve a high sales target.

### Expectancy

The extent to which a person believes that his effort will lead to the desired performance is what is called expectancy. For example, if a person does not possess the necessary ability to accomplish a task, he will not be able to perform, even if he makes efforts.

### Instrumentality

The extent to which the first outcome (attainment of sales target in the above example) will lead to the desired second outcome (commission) is what is called instrumentality. Expectancy, on the other hand, is the relationship between efforts made and the first outcome.

### References:

1. **Business Management – Dr G B Gupta**
2. **Organizational Behaviour - Umashankar**

## END OF UNIT IV UNIT: V

### COMMUNICATION

### INTRODUCTION

Communication occurs whenever life exists. The transmission of any meaningful message is communication. Whether we recognize it or not, we have no option but to communicate. Communication is essentially the ability of one person to make contact with another and to make him understand. Since man is a social animal, it is vital that he express his feelings and emotions, receive and exchange information.

### What is Communication?

- ★ The word communication is derived from the Latin word 'communis', which means to share or to participate.
- ★ Communication is the process of sharing facts, ideas, and opinions in common. Communication is said to take place when an individual conveys some information to another.

### Define Communication.

- ☒ Communication is an intercourse by words, letters, symbols or messages, and is a way that one organization member shares meaning and understanding with another - **Koontz and O'Donnell.**
- ☒ "Communication is an exchange of ideas, facts, opinions or emotions by two or more persons" – **Newman and Summer.**

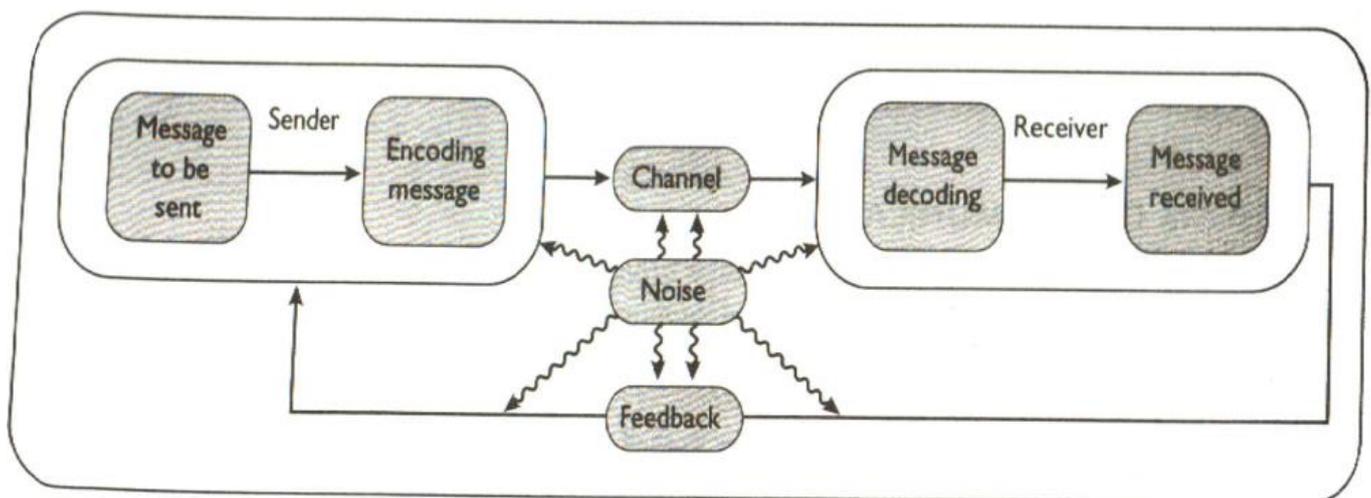
### State the Importance of Communication.

The importance of communication is explained below:

1. **Helps in planning:** Communication helps to prepare better plans for the enterprise. The views and suggestions of the employees, clients, suppliers etc., are received and the same are incorporated in the enterprise plans.
2. **Vital for decision-making:** The information necessary for decision-making is made available through proper communication. For example, a decision on production is made after receiving information from the stores on the stock of materials available and from the marketing department on the extent of demand.
3. **Facilitates delegation:** Delegation of authority by a superior to his subordinates will not be possible without proper communication. The superior must first of all assign work to his subordinates and give them the requisite authority to carry out their duties. This cannot be done without effective communication.
4. **Facilitates effective leadership:** As a leader, the manager will be able to guide his subordinates well only through proper communication. When the subordinates have work-related problems, they have to necessarily approach their superior for assistance.
5. **Helps to motivate:** Assignment of work and delegation of authority alone will not be enough to get things done by the subordinates. They need to be constantly motivated to perform well. This will not be possible without proper communication.
6. **Helps in co –ordination:** Co-ordination is not possible without cooperation. To secure co-ordination and co-operation, there must be proper communication relationship between the different individuals and the departments.

#### Describe the Elements or Process of Communication.

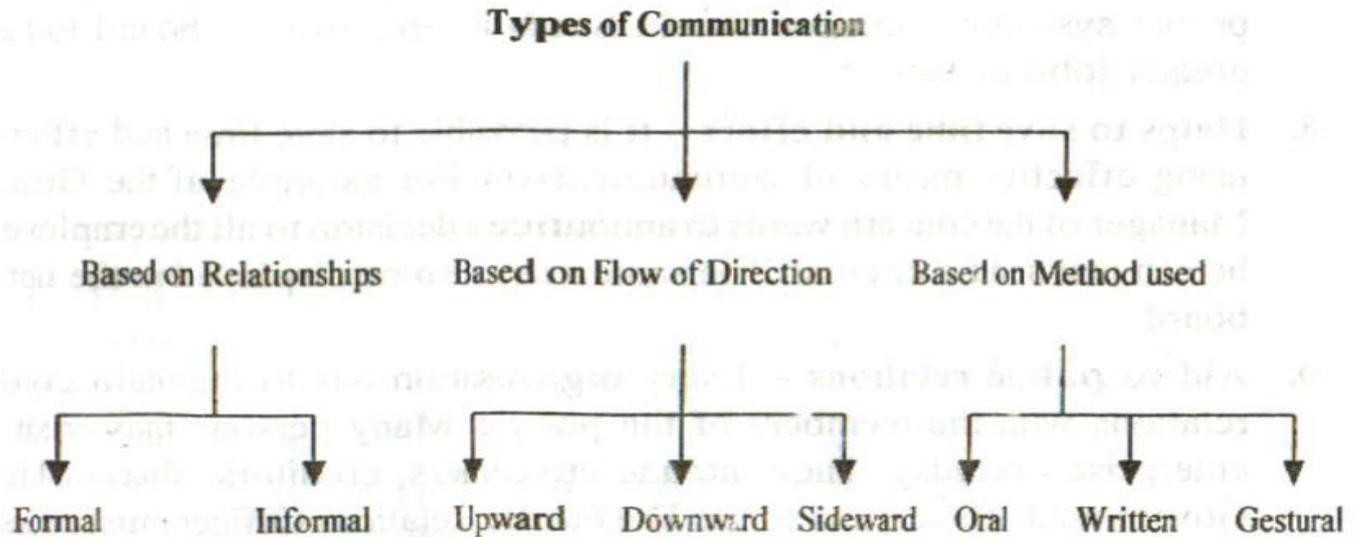
The process of communication involves the following elements:



- ☛ **Communicator** or sender-he is the person who sends the message.
- ☛ **Message:** it is the subject matter of communication. It may consist of certain facts, ideas, opinions, etc.
- ☛ **Encoding:** It is a practice translating the message into suitable signs, symbols, etc for the purpose of transmission.
- ☛ **Transmission:** It is the act of sending the message
- ☛ **Channel:** It is the medium through which the message is send to the receiver. The channel may be formal or informal. The method of communication may be oral or written.
- ☛ **Receiver or communicate:** He is a person who receives the message.
- ☛ **Decoding:** It is the act of converting the sign, symbols etc into meaningful statements.
- ☛ **Feedback:** It is the reaction, response or reply by the receiver. The communication process is complete when the sender gets feedback from the receiver.

## What are the Channels or types of Communication? (Or) Explain the Types of Communication.

Communication may be classified into the following types:



### I. BASED ON RELATIONSHIPS

#### 1. Formal Communication

- ✎ *Any information that officially reaches an employee is known as formal communication.*
- ✎ It is the outcome of formal organization. It follows the hierarchy. Policy manuals, orders, circulars, notices, etc., are some of the examples of formal communication.
- ✎ They are helpful for performing functions like planning, decision-making, co-ordination and control.

#### Merits

The following are the advantages of formal communication:

1. It is official and therefore reliable.
2. It is proper and systematic.
3. It fixes responsibility on the sender as well as the receiver.
4. It is possible to locate the source of information.
5. It serves as evidence in future.

#### Demerits

The following are the limitations of formal communication:

- ★ It is slow. Usually formal communication reaches the person concerned only at the last minute.
- ★ It establishes only impersonal link with the receiver and therefore lacks personal touch.
- ★ Sending formal communication requires the preparation of reports, circulars, notices etc., which involves lot of work.
- ★ There are procedural hurdles too in sending formal communication. The matter needs to be typed out and signed by the proper authority. Typographical errors may creep in.

#### 2. Informal Communication

Informal communication is the result of casual or personal contact between the individuals in an organization. The information reaches different individuals in the organization in no time. The news spreads like fire. It is also known as '**grapevine**' as it spreads in the manner the grape plant does.

*Any information that unofficially reaches an employee is known as informal communication.*

Grapevines are inevitable in organizations. Grapevine is an effective tool for developing corporate identity, building team work, and motivating people.

#### Merits of Informal Communication

The advantages of informal communication are given below:

1. It is fast.
2. There is free and frank expression of views.
3. It has personal touch that formal communication lacks.
4. It provides mental relief to employees who await a formal announcement.

### Demerits

The following are some of the drawbacks of informal communication:

1. It gives scope for rumours to spread in the organization.
2. The information is not authentic. The employee, therefore, cannot act on the basis of information received unofficially.
3. As the news passes through different individuals in the organization, it may also get altered or twisted.
4. Its origin cannot be traced.

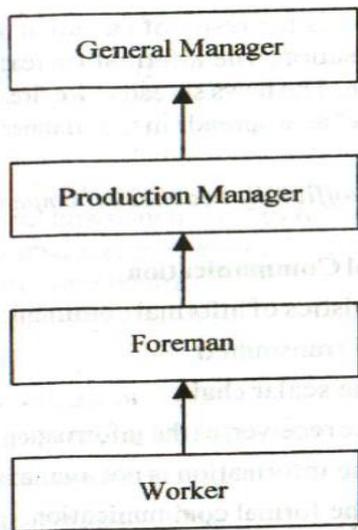
## II. BASED ON FLOW OF DIRECTION

### 1. Upward Communication

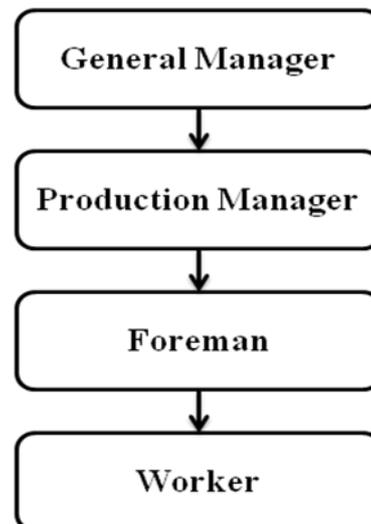
It takes place when a subordinate conveys some information to his superior. This happens when a subordinate wants to account for his performance or has a request or complaint to make.

### 2. Downward Communication

It takes place when a superior conveys certain information to his subordinate. The need for such communication arises when a superior wants to give certain orders and instructions to his subordinate.



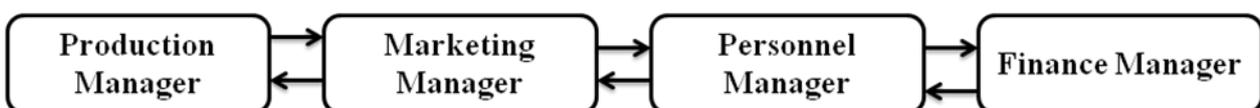
Upward Communication



Downward Communication

### 3. Sideward Communication

It takes place when the executives or subordinates operating at the same level exchange information. Such communication may be necessary to secure better co-ordination between the individuals and the departments. This has been explained below with a diagram:



## III. BASED ON METHOD USED

### 1. Oral Communication

Verbal transmission of information is what is called oral communication. It usually takes place in any of the following ways:

**Face-to-face conversation** - It takes place when two or more persons are in casual conversation.

**Meetings** - Meetings are arranged to discuss certain issues. In an organization meetings are organized by executives, subordinates or by both to discuss work-related issues.

**Conversation through telephone or mobile phone** — The importance of telephone or mobile phone in communication is known to everyone. It makes it possible to talk to anybody in any place and at any time. The only requirement for telephone conversation is that the communicatee must have access to phone.

**Intercom** — Modern business concerns have intercom facility that enables an employee to talk to any other employee who is working within the same premises.

**Internet-Chat** - The revolution in electronic media has now given us the facility of what is called Internet-Chat. For such a facility, both the communicator and the communicatee must have access to a computer that has Internet facility. Headphone-Mike, of course, is also required. If a web-camera is used by both the persons, they will also be able to see each other on the monitor screen as they talk.

## Merits

The following are the advantages of oral communication:

- ❖ As the communicator and the communicatee are directly involved in conversation at the same time, it is possible for both to freely exchange their ideas. Oral communication, thus, is very effective.
- ❖ It is the fastest method of conveying information. The essence of even a 500-page report may be conveyed orally in just 15 minutes.
- ❖ It is not expensive. Face-to-face conversation, informal meetings etc., do not involve any expenditure.
- ❖ It is possible to obtain clarification immediately if, during the conversation, either of the parties has any doubt.

## Demerits

The following are the drawbacks of oral communication:

1. The effectiveness of oral communication depends much on the ability of the communicator to convey his ideas. If he is not able to express well, the receiver may get confused.
2. It is not suitable in cases where the message is long and complicated when audience is large and when there is no need for information.
3. It does not provide any record for the future reference.
4. It is time consuming and costly.
5. Information orally conveyed may be altered or twisted while reporting.
6. Oral communication may not be suitable for all situations. For example, when an investigation has to be conducted, the investigator will be requiring to prepare a detailed report on his findings.

## 2. Written Communication

It is a method of communication by which the communicator establishes direct contact with the communicatee through written documents. It is a formal method of communication. The following documents are usually involved in written communication:

- ✱ In case of **downward communication** - Notices, Circulars, Orders, Policy statements, Manuals etc.
- ✱ In case of **upward communication** - Periodic reports on the work done by subordinates.

## Merits

The following are the advantages of written communication:

- Distance is not a barrier at all in case of written communication. A letter or notice can be sent to anyone living in any part of the world.
- Written communication can always be preserved for future reference.
- It can be produced as evidence in any Court.

- The sender can carefully prepare the written statements. If necessary he can even seek the help of those who are good in drafting letters, circulars etc. As a result, written communication is sure to be more clear and accurate.
- Where the sender don't want to have direct contact with the receiver written communication is best. For example, if an employer wants to place an employee (who is avoiding duties), under suspension, he can just send the suspension order by post.

### Demerits

The following are the limitations of written communication:

1. Preparation of written communication is a time consuming affair.
2. There may also be delay in the letter or circular reaching the receiver.
3. In case the receiver requires any clarification, it may not be readily available. He has to contact the sender either personally or over phone.
4. It is difficult to make amendment to written communication.
5. It is not possible for the sender of the message to know the reaction of the receiver at once.
6. If the letter, circular, notice etc., is written using tough vocabulary, the receiver may not be able to understand the message.
7. As written communication is too formal in nature, it lacks personal touch.

### 3. Gestural Communication

Gestures are nothing but actions such as nodding of head, rolling of eyes, movement of lips, etc., to convey some idea. Handshake is the most popular at accepted gesture to indicate goodwill and faith.

### Distinction between Oral and Written Communication

Oral Communication	Written Communication
• Messages are verbally transmitted.	• Messages are transmitted in writing.
• Messages cannot be preserved for future reference.	• It is easy to preserve any message for future reference.
• It is not possible to verify the correctness of what has been orally stated.	• It is possible to verify the correctness of what has been committed in writing.
• It is suitable to convey any information unofficially.	• It is suitable to convey any information officially.
• Messages can be quickly exchanged.	• It is a time consuming affair.
• Evidence is not available.	• Evidence is available that can be produced even in a Court.
• It is difficult to determine the origin of the message, i.e., who has first made the statement.	• It is easy to determine the origin of the message.

### Explain the Barriers to Effective Communication?

The various barriers to communication may be grouped under the following three categories:

- (i) Personal barriers,
- (ii) Technical or Mechanical barriers,
- (iii) Organizational barriers.

#### Personal Barriers

These barriers are the result of the personal problems of the communicator and the communicatee. These are:

1. **Lack of command over language** - If a person is poor in conveying his ideas verbally or in writing owing to lack of command over language, the communication will be a failure.

2. **Lack of self-confidence** - If a person lacks self-confidence, he may not be able to convey his views with conviction.
3. **Lack of good vocabulary** - A person who lacks good vocabulary will convey in a sentence what can actually be conveyed in a word.
4. **Lack of Fluency** - Some persons will not be able to speak fluently. Such persons fumble while speaking and as a result may not make a good impression on the listener.
5. **Illegible handwriting** - Some persons cannot write legibly. Because of bad handwriting the receiver may not be able to make out anything from the letter or notice sent to him.
6. **Lack of tonal control** - Sometimes a person may have a good command over language but may not be able to have proper tonal control i.e., adjust his tone according to the audience.
7. **Lack of attention or interest** - If the individual is inattentive or does not show interest in the subject matter, the purpose of communication will be defeated.
8. **Tendency to make premature conclusions** - If any party to a communication has the tendency to arrive at premature conclusions without getting the complete details, it will result in failure of communication.
9. **Lack of confidence in the other party** – Communication will be ineffective if the sender lacks confidence in the receiver and vice versa.
10. **Improper state of mind** - When a person is mentally upset or emotionally disturbed, he may not be in a position either to convey or receive any message.
11. **Faulty pronunciation** - Some persons cannot pronounce certain words properly, e.g., words with 'sh' sound (cash, wash etc.)
12. **Limited retention capacity** - Retention capacity varies from person to person. Persons who are blessed with good memory have more retention capacity than those with poor memory. This fact must be borne in mind by the person communicating.

### **Technical or Mechanical Barriers**

These barriers are the result of faulty communication system. These are:

- ↪ **Distortion:** It affects the free flow of communication. In case of telephone conversation, cross-talk can lead to distortion. Bad signal can result in distortion when a mobile phone is used. When a person uses a mike in a meeting, electrical disturbance may also lead to distortion.
- ↪ **Filtering:** By filtering we mean that as the message passes through different individuals in the communication channel, it may be altered or twisted by the persons operating at different levels in order to derive certain personal gain. This happens mainly because of the long chain of communication.
- ↪ **Overloading:** The system of communication has its own capacity to receive and transmit information. If it is overloaded with lot of information, it cannot handle the same effectively. For example, the hard-disc in the computer has its own storage space. Even while sending information by Internet, one should know that there is a limit to the volume of information that can be sent at a time.
- ↪ **Faulty equipment:** Communication also gets affected due to any fault in the equipment. For example, if the telephone or the fax machine is out of order, it will affect transmission.

### **Organizational Barriers**

These barriers are the outcome of certain organizational problems. These are:

#### **1. Inadequate facilities**

- ▶ A contemporary organization is expected to have a number of devices for communication such as fax and Internet.
- ▶ An organization that is not properly equipped with the necessary communication devices cannot effectively handle communication.
- ▶ It is also necessary to organize meetings and conferences at regular intervals to hear complaints and suggestions.

#### **2. Too much reliance on formal communication**

- ⌘ Formal communication makes it necessary to strictly adhere to the scalar chain or hierarchy. This results in delay in sending or receiving any information.
- ⌘ Informal communication or grapevine may be used fruitfully to send or receive any important message in the interest of the organization. Rigidity in communication procedures should, as far as possible, be avoided.

### **3. Status patterns**

The executives, by reason of their position in the organization, enjoy greater comforts than the subordinates in terms of separate air-conditioned cabin, personal phone, and special furniture and so on. Such a differentiation distances the subordinates from the superior and also widens the communication gap.

### **4. Procedural delays**

Unwanted procedures laid down in certain organizations contribute to delay in sending and receiving information. This may, sometimes, defeat the purpose of communication,

### **What are the measures to overcome communication barriers?**

The following measures may be adopted to overcome communication barriers:

#### **1. Overcoming personal barriers**

The personal barriers mentioned earlier have to be overcome by individuals by improving their vocabulary power and fluency, gaining self-confidence and so on. For this, they can even undergo a short-term course in communication.

#### **2. Shorter communication channels**

A long channel of communication only leads to delay in sending or receiving any information. This will prove to be delay in receiving certain important messages. Further, a long channel gives scope for such problems as filtering. A shorter channel not only helps to avoid delay but also keeps the information intact.

#### **3. Direct contact**

Wherever necessary, it must be possible to establish direct contact with the employees, shareholders, customers, creditors and so on. This will provide scope for personal touch, which is very important for communication to be effective.

#### **4. Use of electronic devices**

Business communication, in the present days, relies heavily on electronic devices. Every contemporary organization should, therefore, employ all such devices like fax machines, computers, mobile phones, pagers, etc., in addition to the conventional telephone so as to make the system of communication efficient and effective.

#### **5. Use of grapevine**

There is always delay in sending and receiving formal communication. To overcome such a problem, informal communication or grapevine should be used wherever necessary to have quick access to information.

#### **6. Removing mechanical defects**

All the mechanical devices used for communication including the telephone should be kept in proper working order.

#### **7. Feedback**

It is a technique used in communication to ensure that the message has been correctly received. The person sending the message can, for example, ask the receiver certain questions pertaining to the message conveyed to make sure that the receiver has clearly understood the message.

#### **8. Development of listening habit**

Both the parties in the communication process should make it a point to carefully listen to each other. If one person is not letting the other to talk or frequently interrupts, communication cannot be effective.

#### **9. Organizing frequent meetings and conferences**

In any organization, steps must be taken to organize meetings and conferences at regular intervals. Such a step will provide scope for the managers and subordinates to express their views on important issues.

## 10. Mutual trust

Last, but not the least, effective communication requires an atmosphere of trust and confidence between the superiors and subordinates. Only then any message will be sent and received with a feeling of goodwill.

## CO-ORDINATION

### What do you mean by Co-ordination?

- ⊗ Co-ordination means arrangement of group efforts to ensure the unity of action in the organization to achieve its objectives.
- ⊗ It is the task of blending the activities of individual and group efforts in order to maximize contribution towards the accomplishment of common goals.

### Define Co-ordination.

- ⊗ According to Reiley and Mooney, “co-ordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of common purpose”.
- ⊗ According to Henry Fayol, “to coordinate is to harmonize all the activities of a concern so as to facilitate its working and its success”.

### What are the Features of Co-ordination? (Or) what is the Nature of Co-ordination? (Or) What are the Characteristics of Co-ordination?

- ★ **The need for co-ordination arises due to interdependence:** in a business organization, the activities of the different departments are interrelated and interdependent. These need to properly co-ordinate.
- ★ **It aims at attaining the common goal:** although the different departments in an enterprise work according to their own agenda, it is only through co-ordination that the overall enterprise objective is achieved.
- ★ **It is the duty of every manager:** every manager has the duty to secure co-ordination. For this he should not mind the activities of his department alone. He should find out the needs of those departments whose activities his department influence.
- ★ **It does not arise spontaneously:** co-ordination of enterprise activities does not happen spontaneously. All the individuals and departments will have to work together to secure co-ordination. It requires conscious efforts.
- ★ **It may be performed by specialists appointed for the purpose:** normally the task of co-ordination is performed by the departmental managers themselves. But in a large concern task of securing co-ordination may be entrusted to a specialist or to a group of experts.
- ★ **It is an ongoing activity:** as long as there is planning and execution, there will be co-ordination. The different activities of the enterprise need to be co-ordinate as and when they are performed.

### Explain the different Types of Co-ordination.

#### 1. Internal co-ordination

Coordination between the different units of an organization is known as internal coordination. E.g. Co-ordinate the activities of all the managers, executives, divisions, sub-divisions, branches and other workers.

#### 2. External co-ordination

External co-ordination is the establishment of a relationship between the organization and outsiders of the organization. The outsiders include Government, customers, investors, suppliers, competitors etc. This relationship is established for the benefit of the organization as a whole.

#### 3. Vertical co-ordination

Vertical co-ordination refers to that co-ordination in which a superior authority co-ordinates his work with that of his subordinates and vice versa. Sales manager co-ordinates his work with the activities of the sales supervisor.

#### **4. Horizontal co-ordination**

Horizontal co-ordination refers to the establishment of a relationship between the persons of the same status. For example, co-ordination between the departmental heads, supervisors, co-workers, etc.

### **PRINCIPLES OF CO – ORDINATION**

**How do you achieve effective coordination in an organization? Mention the Steps. (Or) State the Principles of Co-ordination.**

The following are the principles for effective Coordination. They are,

#### **1. Direct Personal contact**

According to this principle, coordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most effective way to convey ideas and information, and to remove misunderstanding.

#### **2. Early beginning**

The coordination should be started even from the planning function of management. The management should prepare the plan after consulting the concerned officials. By this, the preparation of a plan and its implementation will be very easy for the management.

#### **3. Reciprocal relationship**

This principle states that all factors in a situation are interdependent or interrelated. Each factor influences other factors and are influenced by the other factors. For example, in a group the action of one employee influences the action of other employees and vice versa.

#### **4. Continuity**

Co-ordination is a must so long as the organization continues to function. Co-ordination is the key stone of the organizational structure. So, co-ordination starts with planning and ends with controlling.

#### **5. Clear-cut objectives**

The departmental heads should know clearly the objectives of the organization. So, the management must take necessary steps to explain the objectives to the departmental heads. This is very useful in achieving the common objectives of the organization collectively.

#### **6. Effective communication**

Effective communication is necessary for proper co-ordination. The individual and departmental problems can be solved with the help of co-ordination.

#### **7. Effective supervision**

Effective leadership also helps in proper co-ordination. Leadership creates confidence in the minds of subordinates and increases the morale of the subordinate.

**Enumerate the Importance Or Benefits of Co-ordination?**

- 1. Unity in diversity:** In any organization there are a lot of employees who are having different habits, background and viewpoints. The activities of these different personalities are to be organized so as to achieve the objective. Co-ordination is necessary for creating unity in diversity.
- 2. Channelizing the energies and skills:** Co-ordination is essential for channelizing the energies and skills of work groups along determined lines.
- 3. Relation between departments:** An organization is divided into departments, division etc. Co-ordination is necessary to have a link between the functions of different departments or divisions.

4. **Integrating the work of specialists:** In modern days, there are specialists in all the organizations. though they are expert in their work, they know very little about others job. Hence, they develop problems with others. So, co-ordination is necessary to co-ordinate the efforts of specialists.
5. **Integrating the individual and departmental goals:** Co-ordination plays a vital role in integrating the individual goal or departmental goal to achieve the organizational goal.

### CONTROLLING

#### **What do you mean by Controlling?**

Controlling in the process of analyzing actual operations and seeing that actual performance is guided towards expected performance. It involves comparing operating results with plans and taking corrective action when results deviate from plans.

#### **Define Controlling.**

According to Koontz and O'Donnell, "Controlling is the measurement of the performance of activities against the standards and the correction of deviations to assure attainment of objectives according to plans."

#### **Explain the Nature / Features / Characteristics / Purpose of Controlling.**

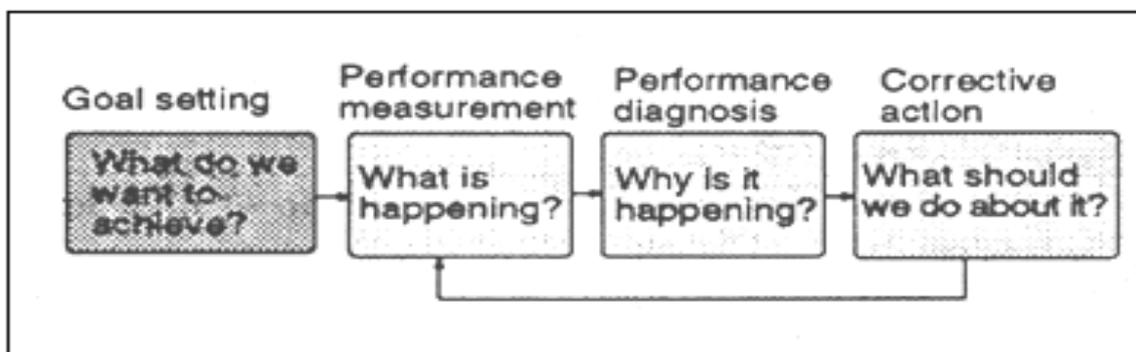
The main characteristics of managerial control are as follows:

- ⊕ **Control is an essential function of management:** This function is performed by every manager at all levels of organization. The other managerial functions cannot be completed effectively without performing the control function.
- ⊕ **Control is an ongoing process:** It involves continuous measurement of results and review of standards. It does not stop anywhere.
- ⊕ **Control is forward- working because past cannot be controlled:** However, always the past performance is measured such measurement is used to make corrective action for future period.
- ⊕ **Control involves measurement:** It is a process of measurement, comparison and verification. It involves a check on the performance of individuals and does not restrict the freedom of action.
- ⊕ **The essence of control is action:** The purpose of control is achieved only when corrective action is taken to correct deviations and performance is adjusted to predetermined goals. A good system of control permits timely action.

### STEPS OR STAGES IN CONTROL

#### **Enumerate the different steps involved in controlling? (Or) Explain the Process of Controlling in Organization?**

The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps:



#### **1. Establish standards**

- ✘ The fixing of standards is necessary because only if there is a standard we can compare the actual with the standard and decide the future course of action. Without any fixed standard, we cannot find the deviation.
- ✘ The standard is defined as a yardstick consisting of a specific set of factors relating to a particular organization or department.

## 2. Measure actual performance.

- Φ After setting the standards, the next step in the control process is to ensure that the performance at various levels is as per those standards.
- Φ For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data.

## 3. Compare performance with the standards.

Once the actual performance is measured, it is compared with the standard. The extent of deviation and the causes for such deviation is found out. If the causes are controllable, the persons concerned will take necessary corrective action.

## 4. Take corrective actions.

When performance deviates from standards, managers must determine what changes, if any, and decide the remedial action. The success of the entire control system lies on the implementation of remedial action.

These steps must be repeated periodically until the organizational goal is achieved.

## Explain the various types of Managerial Control?

Control can focus on events before, during, or after a process. For example, a local automobile dealer can focus on activities before, during, or after sales of new cars. Careful inspection of new cars, cautious selection of sales employees and asking buyers about their satisfaction are controls after sales have occurred. These types of controls are formally called feed forward, concurrent, and feedback, respectively.

### 1. Feed forward controls

- It is sometimes called preliminary or preventive controls, attempt to identify and prevent deviations in the standards before they occur.
- Feed forward controls focus on human, material, and financial resources within the organization. These controls are evident in the selection and hiring of new employees.

### 2. Concurrent controls

- ▷ Concurrent controls monitor ongoing employee activity to ensure consistency with quality standards. Their purpose is to ensure that work activities produce the desired results.
- ▷ These controls rely on performance standards, rules, and regulations for guiding employee tasks and behaviors.

### 3. Feedback controls

- ★ It involves reviewing information to determine whether performance meets established standards. For example, suppose that an organization establishes a goal of increasing its profit by 12 percent next year.
- ★ To ensure that this goal is reached, the organization must monitor its profit on a monthly basis. After three months, if profit has increased by 3 percent, management might assume that plans are going according to schedule.

## What are the Importance / Need of Control?

- \* **Judging the accuracy of standards:** The actual performance should be compared with the fully accurate standards. But, it is very difficult for a large and complex organization to establish the fully accurate standards because of the lack of timely information. In such a case, the control is necessary to judge the accuracy of standards.

- \* **Minimize dishonest behaviour:** An honest person may tempt to misbehave in the absence of control. Only an efficient control minimizes the dishonest behaviours or maintains honest behaviour on the part of employees.
- \* **Better performance:** Employees will become lazy in the absence of control. Control facilitates to get better performance and regulate the efforts of the employees.

### ESSENTIALS OF EFFECTIVE CONTROL

#### Explain the Essential requirements of effective controlling system?

- ⌘ **Feedback:** Feedback is the process of adjusting future actions based upon the information regarding past performance. If feedback practice is followed by the management, the control process will be very easy.
- ⌘ **Objective:** Control should be objective. It means there is a certainty of control. The impartial appraisal of performance is necessary for certainty of control.
- ⌘ **Suitability:** The control system should conform to the nature of deviations. The control technique may be used, if there is any need.
- ⌘ **Prompt reporting:** The deviations from standards should be informed without any delay. If there is any delay caused, exercising control will be of no use.
- ⌘ **Forward looking:** Effective control system must focus how the future actions will conform to plans. In other words, the control system should provide an aid in planning.
- ⌘ **Pointing out exceptions:** The control system points out the deviations. But, all the deviations do not have equal impact. If the deviations have high impact, the control system should pay direct attention to them. Then, the management can take corrective actions.
- ⌘ **Flexible:** The standards or criteria should be altered from time to time. The reason is that the standards should conform to the present requirements. Hence, the control system should be flexible in accordance with the changed standards or criteria.
- ⌘ **Economy:** The benefits derived from the control system should be more than the cost of exercising such a control system.
- ⌘ **Intelligible:** The control system should not be a complicated one. The control system should be easily understood by an ordinary layman of the organization.
- ⌘ **Motivation:** The control is designed to secure positive reactions from employees. If large deviations are found, the employees will be properly directed and guided instead of being punished.

#### Explain the concept of Management by Exception (MBE) Or Control by Exception.

It is a management technique by which managers concentrate only on exceptional deviations instead of trying to regulate each and every deviation. The advantage of the technique of **Management by Exception** is that it allows the managers to concentrate on problems that need his attention and to avoid dealing with those that can be well handled by the subordinates themselves.

#### Advantages

- ☐ It allows subordinates deal with issues of a routine nature.
- ☐ As the manager need not bother about routine matters.
- ☐ Managers make better decisions.

#### Limitations

1. The manager may, by using his authority, retain the power to make decision on any issue.
2. It may lead to dispersal of authority that has its own limitations.
3. Only an organization that has a perfect system of control will be able to employ the technique of MBE.

#### What are the important control techniques? (Or) What are the tools of control?

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. Each area within an organization, however, uses its own specific control techniques, described in the following sections.

## I. Financial controls

After the organization has strategies in place to reach its goals, funds are set aside for the necessary resources and labor. As money is spent, statements are updated to reflect how much was spent, how it was spent, and what it obtained. Managers use these financial statements, such as an income statement or balance sheet, to monitor the progress of programs and plans.

- **Financial statements** provide management with information to monitor financial resources and activities.
- The **income statement** shows the results of the organization's operations over a period of time, such as revenues, expenses, and profit or loss. The *balance sheet* shows what the organization is worth (assets) at a single point in time, and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity).
- **Financial audits**, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally.
- **Financial ratio analysis** examines the relationship between specific figures on the financial statements and helps explain the significance of those figures:

## II. Budget controls

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs. Budgets not only help managers plan their finances, but also help them keep track of their overall spending. Some budget development methods are as follows:

- **Top-down budgeting.** Managers prepare the budget and send it to subordinates.
- **Bottom-up budgeting.** Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.
- **Zero-based budgeting.** Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.
- **Flexible budgeting.** Any budget exercise can incorporate flexible budgets, which set “meet or beat” standards that can be compared to expenditures.

## III. Marketing controls

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organization's marketing functions:

- **Market research** gathers data to assess customer needs—information critical to an organization's success. Ongoing market research reflects how well an organization is meeting customers' expectations and helps anticipate customer needs. It also helps identify competitors.
- **Test marketing** is small-scale product marketing to assess customer acceptance. Using surveys and focus groups test marketing goes beyond identifying general requirements and looks at what (or who) actually influences buying decisions.
- **Marketing statistics** measure performance by compiling data and analyzing results. Managers look at marketing ratios, which measure profitability, activity, and market shares, as well as sales quotas, which measure progress toward sales goals and assist with inventory controls.

## IV. Human resource controls

- 📁 Human resource controls help managers regulate the quality of newly hired personnel, as well as monitor current employees' developments and daily performances.

- ☞ They can help and direct workers' performances toward goals by making sure those goals are clearly set and understood. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures.
- ☞ Common control types include performance appraisals, disciplinary programs, observations, and training and development assessments. Because the quality of a firm's personnel, to a large degree, determines the firm's overall effectiveness, controlling this area is very crucial.

### What are the Modern Control tools?

- ✦ **Net work techniques – PERT/CPM:** PERT stands for programme evaluation and review technique or project evaluation and review technique or performance review technique. CPM stands for Critical Path Method.
- ✦ The basic difference is that **PERT** focus on **time only** and **CPM** focus on **cost and time**. Both PERT and CPM are used as control techniques to know time spent in completing a project.
- ✦ PERT/CPM expresses total events and activities and their interrelationships with each other. Optimum time can be found out for each event and activity in order to find out total time required to complete a project.

### References:

3. **Business Management – Dr G B Gupta**
  4. **Organizational Behaviour - Umashankar**
- 

**END OF UNIT V**

**\*\*\*\*\* ALL THE BEST \*\*\*\*\***