



## 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

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 become 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.

Management is universal and has become a key social institution in the present-day. Management is the engine of growth. It promotes prosperity.

### 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.

### CHARACTERISTICS OF MANAGEMENT

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

#### 1. 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'.

#### 2. 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, go-ordinates, directs and controls the group efforts, not the individual efforts.

#### 3. 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 functions to be performed." Also, the techniques and tools of management are universally applicable.

#### 4. 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.

#### 5. 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,

#### **6. It is an Integration Process**

It is concerned with the co-ordination of all activities and resources. It integrates men, machines, money and materials. The essence of management lies in unifying the individual efforts into a team. Koontz and O' Donnell write, "Co-ordination is the essence of manager ship."

#### **7. It is Intangible**

Management is invisible force. Its presence can be felt by its results-quality and increased output. It is abstract. It is recognized by its excellent achievements, higher productivity and motivated personnel.

#### **8. It is a Profession**

Management is a young and emerging profession. Gradually, it is meeting many criteria of a profession. It has a well defined body of knowledge, prescribed qualifications to enter the profession the goal of providing service, and code of conduct for managers.

#### **9. 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.

#### **10. 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.

#### **11. 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

#### **12. Management is specific discipline**

Management is a field of study & learning. It is organized body of knowledge.

#### **13. Management is both a science and an Art**

Management has developed certain principles and laws which are applicable to any group work. These are developed through scientific methods of observation and testing. It is also an art, because it is concerned with the application of knowledge and personal skills to achieve desired results.

#### **14. 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.

### **MANAGERIAL SKILLS**

The various skills as abilities required to be possessed by manager may be classified as under.

#### **• Conceptual Skills**

It is an ability to visualize the organization as a whole system, form an image and develop vision of it in the context of future environment manager need these abilities for scanning the changing environment and discovering various opportunities, spotting problems & threats arising out of a dynamic situation

#### **• Analytical skills**

These skills are more related with scientific attitude and thinning on the part of managers for solving different problems and making decision. Analytical skills refer to those abilities which are needed by manager for studying the problem in a systematic way, gathering necessary information on its various aspects and establishing and describing relationship between two or more variables.



### Human relations or behavioural skills

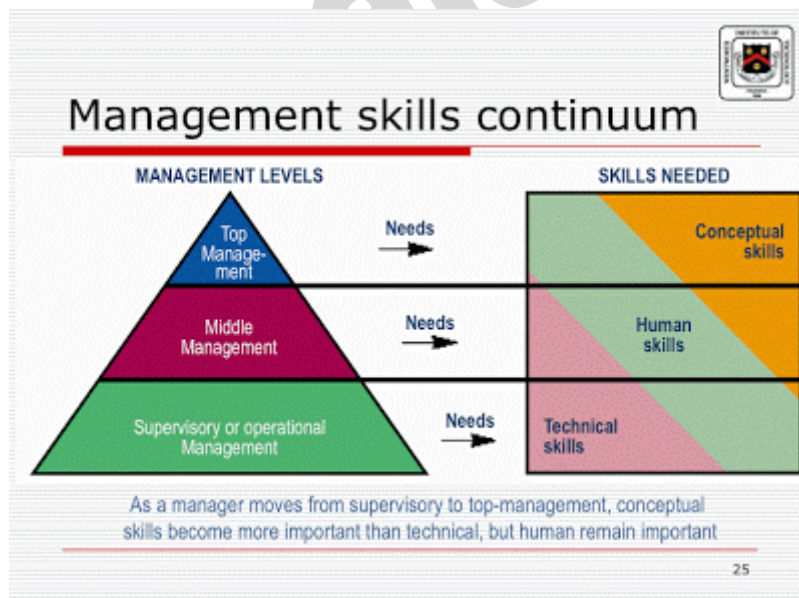
The Basic responsibility of every manager is to get things done by others. In this process he needs behavioral skills. These skills refers to those abilities which are needed by the manager to effectively deal with subordinates.

- **Administrative Skills**

Generally, decisions are made at higher levels and implemented by manager at lower levels who requires administrative skills for it. It refers to abilities used for coordinating various activities, seeking effective utilization of allocated resources & getting things done by subordinates.

- **Technical Skills**

These skills refer to specialized knowledge and proficiency in handling methods, procedures and techniques for doing specific jobs. It also includes knowledge about jobs & job contents & logical sequence of procedures needed for performing it.



### 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. **Management meet the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
2. **Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.



3. **Effective utilization of business:** There are eight M's in the business. These are said to be man, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.
4. **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.
5. **Resources development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money material and machines.
6. **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.
7. **Management directs the organization:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organization.
8. **Integrates various interests:** Each person has his own interests these interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization.
9. **Stability:** The fluctuations of business are stabilized by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preference of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preference of customers.
10. **Innovation:** New ideas are developed by the management and implements in the organization. Better performance is achieved through new ideas.
11. **Co-ordination and Team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.
12. **Tackling problems:** Good Management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.
13. **A tool for personality development:** Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

## FUNCTIONS

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. Economic Performance
8. Making Work Productive and the Worker Achieving
9. 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.



## Functions of Management



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### 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 managers 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, leading, and controlling."

### Characteristics

The main characteristics of management process are as follows:

1. Carried out by Managers
2. Consists of Functions
3. Parts
4. Logical Flow of Activities
5. Integrated Process
6. Performed at all Levels
7. Iterative Process
8. Social Process
9. Dynamic Process
10. Operational
11. Goal-Oriented
12. Universal
13. Influencing Process
14. Continuous 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.

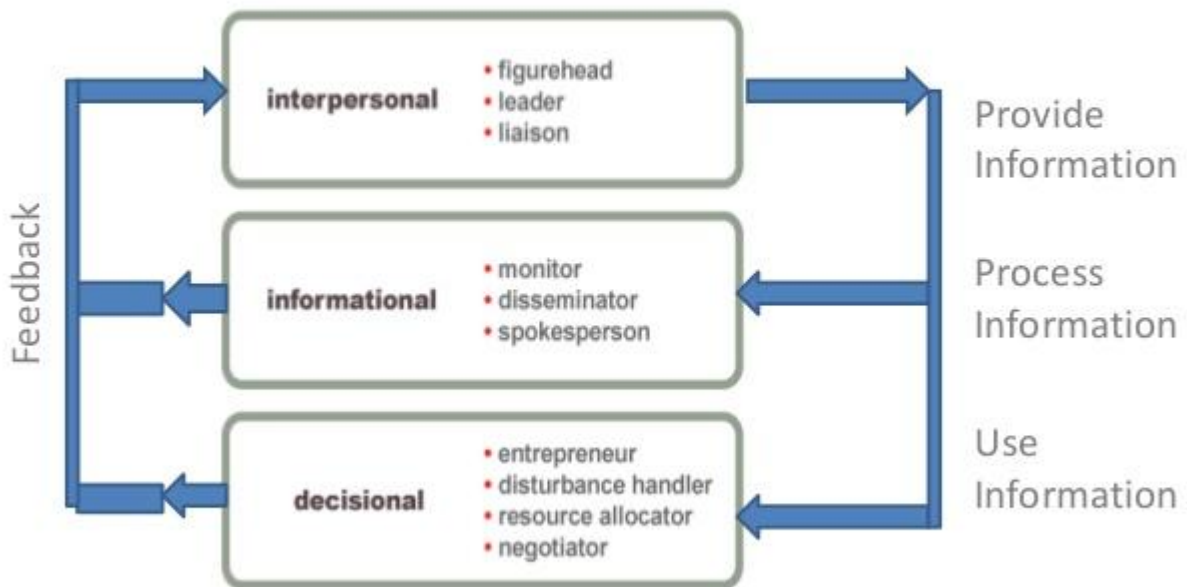
  - a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison 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.

## Henry Mintzberg (1973)



The Managerial Roles

## 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

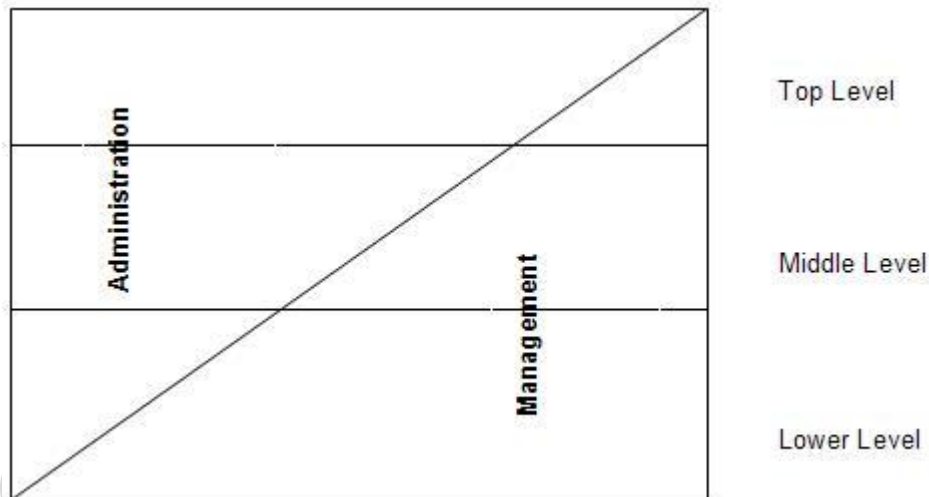
**On the Basis of Usage: -**

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 denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. 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.



## 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.



### I. 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.

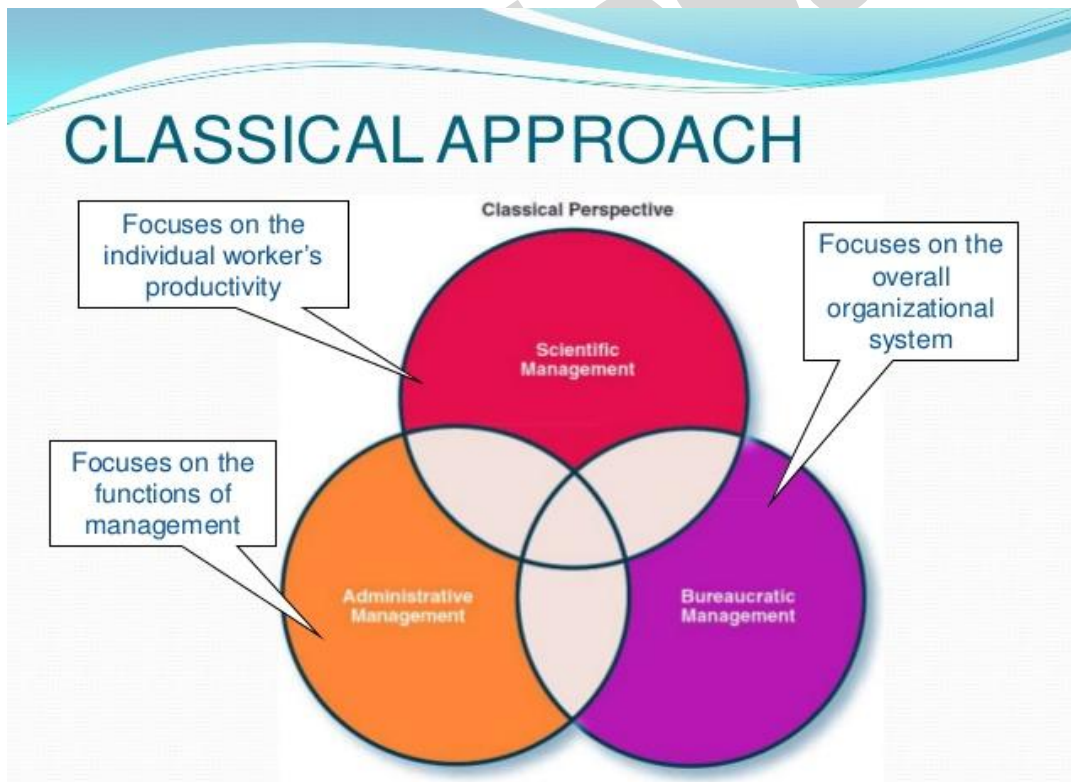
The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.

#### Contribution of Taylor

1. **Scientific task setting:** Taylor suggested 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 decided 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 received a bonus in addition to his wages if the completed 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 principle 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 in effective.

**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 institutions 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 the 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 down action.



## FAYOL'S PRINCIPLE OF MANAGEMENT

1. Division of work

2. Authority and responsibility

3. Discipline

4. Unity of command

5. Unity of direction

6. Subordination of individual interest to the common good

7. Remuneration of personnel

8. Centralization

9. Scalar chain

10. Order

11. Equity

12. Stability

13. Initiative

14. Esprit de corps



### 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 thinks 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 the morale of an organization people is an asset 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.**

Fayol was a top executive, and therefore, was in a better position to look at the functions of a manager than Taylor.



### **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's work was oftentimes interpreted as a caricature of modern bureaucracies with all of their shortcomings.

#### Features of Bureaucratic Organization

- From the principles of bureaucratic organization we can find these characteristics or features of Bureaucratic Organization are as follows:-
- 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 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".

## BUREAUCRATIC MANAGEMENT: Weber

### MAX WEBER

- A German sociologist and historian who envisioned a system of management
- "a bureaucracy is a highly structured, formalized and impersonal organization."

### FIVE PRINCIPLES

- Division of labor
- Hierarchy of authority
- Rules and procedures
- Impersonality
- Employee selection and promotion



## II. NEO-CLASSICAL SCHOOL:

### A. 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. This movement gave rise to a new approach to management which is known as the human relations approach.

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. **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.
4. **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.

## HAWTHORNE EXPERIMENTS (1924 – 1932)

### “HAWTHORNE EFFECT”

- Workers perform and react differently when researchers observe them.
- Productivity increased because attention was paid to the workers in the experiment.
- Phenomenon whereby individual or group performance is influenced by human behavior factors

#### 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. <b>Emphasis</b>	This approach laid emphasis on studying individual, his needs and behaviour	This approach emphasizes on studying groups, group behaviour and individual motivation.
2. <b>Similar set of needs</b>	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. <b>Conflict</b>	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. <b>Relations</b>	It focuses informal interpersonal relationships	It focuses on group relationship.
5. <b>Origin</b>	It originated from the conclusions of Hawthorne studies	It emerged in the process of refinement of human relations approach
6. <b>Techniques</b>	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:**

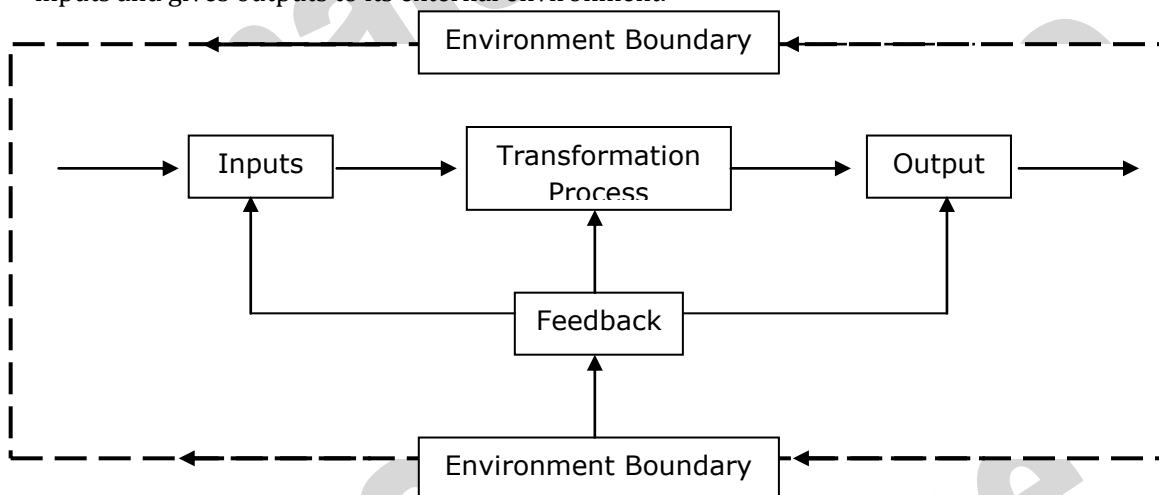
According to Bertalanffy, "A system is a set of units with interrelationship among them."

In the words of John A. Beckett, "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.

## CONTINGENCY THEORY

There is no "One Best Way" to manage all the situations.

Also known as 'Situational Theory'.

Developed by managers, consultants, and researchers who tried to apply the concepts depending on various Internal and External factors



**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 result  
What - activates to be undertaken.  
How - generate policies, program, strategies  
They all speak about future of action.

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

**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 example of single-use plans.

**Components of Planning**



(For nonrecurring or short-run activities)

- Programmes
- Projects
- Budgets
- Quotas
- Schedules
- Standards

(For recurring or long-range activities)

- Policies
- Procedures
- Rules and regulations



## 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 Allbert** 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:

- (a) The existence of the firm - it means what business is the firm in ?
- (b) The external environment that determines the operating philosophies of the firm.
- (c) 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. Objectives are broad outcomes that managers hope to achieve ultimately. Goals are more specific and concrete in nature and often include active schedule for the completion of a task. **For example**, profitability may be the objective, but the specific goal 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 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

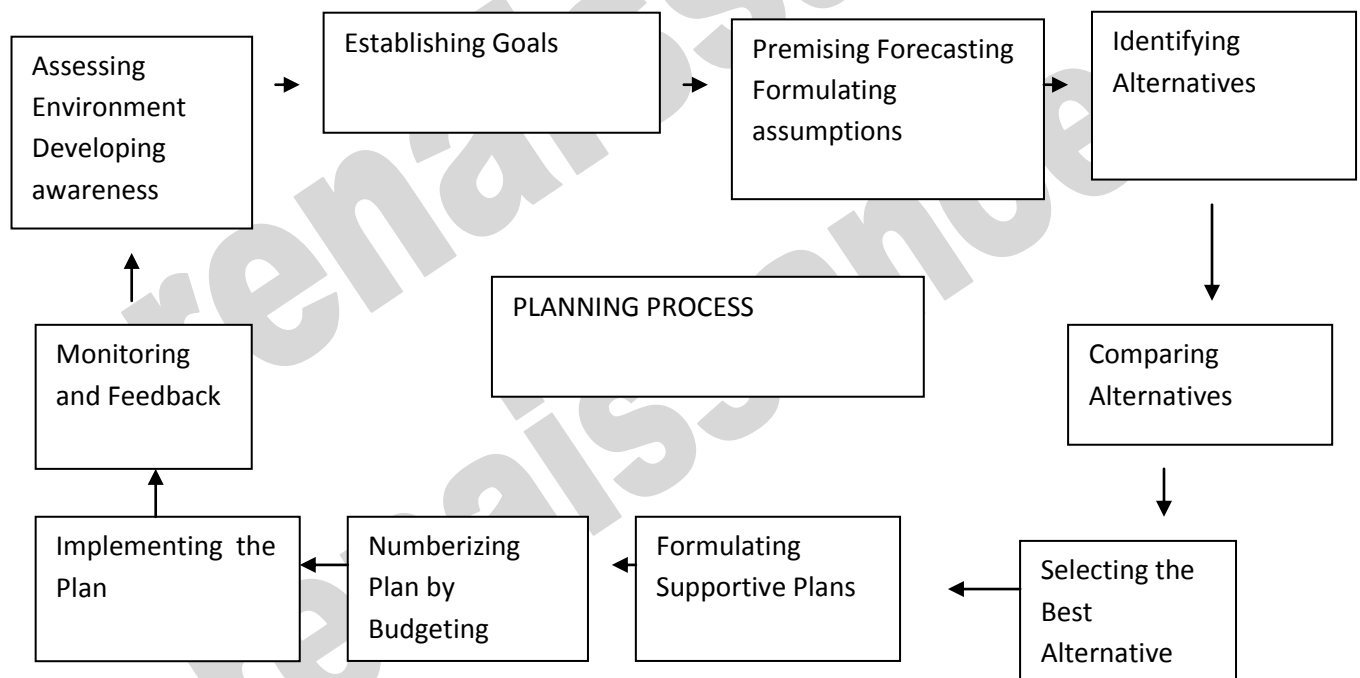
#### On the basis of Specificity

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 objective**
3. **Principle of primacy of planning**



4. **Principle of efficiency of plans** : It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
5. **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.
6. **Principle of strategy and policy framework**
7. **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.
8. **Principle of commitment**
9. **Principle of flexibility**
10. **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.
11. **Principle of pervasiveness**
12. **Planning coordination**
13. **Principle of timing**
14. **Principle of participation/acceptance**
15. **Principle of competitive strategies**

### 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           |                            |

### 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 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.

- On the basis of Time variations Objectives may be classified in different way's in which long term objectives are supported by short term objectives.

#### **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 built 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 sets 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

## 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.

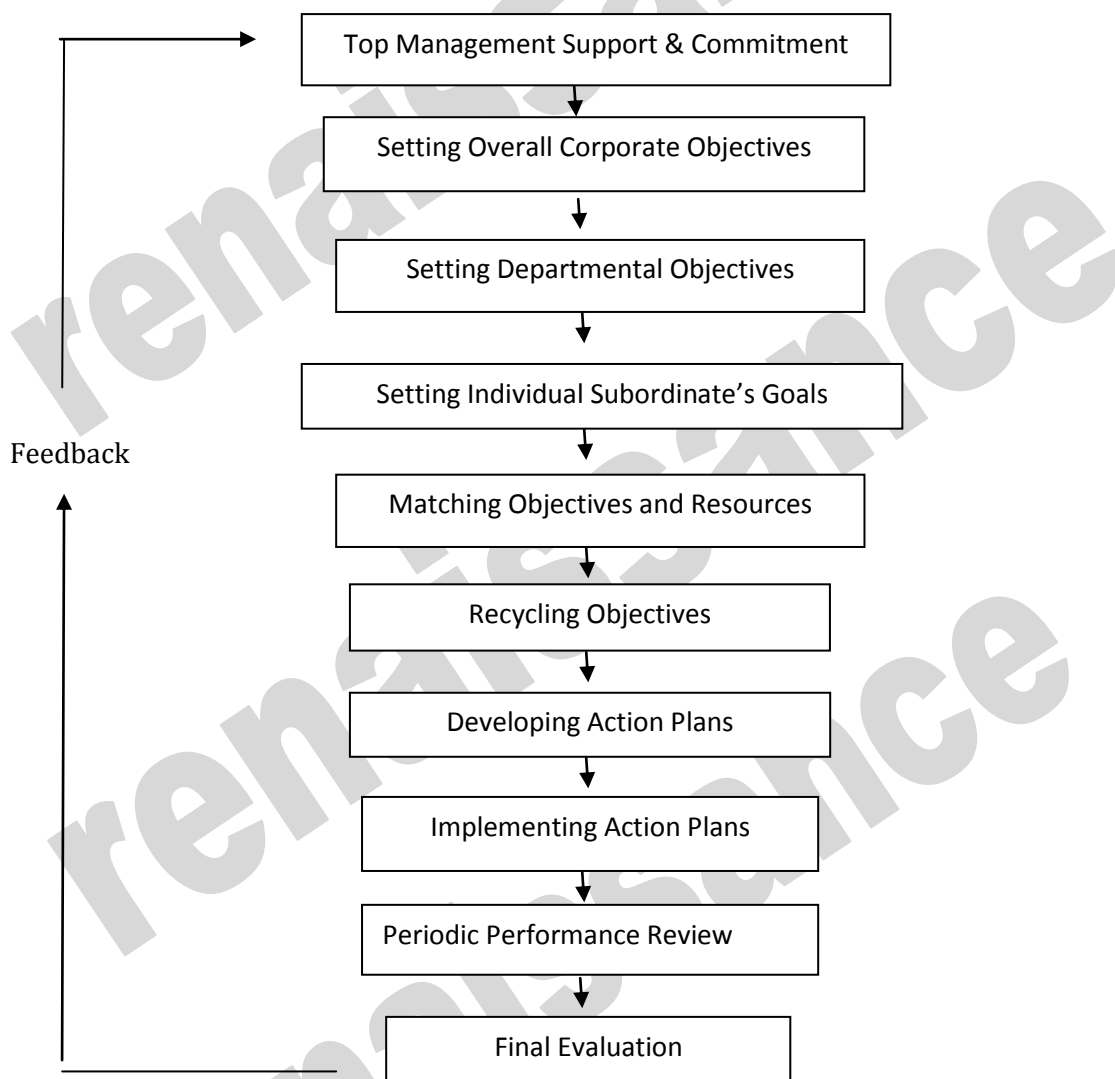
### Characteristics of MBO :

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 presupposes 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.** This aim, 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. Emphases short term and quantitative goals
4. Inflexibility
5. Time consuming
6. Incomplete understanding
7. Difficulty of setting goals
8. Over use of quantitative goals
9. Dynamic & complex environment
10. Ignores relationship behavior



## UNIT-III

### 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.

1. The organizing involves elements like determination of specific activities required for the implementation of plans and policies leading to accomplishment of predetermined goals.
2. Logical regrouping of these activities into jobs and regrouping of these jobs into departments and function so as to create effective inter relationship and coordination among them.
3. Assignment of jobs to different people at different position.
4. Linking them through a network of authority and responsibility relationship.

The organizing possesses results into hierarchy of task and relationship among various position and position holders at least to the creation at an organizational structure or a framework of decision-making and task performance.

### DEFINITION

**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".

### 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.

### Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Creating Hierarchy of Authority in Different functions
4. Common goals
5. Division if Labor
6. Resources
7. Co-ordination of activities
8. Co-operation (Informal organization)
9. Informal versus formal organization.

Informal	Formal
It refers to structure of well defined jobs having definite formal authority & responsibility. It lays down the formal patterns of relationships.	Whenever people work together they evolve informal groups bound together by common interest or goals. Such groups constitute informal organization.
Its purpose is to fulfill the social needs or it is for social welfare	Its purpose is to fulfill the organizational needs.

### Advantages of Formal organization

1. Systematic communication
2. Minimum conflict between managers.
3. "Buck" Passing
4. Opportunities for favoritism is reduced
5. Channel of Communication are spelled specifically.
6. Formal organization is suitable necessary for Performance of competence and diverse activities.
7. Exact standard of Performance can be set





### Purpose 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
- It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.

### 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

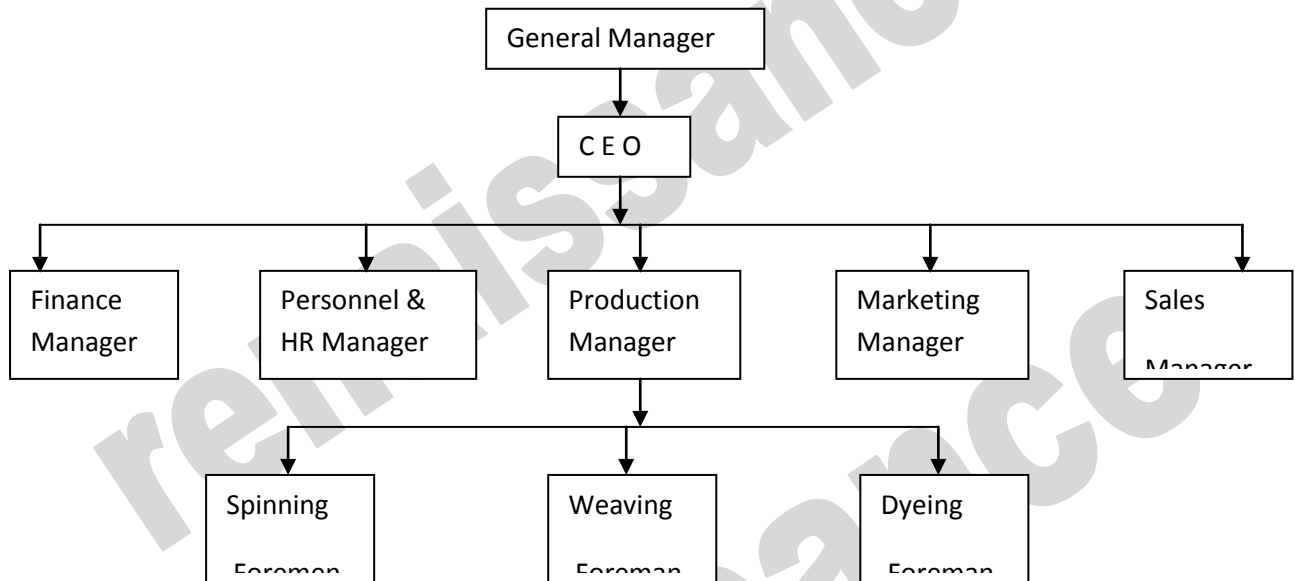
**There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:**

**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

- i. Simple to establish, understand & operate
- ii. Speedy action
- iii. Proper Discipline
- iv. Fixation of Responsibility
- v. It is less costly

### Disadvantages of line organization

- i. Overloading
- ii. Lack of specialization
- iii. Autocratic leadership
- iv. Lack of stability
- v. Inefficiency of Decision Making
- vi. Not suitable for large enterprises
- vii. Communication Gap.

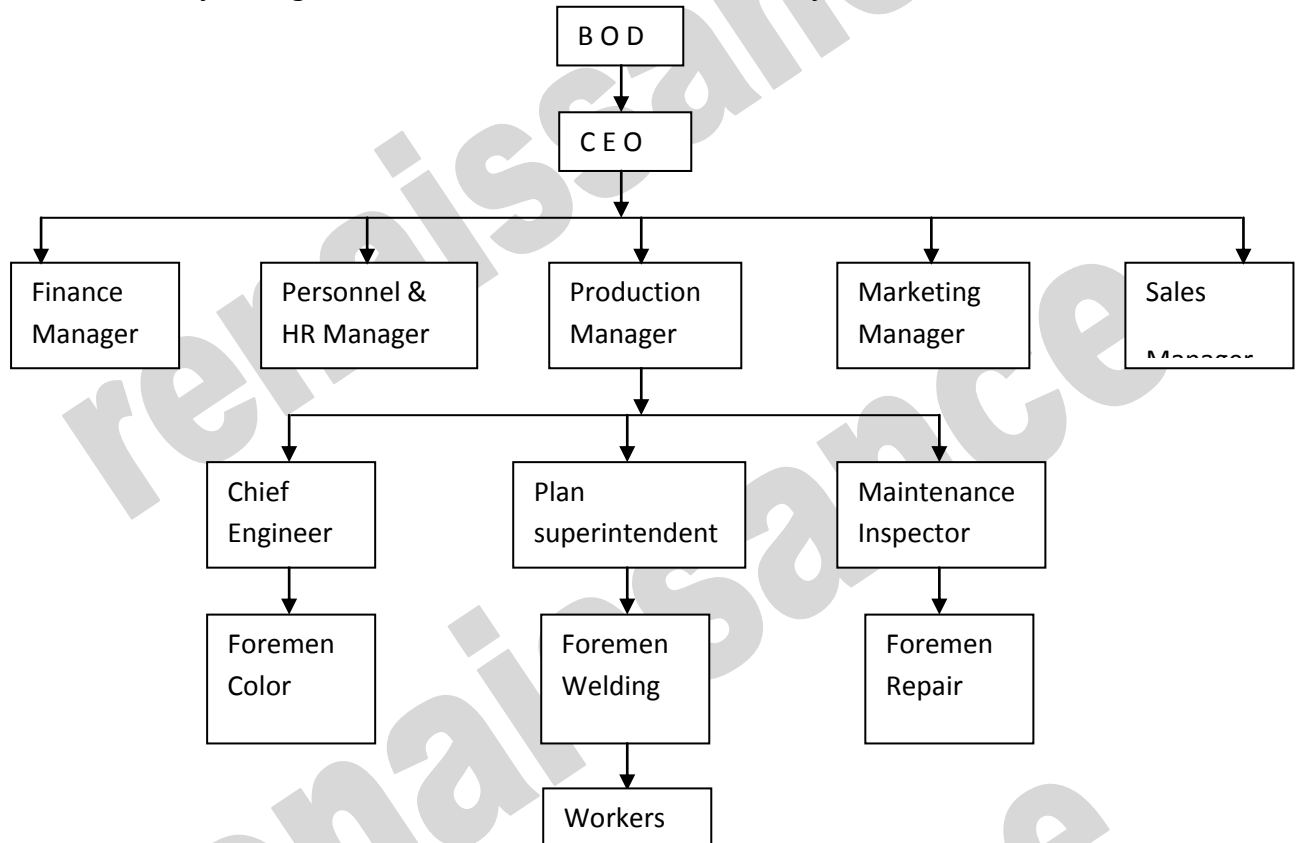
### Advantages of Departmental Line organization

- i. Suitability
- ii. Small scale or sole proprietary organization
- iii. Organization with simple routine operations
- iv. Organization with automatic & continuous production process
- v. Short chain of command
- vi. Few subordinate at each level.



**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

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

### Disadvantages of Functional Organization

- i. 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.
- ii. Lack of Co-ordination: Conflicts between different staff specialist makes co-ordination & co-operation difficult.
- iii. Costly: hiring of experts calls for large salaries and so to the increased clerical work.
- iv. 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 manger may advice 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 manger may depend too much on staff experts for ideas & information as a result they may loose 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 moves 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 plans, 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. Violatin 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	It this, the advantage of specilisation is not



	specialization is taken.	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 coordination 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 line officers.	In, this authority is given to 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 distributed 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 an obligation on part of subordinate to perform adequately and efficiently.

### Process Of Delegation

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

1. **Assignment Of Duties** – The process begins with the assignment of task. The manager should analyze 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** – Some times 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 burden on 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.

### Importance of Staffing

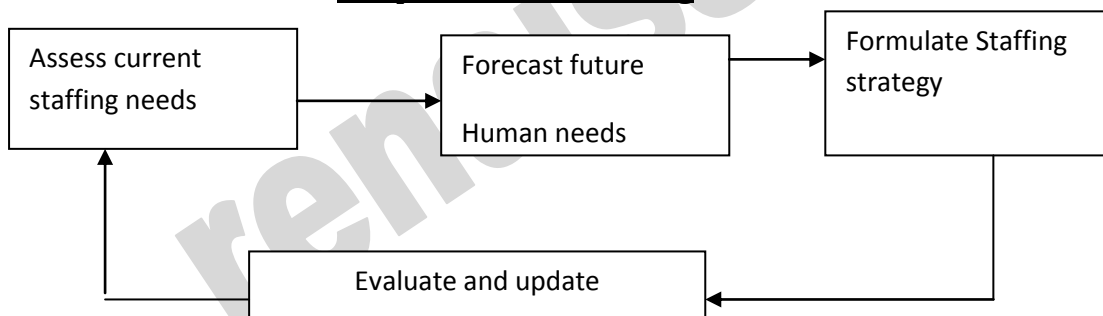
1. Staffing functions fill up the gap between organizational design and human assets and makes structure of organization functional and operating. It is done by procuring required quantity and quality of human force.
2. All the physical resources are to be utilized through human resource, therefore, 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





### Model of HRD

- (b) To determine human resource requirements of the organization for the existing level and volume of operation it is determined both in terms of quantity and quality of human resource on the basis of certain norms and procedures.
- (c) To prepare manpower inventory in terms of strengths skills available within organization.
- (d) To compare manpower requirement determined on the basis of norms, with actual inventory of personnel in stock.
- (e) To forecast manpower requirement of the organization some future date, taking into account future plans and programmes of organization.
- (f) To formulate policies, procedures and programmes as to acquire and develop required manpower.

### **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) Is also facilitates effective and economical use of manpower in organization.

## **II. Job Analysis**

Job analysis is, 'Systematic process of collecting data & making certain judgment all important information related to the nature of specific job'..

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**

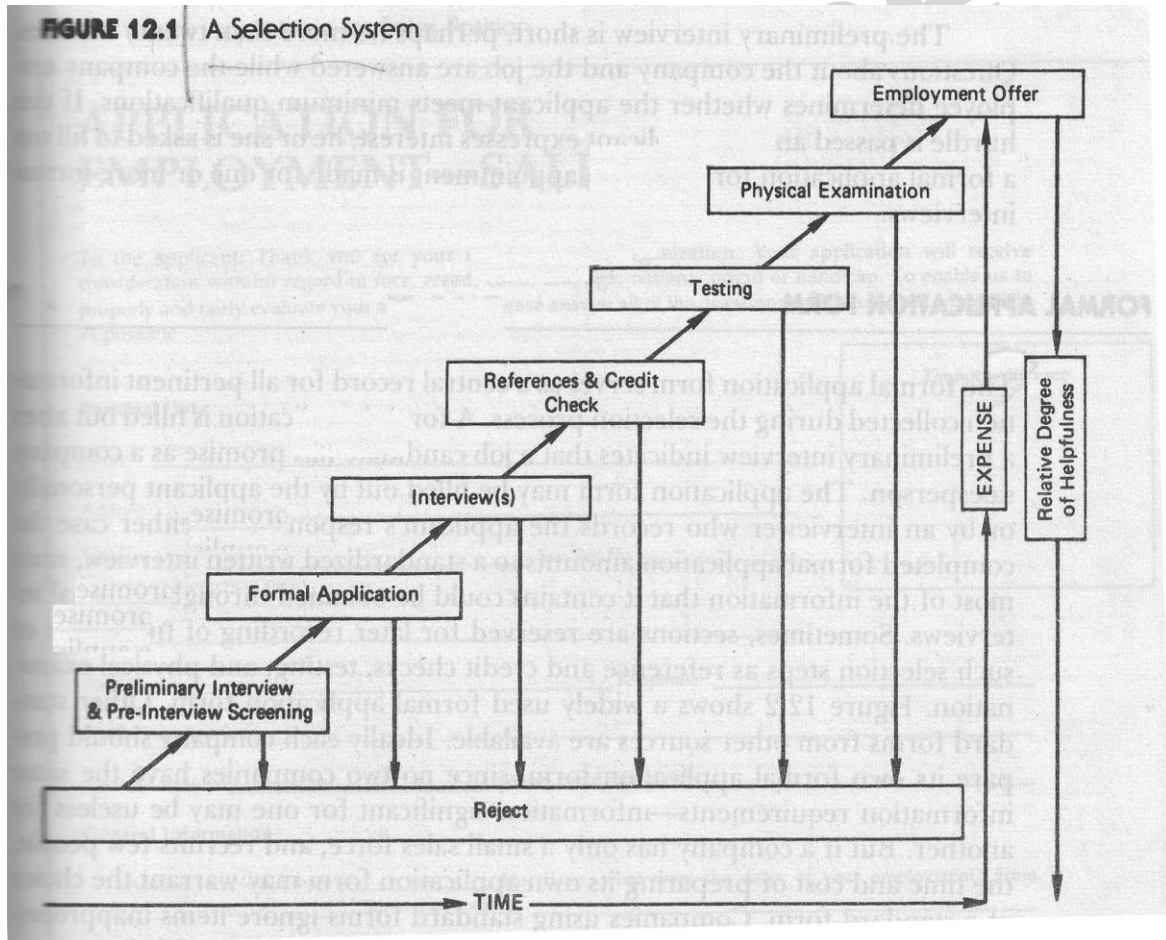
Recruitment is a process of identifying sources of human force and attracting and motivating them to apply for the jobs in the organization. The process of recruitment consists of following elements.

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.



## IV. Selection

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 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.

## 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.

- (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.

## 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.



### **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.

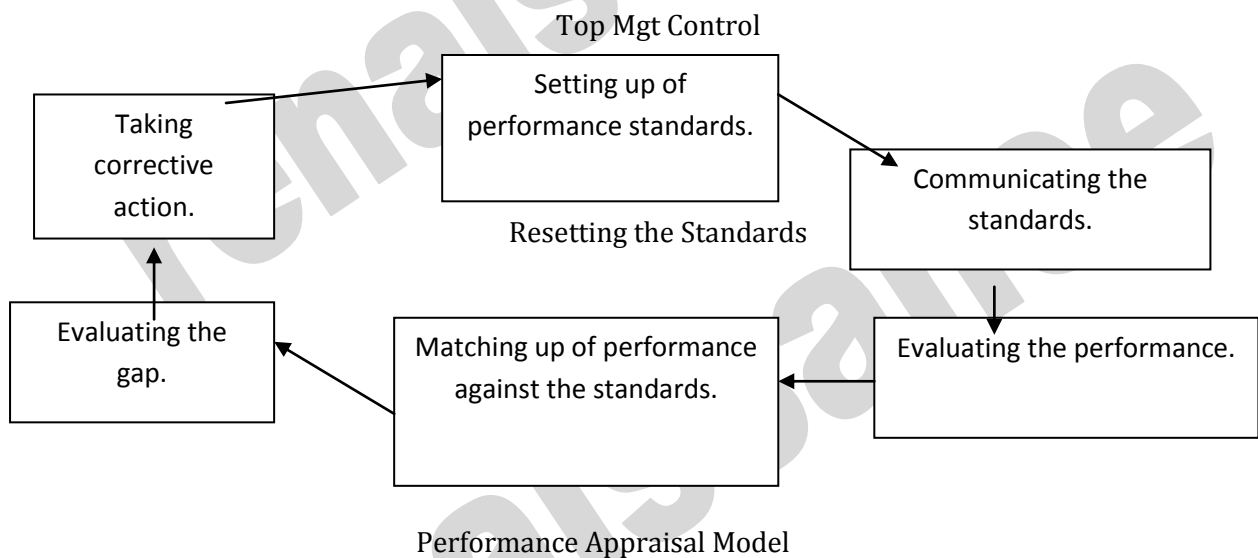
*Off the job methods* : Off-th-job training methods remove personnel from the stress and ongoing demand of work place and enabling them to focus fully on learning new experience some of them are :



- (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

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.



## 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, rendering it very difficult to decide who is to be promoted to higher position, and making it acceptable to all other employees. 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.

### **Principles of Staffing**

1. Principle of staffing objective
2. Principle of job definition
3. Principle of appraisal
4. Principles of open competition

### **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 of 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 employee's 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 employee 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 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 involving three steps:
  - a. Setting work standards.
  - b. Assessing employee's actual performance relative to these standards.
  - c. Offering feedback to the employee so that he can eliminate deficiencies and improve performance in course of time.
- 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 how 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

Performance appraisal could be taken either for evaluating the performance of employees or for developing them. The evaluation is of two types: telling the employee where he stands and using the data for personnel decisions concerning pay, promoters, etc. the developmental objectives focus on finding individual and organizational strengths and weaknesses; developing healthy superior-subordinate relations, and offering appropriate counseling/coaching to the employee with a view to develop his potential in future.

- 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 appraise.
2. **Communicate the Standards:** Performance appraisal involves attracts two parties; the appraiser who does the appraisal and the appraise who performance is being evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly, help appraise set his goals and targets; analyze results objectively; offer coaching and guidance to appraise whenever required and reward good results. The appraiser should be very clear about what he ids doing and why he is doing. For this purpose, the performance standards must be communicated to appeases and their reactions be noted initially.
3. **Measure Actual Performance:** After the performance standards are set and accepted, the next step it or measure actual performance. This requires the use of dependable performance



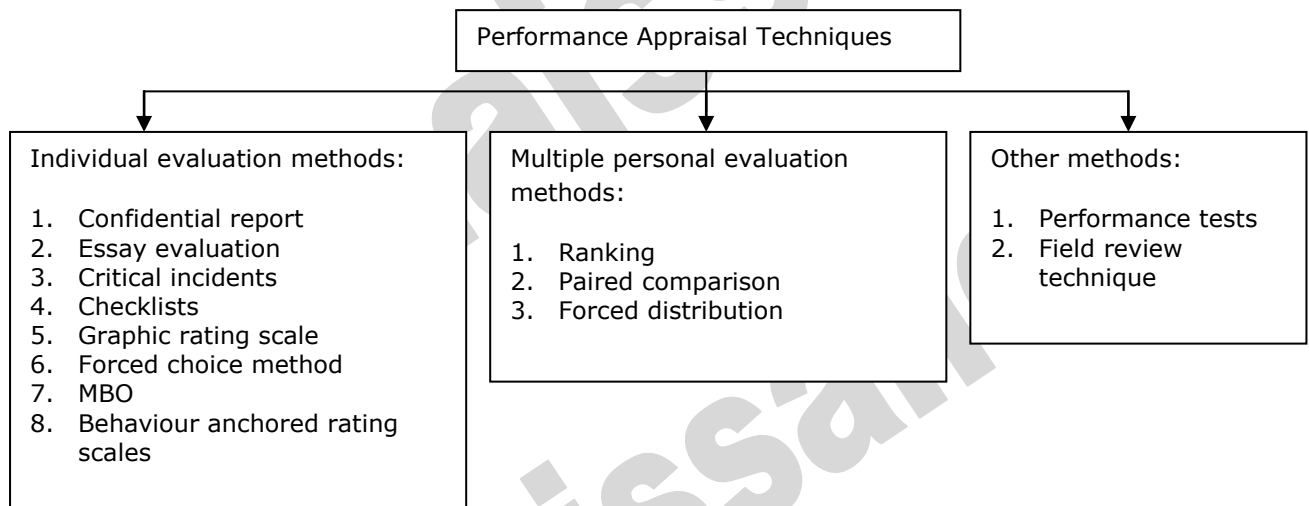


measures, the rating used to evaluate performance. Performance measures in order to be helpful must be easy to use, reliable and report on the critical behaviour that determines performance. Generally, four common source of information are used by managers regarding how to measure actual performance: 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 appraisee. 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. It's 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 as 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 on group assignment similar to the ones they would be handling when promoted.

## 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.
- If the organisation fails to focus on any of the career related issues clearly, problems may crop up (e.g., early career issues, mid career issues, late career issues, minority groups, dual career couples, failure to match task and emotional needs, post retirement issues, forced lay-off issues, etc.).

### 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 facilities management of change.
  - vi. It motives employees.



## PRINCIPLES OF DIRECTION OR REQUIREMENTS OF EFFECTIVE DIRECTION

1. Principle of Directing Objective
2. Principle of Harmony of Objective
3. Principle of Unity of Direction
4. Principle of Direct Supervision
5. Principle of Effective Leadership
6. Principle of Communication
7. Principle of Maximum Individual Contribution
8. Principle of Human Relations
9. Principle of Participation
10. Principle of Informality
11. Principle of Follow through

## DIRECTING OR ACTUATING

Directing is the process of integrating the people with the organization so as to obtain their willing and zealous cooperation for the achievement of its goals. This requires integration of organizational goals with individual and group goals. Employees as individuals and as group members will contribute their abilities and efforts for the achievement of organizational goals to the extent that they perceive that it simultaneously results in advancement towards their own individual and group goals.

When an individual joins an organization, he brings with him a variety of needs including needs for making his living, gaining prestige, position and power, socializing, developing his abilities and becoming what he is capable of being, etc. He seeks to fulfil these needs through his membership of the organization. On the other hand, organization has a variety of needs of its own, including needs for task performance, goal achievement, change and growth, etc., which it seeks to achieve through the agency of its employees. Thus, the individual and the organization enter into, what Schein calls, a psychological contract. This psychological contract is implemented by the organisation through making task assignments, imposing obligation on employees to promising rewards and punishments. The individual enforces his side of the contract by his ability to influence the organization or his own immediate situation, and by deciding how much he loyalty in return of what he hopes to get from it. What takes place as a result of interaction between individual needs and organizational goals, is what, Bakke calls the fusion process, which is a "simultaneous operation of the socialising process by which the organization seeks to make an agent of the individual for the achievement of organizational objectives and of the personalising process by which the individual seeks to make an agent of the individual for the achievement of organizational objectives and of the personalising process by which the individual seeks to make an agent of the organization for the achievement of his personal objectives. This integration between organizational goals and individual needs is effected by directing process.

The manager strategy of directing depends on its view of the nature of man. Sahein, distinguishes between four sets of assumption about the nature of man and associated direction strategies (i) rational-economic man, (ii) social man (iii) self-actualizing man, and (iv) complex man.

### Rational Economic Man and Directing Strategy

The theoretical foundations of rational-economic view of human nature are founded in the philosophy of hedonism and utilitarianism which argued that man's behaviour is aimed at maximizing his net gain.

Rational-economic man assumption of human nature implies :

1. Man's primary motivation is economic gain and he does all that which maximizes it.
2. Economic incentive are under the control of the organization, and people are passive agents to be manipulated and controlled by the organization.
3. People tend to have irrational feeling and such feelings must be prevented from interfering in his calculation of maximization of his economic gains.



4. Organization design should aim at neutralizing and controlling man's irrational feelings. These assumptions about the nature of man are similar to those spelt out by McGregor in his Theory X. These are:

1. Man is inherently lazy, dislikes and avoids work as far as possible, and, therefore, must be motivated by external incentives.
2. Individual goals run counter to organizational goals. Hence he must be controlled, coerced, directed and threatened by external forces so as to get him to direct his efforts towards organizationally desired channels.
3. Man is incapable to self-discipline and self-control because of his irrational feelings. He prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all.
4. People are roughly divided into two groups-those who avoid responsibility and prefer to be directed, and those who are self-motivated, self-controlled, and less dominated by their feelings. These are the people who should assume managerial responsibilities for all others.

This set of assumptions about the nature of man dictates the application of the scientific management principles.

1. Find the "one best way" of performing every job, primarily by means of time and motion studies.
2. Select the right person for each job and train him in the proper methods.
3. Combine the best method and the man by motivating him through an incentive scheme.
4. Take away the planning job from the domain of workers and assign it to specialists, called functional foremen.

According to this view, employees are expected to do no more than respond to the control and incentive systems imposed by management, and the burden of getting the desired results lies solely on managers. Employees are assumed to be incapable of self-control and self-motivation, and devoid of abilities for innovating. The implied managerial strategy ensures that they become so in reality. But as jobs become more complex more serve, it needs employees who are self-motivated, self-controlled, ingenious, creative and innovate. On the other hand, directing strategy based on the assumption of rational-economic nature of man reduce employees into passive, hostile and alienated state. Consequently, the organization finds that it does not possess the employees force which will sustain it in a crises situation, or in responding to its increasingly dynamic environment.

### **Social Man and Directing Strategy**

The Hawthorne studies and subsequent researches revealed that employees have a variety of social and psychological needs, and quantity as well as quality of production are significantly affected by group norms, and employee morale and satisfaction. This led to the development of assumptions based on the 'social man' concept of human nature:

- (a) Employees are primarily motivated by social needs and gain their sense of identity through social relationships with others.
- (b) As a result of division of work and rationalization, meaning has gone out of work, and therefore, satisfaction is sought in social relationships on the job.
- (c) Employees are more responsive to the social forces of their peer group than to the controls and incentives provided by management.
- (d) Employees will respond to management to the extent that it can meet their social needs and needs for acceptance.

Directing strategy based on these assumptions should aim at:

1. Paying more attention to the social needs of employees rather than limiting it only to performance of tasks.





2. Showing concern for employees' feeling for acceptance, sense of belonging and identity rather than trying to motivate and control them by external means.
3. Accepting informal groups as a reality of organizational life and focusing on group incentives rather than on individual incentives.
4. Acting as an intermediary between employees and higher management, showing consideration and concern for their needs and feelings rather than attending only to the tasks of planning, organizing, controlling and motivating.
5. Acting as a facilitator and sympathetic supporter instead of concentrating only on efficient task performance.

This strategy assumes that gratification of social needs on the job will result in employee loyalty, commitment and identification with organizational objectives. A number of researches do not fully support the above hypothesis and the implied managerial strategy. Zalesnik and his associates found from a study of 50 workers in a medium-sized manufacturing company that : (i) production as well as satisfaction were related to group membership and not to the pay and job status; (ii) regular members of the group reported satisfaction and conformed to group norms of productivity as well as to management's expectations; (iii) deviants and isolates were less satisfied and violated group norms; (iv) deviants and isolates, who aspired for group membership and identified with the group, produced below the group norms; and (v) deviants and isolates who did not aspire to group membership tended to produce above the group norms.

In a study of group cohesiveness Seashore reported that high group cohesiveness resulted in high productivity if group members had high confidence in management, and accepted its production standard; and in low production if they had little confidence in management and did not accept production standards set by it. Whyte's research also does not support the social man theory. He found that : (i) when an incentive scheme, whether group or individual, works successfully, it is because (a) workers perceive the meeting of production standards as a sort of win or lose game and they work hard because the game is fun; (b) they may work to meet production standards in order to maintain good relations with the supervisor; and (c) working at fast pace is often less boring and fatiguing than working at low pace; (ii) rate-busters who produce at higher rate than the group norm differ in background and personality, than regulars who restrict production in conformity with the group norms. The rate busters are individualistic, come from homes where economic individualism is highly valued (such as a farm family) and do not seem to have strong social needs. Rate restricters come from urban middle class homes, value cooperation and high social needs. It would thus seem that all workers do not have social needs, or at least equal amount of social needs.

### **Self-actualizing Man and Directing Strategy**

This assumption about the nature of man is based on the view that man has inherent need to use his knowledge, abilities and skills in a mature and productive way. Argyris, Maslow and McGregor suggest that most jobs have become so deskilled, routinized and fragmented that all the worker is required to do is to use some of his surface abilities; and he is also unable to see the relationship between his work and the final product. The self-actualizing assumptions of human nature add implies:

1. Every worker seeks meaning and accomplishment in work if his physiological, safety, social and esteem needs have been more or less fulfilled.
2. People seek to mature on the job and are capable of doing so. This means that they want to exercise a certain amount of autonomy and independence on work, have a long-range perspective, develop their special abilities and skills, and have flexibility in adapting to their environment.
3. Workers are primarily self-motivated and self-controlled, and external incentives and control tend to threaten them and adversely affect their maturity.
4. Needs for self-actualization and organizational effectiveness are not incongruent. People tend to integrate their own goals with those of the organization if the work environment is conducive to such integration.



These assumptions about the nature of man are similar to those implied by Theory Y assumptions of McGregor.

5. The expenditure of physical and mental effort in the performance of work is as natural as play.
6. External control and incentives are not the only means of getting people to perform efficiently. They will exercise self-direction and self-control for the achievement of objectives to which they are committed.
7. Commitment to objective depends on the rewards associated with it.
8. People generally learn, under proper conditions, not only to accept responsibility but also seek responsibility.
9. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly distributed.
10. Under modern conditions of organization of work, the abilities and skills of workers are only partially utilized.

**The set of assumptions requires directing strategy aimed at:**

1. Making work intrinsically more challenging and meaningful
2. Acting as a catalyst and a facilitator
3. Delegating adequate authority to subordinates so as to provide them autonomy on the job.
4. Providing opportunities for the harnessing of employee' intrinsic motivation to organizational goals.

There is some research evidence which suggests that people in managerial and professional positions have a high level of need for self-actualization, and that they seek challenge and autonomy on the job, as their lower order needs are reasonably well satisfied. But this is not true in case of lower level employees, whose lower order needs, particularly safety, social and esteem needs are not reasonably satisfied with the result that their self-actualisation need is not activated. In many cases, it is possible, that "a worker is working to make enough money to find meaning and challenge off the job".

**Complex man and Directing Strategy**

Considering the inadequacy of simplified and generalized nature of rational-economic, social and self-actualizing concept of man, Schein views man as complex, possessing many needs and abilities. In this complexity, he differs not only with others but also within himself at different points of time. Schein advances the following set of assumptions regarding the complex nature of man:

1. Man is not only complex but also highly variable. He has a variety of needs which keep on changing from time to time and situation to situation.
2. People are capable of learning new motives their experience in organizations;
3. People in different organizations and different sub-parts of the same organization differ in their motivational patterns;
4. People involve themselves with the organization on the basis of a variety of motives depending on the nature of task to be performed and interaction with other in formal and informal groups;
5. Depending on the nature of tasks, abilities, motives and group membership, man can respond to many different kinds of managerial strategies.

**The implied directing strategy based on the assumption o complex nature of man is that:**

1. The manager should be a good diagnostician and must understand the needs, motives and attitudes of his employees;
2. Since every employee is an unique individual, differing from other in his needs, motives and attitudes, he should be treated differently from others. That is to say, a managerial strategy found effective in case of one employee may prove to be ineffective when applied to another. It has to differ from person to person based on individual differences;



3. Since an employee keeps on changing in his complexity from time to time, the same managerial strategy may not prove to be effective with him at varying times. As he changes in complexity, so also the managerial strategy for dealing with him should change;
4. The manager must have flexibility and resourcefulness to vary his strategy according to the needs of the situation.

### Problems in Human Relations

As emphasized earlier in this chapter, people are the most precious resource of an organization, as it is the level of their willing contribution to the achievement of organizational goals that provides it a real and enduring edge over its competitors. It was also pointed out that employees' will to work cooperatively and productively depends on their perception that by doing so they are advancing simultaneously toward their own goals. A manager's success in directing depends on his ability to create such a healthy human relations climate. He can do so by (i) providing appropriate leadership; (ii) creating conditions conducive to the development of satisfying interpersonal relationship; (iii) motivating employees by providing them challenging and meaningful work and scope for growth, advancement and achievement; and (iv) establishing a healthy and effective communication system. Most managers are, however, deficient in the art of human relations. Even the most effective manager-leaders face human relations problems, but the magnitude and complexity of human relations problems is much more in case of managers who treat employees as inanimate object.

We will now focus our attention to the nature and causes of human relations problems.

### NATURE AND CAUSES OF HUMAN RELATIONS PROBLEMS

#### 1. Conflict between Individual and Organization

Chris Argyris argues that there is a basic conflict between the needs of a mature person and organizational demands. He contends that as an individual grows from infancy to adulthood he develops on the following continuum:

1. From state of passivity to a state of increasing activity
2. From a state of dependence on others for need gratification to a state of relative independence, and acknowledgement of healthy dependencies
3. From a state of responding to environment in only a few ways to responding in several alternative ways
4. From a state of having shallow, short-time and erratic interests to deeper, long-time and challenging interests.
5. From a short-time perspective to a long-time perspective of his work, environment, life goals, etc.
6. From a state of subordinacy to a state of search for equality in interpersonal relationships.
7. From a sense of unawareness of 'self' to a sense of identity as a unique individual.

Thus, an employee seeks a work environment which permits him to act like a mature person.

That is to say, he wants: scope to utilize and develop his abilities; to be creative and innovative; to develop deeper interest in his work; and a long-time perspective about his job and situations work which is challenging; autonomy (and independence in work performance; predictable management policies, behaviour and responses; and to be treated as a unique person with needs, abilities and a sense of responsibility.

On the other hand, a typical worker, particularly if he is engaged in automated operations is: (i) provided with minimal control over his work environment so far as activities, work methods, peace of work, etc., are concerned; (ii) expected to perform reutilized operations in the prescribed manner; (iii) required to use only his surface abilities, mainly his motor skills; (iv) allowed to have a short-time perspective as he has to perform the same operations repeatedly and mechanically; and (v) placed in the position of dependence on the organization for the fulfillment of his basic needs. This all leads to a



work environment of “psychological failure” for the employee. As an adult, he seeks to mature further on the job but he is required to perform under conditions which require him to behave like an immature person. This leads to a basic conflict between the needs of a mature person, and organizational demands requiring to behave like an immature person, stifling his needs for growth, development, challenge and autonomy. The employee working under such conditions of “psychological failure” responds with apathy and alienation, and sometimes even by aggressive feelings toward management.

## 2. Individual Differences

People are unique in their need patterns and the manner in which they seek, fulfillment of their needs. Some generalizations about human needs have advanced by behavioural scientists like Maslow, Herzberg, Vroom, etc. (see Chapter 13 for detailed discussion) but people differ from one another in their need patterns. Every worker does not seek socialization on the job, challenge, creativity, recognition, autonomy, etc., and certainly not to the same extent. People also differ in their need patterns even within themselves from time to time. At one time an individual may be seeking satisfaction of his security need, at another time, he may be hotly pursuing opportunities for advancement. Moreover, people also differ in the way they handle their needs. One may be keen on advancement yet patient, hardworking and preserving, while another with the same degree of keenness for advancement may be impatient, aggressive and politicking.

People are different from one another not only in their needs and modes of responses to them, but also in attitudes. Attitudes are predispositions in terms of which people respond to situations. People widely differ in attitudes ranging from highly rational to highly non-rational, highly objective to highly subjective, highly passive to highly aggressive, and so forth. They also differ in their likes, dislikes, beliefs, values, etc. The problem is further complicated by the fact that attitudes are not characterized by performance. Instead, they are changing and, at times, in an unpredictable manner.

Yet another factor that complicates human relations is that people differ in their perception of work, supervisor, rewards, situations, etc. Since perception is the process through which we organize our experiences, it affects our behaviour toward work, people and situations. Many problems arise due to differing perceptions of situations. While the supervisor may perceive the worker as lazy and indolent, the worker may perceive him as a slave driver. These perceptual differences are at the basis of many problems that managers face from day-to-day.

Though people differ widely in their needs, responses to need fulfillment, attitudes and perceptions, management often try to handle them through standardized work methods and operations, and uniform policies, rules and procedures. These standardizations and uniformities are an indispensable element of organized effort, as cooperative effort for the achievement of common goals will be impossible without it. Besides, in many cases, managers find it convenient to treat people in an uniform and standardized manner. It is not an easy task for a manager to vary his strategy and policy in relation to everyone of the large number of people with whom he interacts every day during the course of performance of his duties. Moreover, if he were to treat people differently according to their unique needs, he might be accused by others of bias, discrimination, prejudice and favouritism. This is the manager’s dilemma in dealing with people at work.

## 3. Role and Status Incongruities and Conflict

Role is expected behaviour from a person in his activities involving others. Every employee is related with other in multiple ways, and has, therefore, multiple roles to perform. He is a boss, a subordinate, a peer, a friend, a leader, a follower, a specialist and many more things. He is similarly related in multiple roles with many people and groups away from the work, as a citizen, a father, a husband, a member of a cricket club, and so on. Role performs an important function through prescribing expected behaviour in that it makes behaviour predictable. It also provides direction to behaviour as most of us consciously



try to conduct ourselves in accordance with the expectations of others in order to gain social acceptance. At the same time, when behavioural expectations from a person are materially different or contrary to one another, he faces the situation of role conflict. For example, management's expectations of supervisory behaviour may be in conflict with those of the workers. A supervisor is expected by his superiors to concentrate on production and discipline the recalcitrant workers. On the other hand, workers expect him to be friendly, supportive and helpful. He is caught in the middle and has to be adept in the art of balancing the conflicting roles. Sometimes, an employee also finds himself in a situation of role ambiguity, that is to say, his expected behaviour is not well defined. This particularly happens with staff specialists. Role conflict and role ambiguity both cause dysfunctional behaviour and result in decline in need fulfillment and job satisfaction, with adverse consequences to healthy human relation at work.

Another problem of human relation arises from status incongruity. Status is the social position of a person in comparison with others. People are bound together in status hierarchies or status systems because of status differences in an organization. Formal status is defined by organizational position. Informal status, a person's position in relation to other member in the group is accorded to him by group members.

Status incongruities create human relations problems at work. Whyto found in restaurant study that when relatively low status waitresses passed their customer order to high status counter men, it caused much wrangling and bickerings. The problem was solved by providing a spindle for order slips or a high warming compartment which reduced much contact between waitresses and counter men. Maier reports a similar situation of status conflict in a public utility. The crew rode to work in truck and workers occupied seats according to their status in the group. The senior-most man sat alongside of the driver in the cab, and the junior-most person sat at the very end in the rear. It was his duty to open and close the tailgate for the other men. The management, faced with the problem of too many accidents resulting from climbing over and jumping down to the group when the tailgate was up, issued an order requiring the person seated in the cab to operate the tailgate. This meant that a high status system in the crew, created a problem of status conflict. The problem was solved by the group: the senior person gave up his seat and the status symbols changed.

These examples of role and status incongruities illustrate that human relations problems arising from them need imaginative and ingenious handling, lest they cause dysfunctional behaviour.

#### **4. Interpersonal Conflicts**

Interpersonal conflicts are a normal aspect of organizational life. People differ in values, perceptions, needs, attitudes, temperament, approaches, and in so many other ways. When people interact with one another, they often run into conflict situations because of these differences. One of the reasons of conflict is that one of the two or more people in an interactional relationship feels threatened or diminished in some way. He may feel exposed to other or swept off his feet by the aggressiveness, knowledge, versatility or viciousness of the other. Conflict also occurs when one finds his goals clashing with another person, as it happens, for example, when two persons compete for a higher level position. Differences in the means for goal attainment may also cause conflict. A manager and his subordinates may run into conflict about work priorities, or determination of activities that will lead to goal accomplishment. Competition for allocation of funds or other resources may also cause conflict. Competition for status and status symbols is yet another source of conflict. Perceptual differences is one of the most common sources of conflict. If sales are going down, the production manager may perceive it as a marketing problem, the marketing manager may see it as a production problem, and the general manager may view it as a personnel problem of low morale.



Conflicts cannot be eliminated in any organizations as they are the natural consequence of interaction among people with differing personalities. It is also not necessary to eliminate all conflicts as they are not always dysfunctional. In fact, conflicts can “contribute in a positive fashion to organizational creativity and productivity. Conflict and disagreement force re-examination of basic ideas and philosophies, often resulting in modifications that benefit the organization as a whole.” But all conflicts are not healthy and can do untold damage to the organisation. An internecine conflict between a production manager and purchase manager may seriously hamper production. A continuing conflict between a supervisor and his subordinates may adversely affect the performance of both. Conflicts can lead to improvement in organization performance, or at least save it from debilitating and destructive consequences if they are resolved constructively and in good time.

### 5. Informal groups and Human Relations Problems

Informal groups, which arise spontaneously out of frequent interactions among the members of the organization, are an inevitable aspect of formal organization. They perform many important functions for the individual employee as well as the organization. Employees seek satisfaction of their social and security needs by banding together in informal groups. It also helps them gain esteem and a sense of identity, and provide them a forum for testing their idea, values and perceptions. Informal groups also help the organization by satisfying the needs of individuals and thus motivating them to perform efficiently. If informal groups perceive that their goals are congruous with organizational goal, they cooperate with management in the achievement of its goals. But anti-management or hostile groups hamper management in achieving it a level below the capabilities of their members, and enforce these norms by punishing such of their members who violate these norms.

Informal groups also create human relations problems besides these organizational problems. They punish the deviants- those who violate group goals, value and norms-by ignoring them, ostracising them, and in so many other overt and covert ways. If a worker not belonging to the group-an isolate-produces above group norms, he is also subjected to group pressures. Groups also make it difficult for management to transfer a worker who is a group member. Groups resist the acceptance of new employees also.

Groups often run into conflict with one another just as individuals do. As a group become more cohesive and committed to its own goals, norms and values, it often competes with other groups to establish its own superiority, or to gain more power in organization. Conflicts between sales and production groups, purchase and production groups, etc., are not an uncommon phenomenon in many organizations. Such inter-group conflicts tend to become dysfunctional for the organization.

### STRATEGIES FOR ESTABLISHING HEALTHY HUMAN RELATIONS

As stressed earlier, success of an organization in achieving its goals significantly depends on the willingness and zeal with which its employees contribute their abilities, efforts and energies in the performance of their assigned tasks, and fulfillment of their responsibilities. This requires a healthy human relations climate in the organization, and it is the responsibility of management to build it. We suggest the following managerial strategies for building a healthy human relation climate at work.

#### 1. Integrating the Individual and the Group with the Organization

Successful achievement of organizational goals significantly depends on the ability of management to integrate the individual needs and group goals with its own objectives. It should be recognized that neither management nor employees as individuals as well as group member can achieve their respective goals by frustrating one another's goals. If employee needs are not satisfied they will be motivated to contribute their optimum for the achievement of organizational goals. And, if organizational goals are not achieved, it will put limitations on its resources to gratify individual needs. It is only by pursuing mutually congruous goal that the organisation of goal is managerial responsibility because it the managers who have the formal authority to command the resources of the enterprise, the



can also set the tone and climate in the organization through their policies and practices. It is no difficult to conceive that it is rather an impossible task for management to satisfy all the needs of all its employees and employee groups not only because of limitations of resources, but also because of priority of organizational goals over personal or group goals. What management should aim at doing is to create an environment which permits them to appreciate environmental and organizational constraints. This requires a relationship of mutual trust and confidence. It is the function of leadership to create a supportive environment and a relationship of mutual trust and confidence.

## **2. Involving Individuals and Groups in Decision Making**

Supportive climate and relationship based on mutual trust and confidence can be effectively established by involving workers and their groups in decision making process. The manager should not only permit but seek their ideas and suggestions in all kinds of problem situations which affect them. He may consult them frequently or participate with them in joint decision making, depending on the problem and the situation. This not only helps in improving the quality of decisions but also leads to the satisfaction of their ego needs. They feel treated as responsible people with abilities and competence.

## **3. Communicating Effectively**

Many of the human relations problems are created by inadequate or distorted communication. The need "to know" about one's situation, status, prospects, company policies, contemplated changes, etc, one of the most basic needs of employees. Lack of communication causes fear, confusion, misunderstandings and distrust. Management should aim at opening the channels of communicating, particularly upward communication. This will enable it to know and understand employee problems, reactions, fears, aspirations, needs and hopes. Informal channels of communicating, particularly upward communication. This will enable it to know and understand employee problems. reactions, fears, aspirations, needs and hopes. Informal channels of communication, called the grapevine, can complement as well as supplement formal communication if fed with adequate and timely information.

## **4. Adaptive Leadership**

Since people are different, complex and variable, and situations are also in a continuous process of change, no single style of leadership-democratic or autocratic, employee centered or production centered-can be equally successful in all situations and with all people. In order to be able to provide effective leadership, a manager should be able to understand the people and situations accurately and adapt his leadership strategy accordingly. Skinner and Sasser found on the basis of analysis of the leadership style of some highly successful and some less successful managers that successful managers have many styles. "They are regularly inconsistent ..... The high achievers get into fine details in one situation, yet stay away at the strategic level in another. They delegate a lot one time, or a little the next time. They are close and supportive one day and remote and demanding another day." It is apparent that healthy human relations can be established by managers who carefully analyze and understand the people with whom they are dealing and situations in which they are operating. Then they adapt their leadership style to situations and people.

## **5. Conditioning Behaviour**

One of the effective ways of building healthy human relations at work is through conditioning the behaviour of people. The theory propounded by B.F. Skinner states that, "operant conditioning shapes behaviour just as a sculptor shapes a lump of clay". According to him, an individual's behaviour is not determined by his internal states like beliefs, values and feelings, etc., but by the forces in his environment. Behavioural objectives can be deliberately determined and appropriate responses engineered through conditioning process..



## 6. Resolving Conflicts

Conflict resolution refers to activities aimed at reducing or ending interpersonal and intergroup conflicts. Methods aimed at resolving conflicts may involve: (i) the victory of one side and the defeat of the other-win-lose methods; (ii) splitting the differences or compromising-lose lose methods; or (iii) the use of problem solving- win-win methods.

In the win-lose method, the gain of one party results from the loss of another party. For example, out of the two groups contending for a given office space, one gets it and the other does not. It may result into the creation of feelings of loosing in the second group, and it may react by engaging in non-productive behaviour.

The lose-lose methods are typically compromise methods. Both the parties settle down for something which partially satisfies their respective needs. In our earlier illustration, both the groups agree to share the available office space.

Both these strategies of conflict resolution are viewed from a distribute dimension in which one's gain can come only from other's loss. They have the following characteristics: (i) feeling of we-they between the parties; (ii) parties interact in an atmosphere of victory and defeat; (iii) both look at the problem from their own view-point; (iv) the emphasis is on solutions rather than on the achievement of goals; (v) conflicts are personalized; (vi) conflict resolving activities are not differentiated from other group processes; and (vii) the parties take a short-term view of the issues.

The win-win method is based on the integrative or problem solving approach. It involves both the parties in joint identification of needs both the parties, an exhaustive search for alternative solutions which will satisfy their respective needs, and selection of the best method. In our example of conflict for office space, both the parties examine their need for it, generate and evaluate alternative solutions and decide that one may have the use of the space, and the other meets its needs by reorganising its desks and filing cabinets, and also by shifting one of the typists to the typing pool.

Distinguishing between distributive and integrative methods, Thompson observes:

The integrative component is... the total amount of satisfaction for both parties. The distributive component is the proportion of satisfaction going to each party. In other words, the integrative dimension represents the size of the pie available to both parties; the distributive dimension represents the way it is divided up.

Healthy human relations can be built by integrative or problem solving approach in which both the parties gain satisfaction of their respective needs in a cooperative manner, and not at the expenses of one another. Walton and McKersie suggest a strategy for encouraging co-operative attitudes on the part of the competing parties, based on the balance theory. It proposes that: (i) cooperation between the parties will be increased if they share the likes and dislikes of one another; (ii) frequent interaction among them will lead to increased cohesiveness; (iii) when a party becomes identified with or associated with the value or needs of the other party, cooperation will be increased; (iv) cooperation will also be enhanced if one party disassociates from objectives or values which the other party dislikes; and (v) cooperation will be enhanced when one party acknowledges help from the other. This approach to resolving conflict among individuals and groups can be used successfully by creating an environment of increased interaction and communication among them. The laboratory training method discussed in Chapter 20 can also be used for this purpose.





**Motivation might defined as a planned managerial process, which stimulates people to work to the of their capabilities for the most effective and efficient realisation of the common objectives of the enterprise; by providing them with motivates 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.

##### **(1) 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.

##### **(2) Physical security needs**

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

##### **(3) 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 present 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 ma 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) International relationships with supervisors
- (viii) Interpersonal relationships with subordinates
- (ix) Status
- (x) Personal life

### 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 and sense of badness or goodness associated with these theories. Apparently, Theory 'X' contains a set of negative assumptions human behaviour; and Theory 'Y' contains a set of positive assumptions about human behaviour. Understanding of these two alternative set 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. (In fact, creativity is narrowly distributed among population	4. People posses 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 a 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**

**Enumerate the various styles of leadership.**

### STYLE OF LEADERSHIP

The success and failure of an industrial or business organisation depends upon the type, nature or style of its leadership. Nature or style means a special behaviour or method. Thus, the style of leadership defines the various special behaviour of leadership. The various styles of leadership in the world of industry are as following –



## [I] MOTIVATIONAL STYLES OF LEADERSHIP

Those styles of leadership are called motivational styles, through which guides his subordinates and motivates them for more and more working. These motivational styles are of two types-

- (i) **Negative Motivation Style** – In the negative motivational style, the leader motivates his workers through fear, punishment, terror, selection right, demotion and decrease in salary etc. and gives necessary instructions and orders. Through this style, the workers may be motivated only for short time, but this style is not good for the continuous motivation. Moreover, the atmosphere of group satisfaction and industrial peace may also not be created through this style. So, this negative style of leadership should be discouraged and it should be used only when it is needed.
- (ii) **Positive Motivation Styles** – In this style of leadership, the attempts to achieve the goal are made. Through, motivation, reward and joint decisions. In other words, we can say that when the leader gives necessary instructions for work after given financial or non-financial incentives and rewards, it is are motivated to do more work due to getting financial or non-financial incentives, they work with more hard working and honesty and co-operate in establishing industrial peace.

## II. POWER STYLES OF LEADERSHIP

The styles of leadership passed on power are the following-

- (i) **Exploitative Authoritative Styles of Leadership** – In this styles of managerial leadership, subordinates neither may talk openly to their officers, nor they may given any suggestion. In this style, no trust is shown in the subordinates. Communication is downward, all decisions are taken at high level and subordinates are only informed. In this style of leadership, the negative methods as terror, punishment are used to motive the subordinates.
- (ii) **Authoritarian Style of Leadership** – In this style of leadership, leaders centralise all power and authority in himself. They do not believe in delegation. They themselves communicate the instructions and orders to the subordinates.
- (iii) **Benevolent Authoritarian Style of Leadership-** In this style of leadership, the behaviour of leader is humble and they also believe to some extent in their subordinates. Sometimes subordinates are asked for some suggestions and they are followed also. Positive and negative, both motivational methods at top level and communication is also downward, but partial delegation of decision making may be given to subordinates.
- (iv) **Consultative Style of Leadership** – In this style of leadership, the leader has full belief in his subordinates. Only positive incentives are used to motivate the subordinates. The suggestions of subordinates are invited and they are followed, if they are useful. The advice of subordinates is also taken at the time of decision. The delegation of authority is also seen. In this styles of leadership an upward. The responsibility of achieving goal is common but the policies of the enterprise are made only at top level.
- (v) **Participative Style of Leadership-** In this style of leadership, leader not only invites the suggestions of his subordinates but make them participants in making decisions at all levels. In this style, many financial and non-financial incentives and rewards are used to motivate the subordinates. In this style of leadership, the communication is all three types – Downward, Upward and Horizontal. The responsibility of getting objective is of all workers and officers of the organisation. In this style, the decision are taken with the help of workers.
- (vi) **Democratic Style of Leadership** – In this style of leadership, the leader does decisions and formation of policies after the discussion with his subordinates. Sometimes, the leader makes policies and working methods only after some alteration in their suggestion. In this style, the leader is like a co-ordinator. This style of leadership is based on delegation and decentralisation. The friendly relationship is found between



leader and his subordinates. In this style, the leader cares for the needs, facilities and feelings of the subordinates and motivates them of work as a social unit. He adopts the humanistic approach towards his followers and subordinates.

- (vii) **Laissez Faire or Free Rein Style of Leadership** – In this style of leadership, the leader completely decentralize his powers among his followers and subordinates and provides them freedom for personal and group decisions. In this style of leadership, the leader takes less interest in the administrative work and provides them the opportunity to work independently. So, the subordinates themselves determine their goals and make policies and also take decisions. The leader works only as a co-coordinator and chain.

### [III] SUPERVISORY STYLES OF LEADERSHIP

Supervisory styles of leadership are also two types.

- (i) **Employee Oriented Styles of Leadership**- In this style of leadership, the leader gives maximum importance to his followers and subordinates. He reforms the working conditions taking care about interests, desires, needs, facilities and feelings of workers. This style of leadership tries to increase production by adopting the human approach.
- (ii) **Production Oriented Style of Leadership** – In this style of leadership, the leader gives his attention only to increase in production. No attention is paid towards workers. The leader thinks that targets of the enterprise may be achieved only after adopting the new methods and techniques of production. In brief, this style considers the maximum production as main objective.



## 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 organization 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 intended. 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."

### 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.

### 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 reevaluation 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.

### **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.

### **Identifying Opportunities**

Control also helps managers identify areas in which things are going better than expected, thereby alerting management to possible future opportunities.<sup>1</sup> 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).

### **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.

### **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.

### **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).

#### **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 • Organization- wide perspective • Concerned with strategic issues • Longtime frame	Strategic planning	Strategic control
Middle management • Department perspective • Concerned with department goals and objectives, programs and budgets • Medium time frame	Tactical planning	Tactical control
First level management • Unit/individual perspective • Concerned with schedules, budgets, rules, and specific individual output requirements • Short time frame	Operational planning	Operational control

#### **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 ii of their departments on the organizational environment. Middle-level managers exercise operational control by monitoring critical aspects of the implement operational plans. They are also involved in strategic control to a certain extent. because they provide information to top-level managers on strategic issues.

#### **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.

### **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

### **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.

### **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 arc 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 performing 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.

### **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.

#### 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 systems 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.

#### 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 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).

#### 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.



**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