

**SYLLABUS****Class – B.B.A. I Sem.****Subject – Fundamentals of Management**

UNIT – I	Management concepts & Evolution: Definition - nature - scope and functions of management. Importance of management, role of manager, management and administration, functional areas of management, POSDCORB-Evolution of management thought - Relevance of management to modern industry, Govt., University, hospital & other institutions.
UNIT – II	Planning : Meaning, features, nature and importance of planning. Procedure, types of planning, Techniques. Elements of planning, principles of planning, planning and control, types of plans. Objectives, MBO.
UNIT – III	Organizing: Nature - purpose - organizational structure - Theories of organization - span of control - Line & staff functions. Authority & Responsibility -centralization and decentralization -delegation of authority.
UNIT – IV	Staffing: Staffing nature and purpose, selection, PA and Career planning
UNIT – V	Directing: Nature of directing - leadership qualities - styles - motivation - morale and discipline.
UNIT – VI	Controlling: The objectives and process of control - Role of information in control- Performance standard – Measurement of performance, remedial act – Integrated control system in an organization. Control techniques.



UNIT – I

Introduction of Management

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfil individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg., family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation.

Management is getting things done with effectiveness and efficiency. It is designing and maintaining an environment in which individuals working together accomplish selected aims efficiently.

Management is the first of the modern institutions to shape the society. It plays a vital role in modern world. It regulates man's productive energies. It organizes factors of production. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never becomes production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

MEANING OF MANAGEMENT

As the term 'management' is used in several contexts, it has different meanings to different people. Management has three different meanings:

1. As a Noun

When used as a noun, management refers to all those who have both responsibility and authority to manage an organization and who are responsible for the work of others at all levels. W.J. Reddin states that "a manager is a person occupying a position in a formal organization who is responsible for the work of at least one other and who has formal authority over that person. Persons, whose work he is responsible for, are his subordinates."

2. As a Process

Management is also tasks, activities and functions. As a process, management refers to what management does, i.e., the function performed by management 'Managing' is considered as a process which may include a variety of functions, principles, techniques, skills and other measures of accomplishing the work and activities of organization. Management as a process implies a series of actions or elements. These are planning, organization, staffing, directing, co-ordination etc.

3. As a Discipline

Sometimes, the word 'management' is used to connote the body of knowledge and practice. In this sense, it becomes a separate subject, a field of learning, and an organized, formal discipline. It is young discipline.

DEFINITION OF MANAGEMENT

Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives.

—Henry L. Sisk.

Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

—F.W. Taylor

To manage is to forecast and to plan, to organise to command, to coordinate and to control.

—Henry Fayol



Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

George R. Terry

Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service.

—American Management Association

Management is a multipurpose organ that manage a business and manages Managers and manages Workers and work.

—Peter Drucker

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 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. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.

Thus, the essential features of science are as follows:

- (i) Basic facts or general principles capable of universal application
- (ii) Developed through scientific enquiry or experiments
- (iii) Establish cause and effect relationships between various factors.
- (iv) 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:

- (i) *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 organisations.
- (ii) *Universal principles:* Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. 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. It is as applicable to a football as it is to an apple falling from tree. 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. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.
- (iii) *Scientific enquiry and experiments:* Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. 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.

- (iv) *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 vapor. 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.
- (v) *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 behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations.

Management as an Art

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

- (i) Practical knowledge
- (ii) Personal skill
- (iii) Result oriented approach
- (iv) Creativity
- (v) Improvement through continuous practice

Let us judge how far management fulfils these requirements:

- (i) *Practical knowledge*: Every art signifies practical knowledge. An artist not only learn 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. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.
- (ii) *Personal skill*: Every artist has his own style and approach to his job. The success of different artists differ 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 personalised. 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.

- (iii) *Result-oriented approach:* Arts 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. He uses men, money, materials and machinery to promote the growth of the organisation.
- (iv) *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. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.
- (v) *Improvement through people:* 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 organised 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. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation.

Similarly, a successful manager must know the principles of management and also acquire the skill of applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.



CHARACTERISTICS OF MANAGEMENT

An analysis of the definition of management indicates the following features of management:

Features of Management

1. Continuous and Never Ending Process.
2. Art of Getting Work Done from People.
3. Is Result-Oriented.
4. Multidisciplinary in Nature.
5. Group and Not an Individual Activity.
6. Follows Established Principles or Rules.
7. Aided but Not Replaced by Computers.
8. Situational in Nature.
9. Separate from Ownership.
10. Both an Art as well as a Science.
11. Is All Pervasive.
12. Intangible but its Impact is Felt.
13. Uses a Professional Approach in Work.
14. Dynamic in Nature.

1. Management is goal-oriented

Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.

2. Management is an Activity

Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements—planning, organizing, leading and controlling. Terry says, “Management is not people, it is an activity.” Those who perform this activity are designated as ‘Managers’.

3. Management is Multidimensional

A single activity of business includes three main acts.

- i. Management of work- planning, organizing, controlling



- ii. Management of people- staffing, directing
- iii. Management of operations- production, sales, purchase

4. Management is a continuous Process

Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

5. Management is Intangible

Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

6. Management is multidisciplinary

Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

7. It is Dynamic

Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes.

8. Hierarchical Nature

Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority.

9. Group Activity

It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, co-ordinates, directs and controls the group efforts, not the individual efforts.

10. Management is Universal

Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management function to be performed." Also, the techniques and tools of management are universally applicable.

11. Separate Identity

Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society Labour, Management and Capital are different entities.

12. It Involves Decision-making

Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process.

13. Pervasive at all Levels

Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role.



14. Management is a Social Process

Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

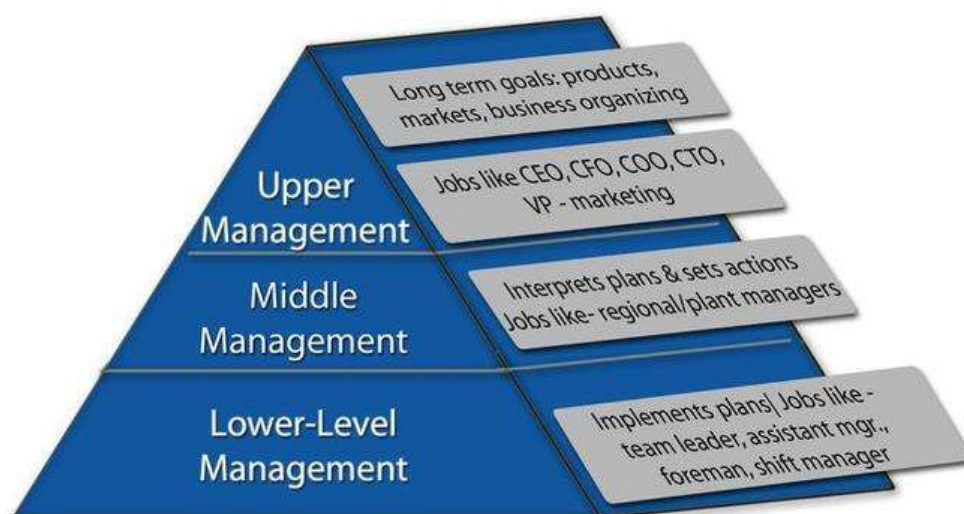
15. Management is an Integrative Force

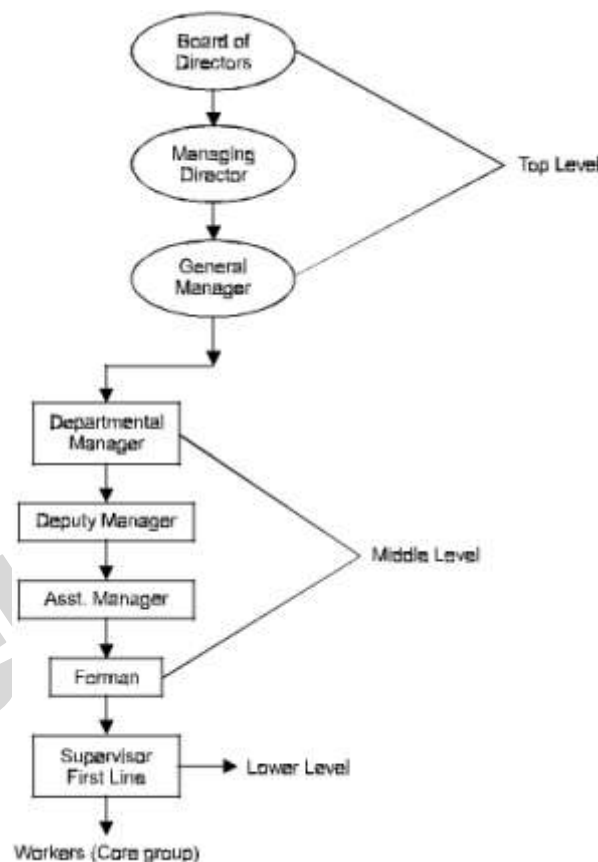
The essence of management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organisational goals. As a unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

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. Each position is marked by authority, responsibility, functions, roles and relationships. The contents and nature vary, depending on the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management. Broadly speaking, an organisation has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel. The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

Generally, the levels of management consisting of various managerial positions in the structure of an organisation, differ from one organisation to another, depending on the size of business activity, philosophy of management, span of control and other related factors. But, in a joint stock company, for conducting its business efficiently, managerial personnel may be placed in three levels, that is, top, middle and lower or supervisory level.





Levels of Organisation

MANAGERIAL SKILLS

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

Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisors. Secondly a manager must understand both the role of each skill employed and interrelations between the skills.

(ii) Human Skills

Human skills 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. Such skills require a sense of feeling for others and capacity to look at things from others point

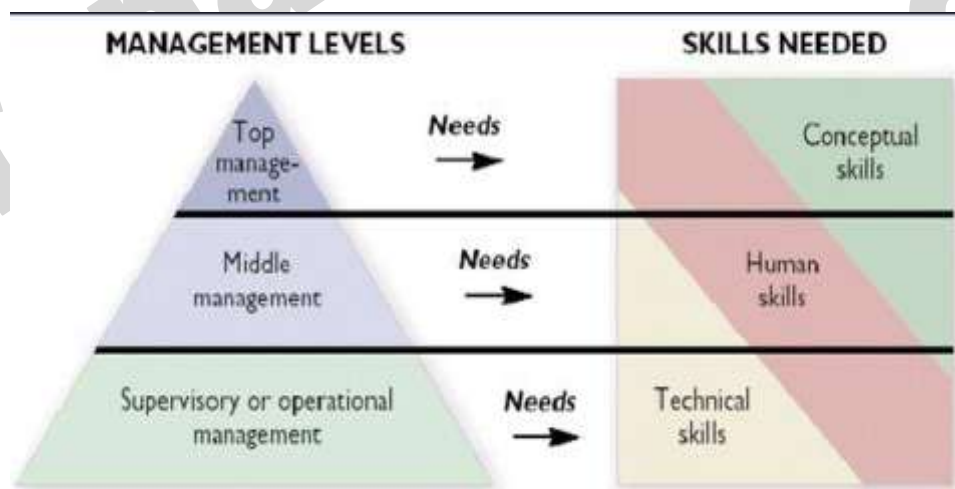


of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'.

(iii) Conceptual Skills

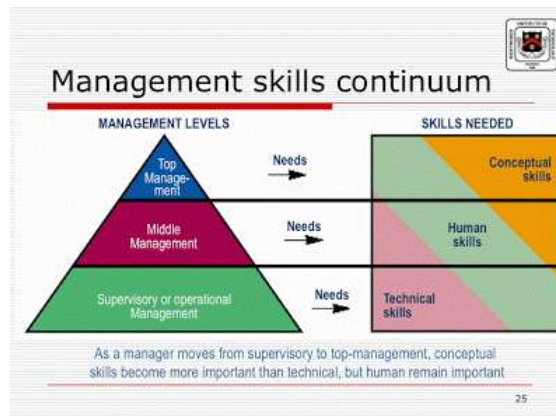
Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and take a broad and far-sighted view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making.

Thus technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are interrelated. But the proportion or relative significance of these skills varies with the level of management as shown in the figure 1.4.



Managerial Skills of Various Levels

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. 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. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.



OBJECTIVES OF MANAGEMENT

The objectives of management are narrated as under.

- (i) **Organisational objectives:** Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include:
 - (a) Reasonable profits so as to give a fair return on the capital invested in business
 - (b) Survival and solvency of the business, i.e., continuity.
 - (c) Growth and expansion of the enterprise
 - (d) Improving the goodwill or reputation of the enterprise.
- (ii) **Personal objectives:** An organisation consists of several persons who have their own objectives. These objectives are as follows:
 - (a) Fair remuneration for work performed
 - (b) Reasonable working conditions
 - (c) Opportunities for training and development
 - (d) Participation in management and prosperity of the enterprise
 - (e) Reasonable security of service.
- (iii) **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 fulfil the objectives of the society which are given below:
 - (a) Quality of goods and services at fair price to consumers.
 - (b) Honest and prompt payment of taxes to the Government.
 - (c) Conservation of environment and natural resources.
 - (d) Fair dealings with suppliers, dealers and competitors.
 - (e) Preservation of ethical values of the society.

IMPORTANCE OF MANAGEMENT

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilize the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the coordination of management. The significance or importance of management is briefly explained below:

1. **Achievement of group goals:** A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole



cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard

2. **Optimum utilization of resources:** Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they can make the best use of the available resources.
3. **Minimisation of cost:** In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.
4. **Survival and growth:** Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.
5. **Generation of employment:** By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.
6. **Effective utilization of business:** There are seven M's in the business. These are said to be man, money, materials, machines, methods, markets and management of information & time. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.
7. **Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
8. **Sound organization structure:** Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility



relationship—who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

9. **Development of the nation:** Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

1	• Profit Maximization
2	• Wealth Maximization
3	• Proper Estimation of Total Financial Requirements
4	• Proper Mobilisation
5	• Proper Utilisation of Finance
6	• Maintaining Proper Cash Flow
7	• Survival of Company
8	• Creating Reserves
9	• Proper Coordination
10	• Create Goodwill
11	• Increase Efficiency
12	• Financial Discipline
13	• Reduce Cost of Capital
14	• Reduce Operating Risks
15	• Prepare Capital Structure

FUNCTIONS OF MANAGEMENT

Management functions are the activities that a manager must perform as a result of the position held in the organization. The best way to analyse the management process is in terms of what a manager does. Generally the basic functions of management are: planning, organizing, staffing, directing and controlling. As managing is a dynamic and challenging activity, it includes three kinds of functions and tasks which are common to all managerial jobs. The list of management functions can be presented as follows:

I. Basic Functions

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling



II. Dynamic Functions

1. Co-ordinating
2. Decision Making
3. Representation
4. Innovation
5. Administration

III. Challenging Functions

1. Managing Work
2. Managing People
3. Managing Operations
4. Managing Change
5. Managing Time
6. Strategy Formulation and Action
7. Making Work Productive and the Worker Achieving
8. Managing Social Impacts and Social Responsibilities

Basic Functions

1. Planning

Planning is one of the most important functions because it sets the pattern for the other activities to follow. Planning function for the new era is more broadly described as delivering strategic value. It is a primary and crucial function which determines how to achieve an objective-deciding what is to be done and when to do it. It is looking ahead and preparing for the future.

2. Organizing

Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning.

3. Staffing

Staffing is the process of planning, recruiting, developing, compensating and maintaining human resources in an organization. In staffing, a manager recruits and selects suitable personnel for manning the jobs.

4. Directing

The fourth basic function of management is directing. This is also termed leading or actuating. While planning tells us what to do and organizing tells us how to do directing tells us why the employees should want to do it. Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

- (i) Communication
- (ii) Command
- (iii) Motivation
- (iv) Leadership
- (v) Supervision
- (vi) Controlling

5. Controlling

Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plans. It is reviewing the performance of the employees in the light of the targets and goals.



DYNAMIC FUNCTIONS

1. **Co-ordinating:** To co-ordinate is to harmonize all the activities, decisions and efforts of an organization so as to achieve the unity of action. It is blending the efforts of all employees for and efficient running of an organization.
2. **Decision Making:** decision making is the process by which a course of action is consciously chosen from available alternatives. Decision making is inherent in every managerial function.
3. **Representation:** the manager's job also includes representing his organization in dealings with outside group-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general
4. **Innovation:** innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manger is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.
5. **Administration:** this is a new task of manager which is described by peter F. drucker he says, "The manger has to administer. He has to manage and improve what already exists and is already known. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists. He has to create tomorrow.

CHALLENGING FUNCTIONS

1. **Management of Work:** In an organization, work must be performed. For example, in a factory, the product must be manufactured; in a retail store, the customer's need must be satisfied.
2. **Management of People:** Recently a lot of attention has been given to the 'human factor' in managing the business. Human forces are employed, they need to be unified, coordinated, welded into a team effort and directed towards a given purpose. In this lies the challenging task of management.
3. **Management of Operations:** Every organization has some products or service that it must supply in order to exist. Through operations process, these products are manufactured. To manage these operations, managers ensure the flow of input materials, labour, technology and equipments regularly. This is inextricably interwoven with their daily task.
4. **Management of Change:** Change is an inevitable feature of organizational life every organization operates under the conditions of continuous change. Good mangers exhibit a rational response to



changing environment. Managers who undertake appropriate changes at the right time achieve success.

5. **Management of Time:** It can be noted that 'time dimension' is ever-present in every management problem, every decision and every action. Thus, managers must make efforts to administer the things within time. They must be conscious of the time element.
6. **Strategy Formulation and Action:** In this age of competitive environment, managers have to take decisions and actions that determine the long-run performance of a company. To maintain the lead in fast-paced industry and global markets, strategy formulation and implementation has become an important function of managers.
7. **Making Work Productive and the Worker Achieving:** According to Drucker, the next task of managers is to make work productive and the worker achieving. He says that business enterprise has only one true resource: man. Manager gets his work done by making human resources productive.
8. **Managing Social Impacts and Social Responsibilities:** The another challenging task of managers, according to Drucker, is managing social impacts and the social responsibilities of the enterprise. Drucker says that none of our institutions exist.

PROCESS OF MANAGEMENT

According to Stoner, Freeman and Gilbert, "a process is a systematic way of doing things." In simple words, it is a step-by-step sequence. We refer to management as 'process' to emphasize that all managers engage in certain interrelated activities in order to achieve their desired goals. David Hampton says, "management is a common set of processes which, when competently carried out, contribute to organizational effectiveness and efficiency. The basic parts of this process are:

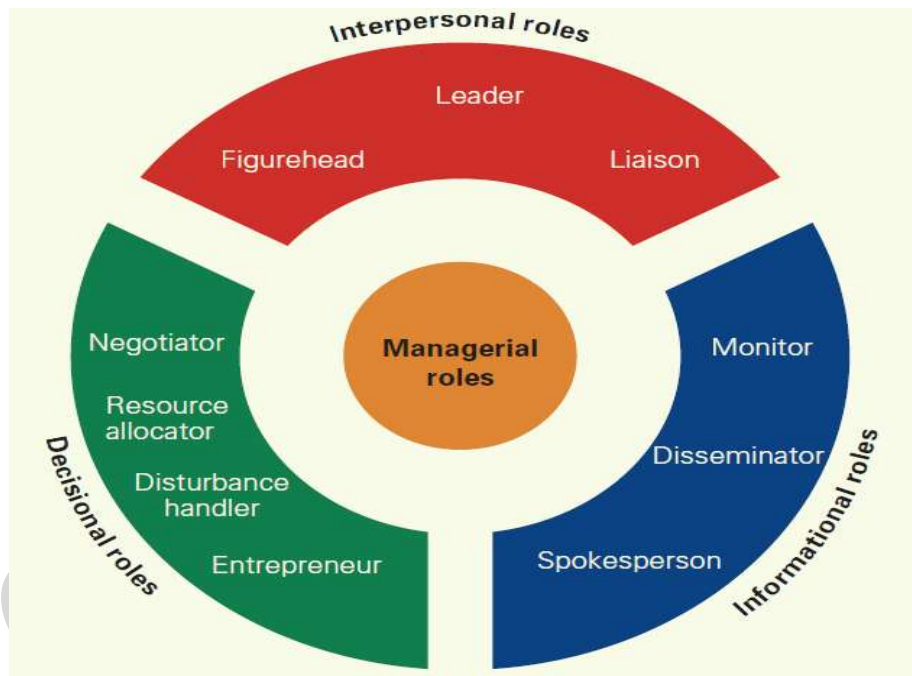
- Planning
- Organizing
- Staffing
- Directing
- Controlling

Management Process





ROLES OF MANAGER IN AN ORGANIZATION



1. **Interpersonal roles:** - In the process of management needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business. Its importance is evident from that a manager spends nearly 80 percent of his time, in interacting with these parties.
 - a) **Figure head role:** The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship. As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, signing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.
 - b) **Leadership role:** The most important role of the manager is to lead, guide and motivate subordinates and get work done properly. A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.
 - c) **Liaison role:** A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level. Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.
2. **Informal role:** - To preserve and protect the identity of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations.

The manager plays three important informational roles while managing the operations of an organization.

 - a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he



monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.

- b) **Role of disseminator:** The manager continuously transmits selected information which he has compiled through the role of monitor to his subordinates. He keeps them well-in-formed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.
 - c) **Role of spokesperson:** A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into compromise with internal and external parties.
3. **Decision-making roles:** - By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems.
- a) **As an entrepreneur:** The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative.
 - b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise with outside parties which would have to be resolved through meetings, negotiations and compromise.
 - c) **As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources.
 - d) **As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers.

Management and Administration

According to Theo Haimann, "Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects". It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, "Administration means guidance, leadership & control of the efforts of the groups towards some common goals".

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under 2 categories: -



1. Functions
2. Usage / Applicability

On the Basis of Functions: -

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

On the Basis of Usage: -

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Practically, there is no difference between management & administration. Every manager is concerned with both - administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy devote more time on administrative function & the lower level devote more time on directing and controlling worker's performance i.e. management.



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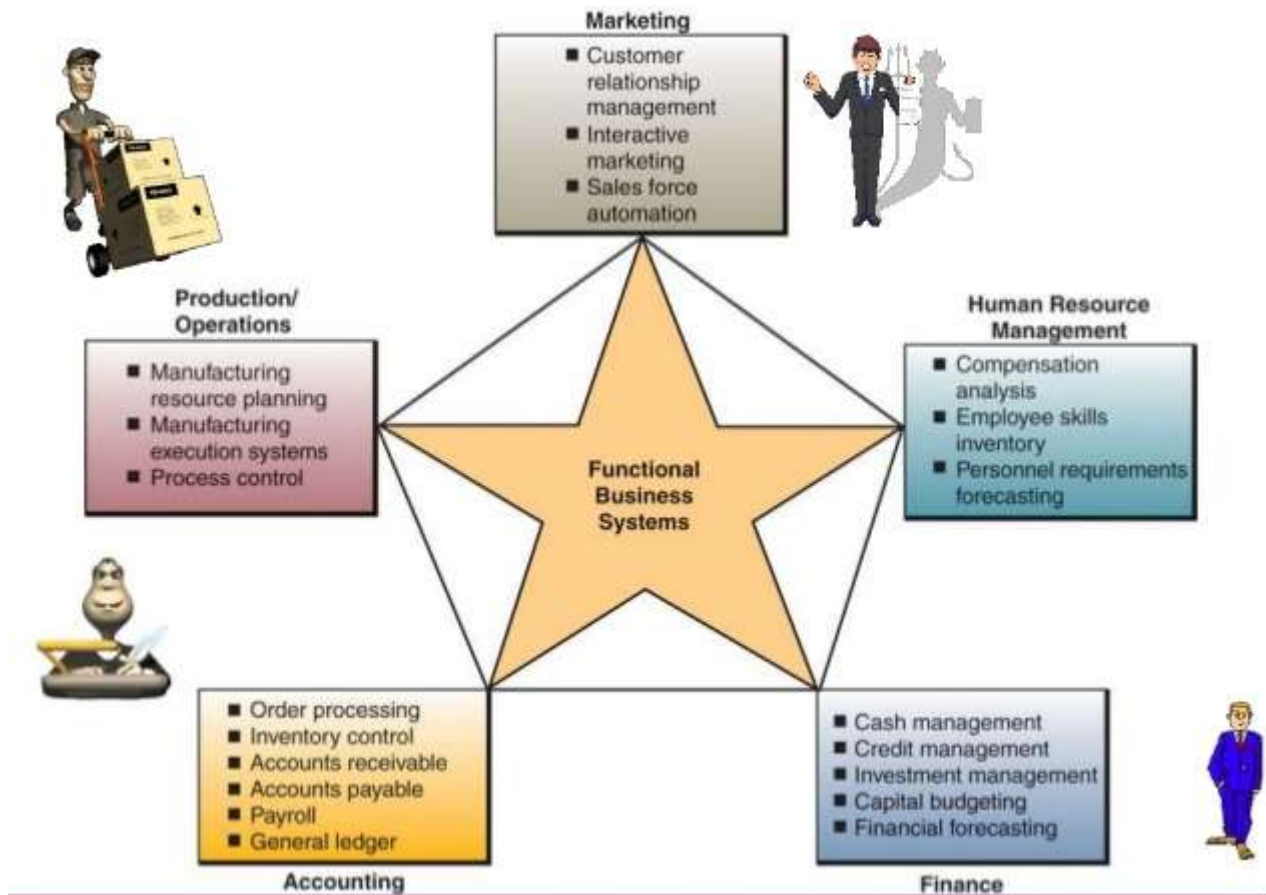
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Subject-Fundamentals of Management



AREAS OF MANAGEMENT



Production management:

Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.

Plant lay out and location: This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities

Production planning: Managers has to plan about various production policies and production methods.

Material management: This area deals with purchase, storage, issue and control of the material required for production department.

Research and Development: This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product are the major activities.

Quality Control: Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction



Marketing management:

Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows

Advertising: This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy these products.

Sales management: Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.

Market research: It involves in collection of data related to product demand and performance by research and analysis of market.

Finance and accounting management:

Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows

Financial accounting: It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.

Management accounting: It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy

Taxation: This area deals with various direct and indirect taxes which organization has to pay.

Costing: Costing deals with recording of costs, their classification, analysis and cost control.

Personnel Management:

Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management

Personnel planning: This deals with preparation inventory of available manpower and actual requirement of workers in organization.

Recruitment and selection: This deals with hiring and employing human being for various positions as required.

Training and development: Training and development deals with process of making the employees more efficient and effective by arranging training programmes. It helps in making team of competent employees which work for growth of organisation.

Wage administration: It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.

Industrial relation: It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.



POSDCORB – PLANNING, ORGANISING, STAFFING, DIRECTING, CO-ORDINATING, REPORTING AND BUDGETING



DEVELOPMENT OF MANAGEMENT THOUGHT

The major historical stages or events in the development of management thought can be discussed under the following heads:

- I. Management in ancient civilizations.
- II. Management during the medieval period.
- III. Management during the period of Industrial Revolution.
- IV. Period of systematized management. This period can be sub-divided into the following categories:
 1. Era of scientific management.
 2. Era of administrative management.
 3. Era of behavioural science.
 4. The modern era of new approaches to management.

THEORIES OF MANAGEMENT



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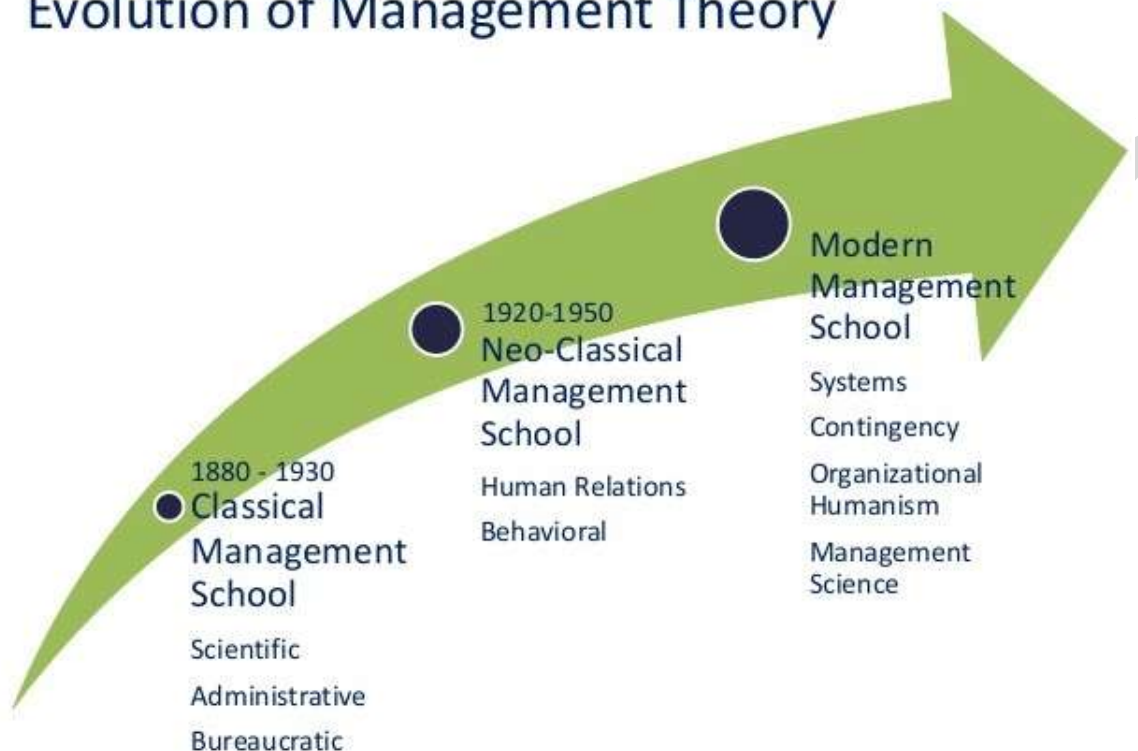
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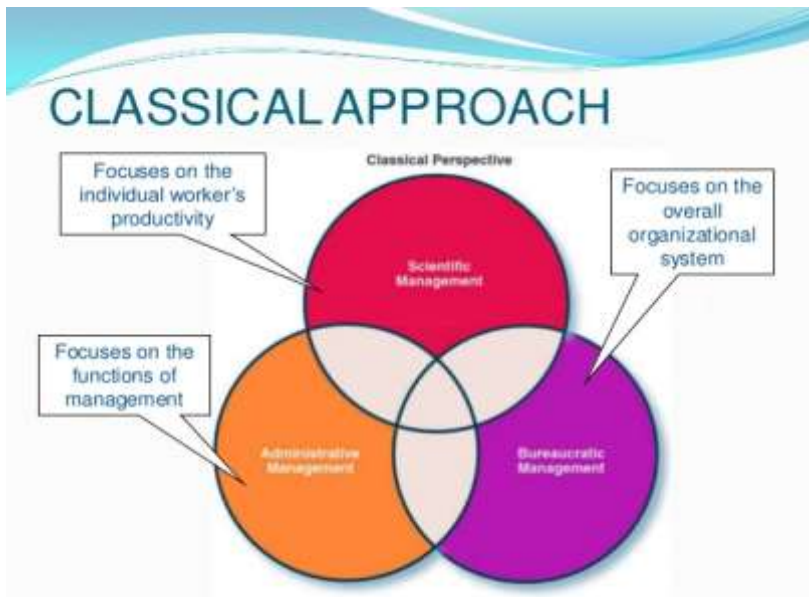


Evolution of Management Theory





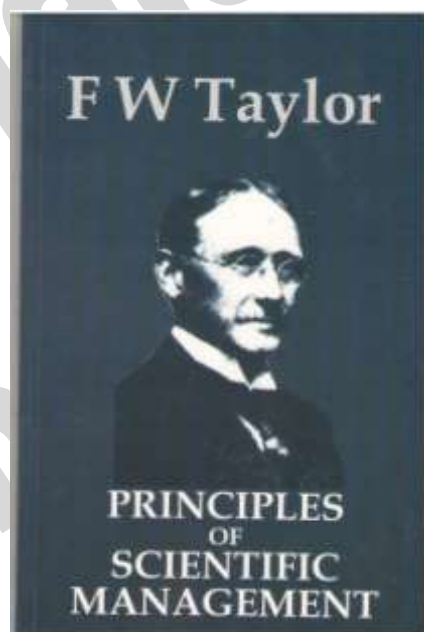
CLASSICAL SCHOOL:



a. Scientific Management

Systematic development of management thought started with the scientific management movement which is said to have its origin as early as 1830s.

The man who popularised the movement is Fredrick Winslow Taylor. He is known as the father of scientific management.





Life and works of Taylor (1856-1915): Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies:

(i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co.

Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced **differential rate system of wages**.

Philosophy and Principles of Taylor:

1. **Develop a science to replace rules of thumb:** Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation **must rest on well organized, clearly defined principles**, instead of depending on more or less hazy idea.
2. **Maximisation of output or production:** Taylor believed **maximum output instead of restricted output**. It is because the prosperity for both employer and employees could be achieved only through maximising productivity.
3. **Equal division of responsibility:** There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. **Job specialisation:** Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.
5. **Scientific selection, training and development of workers:** Taylor realized the importance of right person for the right job to attain highest efficiency. He therefore, stressed the need for proper selection and training of the workers.
6. **Standardisation:** Taylor believed standardisation of methods, tools, time, materials etc. for each activity is very important. Therefore, standards should be fixed for each of them.
7. **Wage incentives:** Taylor believed that wage incentives should be integral part of each job. Taylor suggested the differential wage rate for different job.
8. **Mental revolution:** Taylor firmly believed that the principles of scientific management could succeed only when there is a complete mental revolution on the part of management and worker. In other words, both the parties should change their mental attitudes. For this, he suggested the following three things:
 - (i) They must create a spirit of mutual trust and confidence.
 - (ii) Both must make efforts to increase production and productivity.
 - (iii) Both must develop a scientific attitude towards the work and should not leave their arbitrary approach.

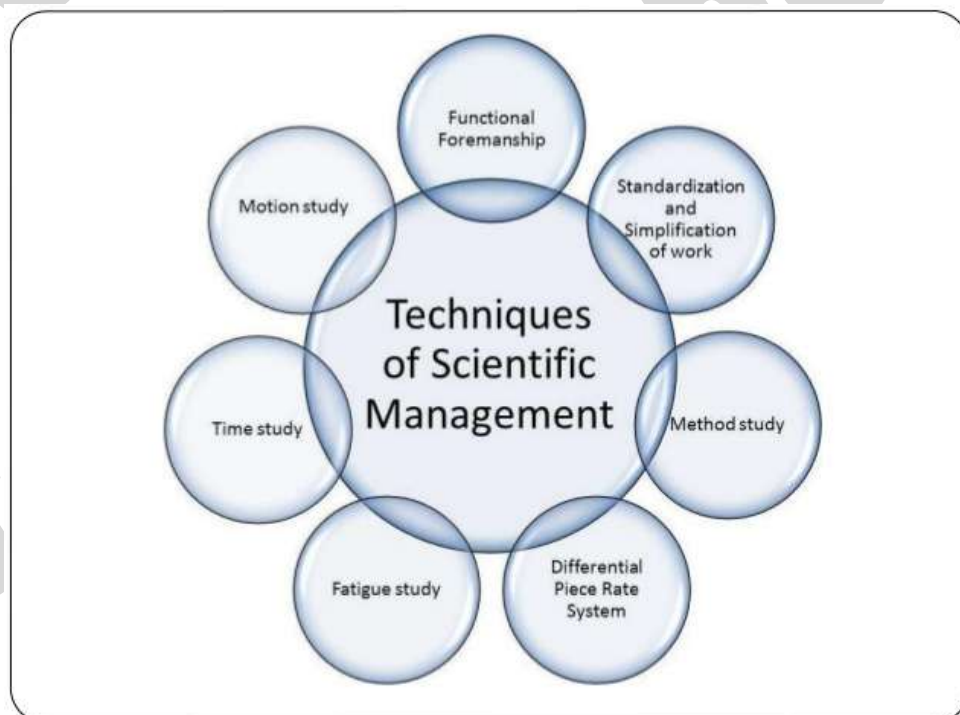
The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.

Contribution of Taylor

1. **Scientific task setting:** Taylorsuggested that the task of every worker for every day should be determined through scientific investigation. Taylor called it "a fair day's work". Every manager must know in advance the fair day's work for each worker.
2. **Experimentation or work study:** Work **study means organised, systematic and objective analysis and assessment** of the operational efficiency of all the elements connected with the work.
 - (i) **Method study:** It is a survey of production process. It aims to evolve the best method of doing a particular job by simplifying the production process, methods, tools etc.
 - (ii) **Motion study:** Motion study relates to the study of movements of a worker or a machine in doing a job. It aims at eliminating unnecessary motions and to find out the best method of doing of doing a job efficiently.



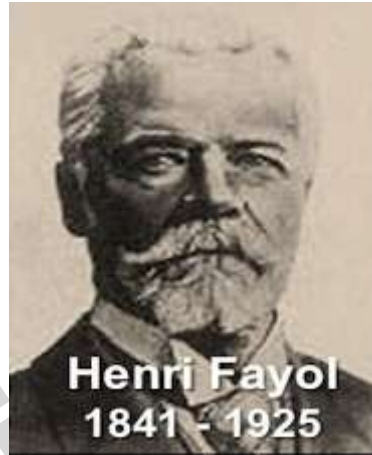
- (iii) **Time study:-** Time study is the process of recording the exact time taken for doing a job with a view to find out a standard time for doing the job.
- (iv) **Fatigue study:** Fatigue study is the study of the reduction or diminution of human energy or capacity in doing in his job. Fatigue is caused by over-work without rest pause, poor working conditions, stress, strain etc. The fatigue study is undertaken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job.
3. **Planning:** Taylor advocated that planning function should be separate from the doing function. Planning department should decide about the type, shape, and quality of the goods to be produced and the time schedule for delivery of the products.
4. **Scientific selection and training of workers:** Taylor realised the importance of the right person on the right job. Therefore, he advised for proper selection of the workers and their training.
5. **Specialisation:** Taylor suggested that scientifically selected and trained workers should be allocated the tasks according to their specialisation.
6. **Standardisation:** Taylor advocated for standardisation of materials, tools, equipments, methods etc. Standardised working environment should also be provided to the workers. Standardisation will increased efficiency and eliminate or minimise wastage of resource.
7. **Incentive wage plan:** Taylor considered that incentive wage plan is an integral part of the scientific management. He, therefore suggested a differential wage payment plan. According to this plan, worker is to receive a bonus in addition to his wages if he completes his job before the standard time fixed for the job.



b. Administrative Theory:

Henri Fayol (1841-1925):

Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management.



1. **Administrative management thought era** run almost parallel to the scientific management thought era. **Henri Fayol** is regarded as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc.
2. **Elements of administration or management function:** Fayol described five elements of administration or management functions. They are as follows:
 - (i) **Planning**, consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making.
 - (ii) **Organising**, consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans.
 - (iii) **Commanding**, which consists a activities relating to directing, leading, motivating and communicating for getting things done.
 - (iv) **Coordinating**, which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal.
 - (v) **Controlling**, which is concerned with ensuring performance in accordance with plans.
3. **Principle of management:** Fayol proposed **fourteen principles** of management.
4. **Flexible and adaptable principles:** Fayol made it clear that the principle of management are flexible and adaptable to every need.
5. **Universal principles:** He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other.
6. **Management education and training:** Fayol realised the need for management education and training. He strongly pleased for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.



Fayol's Fourteen principles of Management

Henri Fayol's 14 principles of Management



1. Division of Work

To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

2. Authority and Responsibility

Authority means right to give orders and power to exact obedience.

Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts. Fayol said Authority and Responsibility are co existence in nature and must go hand in hand with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager ineffective.

3. Discipline

Implies compliance with organizational directions and rules, orders and instructions of superior & to co-operation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation. Discipline generally depends essentially on ability of its leaders.

Fayol said best means of maintaining discipline are

- Goods superiors at all levels
- Clear & fair agreements between employees & employer
- Judicious application of penalties

4. Unity of command



According To this principle one subordinate should get orders and instructions regarding his work only from one superior. If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.

5. Unity of Direction

Means that there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.

6. Reading subordinate of individual interest to General interest

This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are

- Firmness and good ex on part of superiors
- Agreement as join as in possible
- Constant supervision

7. Remuneration of personnel

Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

8. Centralization

Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.

9. Scalar chain

Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging downaction.

10. Order

To run well an organization should have a place of everything and everything should be in its place. These should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social

11. Equity

The organizations runs best when there is a feeling of kindness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.

12. Stability of tenure of personnel



Efficiency is promoted when job security is assured to employees, Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted.

13. Initiative

Initiative refers to the freedom to think out a plan and use discretion in executing. It is a freedom to propose and to execute.

14. Esprit de corps -

This principle says that "in union there is strength" Harmony, teamwork and union among the employees is a great strength in a concern. Fayol exhorts that the misguided motto 'divide and rule and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees



Similarities of Taylor and Fayol:

1. Both devoted to put science into management.
2. Both devoted to the development of management thought.
3. Both were concerned with the **improvement of practice** of management.
4. Both men favoured the development of **theory and principles to improve management practice**.
5. Both emphasised the need for **cooperation between** labour and management.
6. Both realised the **universality of management**.

The Dissimilarities between the two are as follows:

1. Taylor's work is primarily concerned with the **operative level** at the shop level while Fayol's work is concerned with **management at top and middle levels**.
2. Taylor started from the bottom of the managerial hierarchy and had **worker upwards** whereas Fayol started from the top executive position and **worked downwards**.
3. Taylor was concerned with increasing **efficiency of labour** whereas Fayol was concerned with with increasing **efficiency of total organisation**.
4. Taylor aimed at increasing productivity by **eliminating or reducing inefficiency and waste**. On the other hand, Fayol aimed at organisational **efficiency through application of management principles**.
5. Taylor described his philosophy as '**Scientific management**' whereas Fayol called his views as 'General theory of administration'.
6. Taylor is known as the **father of scientific management** whereas Fayol is recognised as the **father of modern management theory**.
7. Fayol recognised the need of **education and training** in schools and colleges whereas **Taylor did not so realise**.

C. Bureaucratic Management Approach of Max Weber

Max Weber (1864-1920), a German sociologist; he described a theory to operate an organization in effective way which is known as the Bureaucratic management approach or Weberian bureaucracy.

Max Weber (1864-1920)

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his lifelong work on the study of organizations led to believe that specific kind of organizations called "bureau" (desk), will help in the growth of markets. Max Weber's work was oftentimes interpreted as a caricature of modern bureaucracies with all of their shortcomings. He gave following main characteristics of the bureaucracy:



Features of Bureaucratic Organization



- High degree of Division of Labor and Specialization.
- There is a well-defined chain of command.
- It follows the principle of Rationality, Objectively and Consistency.
- The relationship among the member of the organization is Formal and Impersonal relations. And it's based on positions and not on personalities.
- Rules and Regulations are well defined and it indicates the duties and rights of the employees. These rules apply to everyone from to bottom of organization and must be strictly followed.
- Selection and Promotion is based on Technical qualifications.
- Only Bureaucratic or legal power is given importance.

Criticism of Bureaucratic Organization

Bureaucratic Management Approach of Max Weber also has some fault-lines and received criticism for it.

- The emphasis was only on rules and regulations.
- There will be unnecessary delay in decision-making due to formalities and rules of Bureaucratic Organization.



- Coordination and communication hampered because of too much formality and rules.
- Bureaucracy involves a lot of paper work and has just too much level of authority which results in lot of wastage of time, effort and money. Not ideal for efficiency.
- Because of its too much formality, Bureaucratic approach is not suitable for business organizations. Bureaucratic model may be suitable for government organizations.
- Too much importance is given to the technical qualifications of the employees for promotion and transfers. Dedication and commitment of the employee is not considered.
- Limited scope for Human Resource (HR). No importance is given to informal groups and neither any scope is given to form one.
- Max Weber's bureaucratic approach worked as a solution to problems of traditional administrative systems. But it was not the perfect or "close to perfect" solution. The bureaucratic structure gives all the importance and power to the top level management.

And the rules and levels of authority are just too much. It gives a greater sense of security to the employees. But bureaucratic management gives window for "red-tapism"

II. NEO-CLASSICAL SCHOOL:

The Human Relations Approach:

Hawthorne studies (1924-1932) by George Elton Mayo and his team members gave rise to new movement which is known as the human relations movement. It may be recalled that Hawthorne studies revealed that better physical environment and more economic benefits were not sufficient to motivate workers for higher productivity. It showed that socio-psychological needs have a powerful influence on the productivity of workers. Moreover, these studies also revealed that informal/social relationship, informal supervision at work also play a crucial role in increasing productivity. These conclusions of the studies gave birth to human relations movement.

Characteristics/Assumptions/ Beliefs: The human relations approach was founded upon the following beliefs or assumptions:

1. It assumes that an organization is a social system.
2. It regards that this system is composed of many interacting groups.
3. It believes that monetary gains alone cannot motivate workers. Satisfaction of socio-psychological needs also has a powerful influence on the motivation of workers.
4. It considers that workers participation in planning and decision making can boost both morale and productivity of workers.
5. It believes that a sound two-way communication system is essential for a healthy working climate in an organization.

Contribution and limitations: Human relations approach has made significant contribution to management thought and practice particularly in the following areas:



1. The thoughts and practice of managers began to be human oriented.
2. Management training was revolutionized with the emphasis on development of people-oriented skills in managers.
3. Managers became sensitive and responsive to the needs and feelings of the workers in the work place.
4. Selection and placement activities began to be given more importance along with improved incentive systems.

Criticism: The human relations approach was criticized on the following counts:

1. It over-emphasizes on keeping workers happy whereas happiness alone cannot make workers more productive.
2. It emphasizes on manipulation of workers emotions for the organizational purposes.

Hawthorne Experiments

1. **Illumination or test room study:** The illumination study was conducted to determine the relationship between light intensity and productivity or efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity. Researchers were surprised to note that productivity of select group of employees tended to improve in spite of the change in their physical surroundings. Productivity increased even when the lights were dimmed to moonlight intensity.
2. **The relay assembly test room study:** The relay assembly test room study was conducted to ascertain the factors other than the light intensity, affecting the productivity. In this study six persons (Five girl assemblers put a layout operator) were placed in a room. In addition, the researchers put an observer with them in the room. The observer was to record everything that happened in the room and to maintain friendly atmosphere therein. The researchers changed working conditions such as rest periods, length of work days, refreshments, temperature, wage rates etc. during the study. In addition, girls were allowed to talk more freely among themselves.
3. **Bank writing observation room study:** In order to observe and analyse informal group behaviour more accurately, bank wiring observation room study was undertaken. This study was conducted in a room of the bank wiring department. In this room, 14 employees performing three interrelated jobs of the department were placed.
4. **Mass interviewing study:** The researchers therefore switched indirect questioning. Under this approach, the employees were allowed to talk about what they felt important. The interviewers patiently heard their views.



Conclusions/Contributions of Hawthorne Studies:



The main conclusions or contributions of Hawthorne studies are as follows:

1. Work is a group activity: Mayo concluded that work is a group activity. Workers work better in groups.
2. Informal groups: Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.
3. Influence of social groups: The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.
4. Group cooperation is planned: Group cooperation or collaboration does not occur accidentally. It must be planned and developed.
5. Worker is not only rational economic being: A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity.
6. Role of supervisor's behaviour: The behaviour of supervisors does affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes.

Criticism of Hawthorne Studies:

Hawthorne Studies are criticized on the following grounds:

1. **Pro-management bias:** These studies are criticized on the ground that these had a pro-management bias.
2. **Not fully scientific:** Some experts allege that the studies were not fully scientific. According to them, there was no scientific basis in the selection of the work, the employees and the environment.
3. **Clinical bias:** Some experts also allege that the studies had a clinical bias. They say that the research was directed to preconceived ideas and conclusions.
4. **Discounted importance of Theory:** It is also argued that studies discounted the importance of theory and overemphasized the importance of observation and collection of facts.



B. Human Resource Approach or Behavioural science Approach:

Neo-classical school or human resource or behavioural approach to management through evolved gradually over the years from late 1920s to 1940s and continued to develop thereafter. This school of thought evolved in recognition of the importance of human behaviour in organization.

DISTINCTION BETWEEN HUMAN RELATIONS APPROACH AND BEHAVIOURAL SCIENCE APPROACH

Basis of Distinction	Human Relations and Approach	Behavioural Science Approach
1. Emphasis	This approach laid emphasis on studying individual, his needs and behaviour	This approach emphasizes on studying groups, group behaviour and individual motivation.
2. Similar set of needs	It believes that all workers have similar set of needs.	It believes that individuals are different from each other. Their need structure is dynamic
3. Conflict	This approach believes that conflicts in organizations and should be resolved	This approach believes that conflicts are not always harmful. sometimes, they are inevitable in organizations.
4. Relations	It focuses informal interpersonal relationships	It focuses on group relationship.
5. Origin	It originated from the conclusions of Hawthorne studies	It emerged in the process of refinement of human relations approach
6. Techniques	Its major techniques are informal supervision, and satisfaction of social needs.	Its techniques are informal leadership, communication, motivation, organization change, conflict resolution.

III. Modern Schools of Management Thought

1. The system approach
2. The contingency approach

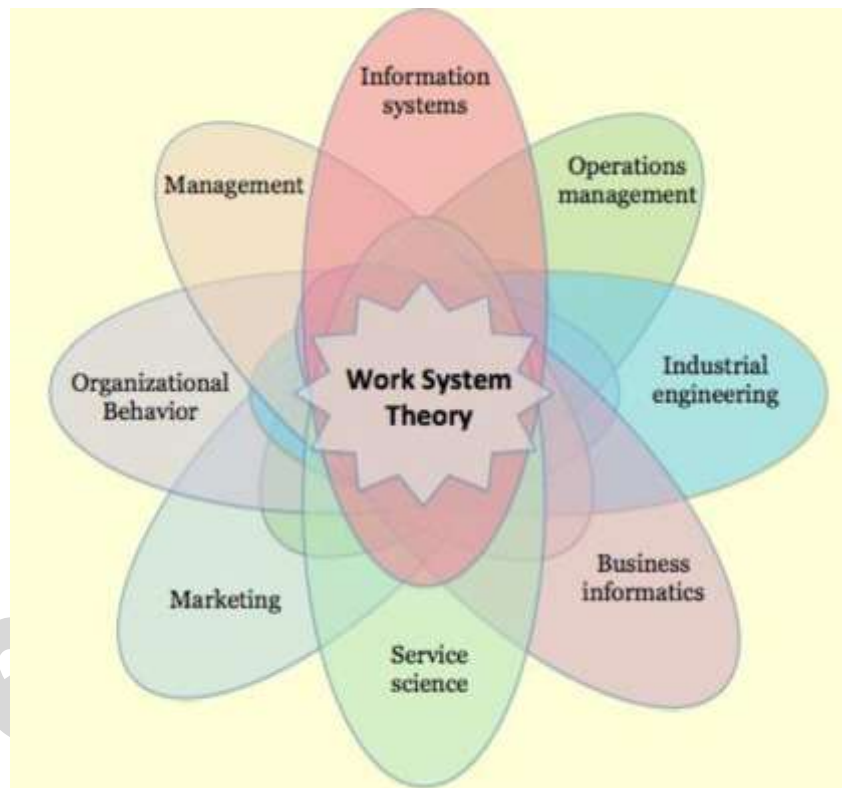
System Approach to Management

The system approach to management has been evolved out of General System Theory or GST. Ludwig von Bertalanffy is credited for developing the GST. According to GST, study in any area should be based on the assumption that everything is a part of a larger interdependent and organized whole system. And in order to understand this whole system, the knowledge of its part and the relations between them is an essential. In other words, a whole system cannot be understood without an understanding of the parts that make-up the whole.

Definition of System:

According to Bertalanffy, "A system is a set of units with interrelationship among them."

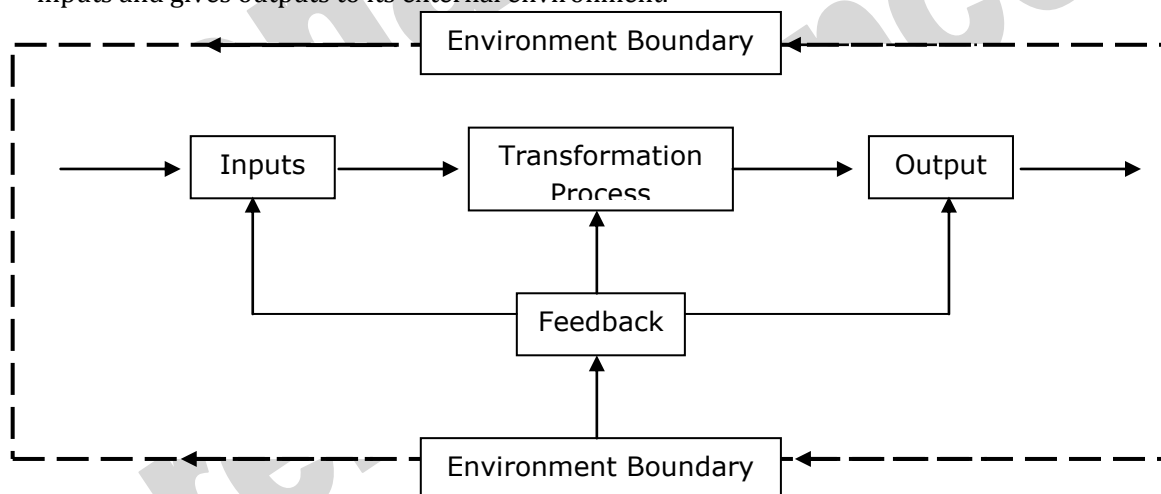
In the words of John A. Beckert, "A system is a collection of interacting system."



Types of Systems:

According to GST, there are two types of systems: (i) closed system, and (ii) open system.

1. **Closed system:** A closed system is independent of environment. Thus, it is a self-sufficient entity. Therefore, it does not interact with its outside environment. Its activities are not affected by the forces outside its boundary.
2. **Open system:** An open system is one which interacts or interplays with its environment. It interacts with people, things and forces in its environment. It is an input-output system. It takes inputs and gives outputs to its external environment.





Characteristics/Assumptions/Beliefs

This approach to management is based on the following assumptions/beliefs:

1. It believes that managers manage an organization which is a unified or integrated system.
2. It believes that every organization is an open system to its environment. It affects and is affected by its environment.
3. It believes that whole organization system cannot be understood without an understanding of the parts that make-up the whole organization
4. It believes that managers have to manage the organization as the decision in the light of environmental situations.
5. It regards that organizational system is dynamic in which changes take place regularly.

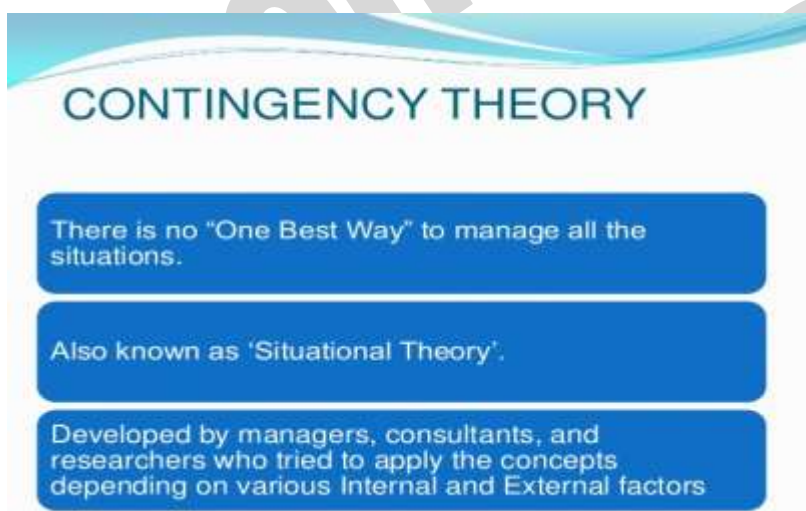
Contributions:

1. It provides a frame-work within which managers can plan actions and anticipate the expected results.
2. It also helps in understanding the unexpected consequences of plans and actions.
3. It helps managers in maintaining a balance between the needs of various parts of the organization and needs and goals of the organization as a whole. [Stoner and Wankel]
4. It helps in integrating various management theories because it has the concept of other management approaches.

Criticism/limitations:

1. Some experts argue that the application of this approach requires study of total organizational system and its sub-systems.
2. It does not lay down principles and techniques of management. It simply suggests the needs for study and understanding of the total organization system and its parts for better management.
3. It is also alleged that it is an abstract approach. It simply stated that an organization system consists of many sub-systems.
4. It is also alleged that it is simply an intellectual appeal but fails to provide verifiable facts and practical advice.
5. It is also criticized for the reason that it prescribed only the way of thinking about organizations but fails to give final answers about the problems of organizations.

Contingency/Situational Approach





Contingency approach suggests that managers must do what the situation warrants or managers actions must be contingent upon the organizational situational situation or environment.

In the words of Stoner and Wankel, "According to contingency approach, the task of managers is to identify which technique will in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of managerial goal."

Thus, according to consistency approach, actions managers vary with the situation or environment of the organization. There is no ready-made solution to the problems of every situation. Correct principles or techniques to be applied depend on the prevailing situation or environment.

Characteristics/assumptions/beliefs:

1. It assumes that each organizational is unique. The goals, operations, people, resources, technology, etc. of every organization are unique.
2. It also assumes that external environment of each organization is different and unique from the others.
3. It further assumes that all sub-systems of the organization are interrelated and affect each other.
4. In view of these facts, it believes that there cannot be one best way of doing a thing which can be universally prescribed for all situations.
5. It regards that best approach to management is situational or situation-oriented approach.

Contributions:

1. It makes it clear there are no universal, ultimate or absolute principles, techniques, theories of management which can be applied to every situation.
2. It keeps managers on high alert that next situation may be new and unique. Therefore, they go on finding and analyzing facts of each situation.
3. It widens freedom of operation of managers. They are not bound by stereotype principles and solutions.
4. It encourages managers to innovate and develop new principles, techniques etc. to handle each new and unique situation.

Criticism/limitations

1. In real-life, managers do not find enough time to analyze and understand every situation and to apply the principles and techniques accordingly.
2. Managers are not at all times make decisions on rational basis. Sometimes, their rationality becomes limited. Hence, this approach serves no purposes.
3. All managers cannot analyze and understand all variables in a situation or environment. In such case, the approach loses its significance.
4. Sometimes, situations change so rapidly that managers are unable to understand them and make decisions accordingly.



**UNIT-II
PLANNING**

"It you have planned well, half of you work is done"

Management Functions are – planning, organizing, staffing, directing and controlling and all are required to achieve objectives but without setting objectives there's nothing to organize, direct or control. Therefore every organization requires to specify what it wants to achieve; Planning is related with this very aspect.

CONCEPT OF PLANNING

Plan & Planning -

- Planning is process - have sub activities and steps.
- Plan is commitment to particular course of action – For objective.
- Planning is deciding in advance the future course of action.
What is to be done in future?
- When, what, why, where, who how are different aspects of planning
Why - action's objections or rent result
What - activates to be undertaken?
How - generate policies, program, strategies
They all speak about future of action.
- Planning is selecting missions and objectives as well as the actions to achieve them which required decision making i.e. choosing a course of action among alternatives.

Definitions:

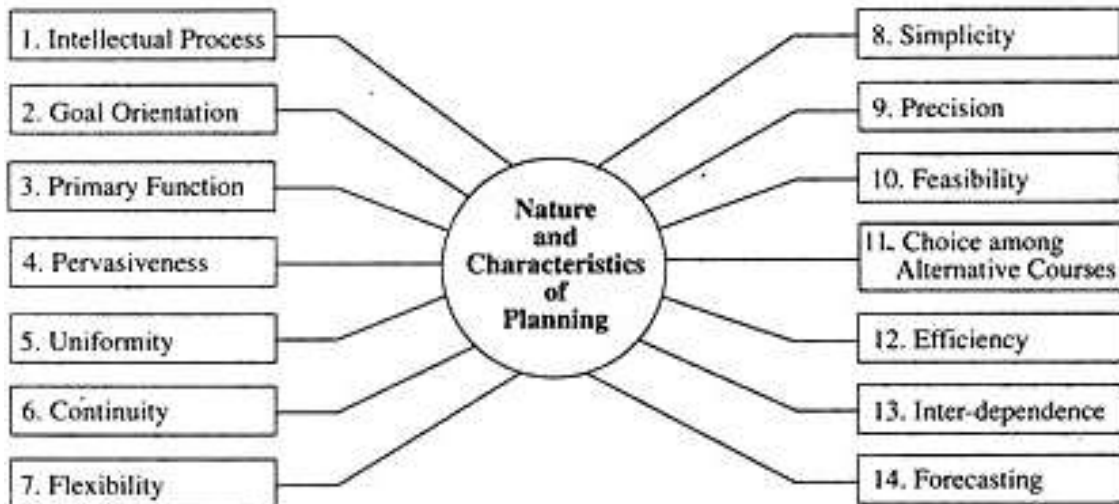
Gorge R. Jerry – "Planning is the selection and relating of fact and making & using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieve deserved result".

Mc. Farland – "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change"

- Anticipating, controlling everything for direction of change, believe that environment of planning is very dynamic & ever changing.

Characteristics or Nature of Planning :

- | | |
|--|---|
| 1. Primary task of management | 10. Inter dependent activity |
| 2. Intellectual process | 11. Continuous and dynamic activity |
| 3. Future oriented | 12. Planning is the basis of control |
| 4. Decision oriented | 13. Planning follows a systematic and reutilized procedure. |
| 5. Goal oriented | 14. It is participative in nature |
| 6. Forecasting is the essence of planning | 15. Planning always has a dimension of time. |
| 7. Pervasive function | 16. Planning also implies "managerial innovation" (Koontz and Weihrich) |
| 8. Planning and action are twins of management | |
| 9. Planning is wider than decision making | |



Need Importance and advantages of Planning

1. Basis of success
2. Keystone management function
3. To manage by objectives
4. To offset growing complexity of business
5. Better utilization of resources
6. To gain economy in operation
7. Establishes coordinated effort
8. Facilitates control
9. Coping with change
10. Improves competitive strength
11. Creates forward looking attitude
12. Promotes order
13. Prevents hasty judgment and haphazard action
14. Stay on track
15. Managing crises
16. Providing motivation
17. Promotes growth and improvement
18. Encourages creativity
19. Facilitates decentralization
20. It provides alternative courses of action
21. Efficient methods and procedures of action can be developed.

Components/ Elements of Planning

There are a number of different components of planning. They are also called **types of plans**. The major type of management plans along with their components can be classified as follows:

1 Strategic Plans

These are designed to meet the broad objectives of the organization. These are concerned with broad matters that vitally affect development of an organization. They are prepared at the institutional level. They include mission or purpose, objectives and strategies.

2 Standing Plans

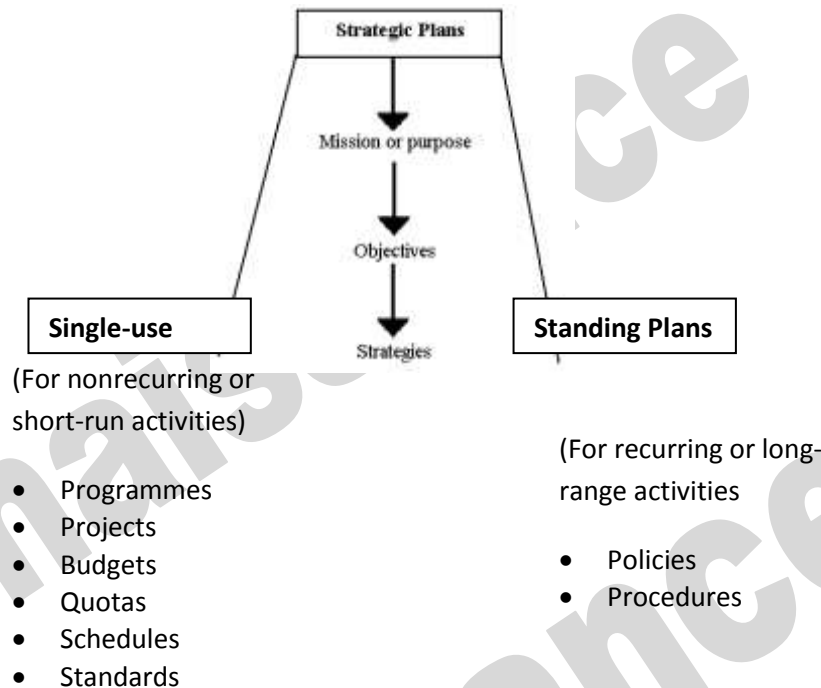
These plans are used over and over again. Once established, standing plans provide on-going guidance for performing recurring activities. Similar situations can be handled in a predetermined way. Thus, they save the time used for making decisions. Examples of such plans are policies, procedures, methods, rules and regulations.

3 Single-Use Plans

These plans are designed to achieve specific goals. They are developed to meet unique situations or problems. They are used but once and discarded. Programme, projects, budgets, quotas, schedules, and standards are examples of single-use plans.



Components of Planning



1. Mission or Purpose

Mission or purpose is a primary and overall objective of an organization. It is the basic functions or task of an enterprise which is assigned to it, by society. It is organization's reason for existence determined by its founder, owners, or board of directors. Purpose or mission is the definition of the organization, its identity.

Mescon and Alibert observe, "Without a mission as a guide, managers would have nothing but their individual values". In brief, the purpose or mission of an organization must convey the following:

- The existence of the firm - it means what business is the firm in ?
- The external environment that determines the operating philosophies of the firm.
- The organizational culture.

2. Objectives or Goals

Objectives or goals are the ends towards which all organizational activities are aimed. **Koontz and O'Donnell** state, "They represent not only the end point of planning but the end towards which organizing, staffing, leading and controlling are aimed." objectives decide where we want to go. They are the results to be achieved.

'Goals' and 'Objectives' are often used interchangeable but a few written make a distinction between them. Goals are broad outcomes that managers hope to achieve ultimately. Objectives are more specific and concrete in nature and often include active schedule for the completion of a task. **For example**, profitability may be the goal, but the specific objectives is to earn 20 per cent return on capital net employed.

3. Strategies

The term 'strategy' was first used in the military to describe the ground plan for winning a war. In recent times, it is widely applied to business. According to **Hicks and Gullett** strategy is "the basic



pattern of purpose and policies that define the firm and its business". **Andrew szilagyi** defines strategy" as a comprehensive and integrated framework that guides those choices that determine the nature and direction of the organization's activities towards goal achievement".

4. Policies

General statements or understandings that guide decision-making are called **policies**. Policies define the boundaries within which decisions can be made. They direct decision towards the achievement of objectives. According to **Terry**, "Policies spell out the sanctioned, general direction and areas to be followed".

Features:

- (1) Policies direct the thinking, behaviour and actions of employees.
- (2) Policies may be implied even from the actions of managers or from the practice of enterprise.
- (3) They may be interpreted as "standing orders" or standing guidelines for decision-making
- (4) Policies allow for some discretion and initiative, but within limits.
- (5) Policies define the area in which decisions are to be made, but they do not give the decision.
- (6) They flow from strategies. They are narrower in scope than strategies.

5. Procedures: Policies are carried out by means of procedures. A procedure is a detailed set of instructions for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished. Terry defines a procedure as "a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".

Characteristics of Procedures

1. A procedure has a chronological sequence of tasks or actions.
2. A procedure is specific and tailor-made to achieve certain tasks.
3. Procedures exist in every part of an organization.
4. They spell out actions in detail.
5. They are truly guides to action, rather than to thinking.

6. Method: Method is the best way the job is to be performed. It deals with a task comprising one step of a procedure. It specifies how this one step is to be performed.

7. Rules: Rules are standing plans that guide actions. They specify what actions will be taken or not taken and what behaviour is allowed or prohibited. Rules are a particular way of behaving in a particular situation. Generally, rules are all restrictive and leave little room for discretion. They are not guides for thinking or decision-making, rather they are substitutes for them. "No smoking" is an example of a rule.

8. Programmes: A programme is a comprehensive plan that covers a relatively large set of activities. It consists of a complex set of goals, policies, procedures, rules, job assignments and resources required to implement them. Programmes are aggregate of several related action plans (goals, procedures, rules etc.) that have been designed to accomplish a mission within a specified time period. Programmes usually include the following steps:

- (a) Stating what is to be done into different parts or units of the organization;
- (b) Determining the relationships among the parts and developing a sequence of steps required to reach an objective;



- (c) Deciding the responsibility for each step and for each unit;
- (d) Determining the financial, physical and human resources to be employed
- (e) Determining capital and operating budgets;
- (f) Developing the order and time schedules for each step.

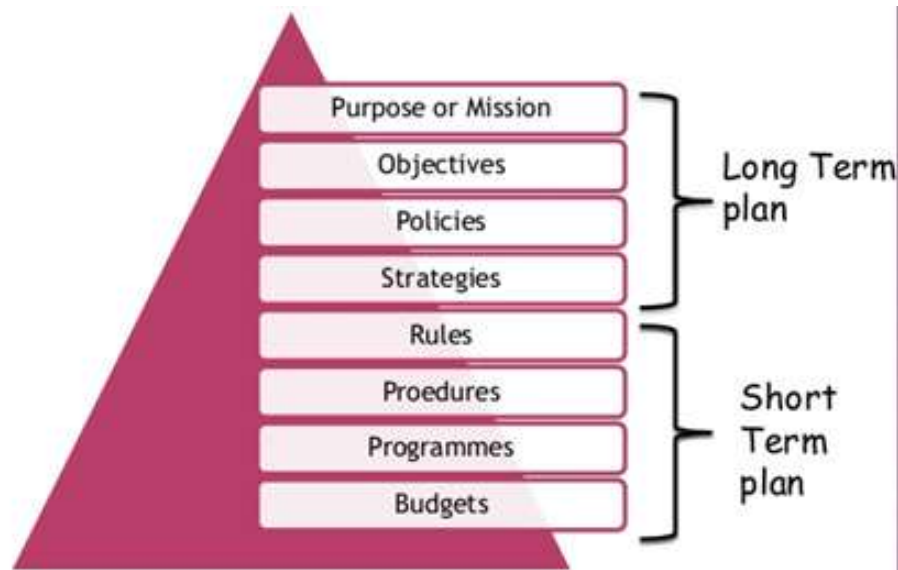
9. Projects: A project may be either a component of a general programme or it may be planned separately on a smaller scale. Each project has its own assignments, time and budget. Sometimes, individual segments of a general programme can be planned and implemented as distinct projects. William Glueck defines, "A project is a programme with less significant objectives, generally a shorter period of time, and usually less detail". There is a significant difference between programmes and projects. Programmes can be repeated while projects have one time applications. A project to build rest rooms or to fence dangerous machines may be part of a larger programme to improve working conditions.

10. Budgets: A budget is a plan which expresses the anticipated results in numerical terms. It is merely a collection of figures or estimates that indicate the future in financial terms. According to Terry, "A budget is an estimate of future needs, arranged according to an orderly basis, covering some or all of the activities of an enterprise for a definite period of time". It is a statement of planned revenue and expenditures. A budget may be stated in time, materials, money, or other units.

11. Quota: Quota is a set goal for sales or other activities. It is the share one is bound to contribute to or entitled to receive from a total. A quota is a limit placed on the amount or units of sales, productions, profit or other activities. Quotas are set in the field of sales, markets or sales territories. For example, every sales territory carry an assigned quota indicating its contribution to profit and volume and its sales activity requirements.

12. Schedules: Schedules are important part of operational plans. Schedules are used to plan the timing and sequencing of the use of resources and for the work to be executed. Schedules are the basis of an action plan. Scheduling sets the exact time when each activity would start and when it would end.

13. Standard: A standard is an important element of plan. It is a norm against which performance is compared and evaluated. Terry defines it as "a unit of measurement established to serve as a criterion or level of reference". A standard forms the basis of controlling and serves as guide for performance. It brings uniformity in work. Standards assist in settling disputes because they may serve as base levels. They are essential in planning schedules and determining the proper use of resources. Qualitative and quantitative standards are set in various areas of business such as cost standards, quality standards, product standards, material standards, performance standards, etc.



TYPES OF PLANS

On the basis of Managerial Hierachy

1. Strategic Plans
2. Administrative plans
3. Operating Plans

On the basis Frequency of Use

1. Standing plans
2. Single use plans

On the basis of Time Frame

1. Short range plans
2. Medium or Intermediate plans
3. Long range plans

On the basis of Organizational Scope

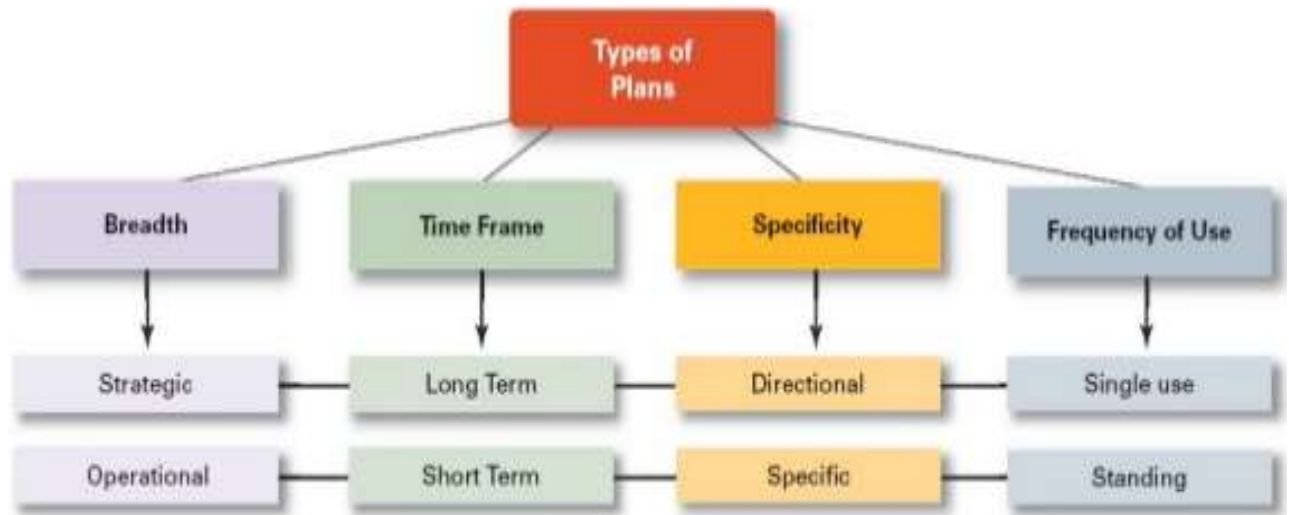
1. Business or divisional level plans
2. Unit or functional level plans

On the basis of Specificity

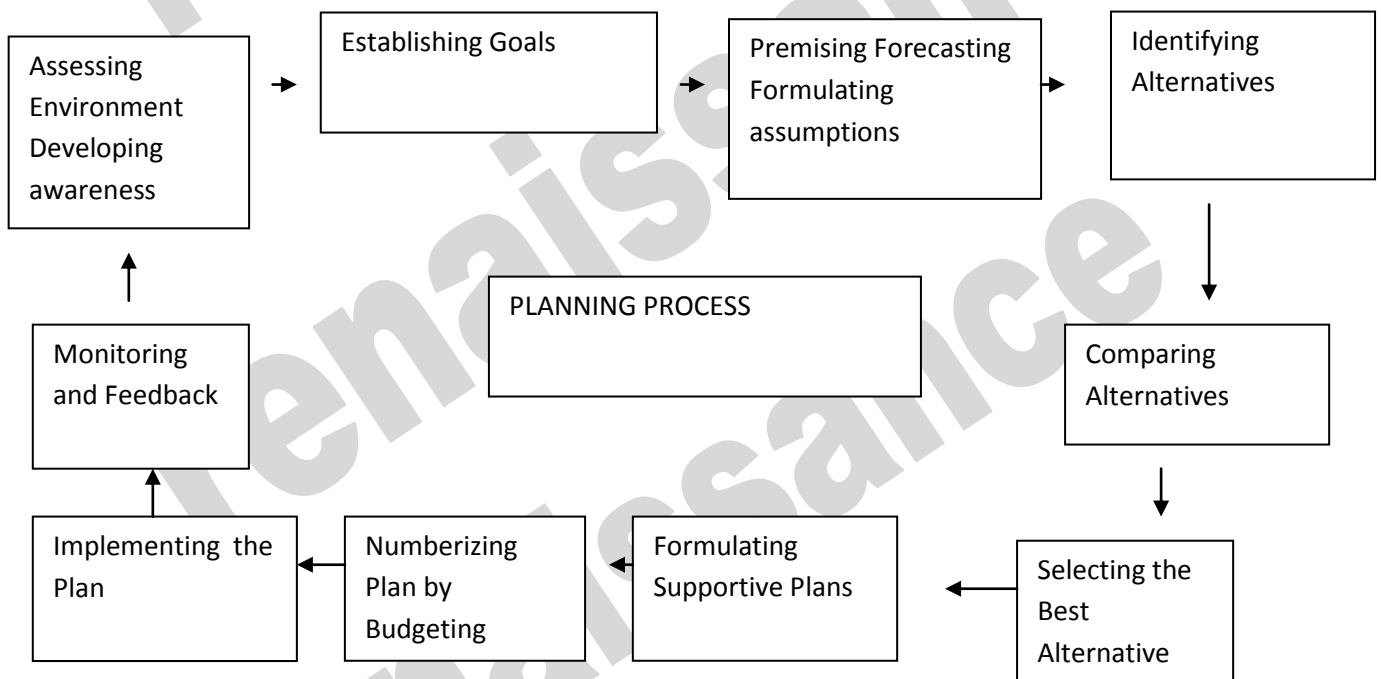
1. Specific plans
2. Directional plans

Other classifications

Contingency plans :The are helpful in emergency situations.

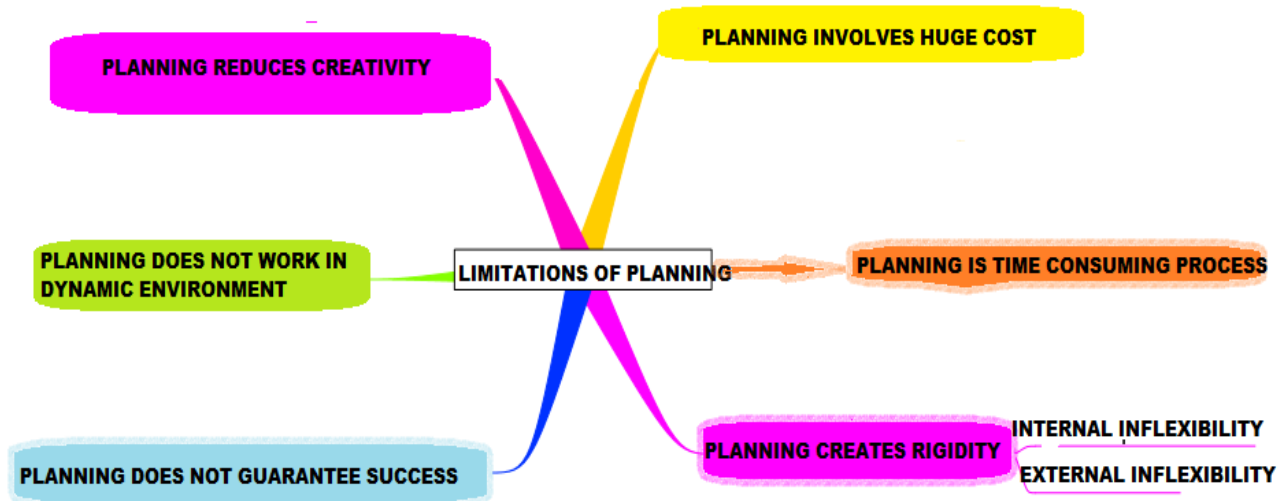


PROCESS OF PLANNING OR STEPS IN PLANNING





Limitations of Planning



1. Ambiguous objectives and plans
2. Lack of reliable facts and information
3. Inaccurate premises
4. Rigid philosophy or lack of pragmatism
5. Resistance to change
6. Inflexibility of existing objectives and plans
7. Lack of planning skills
8. Failure to integrate with other functions
9. Attitudes and conflicts among managers
 - i. Conflict on the goals and priorities of planning.
 - ii. Conflict on the selection of the courses of action and resources.
 - iii. Conflicts on their roles in the implementation of plans.
 - iv. Conflict between line and staff managers due to their role in planning.
 - v. Conflict on the issue of usefulness of the planning itself.
10. Psychological barriers.
 - i. Some managers feel that present is more important than the future. They regard present is more desirable and has certainty. Hence, they neglect the significance of planning.
 - ii. Some managers feel that certain things are bound to happen in future. Such things cannot be changed by planning.
 - iii. Some feel that planning is not successful always. Therefore, it is a waste of time, energy and money.
 - iv. Plans serve as standards for evaluating performance. Therefore, many managers fear that others will know their weaknesses at the time of performance evaluation.
11. Expensive
12. Inadequate resources
13. Delay in actions

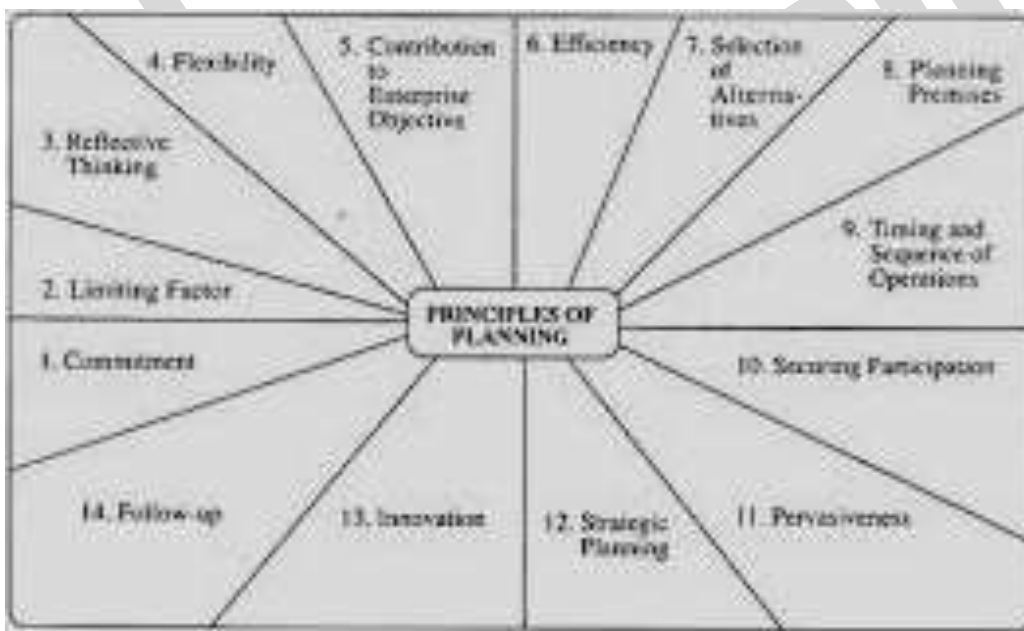


14. Difficulties in implementation
15. Rapid and random changes

Essentials of effective planning

1. Well defined objectives
2. Simple and easy to understand
3. Comprehensive
4. Flexible
5. Balanced
6. Economical
7. Stable
8. Continuity
9. Unity
10. Consistency
11. Participation
12. Practicable
13. Written
14. It should be logical and rational
15. It must be time bound.

Principles of Planning



1. **Principle of contributions to objectives**
2. **Principle of primacy of planning**
3. **Principle of efficiency of plans** : It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
4. **Principle of planning premises** : Planning premises means the assumptions regarding environment which are likely to affect the implementation of plans. This Principle emphasizes the need for consistent planning premises.



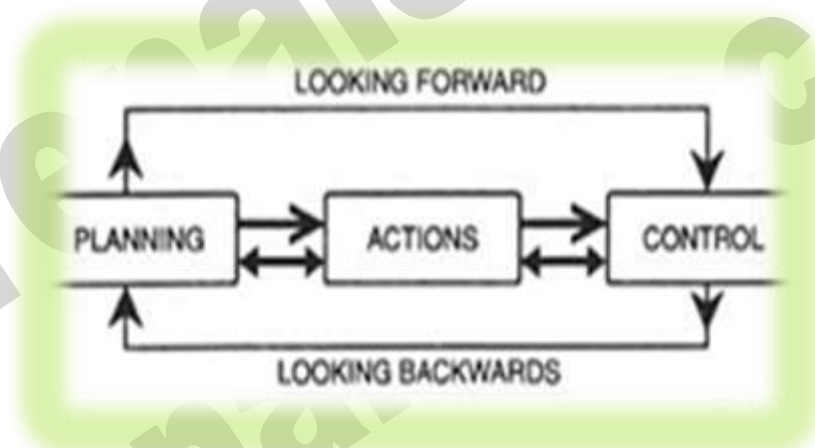
5. **Principle of limiting factor** : A limiting factor is one which creates problems in the way of achieving predetermined objectives. This Principle states that planner must recognize and solve the limiting factors in order to formulate effective plans.
6. **Principle of commitment**
7. **Principle of flexibility**
8. **Principle of navigational change**: This principle states that a manager must constantly monitor and review the conditions affecting the plans and redraw the plans if required by the changed conditions.
9. **Principle of pervasiveness**
10. **Planning coordination**
11. **Principle of timing**
12. **Principle of participation/acceptance**
13. **Principle of competitive strategies**
14. **Principle of Alternatives**

Tools & Technique of Planning

Different tools and techniques are used in formulating and implementing plans. Some of the most important are as follow:

- | | |
|------------------------------------|----------------------------|
| 1. Forecasting | 9. Scheduling |
| 2. Budgeting | 10. Games Theory |
| 3. Break even analysis | 11. Simulative Model |
| 4. Marginal analysis | 12. Sequencing |
| 5. Linear programming | 13. Bench marking |
| 6. Waiting line or Queueing theory | 14. Environmental Seanaing |
| 7. PERT/CPM | 15. MBO |
| 8. Theory of probability | |

Planning & Controlling : Relationship



1. Plans are the directions in which managers intend to lead the organization in order to achieve its objectives. Controls are needed to ensure that results are consistent with plans.
2. Planning prescribes described behaviors and results. Controls can maintain or redirect actual behaviors and results.



3. Managers cannot effectively plan without information about the past and current status of each department, etc. Much of this essential information is obtained through the control process. It provides valuable information derived from past experience and allows managers to plan effectively in future. It helps managers to learn from past mistakes and plan well.
4. Managers cannot effectively control the organization unless there are plans to indicate the purpose to be served by the control process. Thus, the planning and control processes complement and support one another.
5. Costly

OBJECTIVES AND MANAGEMENT BY OBJECTIVES

Concept & Nature of Objectives:



Objectives are the end results which an organisation wants to achieve.

Mc. Farland – Defines objectives in quite broad term "Objectives are goals, aims or purposes that organisations wish to achieve over varying period of time".

Terry & Franklin -

"A managerial objective is the intended goal that prescribes definite scope & suggests direction to the planning efforts of a manager".

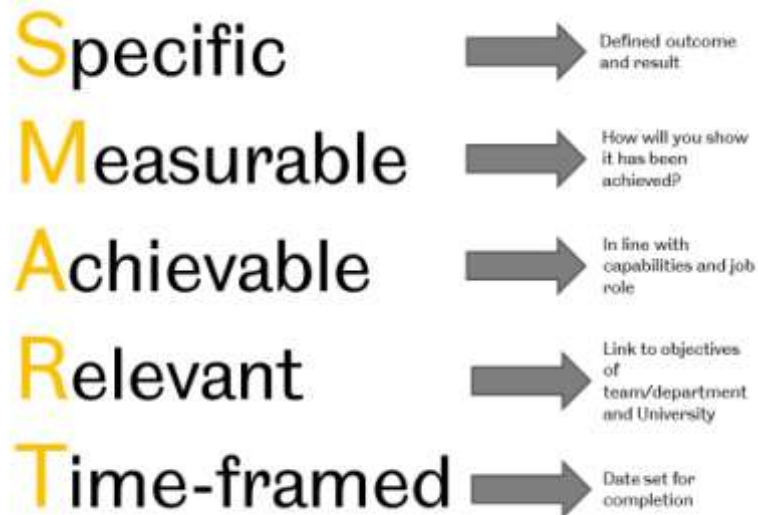
- So we can define objective as the intended and result that an organisation desires to achieve over varying period of time.

Features of objectives are as follows:-

1. Each organisation or group has some objectives in fact they are created basically for certain objectives.
2. Objectives may be broad or may be specifically mentioned. Wide or narrow, Long term or short term. General objective are translated into operative objectives to provide definite action.
3. **Objectives have hierarchy**
 - Top level - broad object
 - Dept level - specific object
 - Unit level - their own object
4. Organisational objectives have **social sanction** they are related with social norms. Organisation is a social unit, its objectives must confirm to the needs of society. Various restrictions on organisation objective are put through social norms, rules & customs
eg: objective- Increase stock but not by hoarding
5. One organisation can have **multiple objectives**
eg: HLL- Under chairmanship of T. Thomas (1973-80) has following objectives



- (i) To expand & diversify in area of chemicals.
- (ii) To control cost & improve productivity very rigorously
- (iii) To build up mgt skills for future growth.



Role of objectives:-

1. Defining an Organisation:

Every organisation works in environment consisting of several forces.

Forces provide threats & opportunities both, in order to take best from environment –

It must define itself for all.

eg: Modern food industries ltd's objective - "Manufacturing & Marketing of nutritional foods to the public".

2. Directions for decision making:

Objectives set limits, prescribe areas in which man can make decision.

No ambiguity about end results, so manager is clear about all expectations.

It promotes unified planning and acts as motivating force.

3. Performance Standards:

It Sets Benchmarks, the Performance of all – organisation – units

Sub-units is measured against objectives.

4. Basis for Decentralization

Decentralization is necessary for large organizations.

Independent decision making may lead to disintegration of organisation

Until and unless clear objectives are set for all contributions.

5. Integrating organisation, group & Individual -

Clearly Specified objectives provide integration to various individuals, groups in organisation.

Organisation cannot exist apart of its related people.

eg: creditors, customers, etc.



TYPES OF OBJECTIVES

1. General Objective

- Survival
- Growth
- Economic Contribution
- Social Obligation
- Profit

2. Specific Objectives

3. Objectives Based on organizational levels

- Mission Goals
- Strategic objectives
- Tactical Objectives
- Operational Objectives

4. Time based objectives

- Short term
- Intermediate
- Long-term

5. Other Types

- Personal
- Organisational objectives
- Performana goals
- Group Goals



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Management by Objective

The term MBO was coined by **Peter Drucker** -1954, since then many organisation have adopted it

Definitions of MBO –

Heinz & Harold Koontz "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner continuously directed towards the effective and efficient achievement of organisational objectives."

S.K. Chakravarty "MBO is result-centered, non-specialist operational managerial process for the effective utilization of material, physical & human resources the organisation by integrating the individual with the organisation & organization with environment".

MBO is now used not only as a technique of setting objectives but also used as a planning, motivation, performance appraisal and control technique.

MBO is a process whereby both superior and subordinate managers jointly identify their common goals, of their work unit (department) and define each employee's major areas of responsibility and goals with his active participation.

Characteristics of MBO :

1. **A philosophy of management**
2. **Goal oriented approach:** It focuses on setting goals at every level of the organization. In MBO, goal setting begins at the top management level and filters down, one level at a time.
3. **Common objectives and individual goals :** MBO is the process of setting objectives of the organization as well as the each individual's goals.
4. **Participation and involvement :** MBO approach proposes the participation and involvement of all people in goal setting.
5. **An interactive approach:** MBO is an interactive approach to goal setting. Managers and subordinates both are actively involved in setting goals.
6. **A comprehensive approach :** It is a comprehensive approach. It considers both the economic and human aspects of an organization.
7. **A systems approach :** It takes into account the internal as well as external environmental factors.
8. **It applies to total management system :** It can be used with an entire organization, a department or a sub unit having only one subordinate.
9. **Aims at optimum results.** MBO approach provides for interim review of the results and evaluation of performance at the expiry of the time fixed.
10. **Simple universal approach :** The MBO approach to managing is logical, appeals to common sense and enjoys wide spread popularity.
11. **Multiple uses :** MBO technique is used not only in planning but it is also used in performance appraisal, motivation, and control.



PROCESS OF MBO



ADVANTAGES OF MBO

1. Encourages result oriented philosophy
2. Clearer goals
3. Effective planning
4. Clarification organizational roles
5. Coordination



LIMITATIONS OF MBO

1. Failure to teach philosophy of MBO
2. Lack of guidelines
3. Inflexibility
4. Time consuming
5. Incomplete understanding
6. Difficulty of setting goals
7. Over use of quantitative goals
8. Dynamic & complex environment
9. Ignores relationship behavior



UNIT-III

Introduction

The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

- A group of people united by a common purpose.
- An entity, an ongoing business unit engaged in utilizing resources to create a result.
- A structure of relationships between various positions in an enterprise.
- A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

The dynamic interpretation of the term organization as a process is used in this unit.

Organizing

After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans.

Definition of Organization

Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals.

"Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed."

"Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be accomplished."

According to Robins, "Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made".



Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Hierarchy of Authority
4. Common goals
5. Division of Labor



6. Resources
7. Co-ordination of activities
8. Co-operative efforts
9. Communication

**Organization can be of two types :
formal and informal -**

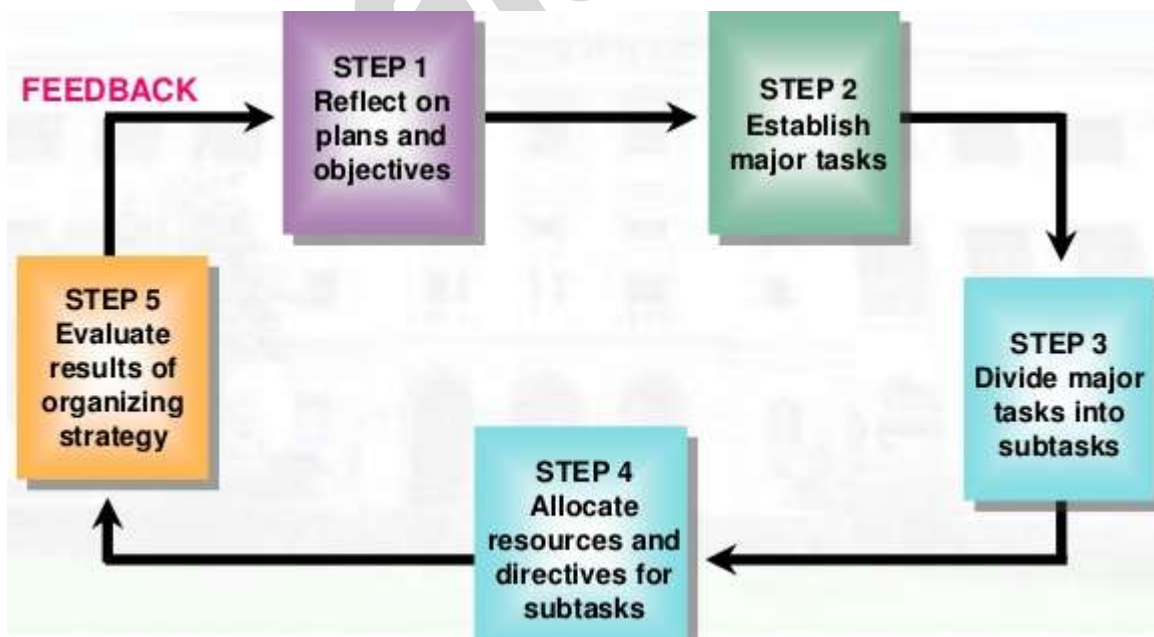
Point	Formal Organization	Informal Organization
Origin and goals	Deliberately created; reflects organizational goals: Basic purpose is to achieve organization goals.	Arises spontaneously: reflects individual and group goals: basic purpose is to improve human relations.
Structure	It has a definite structure and is reflected in an organization chart built around group positions.	Structure less: organization chart built around people.
Integrating mechanisms	Formal organization is held together by rules, regulations and procedures	Held together by feelings of friendship, mutual help and trust, and so on; it has unwritten rules and is bound by group norms rather than organizational goals.
Communication	Formal organization depends on formal official channels of communication to sell the ideas of management to the organization; communication is a one-way traffic.	The informal organization designs its own communication popularly known as grapevine, for both organizational and social communication process; communication is a two-way traffic.
Size	Tends to be large in size, generally unwieldy and unmanageable.	Tends to be small and manageable.
Durability	Tends to be permanent and stable.	Characterized by instability.
Orientation	It is more or less, an impersonal and arbitrary structure, to which individuals must adjust.	A highly flexible structure designed to satisfy social and psychological needs of individuals.

Significance of Organizing



1. The organizing defines every employee's task, duties, responsibilities and goals
2. It establishes the authority, responsibility relationship for cooperative and coordinated efforts.
3. It provides a framework of decision making
4. It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.
5. It facilitates administration
6. Facilitates growth diversification.

Process of Organizing



- **Identifying the work:** We organize to achieve objectives. So, it is essential to identify the total work necessary to achieve the goals. The work must be classified in a systematic way so that

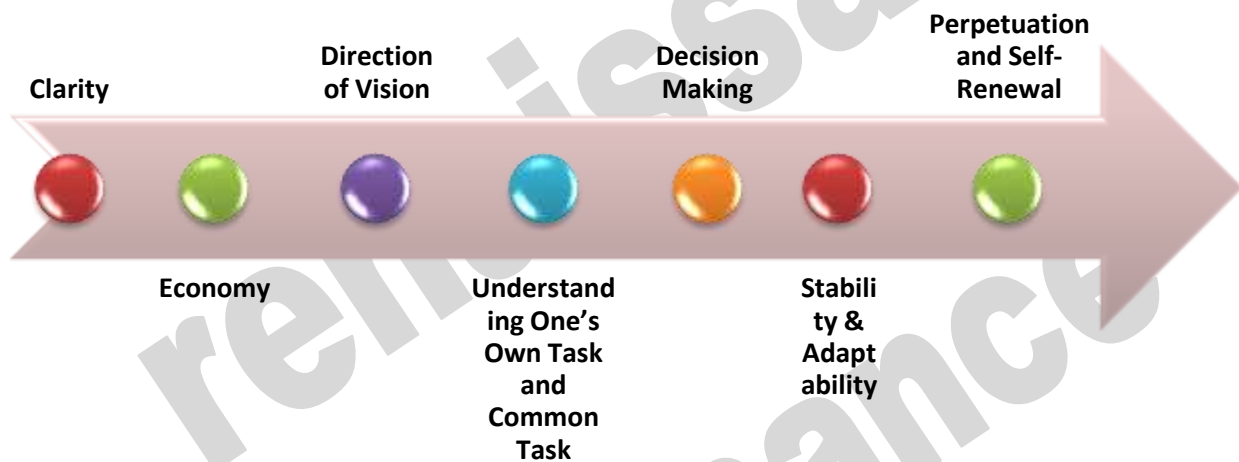


each person in the organization gets a separate and distinct task. Work must be divided and distributed because no one can handle the total work in an organization single handed.

- **Grouping the work:** Division of work creates the need for coordination. In order to provide for a smooth flow of work all closely related and similar activities must be grouped together. Thus, departments and divisions are created under the direction of a manager.
- **Establishing relationships:** In order to secure compliance to organizational directives, reporting relationships must be specified. Once formal relationships are established, it would help individuals know what must be done, how it must be done, to whom the matters must be referred and how particular jobs related to one another, etc.
- **Delegating authority:** Authority is the right to act, to issue orders and exact obedience from others. Without authority, a manager may not be able to perform the tasks with confidence and show results.
- **Providing for coordination and control:** The interrelationships between various positions must be specified clearly. The activities and efforts of various individuals must be coordinated. The performance must be measured, evaluated and controlled at frequent intervals. If deviations occur, they must be spotted early and appropriate remedial steps taken immediately.

Principles of organizing

Peter Drucker advances the following principle for designing the organization. The principles are as follows –



1. **Clarity** - Every manager and every part of organization must know its place in the system. He/She should know how he/she is related to other, what contribution he/she has to make to enable others to perform and what contribution he/she should expect from others to perform his/her own task. Clarity is needed in all kinds of organization. It only means that everyone must know its takes authority, position etc. in the organization.
2. **Economy** - People should be encouraged to take initiative and responsibility, execute judgment in taking decision and taking required actions. It requires minimum control and supervision of sub-ordinates.
3. **Direction of Vision** – The pattern of interaction and communication should be design so as to direct to employees vision towards goals rather than towards the task and activities. The vision



- should be directed not only towards his/her own goal but also towards the goal of the enterprise.
4. **Understanding One's Own Task and Common Task** - It should enable the employee to understand the common task and the contribution. His task is expected to make the performance against organization task. There should be communication, running through out the organization.
 5. **Decision - Making** - The organizational structure should be design so as to permit decision to be made at appropriate level. The decision should be made at that particular level itself. The organization structure should strength the right decision at the right time.
 6. **Stability & Adaptability** - Every organization needs a certain degree of stability. The reasonable stability enables an organization to plan, introduce and accept the change. The stability should not be related to rigidity, a balance between stability and change should be maintained, also the organization structures inbuilt an ability to adopt a new situation in internal & external environment.
 7. **Perpetuation and Self-Renewal** - In order to perpetuate the organization should be capable of renewing itself continuously. The internal forces should be capable to introduce new things and discard the old or useless things. It should provide motivation to its employees to learn and develop use their existing capabilities for achieving the objectives. A self-renewing organization should have quality of open mindedness and receptiveness of new ideas.

Organization Structures

Organization structure is the way work is divided among units of the organization. It is concerned with the establishment of positions and authority relationships. It is the framework within which managerial and operating tasks are performed.

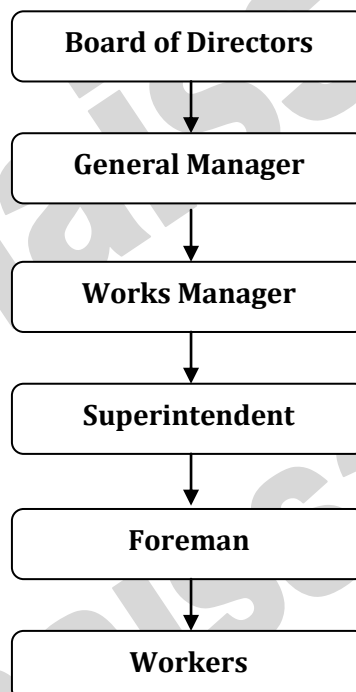
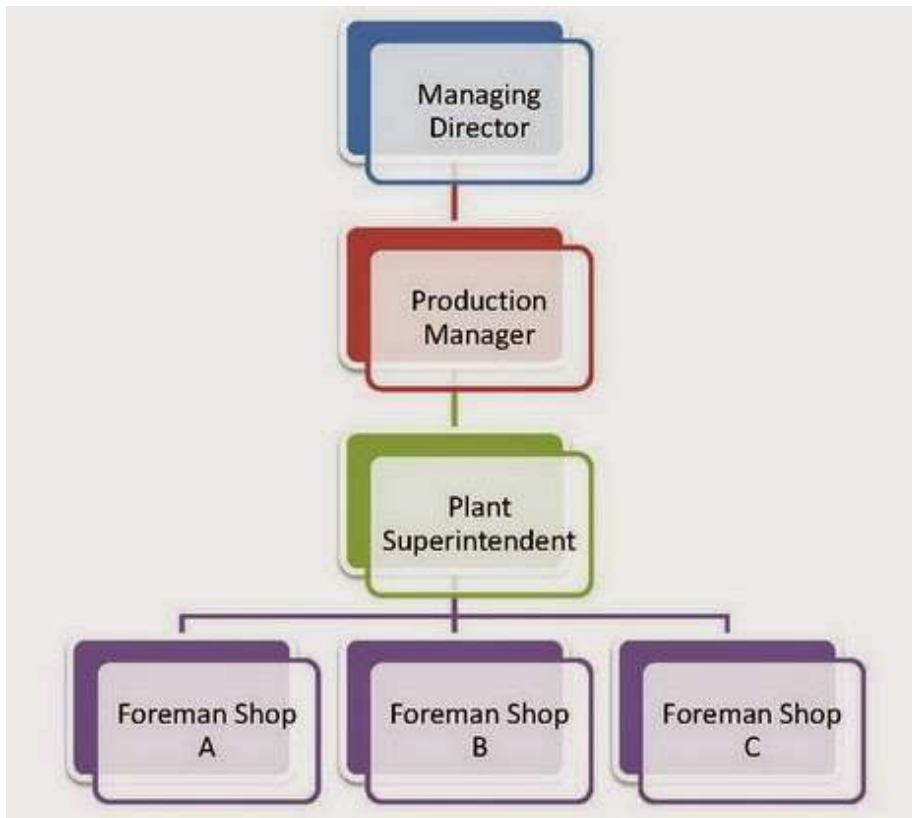
"Organization structure is a set of formalized tasks assigned to individual and work units, formal reporting relationships and the development of integration system."

There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

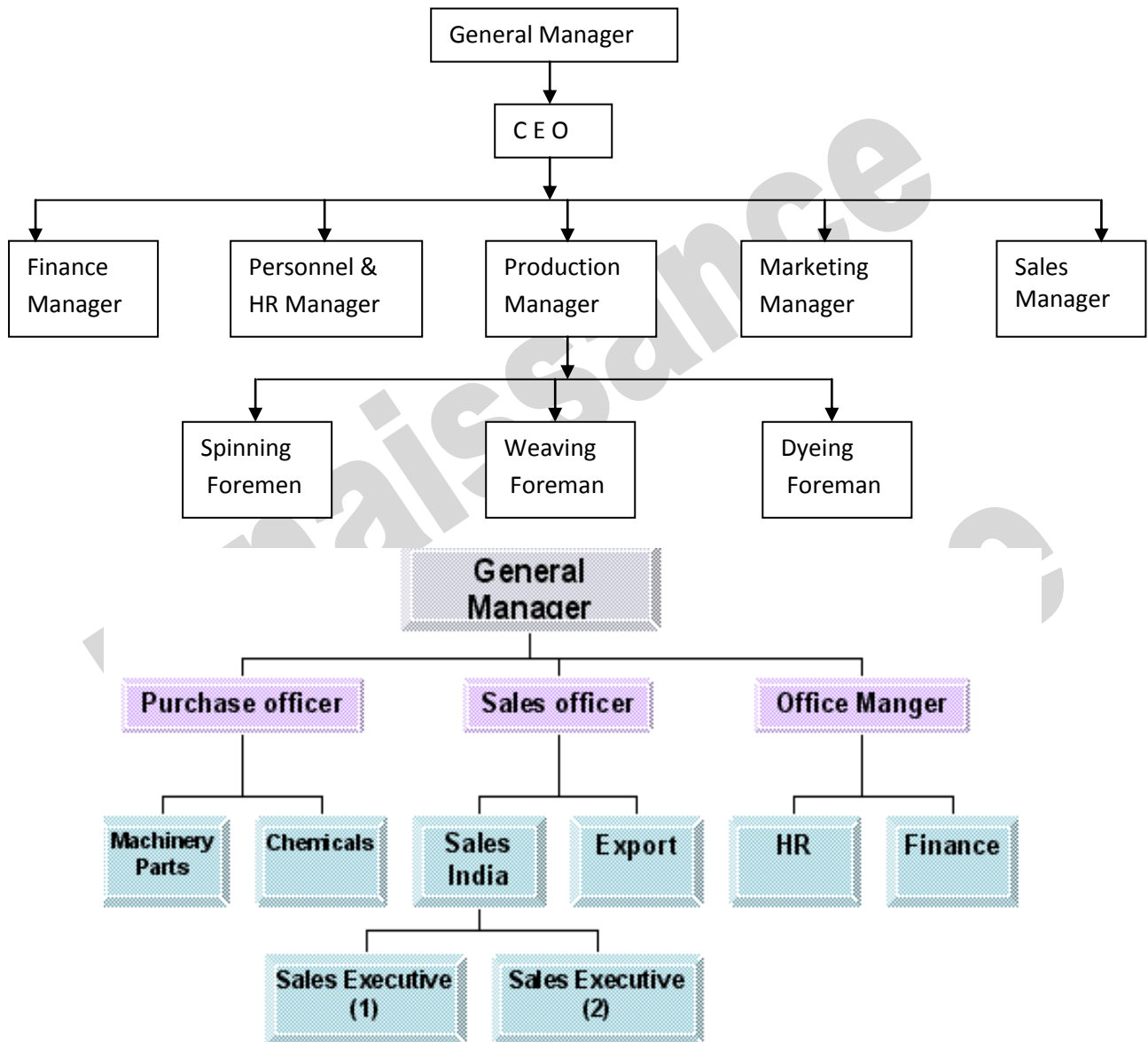
1.Line Organization: Line organization is the oldest type of organization which is also known as military organization. It is characterized by direct lines of authority flowing from top to bottom levels of organizational hierarchy and the lines of responsibility and accountability flowing in a opposite but equally direct manner. More specifically, in line organization lines of authority & commands runs from top managers (Ex-Board of directors) to the lowest level of managers (Ex-Supervisor) through the Process of Delegation & redelegation of authority & line of responsibility flows vertically upward from bottom to top organization.

There are two types of line organization:

- i. **Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.



- ii. **Departmental line Organization:** The business is broadly divided into departments which are put under charge of various departmental heads. Each departmental head derives authority from chief executive & has complete control over his own departments. All departmental heads enjoys equal status, authority & their function independently. No departmental head can issue orders & instruction to subordinate of any other department.



Advantages of line organization

- Simple to establish, understand & operate
- Speedy action
- Proper Discipline
- Fixation of Responsibility
- It is less costly

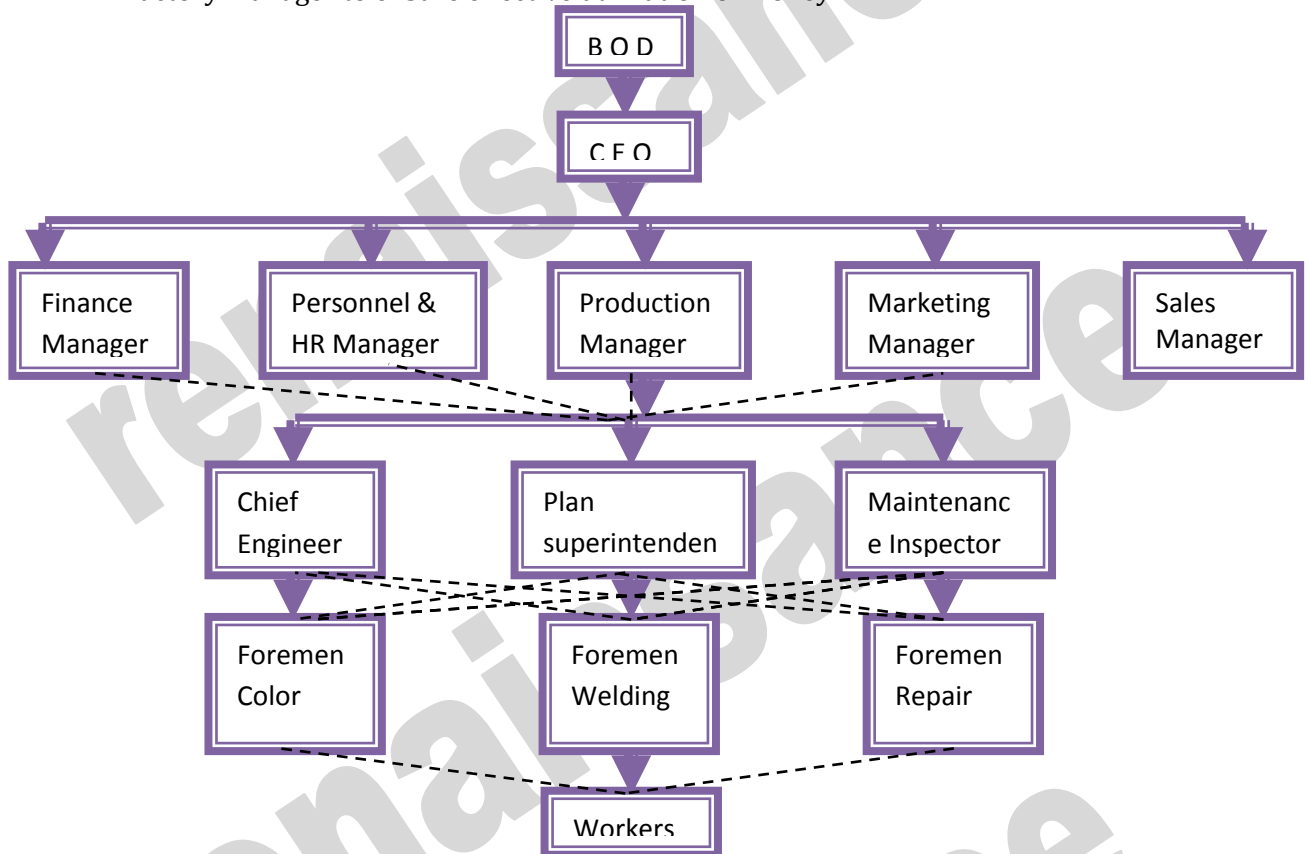
Disadvantages of line organization

- Overloading
- Lack of specialization
- Autocratic leadership
- Lack of stability
- Inefficiency of Decision Making
- Not suitable for large enterprises
- Communication Gap.



- 2. Functional Organization:** It refers to the organizational in which activities are classified into a number of functions such as Production, Marketing, Finance, HR etc. A functional specialists directs the subordinates throughout the organization in the field of his Particular function i.e. subordinates are accountable to different functional specialist for performance of different functions. Functional authority is limited form of line authority given to functional experts over employees in other departments.

For Ex-Finance Manager is given the authority to directly issued orders and instructions to branch manager & factory manager to ensure effective utilization of money.



Advantages of functional organization

- Specialization
- Efficiency
- Simplified staffing
- Growth & Development
- One man control is replaced by joint control
- Relief to executives: It reliefs the top executives from the burden of operating and they can focus on strategic planning

Disadvantages of Functional Organization

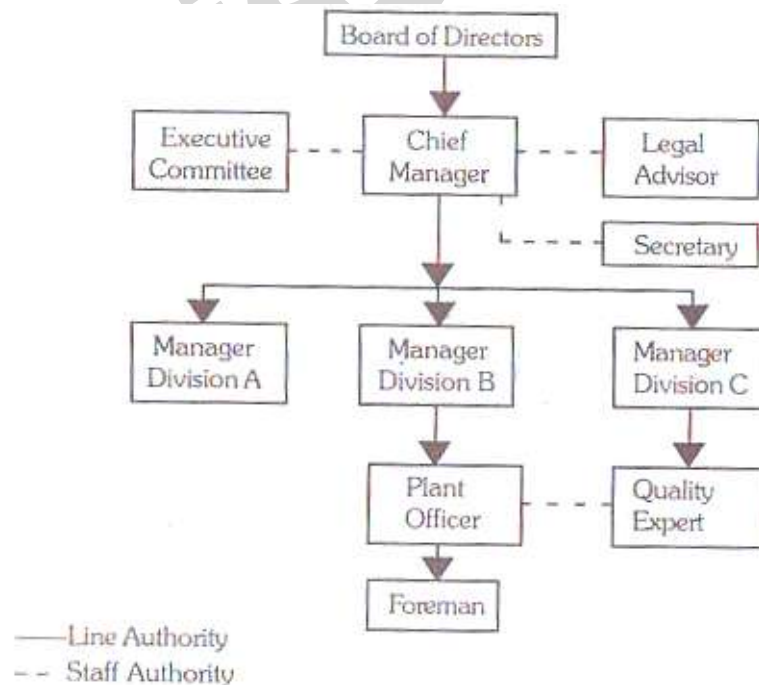
- Complexity: It creates confusion and overlapping of authorities and it is difficult to fix up the responsibility for the final results. "Passing the buck" is very common.
- Lack of Co-ordination: Conflicts between different staff specialist makes co-ordination & co-operation difficult.
- Costly: hiring of experts calls for large salaries and so to the increased clerical work.
- Delay in decision making: Divided control tends to delay the action particularly when more than one specialist is involved. Consulting the staff experts & coming on consensus calls for time & delays in decision making.



- v. Overburdening of Operating Subordinates
- vi. Indiscipline: due to no unity of command their exist dual subordinate leading to conflicting orders & divided loyalty & other problems as to discipline.

3. Line & Staff Organization: Line organization involves complete centralization while functional organization involves too much division of control. Line & staff organization is designed to maintain a proper balance between centralization & division of control.

Line & Staff organization is one that has line managers with direct vertical relationships between different levels in the organization in addition to the specialist responsible for advising and assisting the line managers. Line managers are one who are responsible for making decisions & accomplishing the objectives set for them. While staff means “support” & is intended to provide technical advice or service to the manger their relation is purely advisory and they cannot issue instructions to subordinates outside their own departments.



Suitability :

- 1. Suitable for medium to large enterprises.
- 2. Organization which can afford high investment.
- 3. Production of goods & services which required specialized knowledge.

Advantages of Line & Staff Organization

- 1. Better utilization of resource; Line executives can concentrate fully on execution of work as the function of investigation & advise is taken over staff also departmental staff are not overburden by technical details.
- 2. Sound & Efficient decision making
- 3. Planned specialization: As per the skill requisite activities are divided between line & staff while line is focusing & advisory activities.
- 4. Better co-ordination: Co-ordination of information & activities gets easy.
- 5. Scope of growth & expansion
- 6. Easier to maintain discipline & control because it does not hamper unity command like in functional organization.



Disadvantages of Line & Staff Organization

1. Costly: Two separate time of execution line & staff
2. Time Consuming
3. Line & Staff Conflicts: Line manager may advise thinking it impractical while staff may tender half baked ideas because it is not held responsibility.
4. Lack of understanding between line & staff is common.
5. Confusion: Relation between line & staff is not clear which makes authority & responsibility relation very complex & people at lower level get confused who is to do what & how.
6. Overdependence: Line manager may depend too much on staff experts for ideas & information as a result they may lose their own initiative, thinking & judgment.

4. Project Organization:

Project organization is a temporary structure designed to accomplish a specific task or project with the help of specialist drawn from different functional departments within the organization. It consists of number of horizontal & diagonal relationships to accomplish a specific project goal of a long duration. When project is completed all members move on to a new project or return back to their home departments in the organization or may lead to parent organization. A project manager is given line authority over the team members during the life of project.

Project manager is a person who is responsible for coordinating the activities of several departments & completion of target within specified time, cost & quality framework.

Advantages of Project Organization

1. Specialist Services
2. Timely work
3. It increases the co-ordination between different departments.
4. Flexible Structure
5. There is set unity of command & direction.

Disadvantages of Project Organization:

1. Costly
2. There are lot of Physical, financial & human constraints.
3. There is divided loyalty or there is overburden of company job & Project work.
4. There are chances of conflicts.
5. There is chance of over specialization & it will lead to delay in decision making & work will go beyond time & cost.
6. Project manager have very limited line authority

Suitability of Project Organization

1. Organization which deals with projects for definite goal & time period and when work activity is interdependent.
2. When work is of temporary nature
3. When expected profit or loss can be measured.

5. **Matrix & Grid Organization:** It is a mixture of functional & project organization. Matrix or grid organization is a hybrid organization which combines project structure with functional structure. It is a permanent organization structure design to accomplish specific project (or to achieve specific result) by using teams of specialists drawn from different functional departments within the organization & externals are also there. Functional managers are in charge of specialized resources such as production, quality control, Marketing, Inventories & finance. Project manager is in charge if



one or more projects. In a matrix organization the team members are accountable to both project manager as well as head of functional department to which they are permanently assigned.

Suitability

1. When there is a complex rapidly changing environment in which needs to be flexible & adaptable?
2. When there is a pressure for shared resources
3. Presence of intense external competition.

It is particularly suitable for aerospace, construction, industrial plants, Advertising, Hospital, College project within the specified time & cost framework.

Advantages

1. Efficient use of human resources
2. Interdisciplinary cooperation
3. Enhanced communication both laterally and vertically
4. Customisation of organizational and customer needs
5. Training and team work

Disadvantages

1. Violation of traditional organizational principles
2. Dual reporting relations and role ambiguity
3. Cannibalization- competition between scarce resources within the system
4. More meetings and discussions than action
5. Costly

6. **Committee Organization:** A committee is a group of two or more appointment, nominated or elected persons to consider discussing, to decide recommend or report on some issue or matters assigned to it. Committees differ in number of dimensions such as purpose, membership, decision making authority or nature of work.

It can be:

- i. Advisory or Executive committee
- ii. Line or Staff committee
- iii. Formal or Informal Committee
- iv. Coordinating Committee
- v. Standing Committee

Suitability

1. This kind of organization structure is commonly used in government organization where they create specific committee to resolve social issues.
2. Where issues in question requires experts opinion & coming to a consensus.

Advantages

1. Experts Opinion
2. Broad Picture to the issue
3. Democratic way of decision groups
4. Representation of interested groups
5. Sharing of information & promotion of new ideas.

Disadvantages

1. Reports submitted by committee members are only recommendations or probable solutions to the issue. Their implementation is subject to authority approval to whom report is submitted.
2. Waste of Money, Time & Energy.



3. No one supreme authority to decision making: All representatives are there & they all do not have decision making authority.
4. Lack of Secrecy.
5. A Committee mostly consist of 3 men, 2 of whom are absent.

DIFFERENCE BETWEEN LINE ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Line Organization	Line and Staff Organization
1	This form of organization has lack of specialists. So decisions are not more correct.	The decisions about organization are more strong because at the time of decision, the advice of expert is taken.
2	The authority is centralized. All decisions are taken at top level.	The centralization of authority is comparatively less, departmental management has also the opportunity to take decisions.
3	This organization is fit for small enterprise.	This organization is fit for bigger enterprises.
4	This organization has simplicity because there is clear authority line from top to below and promotions happens easily.	It has complexity, there is no clear authority from top to below, many problems arises due to specialists.

DIFFERENCE BETWEEN FUNCTIONAL ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Functional Organization	Line and Staff Organization
1	In functional organization, decisions are taken by specialists.	In line staff organization the decisions are taken by line officers, specialists give only advice.
2	In this organization full advantage of specialization is taken.	In this, the advantage of specialisation is not taken much due to not taking decision by specialists.
3	In the organization the work is divided according to qualification.	In this, the qualification of workers is not considered at the time labour-division.
4	In this organization, there are separate specialists for every work. So there is problem of coordination.	The line of authority is predetermined. So co-ordination is easy.
5	In this organization, workers get instructions from different specialists.	In this organization, workers get instructions from a single officer.

DIFFERENCE BETWEEN LINE ORGANISATION AND FUNCTIONAL ORGANISATION

S.No.	Basis of Difference	Line Organization	Functional Organization
1	Simplicity	This is the simplest form of organization.	This is the complex form of organization
2	Expenses	This is less expensive.	Much money is to be spent in this organization.
3	Utility	This is useful for small units.	This is useful for big units.
4	Specialization	This is not based on specialization.	This is used on specialization.
5	Authority and responsibility lines	In it, authority and responsibility lines are up and down.	In, it authority and responsibility lines are up and down and horizontal also.
6	Specialists	The services of specialists are not taken in it.	The services of specialists are taken in this organization.
7	Delegation	In this, delegation is vertical.	In, this delegation may be horizontal.
8	Planning and execution	In this, planning and execution happens simultaneously.	In this, planning and execution are done separately.
9	Authority	The authority lies only in hands of	In, this authority is given to



		line officers.	specialists.
10	Headism	In it, principle of single heads is implied.	In this organization, the principals of many heads is implied.

Delegation of Authority

Delegation is the mechanism through which organization work is distributed among its employees; authority is distribute in them for the performance of assigned task and accountability is imposed on them to perform adequately. A manager is responsible for doing a large variety of task and activities, which he can't do himself. Therefore he assigns some of his work to his subordinates. He helps with himself those tasks, which are for goal attainment and transfer the less important work to his subordinates. After assigning them the work he transfers to the subordinate adequate authority so as to enable them to make decision and take actions required for the achievement of goals. The assignment objective of work and delegation of authority creates on obligation on part of subordinate to perform adequate and efficiently.

Nature of Delegation

- Two-sided relationship
- Act of trust
- Freedom to think and act
- Dependency relationship
- A challenging task
- Forward-thinking principle

PROCESS OF DELEGATION

According to Management expert Newman, the delegation process is compared of four inter related steps.

Process of Delegation of Authority



1. **Assignment Of Duties** – The process being with the assignment of task. The manager should analyse the task involved in his job. He breaks the job into different activities and decides which part of it he bounds to do himself and which part he bounds to assign others. Then he assigns the task depending upon the knowledge, competence of the subordinates. After assigning the task he makes it clear at what result are expected from the subordinates.



2. **Delegation Of Authority** - The subordinate should have adequate authority according their job responsibility so that they can perform their job effectively. As the job responsibility changes there should be change in the extant of the delegated authority.
3. **Creation Of Obligation** – Along with the assignment of task and delegation of authority it is necessary to have certain obligation or accountability from the subordinates for judicious use of authority and effective performance. Reading to the attainment of the pre-determine goals.
4. **Establishment Of Effective Control System** – Fourth step is establishing an adequate control system for evaluating the results of delegation. The managers have to evaluate the progress of subordinate time to time to ensure that authority is utilized effectively and desired results are achieved. The manager establishes control through feedback system that will provide him information on subordinate activities and progress. He may gather information or may ask for written or oral reports form his subordinates. This help in keeping a record of progress and problems sand enables him to take corrective actions.

Principles of Effective Delegation.

1. **Authority Should Be In Coordination With Responsibility** – the authority should be closely related to the responsibilities. There should be adequate coordination between authority and responsibility, which will help to make the required decision and take appropriate action that are required of reflective job performance.
2. **Interfere Should Be Minimize** – One's the authority has been delegated to a subordinate to make decisions he should be allowed to do so even if the superior feels that he can take a better decision himself. He should resist the temptation of interfering the guiding the subordinate, one's the authority is delegated. However when there are complex problem the superior should help and guide the subordinate. He should make decision if required.
3. **Tolerance Of Mistake** – Subordinates may make wrong decision sometime but if his decision is strongly disapproved he will avoid taking decision and than start relaying on his superior for decision. If this happens the subordinate will never learn to make decision and also the superior will be over burden. The minor mistakes should be ignored whereas the superior should correct the serious mistake.
4. **Adequate Control Should Be Established** – It is necessary to establish proper control to ensure that his subordinate exercise authority properly and achieve pre-determined goals. But this control should not be exercised too frequently that it obstructs the subordinate performance & initiative.
5. **Upward Delegation Should Not Be Allowed** – Sometimes the subordinate are uncertain reluctant to use authority. In such situations they follow the policy of awkward delegation. It means that they will refer their problems to their superior rather than talking at their own level, this increase the burdenon superior times therefore superior should not allow subordinate to delegate awkward and should insist that they themselves take job related decisions.



UNIT – IV STAFFING

The staffing function of management refers to determination of man power requirements, arranging and producing it through recruitment and selection, maintaining it for a longer period of time, and developing it to the maximum.

In broader sense the staffing functions of management mainly consists of the following.

- To prepare man power planning and determining manpower requirements of the organization in terms of quantity of human force needed.
- To make all necessary arrangements for acquiring required human force through proper recruitment and selection.
- To maintain human force in the organization for a longer period of time by formulating and implementing effective labour policies.
- To develop the man power to its maximum by providing scientific training and conducting various development programmes both for non managerial as well as managerial employees.

Features of Staffing

- 1) Staffing involves people
- 2) Staffing is development-oriented
- 3) Staffing is continuous

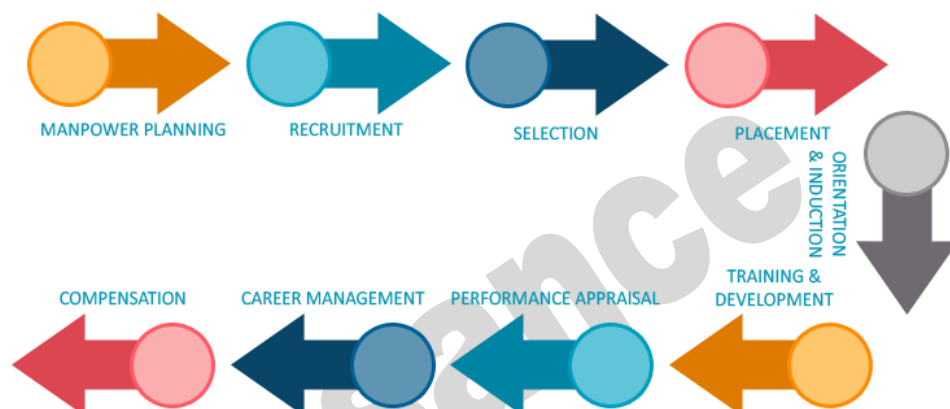
Importance of Staffing

1. Staffing functions fill up the gap between organizational design and human assets and makes structure of organization functional and operating. It is done by procuring required quantity and quality of human force.
2. All the physical resources are to be utilized through human resource, therefore, an efficient utilization of these resources to the large extent depends on skill, capabilities and attitude of human inputs.
3. Staffing process and policies play consideration role with regard to development of executives and non executive employees.
4. In addition attitude, orientation, moral motivation and performance of the employees in organization depends on how effectively staffing functions have been handled and how much attention has been given to it by top executive.
5. Effective performance of staffing functions helps in matching the expenditure incurred in maintaining human resource and the benefit derived out of it.

Elements of Staffing Process

The following elements are involved staffing process

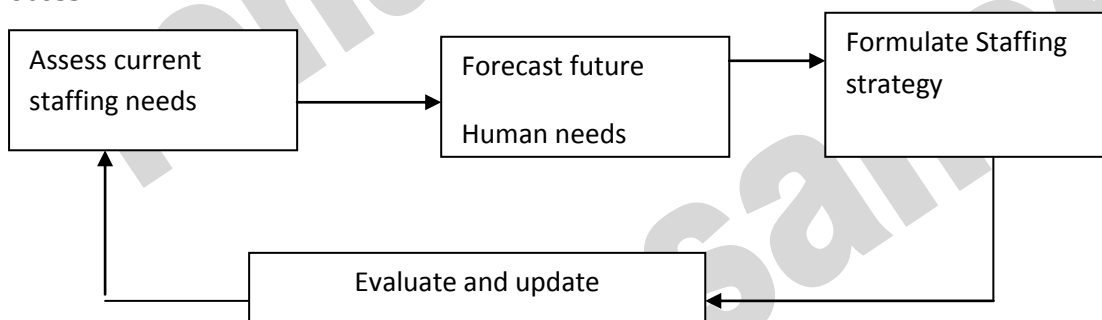
1. Manpower or human resource planning.
2. Job analysis
3. Recruitment
4. Selection
5. Placement and orientation
6. Training and development
7. Performance appraisal
8. Promotion and transfer of the employees.



I. Manpower or HR Planning

The process of getting the right number of qualified people into the right job at the right time.

Process



Objectives of Manpower Planning

- (i) Ensure optimum utilization of human resources currently employed in the organization.
- (ii) Reduce imbalance in the distribution and allocation of manpower.
- (iii) Provide control measures to ensure availability of necessary resources when required.
- (iv) Control cost of human resources employed, used and maintained in the organization.
- (v) Optimise contribution and satisfaction of the personnel's with reasonable expenditure.

Significance of Manpower Planning

- (i) It is important for determining human resource requirements of organization.
- (ii) It enable organization to cope with changing environment by formulating and conducting necessary training and development programmes for the employees.
- (iii) It helps in effective selection and development of the employees.
- (iv) It ensures acquisition of personnel with required skill, knowledge, experience and aptitude etc.
- (v) It also facilitates effective and economical use of manpower in organization.

II. Job Analysis

Job analysis is, 'Systematic process of collecting data & making certain judgment about a job. It is collecting all important information related to the nature of specific job'. Job analysis is a formal and detailed examination of jos. It is a process of gathering information about a job. It tries to 'reduce to words the things that people do in human work.



The process of job analysis consists of two sub processes, namely job description and job specification. **Job Description** is a factual statement and summary of the job contents in terms of duties, equipment to be used, working conditions, amount of supervision needed, relationship with other jobs and personnel requirements of the job. **Job specification** states minimum qualification required on the part of personnel to perform the job in satisfactory manner such as educational qualifications, job related experiences, knowledge, skill and capabilities needed for performing the job.

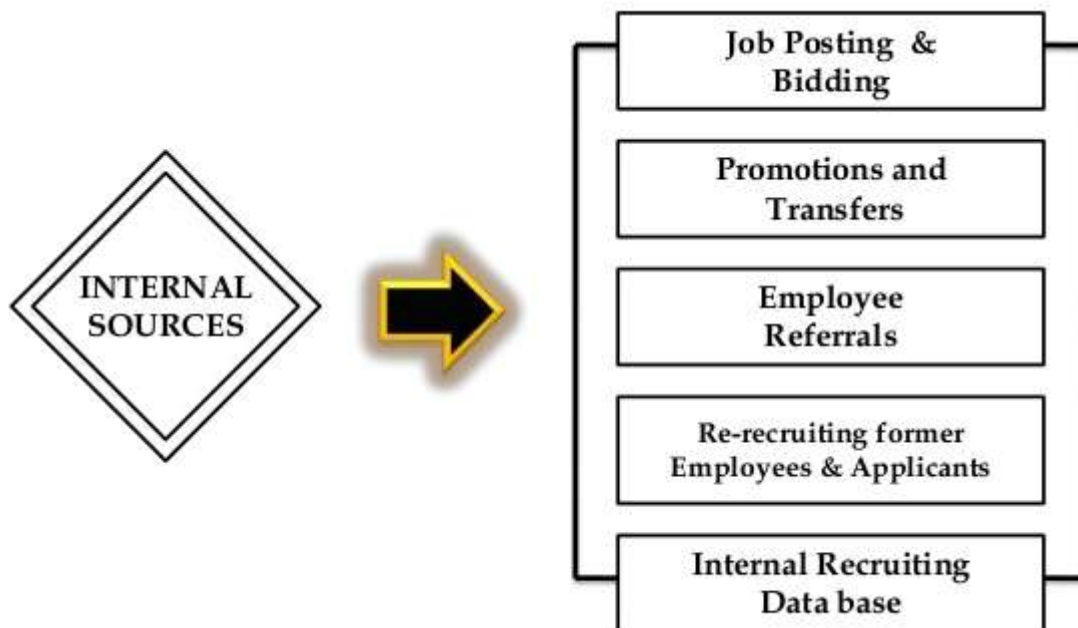
III. Recruitment

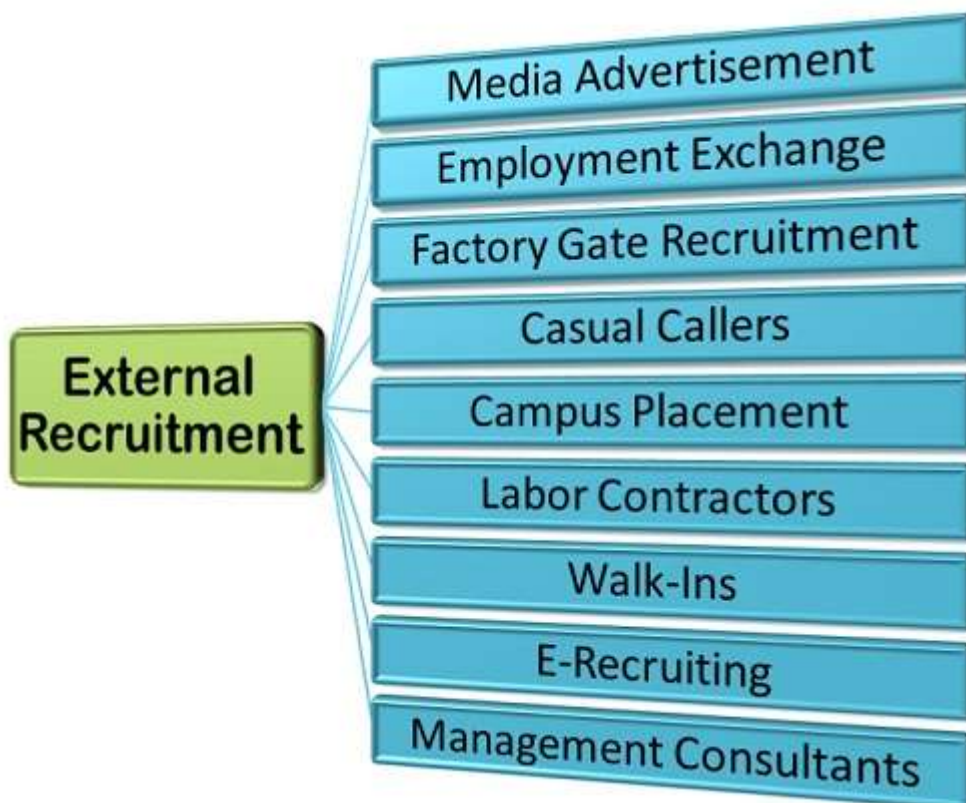
Recruitment is a process of identifying sources of human force and attracting and motivating them to apply for the jobs in the organization. The process of recruitment consists of following elements.

1. To determine vacancies
2. To identify source (Internal/External)
3. Attracting and motivating the prospective employees or candidates to apply for job vacancies in organization.
4. To ensure that sufficient number of applications have been received from the candidates for consideration and selection.

Sources of recruitment –

- 1) Internal
- 2) External





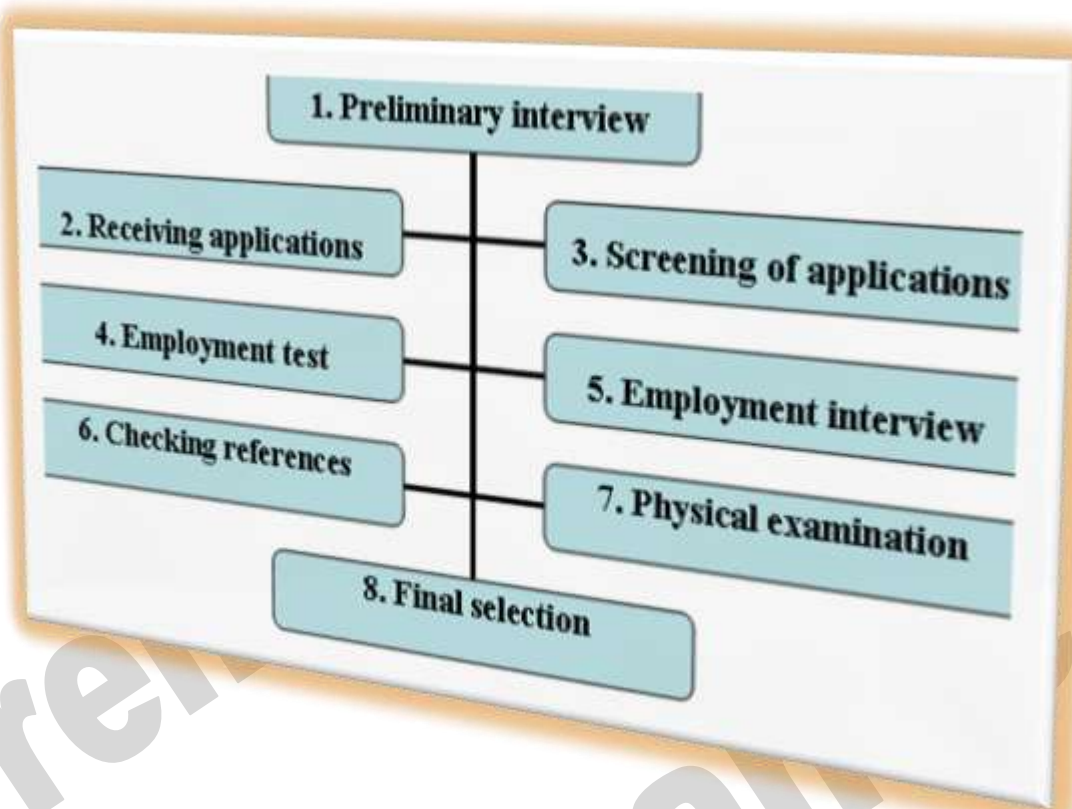
Methods of Recruitment –

- 1) Promotion and transfers
- 2) Job posting
- 3) Employee referrals
- 4) Campus recruitment
- 5) Advertisements
- 6) Private employment search firms
- 7) Employment exchanges
- 8) Gate Hiring and Contractors: Gate hiring
- 9) Unsolicited applicants/walk-ins
- 10) E-Hiring

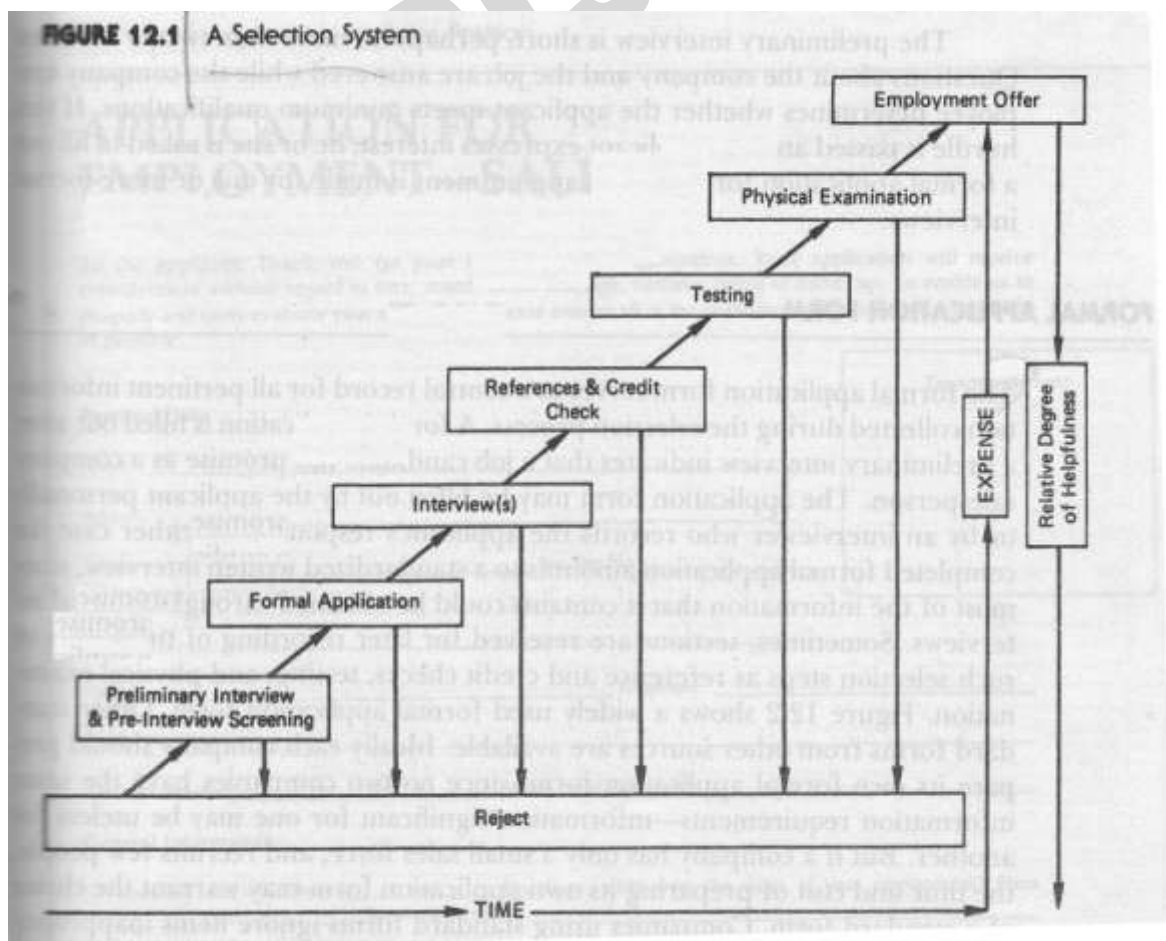
IV. Selection

Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organization.

Selection is the process by which candidates for employment are distinguished between those who are suitable and those who are not suitable. Selection procedure is marked by the following common features which are known as stages of elements of it. These are as under



PREINTERVIEW SCREENING AND PRELIMINARY INTERVIEW





Preinterview screening is for the purpose of eliminating obviously unqualified applicants, thus saving the time of interviewers and applicants. The preliminary interview can be handled by a low-paid clerk or secretary, so this is generally the lowest-cost selection step.

FORMAL APPLICATION FORM

The formal application form serves as a central record for all pertinent information collected during the selection process. A formal application is filled out after a preliminary interview indicates that a job candidate has promise as a company salesperson. The application form may be filled out by the applicant personally or by an interviewer who records the applicant's responses.

THE INTERVIEW

The interview is the most widely used selection step and in some companies it comprises the entire selection system. This method is quite satisfactory in judging an individual as to ability in oral communication, personal appearance and manners, attitude toward selling and life in general, reaction to obstacles presented face to face, and personal impact upon others.

REFERENCES

References provide information on the applicant not available from other sources.

Applicants tend to name as references those on whom they can rely to speak in their favor. In addition, there is a tendency for references to be based in favor of an applicant. These tendencies are partially offset by contacting persons not listed as references but who know the applicant. These people often are excellent sources for candid appraisals.

CREDIT CHECKS

Many companies run credit checks on applicants for sales positions. When a heavy burden of personal debt is found, it may indicate financial worries interfering with productivity, or a motivating factor serving to spur productivity-to determine which requires further investigation.

TEST

- Psychological tests
- Knowledge test
- Ability test
- Aptitude test
- Simulation test.

PHYSICAL/MEDICAL EXAMINATIONS

Since good health is important to a salesperson's success, most companies require physical examinations. If physical condition is critical to job performance-such as the ability to carry a sales portfolio weighing 20 kilos-a physical examination is positioned early in the selection system.

EMPLOYMENT OFFER –

The potential candidate is selected and offered employment in the organization.

CONCLUSION

Appropriate selection procedures, and their skillful execution, result in greater selling efficiency. A higher-grade salesperson is produced, and the advantages of having such employees make impressive list-better work quality improved market coverage, superior customer relations, and a lower ratio of selling expenses to sales. Good selection fits the right person to the right job, thereby increasing job satisfaction and reducing the cost of personnel turnover. Training costs are reduced, either because those hired are more capable of absorbing training or because they require less training.

V. Placement and Orientation



Placement may be defined as a process of determining the job to which successful candidate has been appointed and to place him on that job or assignment.

After having made proper placement, the employees need induction or orientation training. Basically **orientation** is a process of introducing new employees to the organization regarding his job as well as organization. This involves –

- (i) History of the organization, product lines, goals and processes and major operations to be performed.
- (ii) Organization structure and functions of various departments.
- (iii) Organizational plans, policies, procedures and rules made to guide his decisions and actions.
- (iv) Working environment, relationship with superior and subordinate, standard of performance, facilities granted and provisions of discipline.
- (v) Avenues provided for promotion, training and development, suggestion scheme, grievance redressal methods and safety measures provided in organization.

Purpose of Orientation



VI. Training and Development

Training and development of the employees, both managerial and non managerial is the most important aspect of staffing function. Training may be considered as key input for developing manpower in organization so as to improve their job performance. Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on the job. Training is the act of increasing the knowledge and skills of an employee for doing a particular job.



Development

In contrast, is considered to be more general than training and more oriented to individual needs in addition to organizational needs and it is most often aimed toward executives. Development includes all activities that prepare an employee for future responsibilities.

Why to Impart Training?

The training programme conducted by the organization may be for the achievement of the following objectives.

1. To provide all necessary information to the newly appointed employees as to help him getting adjusted at the earliest and to enable him to perform assigned job efficiently.
2. To lower the turnover and absenteeism and to increase job satisfaction.
3. To prepare employees for taking up higher jobs with more challenges and responsibilities.
4. To prepare the personnel for promotion in organization.
5. To help them in reducing gap, between existing level of performance and desired level.
6. To improve quality of goods and services being produced.
7. To help them in reducing cost of waste, spoilage and equipment maintenance.
8. To develop potential abilities of the employees.

Importance of Training

1. Improve performance of employee
2. Boost employees morale
3. Reduce cost of operations
4. Reduce supervision cost
5. Establish relationship among man his job and work environment.
6. Promotion of employees
7. Fulfill manpower requirement of organization
8. Improves social behaviour
9. upgrade existing knowledge of personnel.

Methods of Training





1. Vestibule training
2. On the job training
3. Off the job training

Vestibule Training : Under this method the employees learn their job on the equipment that they will be using in real work setting but training is conducted away from place work.

On the job training : Under this method the employee gets training on the job, i.e., at his work place itself. Some of the major techniques of the job method of training are listed as under :-

- (a) Coaching : In coaching, superior teaches job knowledge and skill to the subordinates emphasizing on learning by doing.
- (b) Under study : Under this method superior imparts training to subordinate at his under study.
- (c) Job rotation : This technique of on the job training is adopted for broadening work experience of the trainees in various related positions because he is to work on different jobs by rotation.
- (d) Assistant to position : In this method, junior personnel is made assistant to senior personnel as to work under his command and guidance.
- (e) Temporary promotion : In this method junior executives or non managerial employees may be given promotion on purely temporary basis.
- (f) Membership in committees : The committees may be considered as a proper training ground for to the employees.
- (g) Delegation of authority : Delegation of authority to all levels of managers also serves as an important tool for making them trained regarding the job assigned to them because they are given enough formal rights for solving problems, making decisions and using resources for performing job and when they face problem of serious nature they take it up with their superior, make interaction with him and seek his guidance and help to solve it. In this way they learn more about the job.

Off the job methods : Off-th-job training methods remove personnel from the stress and ongoing demand of work place and enabling them to focus fully on learning new experience some of them are :

- (a) Lecture
- (b) Conferences
- (c) Case method
- (d) Simulation : This technique seeks to duplicate the real life work setting in which he has to work.
- (e) Sensitivity training : The main purpose of providing sensitivity training is to develop capabilities and improve behavioural pattern of the employee specially with regard to views, feelings, actions of other.

VII. Performance Appraisal



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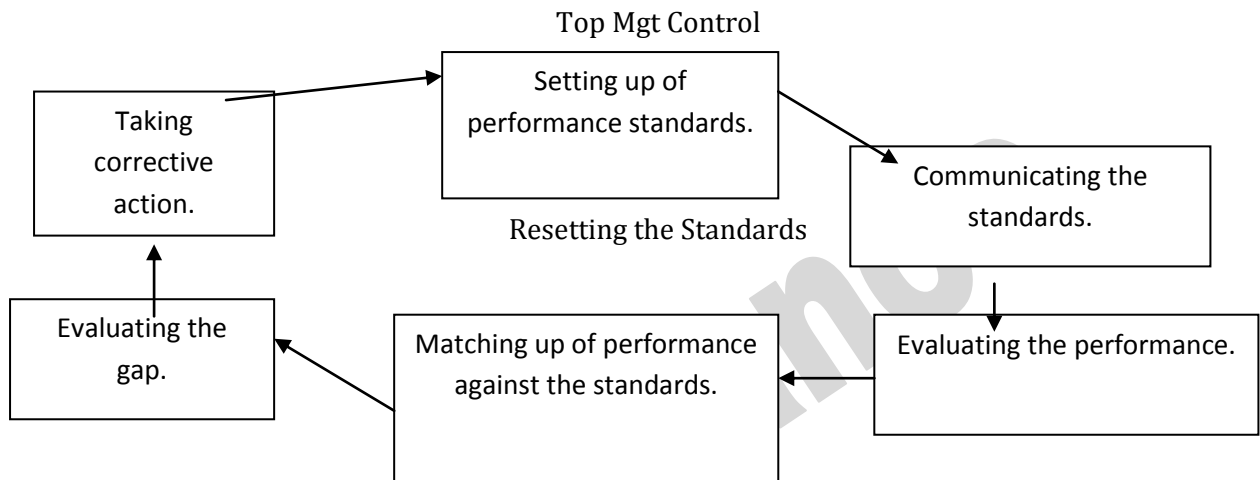
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The performance appraisal can be defined as a systematic evaluation or rating of the individual employee periodically by his superior with regard to personal characteristics related to the job, working behaviour pattern, the contents and quality of his contribution and his potential for the development of his career.

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Performance Appraisal Model

VIII. Promotions and Transfer

The promotions are the most significant way of recognizing efficient performance of the job. Since the promotion involves vertical movement of the employee with more authority and responsibility. Promotion is an upward movement of employee in the organization to another job, higher in organization's hierarchy. The term transfer implies shifting of the employee from one job position to another related position, of course, with a same status and pay-scale.

SHORT NOTES ON:-

PERFORMANCE APPRAISAL

Introduction

In the present socio-economic system human resources have been recognized as the most valuable and potential resources. The success and failure of any organization depends on its ability to use the manpower adequately. In a group, people make an opinion about one another. But informal evaluation is insufficient as it seldom leaves any documentation of either good or poor performance. Thus in order to generate confidence, performance appraisal should be systematic and objective. Performance appraisals have become an increasingly important tool for organization to manager and improve the performance of employee, to make more valid staffing decision and to enhance the overall effectiveness of the firm's services and product.

Meaning

Performance appraisal is the process by which the organizations evaluate the job performance of their employees. These human resources are capable of attaining a high level of performance if properly motivated and provided a suitable environment. The performance appraisal system is not only concerned with the analysis if individual performance but it also provides a comprehensive feedback to the workers about their performance and their potentiality. It facilitates the identification of specific training and development needs of the employees of an organization. Performance Evaluation or Appraisal is the process of deciding how employees do their jobs. It indicates how well an individual is fulfilling the job requirements. Often the term is confused with efforts, which means energy expended and used in a wrong sense. Performance is always measured in terms of results. A bank employee, for example, may exert a great deal of effort while preparing for the CAIIB examination but manages to get a poor grade. In this case the effort expended is high but performance is low.

Definition

According to Spriegel and others, "it is the process of evaluating the employees' performance on the job in terms of requirements of the job."



According to Schuler and others, performance appraisal can be defined as, “measuring, evaluating and influencing an employees job related attributes, behaviour and outcomes, level of absenteeism to discover at what level the employee is presently performing on the job. This involves determining how productive the employees is and if the employee can perform as or more effectively in the future so that the employee the organization and society all benefit.

According to Cart Heyel, “Performance appraisal is a process of evaluating the performance and qualifications of the job for which he is employed for purposes of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group a distinguished from actions affecting all members equally.”

According to Edwin B.Flippo “Performance appraisal is the systematic, Periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.”

Features

The main characteristics of performance appraisal may be listed thus:

- The appraisal is a systematic process
- It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
- The appraisal is carried out periodically, according to a definite plan. It is certainly not a one shot deal.
- Performance appraisal is not a past-oriented activity, with the intention of putting poor performers in a spot. Rather, it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.
- Performance appraisal is not job evaluation. Performance appraisal refers to hoe well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organization and therefore, what range of pay should be assigned to the job.
- Performance appraisal is not limited to ‘calling the fouls’. Its focus is on employee development. It forces managers to become coaches rather judges. The appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems, and set new goals for achieving high performance.
- Performance appraisal may be formal or informal. The informal evaluation is more likely to be subjective and influenced by personal factors. Some employees are likely better than others and have, for that reason only, better chances of receiving various kinds of rewards than others. The formal system is likely to be more fair and objective, since it is carried out in a systematic manner, using printed appraisal forms

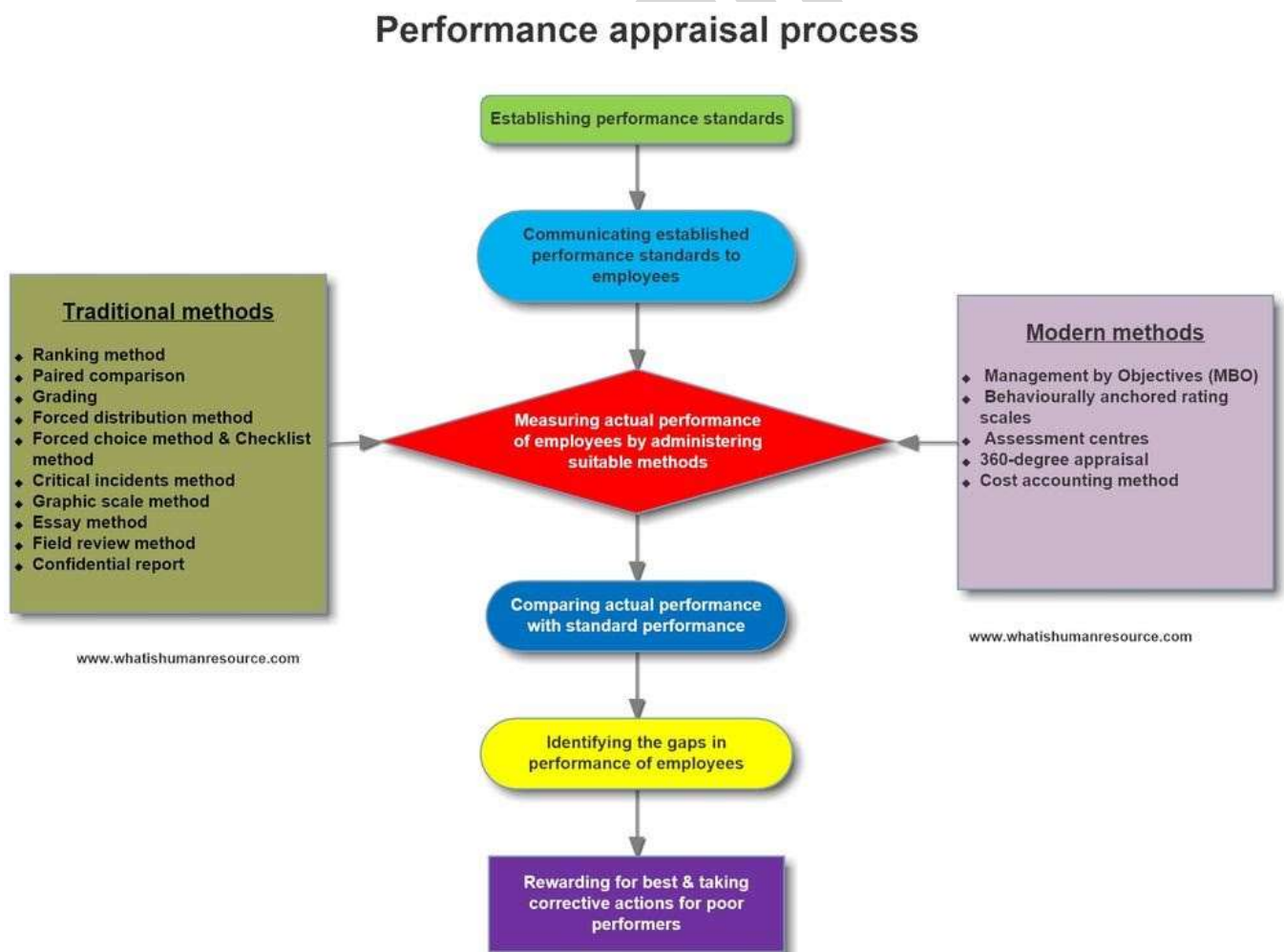
Objectives

- a. **Compensation decision:** It can serve as a basis for pay raises. Managers need performance appraisal to identify employees who are performing at or above expected levels. This approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority. Under merit system, employee receives raised based on performance.
- b. **Promotion decisions:** It can serve as a useful basis for job changes or promotion. When merit is the basis for reward, the person doing the best job receives the promotion. It relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.
- c. **Training and development programmes:** Is can serve as a guide for formulating a suitable training and development programme. Performance appraisal can inform employees about their progress and tell them what skills they need to develop to become eligible for pay raise or promotions or both.



- d. **Feedback:** Performance appraisal enables the employee to know how well he is doing on the job. It tells him what he can do to improve his present performance and go up the 'organizational ladder'.
- e. **Personal development.** Performance appraisal can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

The Performance Appraisal process



Performance appraisal is planned, developed and implements through a series of steps:

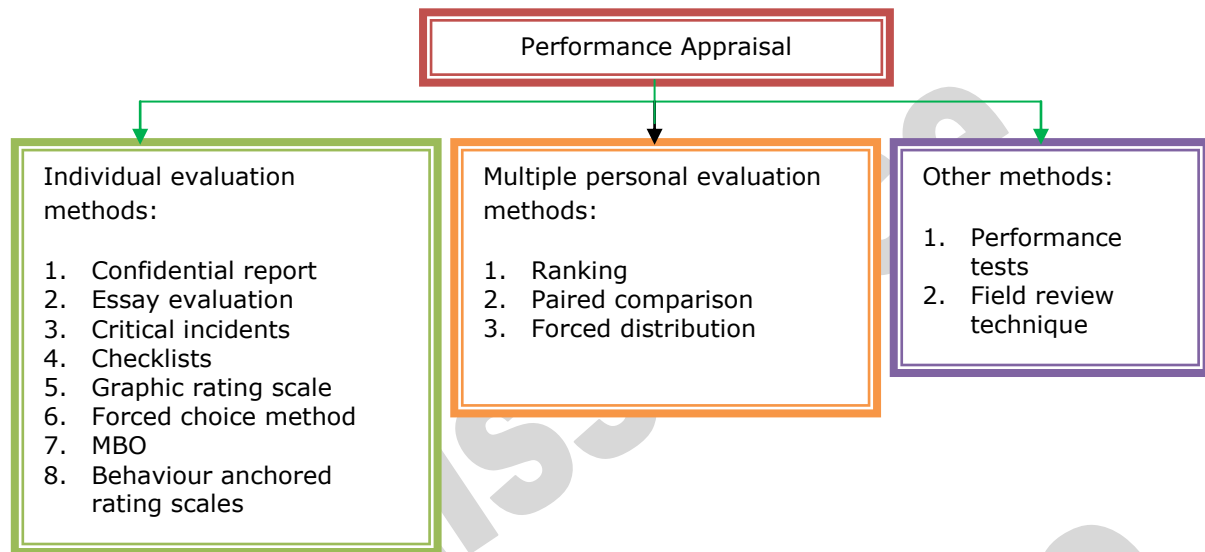
1. **Establish Performance Standards:** Appraisal system require performance standard, which serve as bench marks against which performance is measures. In order to be useful, standards should relate to the desired results of each job. Appraisals must have clear-cut criteria. Performance standards must be both to the appraiser and the appraisee.
2. **Communicate the Standards:** Performance appraisal involves attracts two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly, help appraisee set his goals and targets; analyze results objectively; offer coaching and guidance to appraisee whenever required and reward good results. The appraiser should be very clear about what he is doing and why he is doing. For this purpose, the performance standards must be communicated to appraisees and their reactions be noted initially.



3. **Measure Actual Performance:** After the performance standards are set and accepted, the next step is to measure actual performance. This requires the use of dependable performance measures, the rating used to evaluate performance. Performance measures in order to be helpful must be easy to use, reliable and report on the critical behaviour that determines performance. Generally, four common sources of information are used by managers regarding how to measure actual performance: personal observation, statistical reports, oral reports and written reports.
Performance measures may be objective or subjective. Objective performance measures are indicators of job performance that can be verified by others and are usually qualitative criteria include quality of production, degree of training needed and accidents in a given period, absenteeism, length of service, etc. Subjective performance measures are ratings that are based on the personal standards or opinions of those doing the evaluation and are not verifiable by others. Subjective criteria include setting by superiors, knowledge about overall goals, and contribution to socio-cultural values of the environment. Objective criteria can be laid down while evaluating lower jobs which are specific and defined clearly and not for middle level positions that are complex and vague.
4. **Compare Actual Performance with Standards and Discuss the Appraisal:** Actual performance may be better than expected and sometimes may even go off the track. The assessment of another person's contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.
5. **Taking Corrective Action, if Necessary:** Corrective action is of two types; the one which puts out the fires immediately and the other one which strikes at the root of the problem permanently. Immediate action sets things right and gets things back on track, whereas the basic corrective action gets to the source of deviations and seems to adjust the difference permanently. Basic corrective steps seek to find out how and why performances deviate.



Methods of Performance Appraisal



- 1. Individual Evaluation Methods:** Under this employees are evaluated one at a time without comparing them with other employees in the organization:
 - a. Confidence Report:** It is mostly used in government organizations. It is a descriptive report prepared generally at the end of the year, by the employee's immediate superior. The reports highlight the strengths and weaknesses of the subordinate. The impressions of the superior about the subordinate are merely recorded here. It does not offer any feedback to the appraise. Since the report is generally not made public and hence no freedom is available, the subjective analysis of the superior is likely to be hotly contested.
 - b. Essay Evaluation:** Under this method, the rates are asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rates can elaborately present the scale by substantiating an explanation for his rating.
 - c. Critical incidents Techniques:** The manager prepares tests of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding poor behaviour of employees. Manager prepares records of the critical incidents of the worker's behaviour. At the end of the rating period, the recorded critical incidents are used in the evaluation of the workers' performance.
 - d. Checklists and Weighted Checklists:** In simplest form, a checklist represents a set objectives or descriptive statements about the employee and his behaviour. If the rates believe strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent, variation of the checklist is weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than other.
 - e. Graphic Rating Scale:** It is the oldest and most commonly used method of performance evaluation. In this, a printed form is used to evaluate the performance of an employee. A verity of traits may b used in these types of rating devices, the most common being the quality and quantity of work. The rating scales can also be adapted by including trails that the company considers important for effectiveness on the jon. A model of a graphic rating is given on next page.
 - f. Behaviourally Anchored Rating Scales:** Also known as the behavioural expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions.



- g. **Forced Choice Method:** It was developed to eliminate bias and the preponderance of high ratings that might occur in some organizations. Its primary purpose is the correct tendency of a rates to give consistently high or low ratings to all the employees. This method makes those of several sets of pair phases, two of which may be positive and two negative and the rates is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statements applies to the most effective employee.
- h. **Management by Objective (MBO):** It is a modern method of evaluating the performance of personnel. Managers have become increasingly aware that the traditional performance evaluation systems are characterized by facing goals. This would inevitable enable subordinates to exercise self-control over their performance behaviours. The concept of MBO is actually the outcome of the pioneering work of Drucker, Mcgreger and Odioine in management science. MBO can be described as a process whereby superior and subordinate manager of an organization jointly its common goals, define each individual's major areas of operations, responsibility in terms of results expected of him and use these measures as a guide for operating the unit an assessing the contributions of each of its members. MBO,thus represents more than an evaluation programme and process.
- 2. **Multi-Person Evaluation Techniques:** These techniques are used to evaluate one employee in comparison to another. Three frequently used methods in organization are ranking, paired comparison and forced distribution.
 - a. **Raking Method:** This is a relatively easy method of performance evaluation. In it, the ranking of an employee is a work group is done against that of another employee. The relative position of each employee is tested in terms of their numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.
 - b. **Paired Comparison Method:** Ranking is more reliable and easier under this method. Employee is compared with all other employees in the group, for example, when there are five employees to be compared, then A's performance is compared with that of B's and decision is arrived at a to whose is the better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only c, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons).
 - c. **Forced Distribution Method:** Under this method, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is sought to be eliminated here because workers are not placed at a higher or lower end of a scale. Two criteria are normally used for rating job performance and promotability. Further, a five point performance scale is used without any mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performances. For instance, the workers of outstanding merit may be placed at the top 10% of the scale. The rest may be placed as: 20%-Good, 40%-Outstanding, 20%-Fair, and 10%-Fair.
- 3. **Other Methods:** Other methods include Group Appraisal, human Resources Accounting, Assessment Centre, Field Review, etc.
 - a. **Group Appraisal:** In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have closed contact with the employee's work, manager or head of the department and consultants.
 - b. **Human Resource Accounting:** HRA is a sophisticated way to measure in financial terms the effectiveness of personnel manager activities and the use of people in an organization. It is the process of accounting for people as an organizational resource. It tries to place a value on organizational human resources as assets and not as expenses.
 - c. **Assessment Centre:** This method of performance evaluation was first applied in German Army in 1930. Later, business and industrial houses started using this method. This is not a technique of appraisal by itself. In fact, it is a system on organization, where assessment of



several individuals is done by various experts using various techniques. These methods include in-basket, role playing, case studies, simulation exercises, structured in sight, transactional analysis, etc.

In this approach individuals from various departments are brought together to spend two or three days working on an individual or group assignment similar to the ones they would be handling when promoted.

PROBLEMS WITH PERFORMANCE APPRAISAL

- 1) Judgment Errors
 1. First impressions (primacy effect)
 2. Halo effect
 3. Leniency
 4. Central tendency
 5. Stereotyping
- 2) Poor appraisal
- 3) Lack of rater's preparedness
- 4) Ineffective organizational policies and practices

CAREER PLANNING

Concept of career:

According to E.H. Schein, "A career is a sequence of positions held by a person during the course of a lifetime. It comprises of a series of activities that provide continuity, order and meaning to a person's life."

Features:

1. It is a proper sequence of job related activities.
2. It may be individual centered or organization centered.
3. It is a sequence of career progression within an occupation.
4. It is a lateral movement in an occupation of an individual over his employment span.
5. It is a sum total of all the jobs occupied by a person during his working life.
6. A career develops overtime
7. The important element in one's career is experiencing psychological success which is feeling a sense of personal accomplishment and fulfillment.
8. It is the individual who ultimately must judge the success of his career.

Meaning of Career Planning:

Career planning is the process by which one selects career goals and the path to reach goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization. Career programs should not concentrate only on career growth opportunities. Hence career planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

According to Schermerborn, hunt and osborn, "Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillments.





Objectives of career planning:

1. Attract and retain talent by offering careers not jobs.
2. Use human resources effectively and achieve greater productivity.
3. Improve employee morale and motivation.
4. To encourage individuals to explore and gather information, which enables them to gain competencies, make decisions, set goals and take action.
5. To increase employee productivity.
6. To prevent job obsolescence.
7. To improve the quality of employees worklife.
8. To help companies meet internal staffing requirements and reduce turnover.
9. To help employees meet their need for challenge and achievements of career goals.
10. To develop an awareness of each employees uniqueness.

Advantages

- Benefits to employee: The employee has advance knowledge of career opportunities within the company. He knows where he stands, where he wants to go, who is ahead of him, how to scale the corporate ladder. This helps him set his career goals more realistically and take appropriate steps to realise them.
- Benefits to organisation: Organisations can base their decisions more systematically. Fast tracks for stars could be arranged, training to slow movers can be provided, replacements can be planned in advance, hard-working, talented people can be retained through offering attractive career options and compensation plans; job assignments can be made based on merit, etc.
- Relations: Relations between the employer and the employee would become more cordial; employee skills could be used properly; valued employees could be retained, there will be an expanded image of the company as a people developer.

Limitations

- For small units (where there are very few opportunities for the vertical growth of employees) it is not suitable.
- Several environmental factors such as government policy, laws of the land, reservation based on castes, regional pressures, union demands may upset career planning and development efforts.

Process of Career Planning:

The career planning process involves the following steps:

a. Identifying individual needs and aspirations:

The basic purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee's interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career developments activities.

b. Analyzing career opportunities:

Once career need and aspirations of employees are known the organization has to provide career paths for each position. Career paths show career progressions, possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well.

c. Aligning needs and opportunities:

This process consists of two steps: Identify the potential of employees and then undertake career developments programs with a view to align employee need and organizational opportunities.

d. Action plans and periodic reviews:

The action plans of individual career development are made. This will be helpful for the employee to know in which direction he is moving.



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UNIT-5 CONCEPT OF DIRECTION

Direction is the process of instruction, guiding, supervising, and motivating people towards the accomplishment of organizational goals. It is the function by which actual performance of persons is guided towards common goals. Ernest Dale writes, "The directing phase of management job is what many people think of as management itself: telling people what to do and seeing that they do it," The scope of directing is very wide. It includes staffing, communicating, motivating, and development group performance.

Definitions

1. In the words of Lloyd Baird and others, "Directing, the process of guiding the activities of a group of people towards goal accomplishment, involves staffing, communication, motivating, and working groups."
2. In the words of Jon Pierce and Dunham, "Directing is the process through which employees are led and motivated to make effective, efficient contribution to the realization of organization goals."

NATURE OF CHARACTERISTICS OF DIRECTION

The above definition reveal the following features of directing function:

1. Managerial Function
2. Dynamic Function
3. Challenging Function
4. Direction Initiates at the Top Level
5. Guiding Process
6. Leadership Skill
7. Performance-oriented
8. Integrating Function
9. Core of Human Resource Management
10. Creates work environment
11. Continuing Function
12. Two-fold objectives
13. Wide Scope
14. Communication-based Function
15. Pervasive Function
16. Covers Routine Activities

Importance of Direction

1. Heart of administration
2. Initiates Action
3. Helps to Achieve objectives
4. To execute the Decisions
5. Irreplaceable Task
6. Helps Utilize Capabilities
7. Crucial to an Organisation's Success
8. Attempts to get Maximum Results
9. Getting Things Done
10. Connection and Actuating Link
11. Creates will and Enthusiasm for work
12. Helps Achieve Coordination
13. Helps Develop Managers
14. Creates Work Environment
15. Other Points of Significance
 - i. It integrates individual efforts
 - ii. It facilitates change in the organisation
 - iii. It ensures stability and balance in the organisation.
 - iv. It is helpful in securing the cooperation of employees.
 - v. It facilitates management of change.
 - vi. It motivates employees.



MOTIVATION

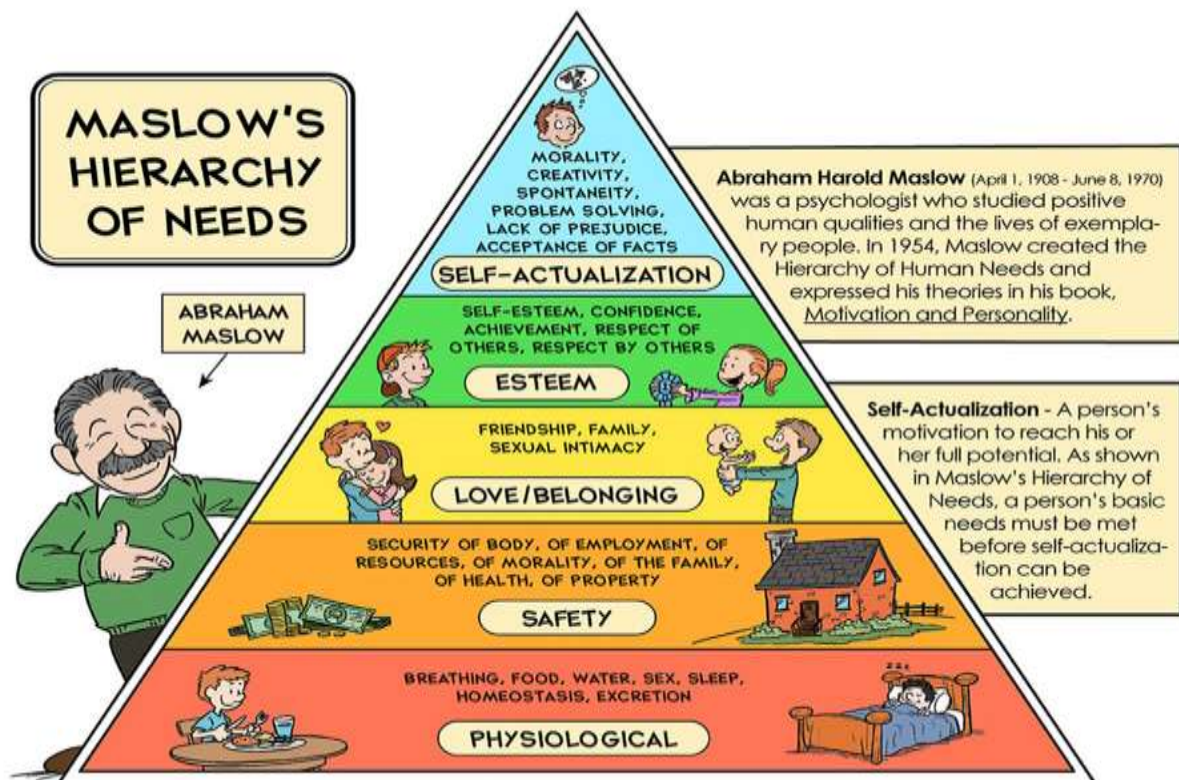
Motivation might be defined as a planned managerial process, which stimulates people to work to the best of their capabilities for the most effective and efficient realisation of the common objectives of the enterprise; by providing them with motivators to work for – based on their unfulfilled needs. It is, in fact, pressing the right button to get the desired human behaviour.

I. Maslow's Need Hierarchy

(a) Introduction

To devise and implement any scheme of motivation, an understanding of human needs is imperative. In fact, the management, having understood the basic nature of human needs, has to make a search for the unfulfilled needs of individuals and initiate the motivation process – by providing them with avenues for the fulfillment of their unsatisfied needs.

(b) An explanation of Maslow's Need Hierarchy



A.H. Maslow has provided the following classification of human needs:

- (i) Physiological (or basic or survival) needs
- (ii) Security (or safety) needs
- (iii) Social (or affiliation) needs
- (iv) Ego (or esteem) needs
- (v) Self-realisation (or self-actualisation) needs:

Following is a brief account of the above-mentioned human needs:

(i) Physiological (or basic or survival) needs

Physiological needs include, needs for food, drink, clothing, shelter, rest and other similar basic requirements.



These needs are also called basic needs; as these needs are common to all individuals. Again, these needs are also called survival needs; as the fulfillment of these needs is necessary for the survival or existence of all human beings.

(ii) Security (or safety) needs

- **Economic security needs**

A man wants economic security i.e. an assurance about the fulfillment of basic needs, on a continuous or permanent basis. In this way, these needs are just an extension of basic needs.

- **Physical security needs**

These needs include protection against – fire, accidents (including industrial accidents), terrorism and other types of physical dangers.

- **Social security needs**

These include a need for security in old age, state of illness or permanent incapacity to work caused by some disablement.

(iii) Social (or Affiliation) needs

Since man is a social animal; social needs become important for all those, who live in societies and work in the company of others. These needs include, need for love and affection, a sense of belonging to the work-group, acceptance by the work-group etc.

(iv) Ego (or them) needs

Ego or esteem needs may be self-esteem and esteem of others. The former variation of ego needs includes self-confidence, independence while the latter includes power over others, prestige or reputation enjoyed in the work-group, respect or recognition from other etc.

(v) Self-realisation (or self-actualisation)

Some persons (not necessarily all) have desire to develop themselves to the fullest extent; by realising or exploiting their potential or capabilities maximally. In simple words, these needs reflect a desire to become what one is capable of becoming.

III. Herzberg's Two Factor Theory of Motivation

(a) Introduction

Frederick Herzberg's two factor theory of motivation is based on his research conducted among 200 accountants and engineers of Pittsburgh area, U.S.A.; who were asked the following two questions;

(i) What is about your job that you like?

(ii) What is about job that you dislike?

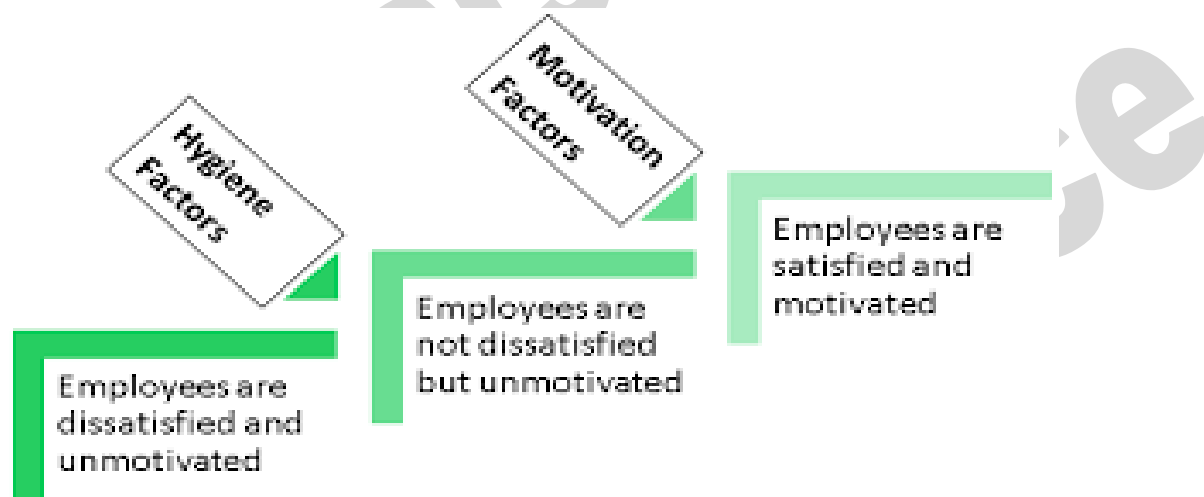
Accordingly, he put the responses into two categories:

- Factors that prevent dissatisfaction, known as hygiene factors.
- Factors that have positive effect on job satisfaction, known as motivators.

(b) Hygiene factor (or maintenance factors or dissatisfiers)

the first category of factors, in Herzberg's two factor theory are called hygiene factors. The presence of these factors prevent dissatisfaction and helps to maintain status quo (hence also called maintenance factors); while the absence of these factors leads to dissatisfaction. (hence also called dissatisfiers).

The word 'hygiene' is taken from the medical field, where it means taking steps to maintain one's health but not necessarily improve. It for example, brushing teeth regularly helps prevent dental diseases but not improve the condition of teeth. However, neglecting to brush teeth regularly may cause dissatisfaction i.e. in form of inviting dental diseases.



Herzberg mentions the following factors as hygiene factors

- (i) Salary
- (ii) Job security
- (iii) Working conditions
- (iv) Company policy and administration
- (v) Technical supervision
- (vi) Interpersonal relationships with peers
- (vii) Interpersonal relationships with supervisors
- (viii) Interpersonal relationships with subordinates
- (ix) Status
- (x) Personal life

Herzberg mentions the following factors as Motivators -

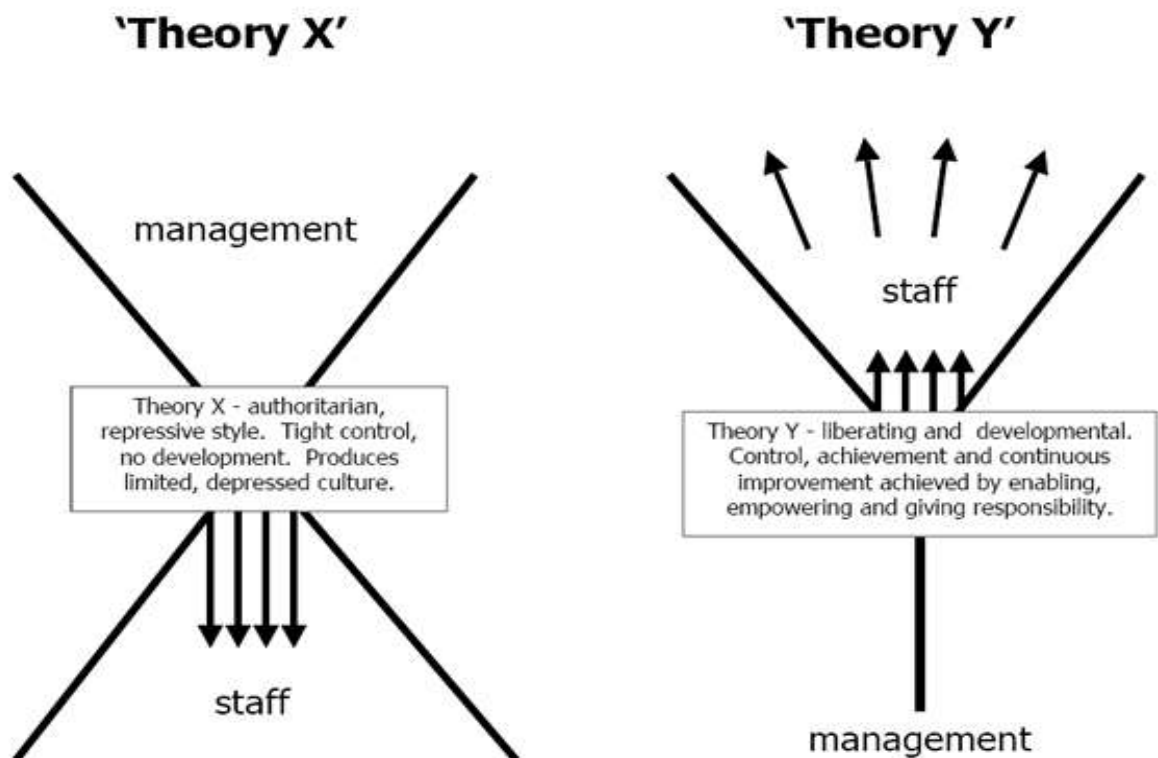
- (i) Achievement
- (ii) Recognition
- (iii) Work itself
- (iv) Responsibility
- (v) Advancement
- (vi) Growth

IV. McGregor's Theory 'X' and Theory 'Y'



(a) Introduction

Douglas McGregor has developed two sets of assumptions about human behaviour, labeling these as Theory 'X' and Theory 'Y'. The idea behind using letters X and Y, perhaps seems to be using a neutral terminology, which does not convey a sense of badness or goodness associated with these theories. Apparently, Theory 'X' contains a set of negative assumptions about human behaviour; and Theory 'Y' contains a set of positive assumptions about human behaviour. Understanding of these two alternative sets of assumptions about human behaviour is a must for management, for devising motivational techniques.



(b) A Comparative account of assumptions contained in Theory 'X' and Theory 'Y'

For sake of better comprehension, assumption of Theory 'X' and Theory 'Y' could be described in the form of following comparative table:

Theory 'X'	Theory 'Y'
1. People have a dislike for work; and like to avoid work, if they can do so	1. People like work. In fact, expenditure of physical and mental efforts involved in work is as natural as involved in play or rest.
2. People wish to avoid responsibility	2. People like not only to accept responsibility; but also seek responsibility
3. People prefer to be directed by or led by others.	3. People prefer to lead and exercise self direction and self control.
4. People lack creativity and imagination. (In fact, creativity and imagination is narrowly distributed among population)	4. People possess creativity and imagination (creativity is widely distributed among population).
5. Commitment to objectives is a function of punishments associated with their non achievement	5. Commitment to objectives is a function of rewards associated with their achievement.



6. People are self-centred and indifferent to organisational goals.	6. People are not much self-centred and are interested in organisational goals.
7. People have limited potential of capabilities	7. People have unlimited potential of capabilities. Under modern industrial conditions, potential of men is only partially utilised.

Management Technique/Practice	Theory 'X'	Theory 'Y'
1. Setting of objective	Objectives are set by the superior.	Objectives are set jointly by the superior and the subordinate.
2. Leadership style	Autocratic leadership	Democratic leadership; at times laissez faire style of leadership, more suitable.
3. Motivation philosophy	A system of negative incentives involving punishment is needed.	A system of positive incentives, involving rewards is needed.
4. Communication system	One way communication i.e. top down communication needed; as there is little feedback to communication.	Two way communication; with a great emphasis of on communication feedback, for improving future communications.
5. Control system	Rigid control needed.	Flexible controls needed.
6. Decision-making power	Centralisation of authority more desirable	Decentralisation of authority more desirable.
7. General focus	Focus on past performance with a fault – finding approach	Focus on future performance, with an approach to effecting improvements in performance; rather than fault finding in past performance.

LEADERSHIP

“Leadership might be defined as the art of influencing the behaviour and performance of followers (i.e. subordinates) towards the most enthusiastic attainment of common objectives through inspiring people by the leader’s charisma, conduct and behaviour.

1. “Leadership is a human characteristics which lifts man’s vision to higher sights; raises man’s performance to higher standards and build men’s personality beyond its normal limits.” – **Peter F. Drucker**



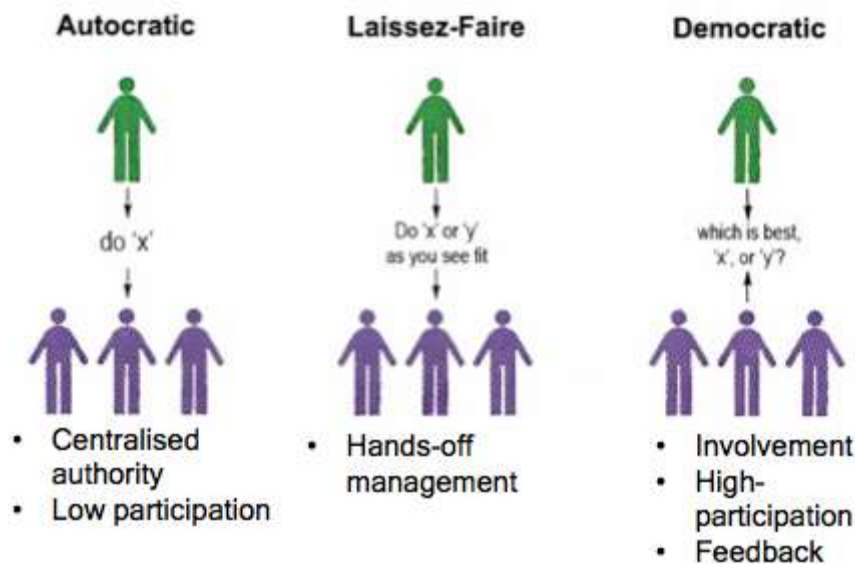
STYLES AND PATTERNS OF LEADERSHIP

a. Style based on attitude



1. **Positive Leadership-** In this style of leadership leader use positive rewards like recognition, pride & Praise as well as extrinsic rewards like salary hike, promotion, increase of perks & allowances to get the work done from people. Positive leader has a mindset that rewards will make employees happy & satisfied and will motivate them to work effectively and efficiently as desired from them. People will always focus on improving their performance for getting more rewards. This style of leadership leads to higher job satisfaction and performance.
2. **Negative Leadership-** In this style of leadership leaders use negative rewards like fear loss of job, reprimand, demotion, fear of suspension, force, threats penalties or a few days off without pay on people to get the work done from them. This style can help in getting good results in many situations but it is not human in nature and creates a negative & non- acceptable image of a leader in the mind of followers. It leads of more of bossism than leadership.

b. Style based on use of Authority



1. **Autocratic style-** This style of leadership is also known as authoritarian or directive style. This style involves retention of full authority by the leader. Leader makes all the decisions without even consulting and involving employees. In this style of leadership leader only gives order & instructions to their subordinates for getting the work done and also expects from subordinates to follow the orders and instructions. Leaders assume full responsibility for all the actions.

Advantages

- i. This style of leadership leads to quick decision making as leaders does not need to consult their group members.
- ii. It allows the use of less competent subordinates.
- iii. It provides security & structure to employees.
- iv. It provides strong motivation to self-centered leaders.
- v. It is useful to those subordinates who are not interested to assume responsibility.

Disadvantages

- i. It creates fear & frustration & provides less freedom of work & self development to employees.
- ii. It gives adverse effect on productivity.
- iii. It restricts the development of future leaders.
- iv. It leads to defensive behavior from subordinates.



2. **Democratic or Participative Style-** A participative or democratic style of leadership is one in which managers involve their subordinates in decision making. There is decentralization of authority by leaders and they consult & encourage subordinates for participation in decision making process. There is high regard for people and sufficient freedom is allowed to people to work.

Advantages

- This leadership leads to qualitative decision making as number of people are encouraged to express their ideas.
- A positive & human relationship is established between the leader and followers.
- It creates job satisfaction motivation and morale & also reduces employees' grievances.
- It creates an environment of trust, confidence, mutual co-ordination & loyalty.
- It improves talent, productivity employees and also increases their acceptances to management ideas & actions.

Limitations

- It leads to delay in decision making.
 - This style works well if employees are skilled & well informed about organizational problems.
 - This style can result into complete loss of leaders control over the employees.
3. **Free-rein Style-** This style of leadership is also called as laissez- faire. In this style of leadership leaders abdicates from leadership position and depends mostly upon the group to establish its own goals and to solve their own problems. Subordinates are given high degree of freedom in their operations. They are their own trainees and source of motivation. Free rein leader avoids power & responsibility and only provides information & represents the group to outsiders. This type of leadership is effective only when the group members are highly knowledgeable, independent, motivated and fully dedicated to the firm.

Advantages-

- It helps in the personality development of subordinates.
- It gives the feeling of responsibility among group members
- It creates climate of work freedom & team spirit.

Disadvantages-

- It may result in disorganized activities.
- It leads to absence of centralized authority which results in group conflict & loss of group cohesiveness.
- Some leaders use this style to avoid responsibility.
- It leads to "non-leadership" and lack of control of leaders over employees.

- C) **Style based on Behaviour of leader-** This type of leadership focus on behavior of leader towards the task as well as the people who are performing the task. A four combination style of leadership can be based on behavior of leader.



- i. **High-task and Low-Relationship-** This type of leadership leader has the main emphasis on the accomplishment of tasks and spends very less time to maintain relations & to provide psychological support to employees. This is more of work-oriented approach and is suitable where the employees are in experiences with the work to be performed. This type of leaders is not necessarily rude or discourteous.
 - ii. **High-Task and High Relationship-** In this type of leadership style a leader gives high emphasis to both task accomplishment as well as Relationship building with employees. Leader spends considerable time to get work done and provide psychological support to employees. This leadership style is best in situations where people need an active & involved leader as well as in case of lack of self-confidence, or technical in employees.
 - iii. **High Relationship and Low Task-** A leader using this type of leadership style gives much encouragement & psychological support to employees but gives a minimum guidance about the task accomplishment.
 - iv. **Low Relationship and Low Task-** These leaders have a free-rein leadership style and give very little support, encouragement, praise as well as guidance to do work to employees. This style can be followed where subordinates are highly skilled & mature.
- D) Style based on assumptions about people-** Here leadership style depends upon the assumption which a leader has about his subordinates. This two way classification of leadership is based on McGregor's theory X & theory Y of motivation. This style is basically of two types-
- i. **Job-Centered Leadership-** This is a task oriented style of leadership where by a leader focus on getting work done effectively by employees. It is concerned with work designing, production, planning, development of incentives, resource allocation to increase work productivity. This type of leaders focus on making employee work and plan out for worker's job tasks and job outcomes. This style of leadership is suitable for theory X leaders who distrust people and believe in close supervision.
 - ii. **Employee- Centered Leadership-** This is people where leaders treat subordinates as person, avoids close supervision, and actively considers needs of employees and encourages them to grow, develop. This leadership style is for theory y leaders who trust their subordinates and encourage their participation and development.
- E) Style based on decision making -** Renises likert classified four styles of leadership-

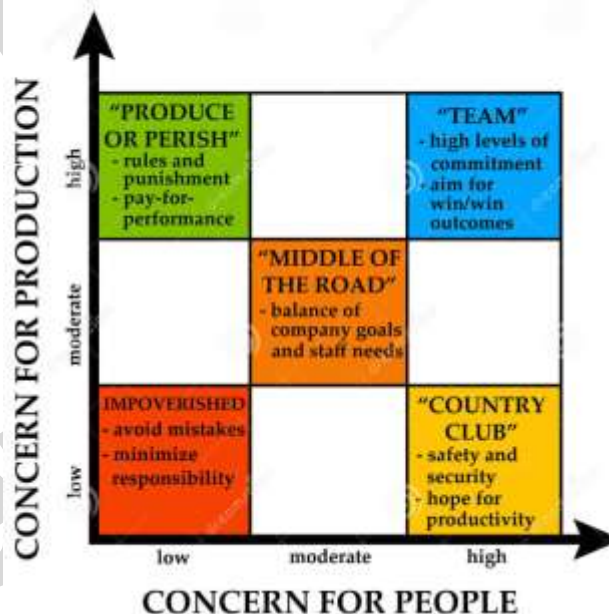


- Exploitive Authoritative-** He is highly autocratic, little trust on subordinates; limits decision-making at the top, avoid upward communication & motivate people through fear.
- Benevolent authoritarian-** This kind of leader has a patronizing attitude towards employees, invites new ideas from subordinates allow some delegation and motivate them by rewards and some use of punishment.
- Consultative Authoritarian-** Leaders have substantial but not complete trust in employees. They invite ideas from subordinates, allow for decision making by subordinates in some cases but act consultatively in various matters.
- Participative authoritarian-** Leaders have complete trust in decision-making of employees in all matters. He involves high level participation of subordinates, sets high performance of goals & acts as a source of knowledge & guidance for subordinates. According to Likert those who apply 4th style of leadership are more successful as leaders.

F) Style based on concern for production versus concern for people:

Managerial Grid Style- This leadership style was given by Blake & Mouton. This grid classifies leaders as having five dimensions- concern for people and concern for production. Grid shows five combinations of leadership style.

MANAGERIAL STYLES





- i. **Impoverished Management-** It has low concern for both people and production. The leader has minimum involvement in his job and only act as a messenger for communicating information from superiors to subordinates.
- ii. **Country club Management-** Under this style a leader has no concern for production but has only concern for people. He concentrates on warm human relations.
- iii. **Task Management-** Under this style leads is highly concern for task management and little or no concern for subordinates needs & motivation
- iv. **Team Management-** Leaders has strong regard for both people and production. Team leader's leads to high morale and high efficiency.
- v. **Middle Road Management-** Leader give medium concern for production and for people and leader attains adequate level of performance by balancing efficiency with reasonable goods human relations. Blake & Mouton suggests that the team leaders' style (9, 9) is most effective because it combines a high degree of concern for people as well as production.



UNIT-VI

Introduction

Control is an essential function of management in every organization. The management process is incomplete and sometimes useless without the control function. The management process includes planning, organizing, staffing, leading, and controlling. Planning sets forth the objectives a manager intends to achieve. Organizing provides the structure of an organization by determining how and where the employees will be placed in the organisation and the responsibilities that they will need to fulfill to attain predefined objectives. Staffing involves the managerial function of placing the right person in the right job in the organization. Leading involves the managerial function of influencing, motivating and directing the human resources of the organization to achieve organizational goals. The control function is concerned with ensuring that the planning, organizing, staffing and leading functions result in the attainment of organizational objectives. In other words, control is a tool that helps organizations measure and compare their actual progress with their established plan.

The term 'control' has different meanings in different contexts. In the management context, 'control' refers to the evaluation of performance and the implementation of corrective actions to accomplish organizational objectives. Some people confuse 'control' with 'supervision.' Supervision is a part of control; it helps identify deviations from the established standards of performance.

The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enables the management to take corrective steps, if there is any deviation from the plan. It also enables managers to identify trends in costs, markets, and other aspects of the business, and acts as a guide for future action.

Thus, control ensures that what is done is what is included. Control must be exercised by everyone in the organization, from the top level to the bottom level. There is a misconception that it is the duty of only the top level of an organization to exercise control. This is because many managers see control, discipline and supervision as the same thing. Control is also perceived as light supervision by others. Such misconceptions must be removed, if the control function is to contribute to the betterment of the organization.

According to Robert J. Mockler, "Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives."

CHARACTERISTICS OF CONTROL

- 1) Managerial Function
- 2) Circular process
- 3) Forward looking
- 4) Necessary at all levels of management
- 5) Action is the essence of control
- 6) Positive and constructive approach
- 7) Wide scope
- 8) Tool to achieve organizational goals
- 9) Not an interference
- 10) Remedial activity



IMPORTANCE OF CONTROLLING



The control function is gaining importance in today's organizations due to a number of factors. These factors include the need for accountability in organizations, the need to detect environmental changes that significantly affect organizations, the growing complexity of present day organizations and the need to identify operational errors in organizations to avoid incurring excessive costs.

In addition to addressing the above mentioned factors, controlling plays an important role in helping managers detect irregularities, identify opportunities, handle complex situations, decentralize authority, minimize costs, and cope with uncertainty.

1) Coping with Uncertainty

In today's turbulent business environment, all organizations must cope with change. When organization goals are established, they are based on the knowledge available at that point of time. However, by the time the goals are accomplished, many changes may have occurred in the organization or its environment. The pace at which environmental and other factors change creates a lot of uncertainty. A constant evaluation and revaluation of the organization's strategic and tactical plans is necessary to keep up with changes and cope with uncertainty. The environmental factors that bring about change in organizations include customer demand, technology, and the availability of raw materials. A properly designed control system can help managers anticipate, monitor and react quickly to changes in the environment. An improperly designed control system, however, may result in poor organizational performance.

2) Detecting Irregularities

Control systems help managers detect undesirable irregularities, such as product defects, cost overruns, or rising personnel turnover. Although small mistakes and errors may not seriously damage



the financial health of an organization, they may accumulate and become very serious over time. Early detection of such irregularities can prevent minor problems from mushrooming into major ones and often save a great deal of time and money for the organization. For example, Whistler Corporation, a large radar detector manufacturer in the US, was once faced with such rapidly escalating demand that it stopped giving attention to quality. This led to a rise in the defect rate from 4 percent to 9 percent to 15 percent and, finally, to 25 percent. A manager observed that 100 out of 250 employees of the company were spending all their time fixing defective units and that an inventory worth \$2 million was still awaiting repair. Had the company detected the defects and rectified them early, the problem would never have increased to such proportions. Problems such as missing important deadlines or selling faulty merchandise to customers are sometimes difficult to rectify. Identifying aberrations in the early stages helps organizations avoid such problems.

3) Identifying Opportunities

Control also helps managers identify areas in which things are going better than expected, thereby alerting management to possible future opportunities.¹ For example, division managers at the St. Louis-based May Department stores prepare and generate monthly reports that specify the items that have high demand and the amount of money those items are generating. On the basis of these reports, the chain develops successful merchandising strategies for all its stores (e.g. what to buy, which vendor to buy from, and how to display the merchandise).

4) Handling Complex Situations

Another important factor contributing to the need for a control mechanism is the growing complexity of today's organizations. When a company requires only one kind of raw material, produces only one kind of product, has a simple organization design, and enjoys constant demand for its products, it can afford to have a very basic and simple system of control. But, as organizations grow or engage in producing many products from a number of different raw materials, and operate in a large market area with many competitors, efficient and effective coordination becomes necessary. In such cases, managers have to keep track of various activities to make sure that they are well synchronized. Thus, sophisticated control systems become necessary to maintain adequate control in large and complex organizations. When Emery Worldwide (airfreight), a profitable company, bought Purolator Courier Corporation, the new Emery that emerged after the acquisition was much bigger and more complex. Initially, no new controls were adopted for the operations of the new entity. This led to increased costs, loss of money and market share, and deterioration in the quality of service. Eventually, the organization could turn itself around from the verge of bankruptcy only by adopting more elaborate controls.

5) Decentralizing Authority

Controls also help managers decentralize authority. With the help of controls, managers can allow their subordinates to take decisions while ensuring that the ultimate authority remains in their hands. For example, Alfred Sloan, former chairman of General Motors, set the standard for the level of return on investment that he wanted the various units of GM to achieve. This type of control allowed him to achieve the required level of investment while maintaining the philosophy of decentralization.

6) Minimizing Costs

When implemented or practiced effectively, control also helps reduce the costs and boost the output of an organization. Georgia-Pacific Corporation, a large wood products company, developed a new technology for making thinner blades for its saws. The company used its control system to evaluate how much wood could be saved by the new blades, relative to the cost of replacing the old blades. It was found that the wood saved by the new blades each year was sufficient to fill eight hundred railcars. Thus, the organization discovered that effective control systems could improve output per unit of input, eliminate waste and lower labor costs.

LEVELS OF CONTROL



The various managerial levels - strategic, tactical and operational - have different planning and control responsibilities. The presence of various degrees of control at each level of management increases the probability of the successful implementation of plans at these levels (see Table 19.1).

1) Strategic Control

Strategic control involves monitoring critical environmental factors to ensure that strategic plans are implemented as intended, assessing the impact of strategic plans, and adjusting such plans when necessary. Top-level managers usually view things from an organizational perspective and are concerned with strategic issues. They usually have a long-term focus except in situations involving unstable environmental conditions and/or intense competition which necessitate shorter reporting C) Thus, strategic control is mainly the function of top-level managers. These may also exercise tactical or operational control to monitor the implementation plans at the middle and lower levels of management to ensure that strategic plans are being implemented as intended or planned.

Levels of Management	Type of Planning	Type of Control
Top management <ul style="list-style-type: none">• Organization- wide perspective• Concerned with strategic issues• Longtime frame	Strategic planning	Strategic control
Middle management <ul style="list-style-type: none">• Department perspective• Concerned with department goals and objectives, programs and budgets• Medium time frame	Tactical planning	Tactical control
First level management <ul style="list-style-type: none">• Unit/individual perspective• Concerned with schedules, budgets, rules, and specific individual output requirements• Short time frame	Operational planning	Operational control

2) Tactical Control

Tactical control focuses on assessing the implementation of tactical plan at department levels, monitoring associated periodic results, and taking corrective action when necessary. Middle-level managers are concerned with department-level goals and objectives, and programs and budgets. They concentrate on medium time frames and therefore use weekly, fortnightly, and monthly reporting cycles in their \ Middle-level managers exercise tactical control to test the impact of tactical plans on their departments on the organizational environment. Middle-level managers exercise operational control by monitoring critical aspects of the implementation of operational plans. They are also involved in strategic control to a certain extent, because they provide information to top-level managers on strategic issues.

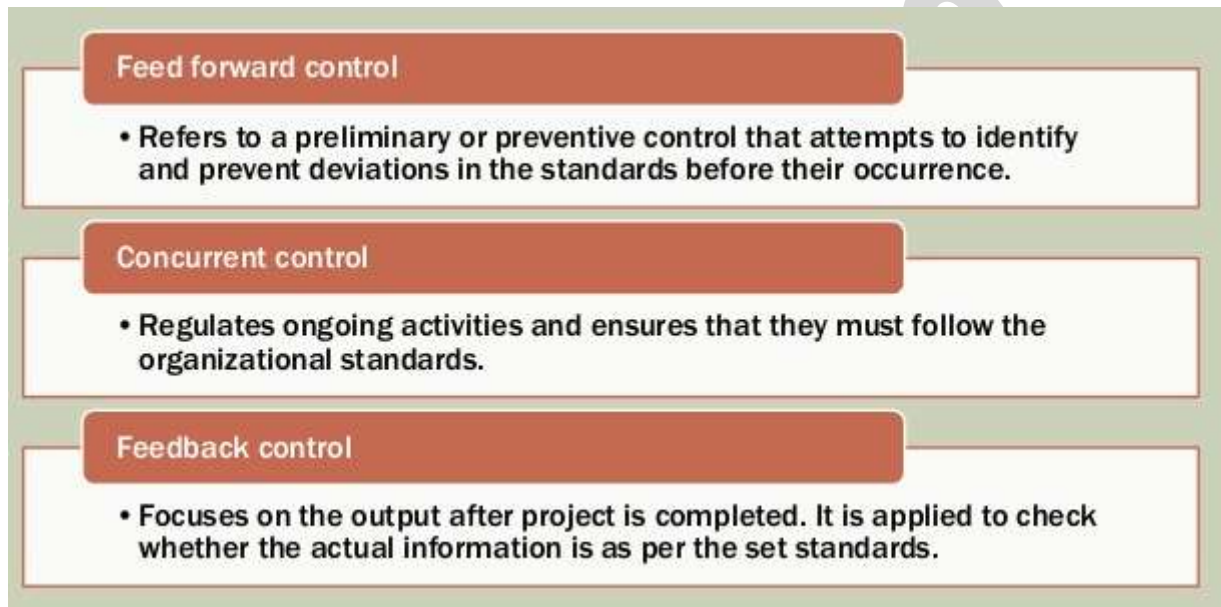
3) Operational Control

Operational control involves overseeing the implementation of operational monitoring day-to-day results, and taking corrective action when necessary. Lower-level managers concerned with schedules, budgets, rules, and specific individual output requirements make use of operational control. Using operational control a lower-level manager provides feedback regarding the tasks being carried out on a day-to-day basis (in the very near term) in order to achieve the short-term and long-term goals of the organization.



The three levels of control - strategic, tactical, and operational - must be integrated and interrelated to make the control function effective.

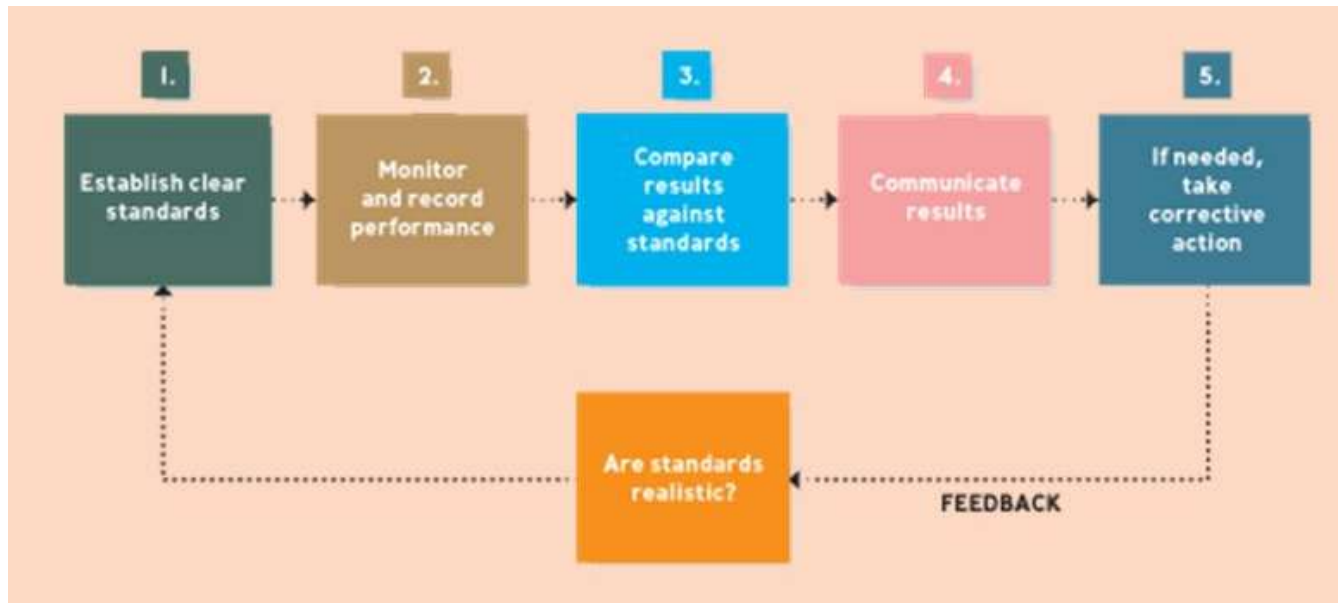
Types of Control:



BASIC CONTROL PROCESS

Even though control systems need to be tailored to suit specific situations, they all involve the same basic process. When exercising the control function, a manager measures the performance of an individual, a plan, or a program against certain predetermined standards and takes corrective action if there are any deviations. The process involves the following steps:

- i. Determining areas to control
- ii. Establishing standards
- iii. Measuring performance
- iv. Comparing performance against standards
- v. Recognizing good or positive performance
- vi. Taking corrective action when necessary
- vii. Adjusting standards and measures when necessary



1) Determining Areas to Control

It is quite expensive and virtually impossible to control each and every aspect of an organisation's activities. Moreover, employees resent having every move of theirs being controlled by their superiors or the management. Therefore, before initiating the control process, the manager must determine the major areas that need to be controlled. The organizational goals and objectives defined during the planning process must form the basis on which managers decide upon the areas in which to exercise control.

The areas selected for control should be of critical importance to the organisation. Exercising control over critical areas helps a manager manage a large number of subordinates effectively, reduce costs, and improve communication in the organisation.

2) Establishing Standards

Standards constitute the foundation of the control process. They slate the criteria on the basis of which employee performance and related behavior can be evaluated. Thus, establishing standards is an essential part of the control process. (A standard is any guideline established as the basis for measurement. It is a precise, explicit statement of expected results from a product, service, machine, individual, or organisational unit.) Standards are often incorporated into goals when the goals are established during the planning process. In such cases, the standards merely need to be reiterated. Sometimes, however, they need to be developed during the control process. Thus, standards arc predetermined points in the control process at which performance is measured. The setting of standards and measuring organisational performance against these standards helps the manager know how things are progressing in the organisation and eliminates the need to watch every step in the execution of plans. Standards arc expressed numerically and aim at achieving the desired quality and quantity within a specific cost and time frame. For instance, a worker must produce a number of units per day or per week or per month (quantity). he or she must maintain a rejection rate of not more than 2 percent (quality); the cost of producing a specified number of units must not exceed the specified amount (cost): he or she must complete his or her work within three months (time).

Establishing standards serves three major purposes in the context of employee behavior. First, it helps employees understand what is expected of them and how their work will be evaluated, thus helping them perform effectively. Second, it provides a basis for identifying job difficulties with reference to the personal limitations f" employees, which may include lack of experience, ability or training or am oil). task-related deficiency. Such deficiencies prevent an employee from perform1 her task efficiently. Timely detection of such personal limitations makes it possible for the organization to take remedial



measures before the deficiencies become serious. Finally, standards help reduce the potential negative effects of goal incongruence. Goal incongruence takes place when the goals of the employee and those of the organization fail to match. Goal incongruence may occur due to various reasons such as lack of support of the employees for organizational activities, lack of, organizational goals, etc. For example, knowing that their job is temporary employees may only put in minimal effort while performing their jobs. This type of behavior is incompatible with organizational goals.

Unforeseen circumstances sometimes necessitate changes in established standards in order to avoid making frequent changes in established standards, a 'cushion' is provided in the control process. This 'cushion' is known as tolerance and is an acceptable level of degree of variations in the established standards. It is the permissible deviation from the standard. In order to provide this type of "cushion," the standards in some industries may be set in terms of a range, such as 2 to 3 percent acceptable rejection rate, and so on.

In order to make standards more effective, a participative approach may be followed while setting them. The management by objectives method (MBO) encourages such an approach by involving the employees' participation in the setting of objectives. permissible deviation from the standard. In order to provide this type of "cushion," the standards in some industries may be set in terms of a range, such as 2 to 3 percent acceptable rejection rate, and so on.

In order to make standards more effective, a participative approach may be followed while setting them. The management by objectives method (MBO) encourages such an approach by involving the employees' participation in the setting of objectives.

3) Measuring Performance

Once standards are established, the actual performance must be measured. A manager must decide how to measure the actual performance and how frequently it is necessary to do so. The measurement of performance against standards should be done on a forward-looking basis. Measuring performance on such a basis helps managers detect deviations in their early stages. They can, then, be countered by appropriate action. If performance standards are clearly established and means for exactly determining what subordinates are doing are available, evaluating the expected or actual performance becomes fairly easy. However, there are certain activities which are difficult to measure, and for which it is difficult to establish standards.

For many production jobs and other such activities, the motion and time study technique is used to set standards. As a result, the measurement of actual performance tends to be simple. Though quantitative measures are used whenever possible, many important aspects of performance are difficult to measure quantitatively. For jobs that involve less technical expertise (such as the job of Vice President of Finance or the job of Director, Industrial Relations, definite standards cannot be easily developed. This makes it difficult to set and measure the standards of performance. Thus, superiors find it difficult to measure the performance of some managers. They are forced to depend on vague criteria to measure the performance of managers at these levels. These criteria include financial health of the business, attitude of labor unions, absence of strikes and lockouts, expressed admiration of business associates, enthusiasm and loyalty of subordinates, and overall success of the department (this is often measured in a negative way by lack of evidence of failure). Similarly, in areas such as research and development, it can be difficult to measure performance quantitatively in the short run because it may take years to determine the final outcome of research programs.

As a result, most organizations use a combination of quantitative and qualitative performance measures. Qualitative performance measures may include qualitative judgment by peers. One of the popular techniques for setting standards and coordinating the measurement of performance is management by objectives.



After selecting the means of measurement, a manager has to decide how frequently performance is to be measured. Managers may need control data on an annual, semiannual, quarterly, monthly, fortnightly, weekly, daily, hourly or even more frequent basis (as in the case of managers of air traffic control). Depending on how important the goal (or objective) is to the organization, the nature of the deviation from the standards, and the expenses that the organization will incur to correct the problem, the superior decides at what intervals performance should be measured.

4) Comparing Performance against Standards

In this stage, the performance measured in step 3 is compared with the standards established in step 2. Such a comparison enables managers to determine whether actual performance meets the standards established (predetermined or planned performance). Managers often perform the task of comparison on the basis of information provided in reports. These reports, which may be presented in an oral or written form or generated by a computer, summarize planned versus actual results.

Written data might include time cards, production tallies, inspection reports and sales tickets. Oral reports allow for fast and comprehensive feedback. Computers give supervisors direct access to real time, unaltered data and information. Online system enable supervisors to identify problems as they occur. Computer systems are particularly useful for identifying situations requiring a management by exception approach. Management by exception is a control principle which suggests that managers should be informed about a problematic situation only when the data shows a significant deviation from the established standards. Only a problem that is difficult for subordinates to handle and required managerial intervention should be brought to the notice of managers. This saves managers' time and leaves them free to concentrate on major problems instead of routine ones.

Personal observation is another method for measuring the performance of subordinates against established standards. Management by walking around (MBWA) work area and observing conditions allows the manager to obtain unfiltered information about the work activities of the employees. This is also referred to as management by wandering around. For example, executives in Wal-Mart discount chains use the MBWA technique to manage the company's stores. They visit the stores, check the merchandise, and talk to their employees and customers. Though this technique helps managers provide useful insights, employees may interpret it as mistrust.

Database programs allow supervisors to query, reduces the time spent on gathering facts, and reduces their dependency on other people. Such programs give supervisors quick and easy access to information. Statistical reports make visualization easy and are effective at demonstrating relationships. Written reports provide comprehensive feedback that can be easily filed and retrieved.

5) Recognizing Good or Positive Performance

Managers should not always be preoccupied with finding solutions to important problems; they should also find the time to recognize/e and acknowledge good or positive performance by subordinates when their performance meets or exceeds the established standards. Recognition may be in the form of an oral remark, such as "well done," for a routine achievement, or substantial rewards in the form of pay hikes, bonuses, or training opportunities for major achievements or consistent good work.

This approach of recognizing positive performance emphasises the importance of rewarding good performance in order to sustain it and encourage further improvement. This approach is thus consistent with motivation theories such as the expectancy theory (discussed in detail in Chapter 16).

6) Taking Corrective Action when Necessary

When a significant discrepancy occurs between the actual output or performance and planned or predetermined performance standards, specific actions must be taken to correct the situation.



Managers must first determine the cause of the deviation from the standard, then take the required action to remove or minimize the cause of deviation.

Sometimes, managers redraw their plans or modify their goals to correct deviations. They may also reassign or clarify the duties and responsibilities of subordinates. In order to rectify a problem, managers may have to train the subordinates, recruit additional staff, or remove inefficient subordinates. They may also tackle the problem by explaining the job in detail to subordinates, thereby helping them overcome their job-related problems.

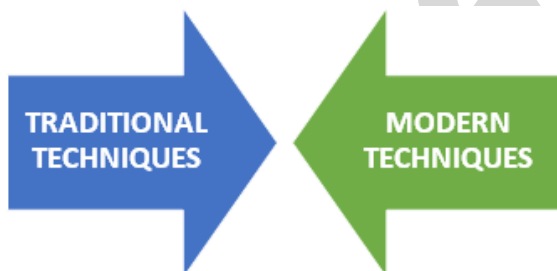
Sometimes, the established standards may not be realistic. In such situations, managers may conclude that the standards are inappropriate and need to be modified. Changing conditions sometimes make standards that were set earlier seem inappropriate and unrealistic.

7) Adjusting Standards and Measures when Necessary

Control is a dynamic process. In order to ensure that standards and their associated performance measures meet future needs, managers must periodically review standards. It is important for managers to conduct a periodic review of standards for the following reasons:

- (i) Changing conditions, such as the use of sophisticated machinery or improvement in the skill level of employees, make it possible to raise standards for future projects of the organization.
- (ii) Existing standards or measures may become obsolete or ineffective because of changed circumstances or because they were not properly defined.
- (iii) If the standards set have been exceeded, it may indicate unforeseen opportunities for the organization. It encourages the organization to further raise standards in order to effectively tap the potential of the employees to meet the new standards. It also increases the scope of the organization for making adjustments in the organizational plan.

Techniques or Methods of Control



- 1) General methods
- 2) Special methods



Traditional Methods –

- a) Personal observation
- b) Setting examples
- c) Records and Reports
- d) Policies and Procedures
- e) Charts and Manuals
- f) Standing Rules and Limitations
- g) Written instructions
- h) Rewards
- i) Budgets
- j) Break-even-analysis

3) Special Methods

- a) Human Asset Accounting
- b) Standard Costing
- c) Cash flow Analysis
- d) Management Information System
- e) Programme Evaluation and Review Tech
- f) Operations Research

Problems and Limitations of Control

- 1) Quantification
- 2) Long-run results are unpredictable
- 3) No control on external factors
- 4) Difficulty in setting standards
- 5) Difficulty in fixing responsibility
- 6) Limits of corrective action
- 7) Time consuming

Traditional Methods

- Personal observation
- Setting examples
- Records and Reports
- Policies and Procedures
- Charts and Manuals
- Standing Rules
- Written instructions
- Rewards
- Budgets
- Break-even-analysis

Modern Methods

Human Asset Accounting
Standard Costing
Cash flow Analysis
MIS
PERT