



SYLLABUS

M.Com I SEM

Subject – MANAGEMENT CONCEPTS

UNIT – I	Introduction: Concept of Management, Scope and Nature of Management, Approaches to Management, Human Relation, Behavioural and System approach.
UNIT – II	Planning: Concept of Planning, Objectives and components of Planning, Nature and Process of Planning, determination of Objectives. Management by objectives, Management by Exception, Concepts, Nature and Process of decision-making. Theories of decision-making.
UNIT – III	Organization : Concept, objectives and element of organization, process and principles of organization. Organization Structure and Charts, Span of Management, Delegation of Authority, Centralization and Decentralization.
UNIT – IV	Direction : Concept, Nature, Scope, Principles and Techniques of Direction. Communication : concept, Process. Channel and Media of Communication. Barriers to effective communication, Building effective communication system.
UNIT – V	Control : Concept, objectives, nature and process of control. levels and areas of control. Various control techniques. Z-Theory of Management. Management Education in India: Objectives, Present position and difficulties



M.Com I SEM

Subject – Management Concepts

Unit – I

Management—Principles and Practices

1.1 DEFINITION OF MANAGEMENT

It is very difficult to give a precise definition of the term 'management'. Different scholars from different disciplines view and interpret management from their own angles. The economists consider management as a resource like land, labour, capital and organisation. The bureaucrats look upon it as a system of authority to achieve business goals. The sociologists consider managers as a part of the class elite in the society.

The definitions by some of the leading management thinkers and practitioners are given below:

- (i) Management consists in guiding human and physical resources into dynamic, hard-hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service
—Lawrence A. Appley
- (ii) Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives.
—Henry L. Sisk
- (iii) Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective.
—James L. Lundy
- (iv) Management is the art and science of organising and directing human efforts applied to control the forces and utilise the materials of nature for the benefit of man.
—American Society of Mechanical Engineers
- (v) Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals.
—Harold Koontz and Cyrill O'Donnell
- (vi) Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.
—F.W. Taylor
- (vii) To manage is to forecast and to plan, to organise to command, to coordinate and to control.
—Henry Fayol
- (viii) Management is the function of executive leadership anywhere.
—Ralph C. Davis
- (ix) Management is concerned with seeing that the job gets done; its tasks all centre on planning and guiding the operations that are going on in the enterprise.
—E.F.L. Breach
- (x) Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.
George R. Terry
- (xi) Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service.
—American Management Association



- (xii) Management is a multipurpose organ that manage a business and manages Managers and manages Workers and work.

—Peter Drucker

1.2 CONCEPTS OF MANAGEMENT

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

Management as an Activity

Management is an activity just like playing, studying, teaching etc. As an activity management has been defined as the art of getting things done through the efforts of other people. Management is a group activity wherein managers do to achieve the objectives of the group. The activities of management are:

Interpersonal activities

Decisional activities

Informative activities

Management as a Process

Management is considered a process because it involves a series of interrelated functions. It consists of getting the objectives of an organ-isation and taking steps to achieve objectives. The management process includes planning, organising, staffing, directing and controlling functions.

Management as a process has the following implications:

- (i) *Social Process*: Management involves interactions among people. Goals can be achieved only when relations between people are productive. Human factor is the most important part of the management.
- (ii) *Integrated Process*: Management brings human, physical and financial resources together to put into effort. Management also integrates human efforts so as to maintain harmony among them.
- (iii) *Continuous Process*: Management involves continuous identify-ing and solving problems. It is repeated every now and then till the goal is achieved.
- (iv) *Interactive process*: Managerial functions are contained within each other. For example, when a manager prepares plans, he is also laying down standards for control.

Management as an Economic Resource

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

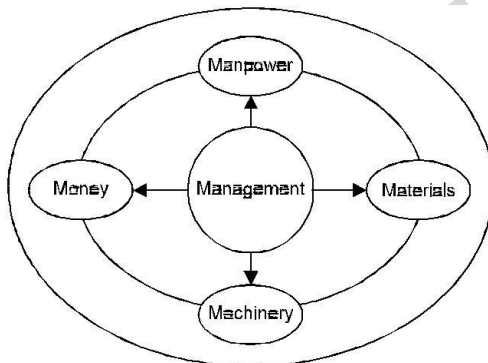


Fig. 1.1 Management as resource



NATURE AND SCOPE OF MANAGEMENT

Learning Objectives

- Definition of Management
- Concepts of Management
- Role and Importance of Management
- Distinction between Management and Administration
- Levels of Management
- Nature of Management
- Professionalization of Management
- Skills of Management
- Scope of Management

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

Management as a Team

As a group of persons, management consists of all those who have the responsibility of guiding and coordinating the efforts of other persons. These persons are called as managers who operate at different levels of authority (top, middle, operating). Some of these managers have ownership stake in their firms while others have become managers by virtue of their training and experience. Civil servants and defence personnel who manage public sector undertakings are also part of the management team. As a group managers have become an elite class in society occupying positions with enormous power and prestige.

Management as an Academic Discipline

Management has emerged as a specialised branch of knowledge. It comprises principles and practices for effective management of organisations. Management has become as very popular field of study as is evident from the great rush for admission into institutes of management. Management offers a very rewarding and challenging career.

Management as a Group

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

For example, when one remarks that the management of Reliance Industries Ltd. is good, he is referring to the persons who are managing the company. There are several types of managers which are listed as under.



- (i) Family managers who have become managers by virtue of their being owners or relatives of the owners of a company.
- (ii) Professional managers who have been appointed on account of their degree or diploma in management.
- (iii) Civil Servants who manage public sector undertakings.

Managers have become a very powerful and respected group in modern society. This is because the senior managers of companies take decisions that affect the lives of a large number of people. For example, if the managers of Reliance Industries Limited decide to expand production it will create job for thousands of people. Managers also help to improve the social life of the public and the economic progress of the country. Senior managers also enjoy a high standard of living in society. They have, therefore, become an elite group in the society.

Nature and Characteristics of Management

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

- (i) *Management is goal-oriented:* Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.
- (ii) *Management is universal:* Management is an essential element of every organised activity irrespective of the size or type of activity.

Wherever two or more persons are engaged in working for a common goal, management is necessary. All types of organisations, e.g., family, club, university, government, army, cricket team or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organised effort. Managers at all levels perform the same basic functions.

- (iii) *Management is an Integrative Force:* The essence of management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organisational goals. As a unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.
- (iv) *Management is a Social Process:* Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".
- (v) *Management is multidisciplinary:* Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.
- (vi) *Management is a continuous Process:* Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.
- (vii) *Management is Intangible:* Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.



(viii) *Management is an Art as well as Science*: It contains a systematic body of theoretical knowledge and it also involves the practical application of such knowledge. Management is also a discipline involving specialised training and an ethical code arising out of its social obligations.

On the basis of these characteristics, management may be defined as a continuous social process involving the coordination of human and material resources in order to accomplish desired objectives. It involves both the determination and the accomplishment of organisational goals.

Objectives of Management

The objectives of management are narrated as under.

- (i) *Organisational objectives*: Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include:
 - (a) Reasonable profits so as to give a fair return on the capital invested in business
 - (b) Survival and solvency of the business, i.e., continuity.
 - (c) Growth and expansion of the enterprise
 - (d) Improving the goodwill or reputation of the enterprise.
- (ii) *Personal objectives*: An organisation consists of several persons who have their own objectives. These objectives are as follows:
 - (a) Fair remuneration for work performed
 - (b) Reasonable working conditions
 - (c) Opportunities for training and development
 - (d) Participation in management and prosperity of the enter-prise
 - (e) Reasonable security of service.
- (iii) *Social objectives*: Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below:
 - (a) Quality of goods and services at fair price to consumers.
 - (b) Honest and prompt payment of taxes to the Government.
 - (c) Conservation of environment and natural resources.
 - (d) Fair dealings with suppliers, dealers and competitors.
 - (e) Preservation of ethical values of the society.

1.3 ROLE AND IMPORTANCE OF MANAGEMENT

Management is indispensable for the successful functioning of every organisation. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every business needs repeated stimulus which can only be provided by management. According to Peter Drucker, "management is a dynamic lifegiving element in an organisation, without it the resources of production remain mere resources and never become production".

The importance of management has been highlighted clearly in the following points:

- (i) *Achievement of group goals*: A human group consists of several persons, each specialising in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realise its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.
- (ii) *Optimum utilisation of resources*: Managers forecast the need for materials, machinery, money



and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they can make the best use of the available resources.

- (iii) *Minimisation of cost:* In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.
- (iv) *Survival and growth:* Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.
- (v) *Generation of employment:* By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.
- (vi) *Development of the nation:* Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

1.4 DISTINCTION BETWEEN MANAGEMENT AND ADMINISTRATION

There has been a controversy on the use of these two terms—management and administration. Many experts make no distinction between administration and management and use them as synonyms. Several American writers consider them as two distinct functions.

The management experts like Elbourne, Unwick and Mary Follett regarded 'administration' and 'management' as synonymous and use them interchangeably in their works. But Schuze and Sheldon found distinction between these two concepts. According to them the distinction is important to clearly understand the role of people in administrative positions versus those in managerial positions.

Oliver Sheldon in his "The Philosophy of Management" defines 'Administration as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organisation, under the ultimate control of the executive.' On the other hand, 'Management is concerned with the execution of the policy, within the limits setup by administration and the employment of the organisation for the particular objects before it. Thus Sheldon declares administration as a thinking process and management as doing process. In other words, management is a concomitant of administration. The following figure depicts this line of thinking

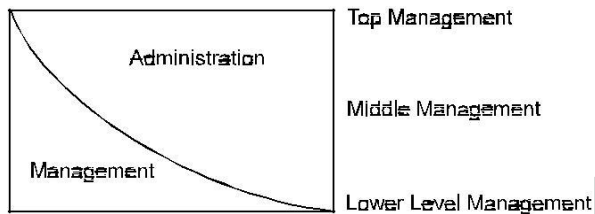


Fig. 1.2 Administration and Management

E.F.L. Breach distinguishes administration and management. Breach considers management as a social process entailing the responsibility for effective planning, regulation, coordination and control of operations including the responsibility for personnel supervision.

According to him, the administration is that part of management which is concerned with the installation and carrying out the procedures by which the progress of activities is regulated and checked against plans.

Few authors treat administration as part of management. These three points of view are explained below.

- (i) *Administration is different from management:* According to this view point, administration is a higher level activity while management is a lower level function. Administration is a determinative function concerned with the determination of objectives and policies while management is an executive function involving the implementation of policies and direction of efforts for the achievement of objectives. This view is held largely by American experts on management.

American experts such as Florence, Lansburg, Haimann, Milward, McFarland, Spriegel, Schulze and Tead also hold this view that administration involves decision-making and policy-formulation while management is concerned with the execution of policies and supervision of work.

According to them, administration is superior to management as the latter has only a peripheral role in determination of objectives and policies.

- (ii) *Administration is a part of management:* According to the European School of thought, management is a wider term including administration and organisation. This viewpoint has been propounded by Breach. According to him, "Management is the generic term for the total process of executive control involving responsibility for effective planning and guidance of operations of an enterprise. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans". Kimball and Kimball, Richman and Copen also hold similar views. According to them, administration is only an implementing agency while management is determinative. Thus, the European viewpoint is exactly opposite to the American opinion.
- (iii) *Administration and management are one:* Many writers like Henri Fayol, William Newman, Chester Barnard, George Terry, Louis. A. Allen, Koontz and O' Donnell make no distinction between management and administration. According to Newman, Management or administration is "the guidance, leadership and control of the efforts of a group of individuals towards some common goals". According to Fayol, all undertakings require the same functions and all must observe the same principles.

There is one common science which can be applied equally well to public and private affairs. Therefore, the distinction between administration and management is superfluous or academic.



In actual practice, the two terms are used interchangeably. The term administration is more popular in Government and other public organisations while the word management is more commonly used in the business world, where economic performance is of primary importance.

The foregoing description reveals that both management and administration are based upon the same set of principles and functions. It may be possible to make theoretical or conceptual distinction between the two. But in practice such a distinction is misleading. In order to resolve the terminological conflict between administration and management, we may classify management into:

- (i) Administrative management; and
- (ii) Operative management.

Administrative management involve determination of objectives and policies whereas operative management is primarily concerned with the execution of plans for the achievement of objectives. At every level of management, an individual manager performs both types of functions. Every manager spends a part of his time on administrative management and the remaining time on operative management.

Distinction between Administration and Management

Points of distinction	Administration	Management
1. Nature	It is a determinative or thinking function	It is an executive or doing function
2. Type of work	It is concerned with the determination of major objectives and policies	It is concerned with the implementation of policies
3. Levels of authority	It is mainly a top level function	It is largely a middle and lower level function
4. Influence	Administrative decisions are influenced mainly by public opinion and other outside forces	Managerial decisions are influenced by objectives and policies of the organisation.
5. Direction of human efforts	It is not directly concerned with the direction of human efforts	It is actively concerned with the direction of human efforts in the execution of plans
6. Main functions	Planning and control are the main functions involved in it.	Directing and organising are the main functions involved in it.
7. Skills required	Conceptual and human skills	Technical and human skills
8. Usage	Used largely in Government and Public sector	Used mainly in business organisations
9. Illustrations	Commissioner, Registrar, Vice-Chancellor, Governor etc.	Managing Director, General Manager, Sales Manager, Branch Manager etc.



1.5 LEVELS OF MANAGEMENT

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and

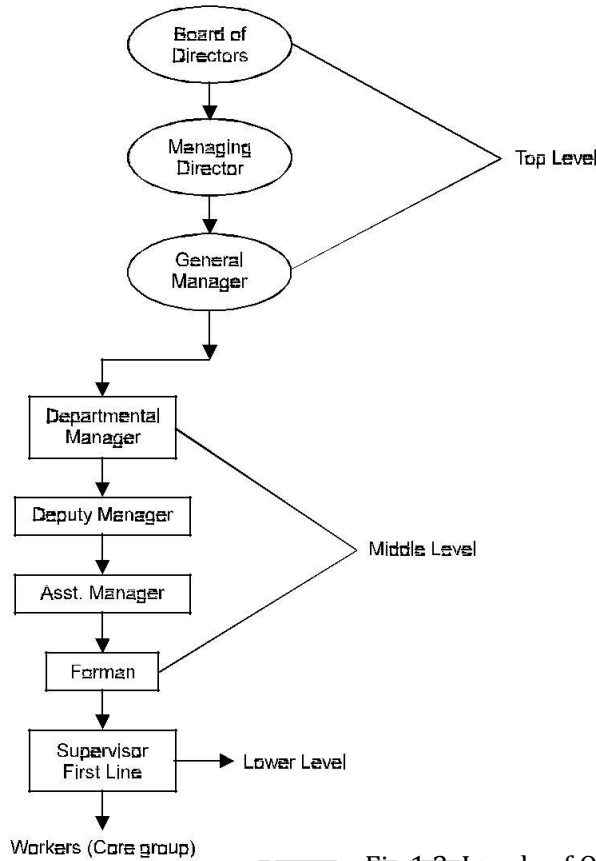


Fig 1.3 Levels of Organisation



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

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

Top Level Management

The top level management is generally occupied by the ownership group. In a joint stock company, equity shareholders are the real owners of the company. Thus, they elect their representatives as directors, form a board, known as board of directors, which constitutes the top level of management. Besides the board, other functionaries including managing director, general manager or Chief executive to help directors, are included in this level. It is the highest level in the managerial hierarchy and the ultimate source of authority in the organisation. The top level managers are accountable to the owners and responsible for overall management of the organisation. The major functions of the top level management are as under:

- (i) To make a corporate plan for the entire organisation covering all areas of operations.
- (ii) To decide upon the matters which are vital for the survival, profitability and growth of the organisation such as introduction of new product, shifting to new technology and opening new plant etc.
- (iii) To decide corporate goals.
- (iv) To decide structure of organisation, creating various positions there in.
- (v) To exercise overall managerial control through the process of reviewing over all financial and operating results.
- (vi) To make decisions regarding disposal and distribution of profits.
- (vii) To select key officials and executives for the company.
- (viii) To coordinate various sub-systems of the organisation.
- (ix) To maintain liaison with outside parties having a stake in busi-ness such as government, trade union and trade associations etc.
- (x) To formulate basic policies and providing direction and leader-ship to the organisation as a whole.

Middle Level Management

In order to fill up the gap which exists between functional and opera-tive level, some managerial positions are created at the middle level of management. Middle level management consists of departmental man-agers, deputy managers, foreman and administrative officers etc. These executives are mainly concerned with the overall functioning of their respective departments. They act as a link between top and lower level managers. The activities of middle level managers centres around determining departmental goals and devising ways and means for accomplishing them.



The main functions performed by these managers are as under:

- (i) To prepare departmental plan covering all activities of the department within the basic framework of the corporate plan.
- (ii) To establish departmental goals and to decide upon various ways and means for achieving these goals to contribute to organ-isational goals.
- (iii) To perform all other managerial functions with regard to departmental activities for securing smooth functioning of the entire department.
- (iv) To issue detailed orders and instructions to lower level manag-ers and coordinate the activities of various work units at lower level.
- (v) Middle level managers explain and interpret policy decisions made at the top level to lower level managers.

Lower Level or Supervisory Level Management

Lower-level management is known as supervisory management, because it is concerned mainly with personal oversight and direction of operative employees. It consists of factory supervisors, superintendents, foremen, sales supervisors, accounts officers etc. They directly guide and control the performance of rank and file workers. They issue orders and instructions and guide day to-day activities. They also represent the grievances of the workers to the higher levels of management.

Supervisory management performs the following functions:

- (i) Planning of day to day work
- (ii) Assignment of jobs and issuing orders and instructions
- (iii) Supervising and guiding workers
- (iv) Maintaining close personal contacts with workers to ensure discipline and team-work
- (v) Evaluating operating performance
- (vi) Sending reports and statements to higher authorities
- (vii) Communicating the grievances and suggestions of workers to higher authorities.

1.6 NATURE OF MANAGEMENT

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

Management is Combination of Art and Science

Management knowledge exhibits characteristics of both art and science, the two not mutually exclusive but supplementary. Every discipline of art is always backed by science which is basic knowledge of that art. Similarly, every discipline of science is complete only when it is used in practice for solving various kinds of problems faced by human beings in an organisation or in other fields of social life which is more related to an art. Art basically deals with an application of knowledge personal skill and know-how in a specific situation for efficiently achieving a given objective. It is concerned with the best way of doing things and is consequently, personalised in nature.

During the primitive stages of development of management knowledge, it was considered as an art. There was a jungle of managerial knowledge. It was not codified and systemised. People used it to get things done by others, in their own way giving an impression that whosoever uses it, knows the art of using it. This kind of loose and inadequate understanding of management supported the view that it was an art.



Management as a Science

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explain a phenomenon. These principles establish cause-and-effect relationships between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.

Thus, the essential features of science are as follows:

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

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

- (i) *Systematic body of knowledge*: Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisations.
- (ii) *Universal principles*: Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from a tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organisation-business or non-business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.
- (iii) *Scientific enquiry and experiments*: Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.
- (iv) *Cause and effect relationship*: Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapour. Similarly, the principles of management establish cause and effect relationships between different variables. For instance, lack of balance between authority and responsibility will cause management to become ineffective.
- (v) *Tests of validity and predictability*: Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the



principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

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

Management as an Art

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

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

Let us judge how far management fulfils these requirements:

- (i) *Practical knowledge:* Every art signifies practical knowledge. An artist not only learn the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.
- (ii) *Personal skill:* Every artist has his own style and approach to his job. The success of different artists differ even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.
- (iii) *Result-oriented approach:* Arts seeks to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation.
- (iv) *Creativity:* Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.
- (v) *Improvement through practice:* Practice makes one perfect. Every artist become more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance. Similarly, manager gains experience through regular practice and



becomes more effective.

Thus, “management is both a science as well as an art”. It is a science because it has an organised body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

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

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

Management as a Profession

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

- (i) Well defined body of knowledge
- (ii) Restricted entry
- (iii) Service motive
- (iv) Code of Conduct
- (v) Representative professional association

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

- (i) *Specialised body of knowledge*: Every profession has a well defined body of knowledge relevant to the area of specialisation. In order to practice a profession, a person requires specialised knowledge of its principles and techniques. Moreover, he must make deliberate efforts to gain proficiency unit. There exists a substantial and rapidly expanding body of knowledge in management. A manager must have intensive devotion and involvement to acquire expertise in the science of management. In addition, there should be competent application or judicious utilisation of this knowledge in solving complex problems. To-day, management is a separate discipline having a specialised and organised body of knowledge.
- (ii) *Restricted entry*: There exists institutions and universities to impart education and training for a profession. No one can enter a profession without going through the prescribed course of learning. For example one must pass the Chartered Accountancy examination to practice accountancy profession. Many institutes of management have been set up in India and abroad which offer courses for specialised training in management. Several management consultancy firms have also come into existence to offer advise for solving managerial problems. Formal education and training has become very helpful in getting jobs as managers. But no minimum qualification or course of study has been prescribed for managers by law.
- (iii) *Service motive*: A profession is a source of livelihood but professionals are primarily motivated by the desire to serve the community. For example, a doctor earns his living from his medical practice. But he does not treat his patients only for the sake of money. He has a concern for the suffering of others and a desire to help the community. Therefore, a profession enjoys high community sanction or respect. Similar is the case with managers. A manager of a factory is responsible not only to its owners, but he is also expected to produce quality goods at a reasonable cost and to contribute to the well-being of the community.



- (iv) *Representative association*: In every profession there is a statutory association or institution which regulates that profession. For example, the Institute of the Chartered Accountants of India establishes and administers standards of competence for the auditors. In management also associations have been established both in India and abroad. Managers have formed associations for the regular exchange of knowledge and experience. In India, there is the All India Management Association. However, this association does not have the statutory power to regulate the activities of managers. No university accepted criteria or standard exists for their evaluation. Membership of this association is not compulsory in order to become a manager.
- (v) *Code of conduct*: Members of one profession have to abide by a code of conduct which contains rules and regulations providing the norms of honesty, integrity and professional ethics. For example a chartered accountant is not expected to commercially advertise his firm. The code of conduct is by the representative association to ensure self-discipline among its members. Any member violating the code can be punished and his membership can be cancelled. The All India Management Association has framed code of conduct for managers. The code requires the managers to fulfil their social and moral obligations. Members of the association are expected not to disclose the trade secrets of their employers and to make personal gain from the knowledge of internal working of the organisation. But this code does not have legal sanctions. However, observing business ethics is always helpful in becoming a more effective manager.

The above discussion reveals that management fulfils several essentials of profession. But like other professions, management does not restrict the entry into managerial jobs to people with a special academic degree. No minimum qualifications have been prescribed for managerial personnel. No management association has the authority to grant certificates of practice or to regulate entry into management careers. Few managers have uniform background in terms of education and experience. The management associations have no legal right to enforce their code of conduct. There is no single group to which the majority of the managers belong and whose authority is recognised by law as a sanction. Moreover, there is no single client group to which managers owe complete loyalty. Doctors owe their loyalty to patients. But managers are responsible to the owners as well as to other social groups.

Thus, management is, not strictly speaking, a full-fledged profession like medicine, law or chartered accountancy. Some experts believe that there should be no control over entry into management careers. According to Peter F. Drucker, "Management is a practice rather than a science or profession through containing elements of both. No greater damage could be done to economy and society than to attempt to professionalise management by licensing managers or by limiting access to management to people with special academic degree".

1.7 PROFESSIONALISATION OF MANAGEMENT

That management is an art, science and profession is not merely an academic question but raises certain issues which are concerned with future development of this branch of knowledge. Management still remains a developing field, changes are taking place regularly in its nature, significance and scope. In a modern society, it is occupying an important position which has brought in new dimensions.

In the recent past, society has been challenging ethical and moral basis of management decisions and demanding professionalisation of management. The following reasons may be given in favour of the growing need of professionalisation of management knowledge.

- (i) In a popular firm of business organisation, that is, joint stock company, ownership has been separated from its management and control. This situation has really contributed to the development of management profession. Modern managers have to promote and protect the interest of many social groups such as consumers, employers and the society, as a whole, and



balance it with the profit motive. For resolving conflicts, and integrating contradictory interests, professional outlook may be critical.

- (ii) Rapid expansion and growth of universities and other institutions for imparting management knowledge and growing significance of training programmes in business organisations are indicative of the trend of professionalisation in the days to come.
- (iii) In a high-tech industrial society, manifold changes have occurred in the role of managers
- (iv) In the context of globalisation of economic operations many strategic areas have been developed which require professional expertise and specialised knowledge such as strategic planning, control and research and development activities and information systems. Multinational corporations have been attempting to enhance their global market share strictly by adopting professional outlook and approach towards management of operations.
- (v) Increased utilisation of specialised management services like consultancy, human resource development and training programmes which are linked with scientific attitude require a team of professional managers.

1.8 SKILLS OF MANAGEMENT

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

(i) Technical Skills

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

(ii) Human Skills

Human skills consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'.

(iii) Conceptual Skills

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

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

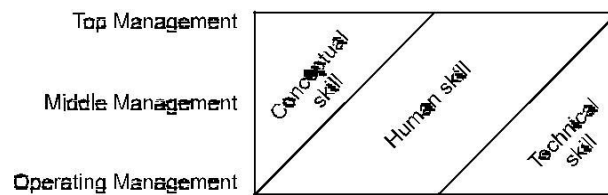


Fig. 1.4 Managerial Skills of Various Skills

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher level managers deal with sub-ordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.

(iv) Diagnostic Skills

Diagnostic skills include the ability to determine by analysis and examination the nature and circumstances of particular conditions. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes. It is the ability to cut through unimportant aspects and quickly get to the heart of the problem. Diagnostic skills are probably the most difficult ones to develop because they require the proper blend of analytic ability with common sense and intelligence to be effective.

1.9 SCOPE OF MANAGEMENT

The field of management is very wide. The operational areas of business management may be classified into the following categories:

- (i) *Production Management*: Production management implies planning, organising, directing and controlling the production function so as to produce the right goods, in right quantity, at the right time and at the right cost. It includes the following activities:
 - (a) designing the product
 - (b) location and layout of plant and building
 - (c) planning and control of factory operations
 - (d) operation of purchase and storage of materials
 - (e) repairs and maintenance
 - (f) inventory cost and quality control
 - (g) research and development etc.

- (ii) *Marketing Management*: Marketing management refers to the identification of consumers needs and supplying them the goods and services which can satisfy these wants. It involves the following activities:
 - (a) marketing research to determine the needs and expectation of consumers
 - (b) planning and developing suitable products
 - (c) setting appropriate prices
 - (d) selecting the right channel of distribution, and
 - (e) promotional activities like advertising and salesmanship to communicate with the customers



- (iii) *Financial Management*: Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. It comprises the following activities:
- (a) estimating the volume of funds required for both long-term and short-term needs of business
 - (b) selecting the appropriate source of funds
 - (c) raising the required funds at the right time
 - (d) ensuring proper utilisation and allocation of raised funds so as to maintain safety and liquidity of funds and the credit-worthiness and profitability of business, and
 - (e) administration of earnings
- Thus, financial management involves the planning, organising and controlling of the financial resources.

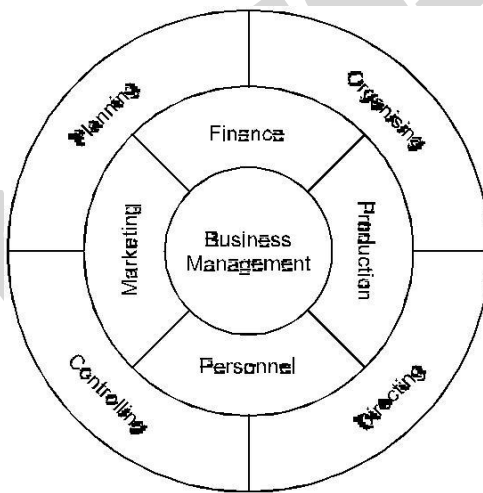


Fig. 1.5 Compounds of Business Management

- (iv) *Personnel Management*: Personnel management involves planning, organising and controlling the procurement, development, compensation, maintenance and integration of human resources of an organisation. It consists of the following activities:
- (a) manpower planning
 - (b) recruitments,
 - (c) selection,
 - (d) training
 - (e) appraisal,
 - (f) promotions and transfers,
 - (g) compensation,
 - (h) employee welfare services, and
 - (i) personnel records and research, etc.

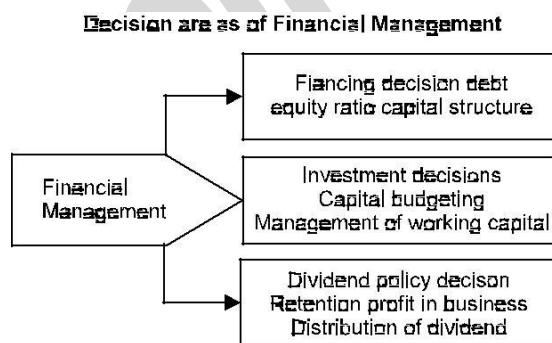
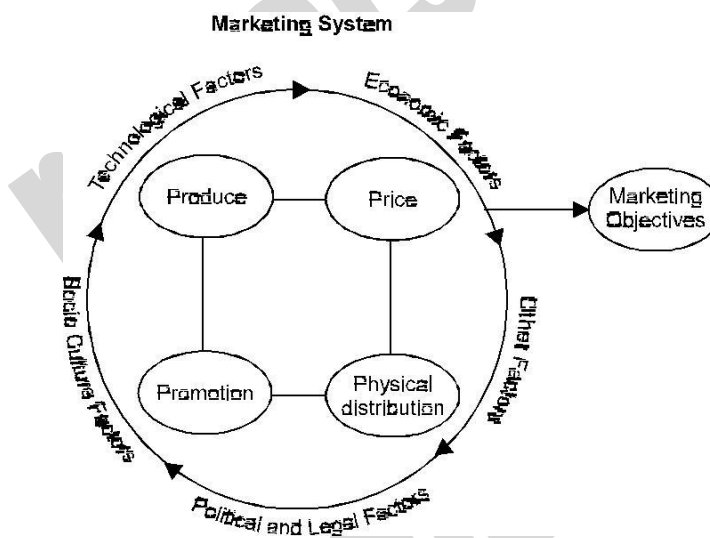
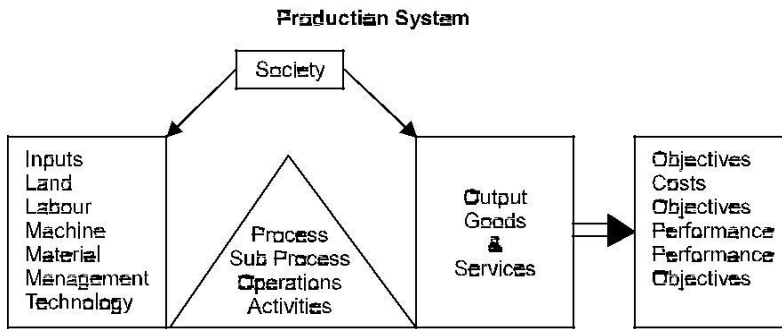


Fig. 1.6



**UNIT - II
PLANNING**

MEANING

It means determining what is to be done, how, when and by whom it is to be done. It lays down an object to pursue and chalks out a specific course of action to achieve it. It is the first step in the management process concerned with establishment of objectives and goals to be attained in the future in the light of an analysis of present limitations for attaining such goals with a view to their removal or reduction, anticipation and designing the course of action and programmes for attaining such predetermined goals.

DEFINITION

“Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization to achieve desired results.”

GEORGE TERRY

“Planning is deciding in advance what to do, how to do it, when to do it, who is to do it. It bridges the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen.”

- KOONTZ & O'DONNELL

“Planning is the thinking process, the organized, foresight, the vision based on facts and experience that is required for intelligent action.”

- ALFORD & BEATTY

FEATURES

As a process, planning has certain features as given below.

- It is the thinking process.
- “Choosing” is at the root of planning.
- It is pervasive – prevailing in all activities
- Accomplishment of enterprise objectives.
- Primacy of planning – Prime
- It is all embracing.
- It leads to increase in efficiency.
- It is an integrated process consisting of objectives, policies, procedures

IMPORTANCE OF PLANNING

The significance of planning function could be identified from the follows

- To tackle increasing complexity in modern business.
- To face increasing competition.
- To provide for complex technological changes.
- To insure against business failure.
- To meet the changing economic and political situations.
- To exercise effective control.
- To bring greater economy.

Merits of planning

Planning process facilitates the managerial function on the following ways:

- Selection of best objectives can be made with the help of planning Profits, prestige, Favourable consumer reaction, High morale of workers, Man-power development.
- Unity of action could be ensured.
- Aid to co-ordination and control
- Aid to growth and Expansion.
- Aid to employee co-operation.
- Aid to economy.



- Aid to foreseeing the future.
- Increases the effectiveness of manager.

Limitations of planning

The effectiveness of planning process may be affected on the following reasons

1. Uncertainty Planning is based on forecasted results which will not hold good in uncertain situations.
2. Rigidity Prior determination of policy, programme, etc. Makes it rigid.
3. Unsuitability Business is a dynamic activity and hence plan may not be suitable in all situations.
4. Costly Planning is time consuming and costly affair

KINDS OF PLANNING

On the basis of the time factor, planning may be

Long Ranging planning - 5 – 10 years

Short Range planning - Not more than one year

On the basis of business function for when planning is to be drawn Product planning, project and activity planning.

DECISION MAKING

“It is the process of selection of an alternative from two or more alternatives to determine an opinion or a course of action.”

- GEORGE TERRY

Factors involved in decision making:

Tangible factors: Profits, Quality of output and all other quantitative factors

Such as Man-hours, Machine hours.

Intangible factors:

- a.) Employee morale.
- b.) The prestige of business concern.
- c.) Consumer behaviour.
- d.) Such other abstract factors.

Need :

- * Weighing the consequences of each alternative course of action.
- * Steps in Decision-making process:
 - * Defining and analyzing the problem,
 - * Finding relevant facts.
 - * Developing alternative solutions.
 - * Selecting the best solution.
 - * Converting the decision into effective action.
- * Decision-making Process
 - * Formulation
 - * Selection
 - * Deliberation
 - * Investigation
 - * Conception
 - * Ption

CRITERIA

Some of the rationales to be adopted in decision-making process are:

Reduction of cost, Maximization of profit, saving of time, development of managerial skill, increasing productivity etc.

TYPES OF PLANS

1. Standing or repeated use plans

1. Objectives



2. Policies
3. Procedures.
4. Rules
5. Strategies.

2. Single use of plans:
 1. Programmes.
 2. Budgets

A brief description about these sub-types of plans are given below:

a.) Objectives

It may be defined as the specific goals or targets to be accomplished viz., profit making, cost reduction, increase in productivity goodwill, personnel development. Healthy employee relations, social responsibility.

Fixing of objectives in an organizational planning function ensures the following advantages.

It is vital to planning function.

It helps to Integrate planning.

It ensure performance control.

Limitations :

However, fixation of objectives is subject to certain limitations viz.,

Difficult to define the objectives.

Difficult to devise suitable means.

Difficult to avoid conflict.

Remedies:

1. Objectives should be specific,
2. Objective should be realistic,
3. Objective should be backed by suitable sub-goals.
4. Objectives should be flexible.

b. Policies

It may be defined as a guide to thinking and action of those who have to make decisions in the course of accomplishment of the enterprise objectives. They are formulated in broad forms and provide a compressive and flexible course of action to be pursued to attain the given objectives

FEATURES

- * It is a broad outlines about the things to be done and the way in which they an to e done.
- * It is Consistent with that of the organizational plan.
- * It is to be adequate in number to achieve organisational goals.
- * It should be a sound one.
- * It must ensure flexibility.

KINDS OF POLICIES

1. Internal or originated polices.
2. External or imposed policies.
3. Addealed policies.
4. State or explicit policies.
5. Unstated or implied policies.

Factors to be considered while formulation policies are:

1. Values, Beliefs, Ambitions, and Foresight of the owners and members of the top management.
2. Prevalent Technology.
3. Finance availability.
4. Employee reaction.
5. Accomplishment and activities of competitors,
6. Governmental regulation and control.



7. General business environment.
8. Price levels.
9. Public attitudes and behaviour.

Merits:

1. Guide to think and act.
2. Ensures Consistency in all actions.
3. Broader applicability.
4. Confidence booster.

Demerits :

1. It won't help to solve all problems.
2. Instant solutions to problems may not be available.
3. It cannot substitute human judgment.
4. It may not encourage initiative.

c. Procedures

“The process of establishing time sequences for work to be done.”

They may be described as plans prescribing the exact chronological sequence of specific tasks required to perform designated work.

To determine the specific tasks to be performed.

The time when those tasks will be performed.

The person who will perform them.

Merits :

1. Basis of control
2. Standardisation of activities can be done.
3. Ensure consistency in all operations.
4. Aid to communication and co-ordination.

Limitations :

1. Redundancy may take place in course of time.
2. Updating becomes must.

d. Rule :

It is decision made by the management regarding what is to be done and what is not to be done in a given situation. It applies to specific situations. Rules do not leave any scope for decision making nor do they permit any deviation.

e. Strategies :

It is derived from the Greek word strategies, meaning general,

It means the art of projecting and planning the choice of means by which the enterprises forces may be employed most effectively in order to accomplish its intended goal. It is said to be formulated only to meet the challenge posed by competitors policies and activity. The following factors may be considered for formulating strategies.

- Correct assessment of reaction of the parties concerned.
- What human and physical resources are available to draw up a strategy.
- Temperamental make-up of the persons to check-mate whom the strategy is being would up.

TYPES OF STRATEGIES

- Strike while the iron is hot-act prompt a while the action is likely to get results.
- Camel's head in the tent – creation of confidence regarding plan to some
- Unity is strength



- Time is greater heater.
- Offence if the best form of a defence.
- Divide and rule.

Successful implementation of strategies :

1. Communicating strategies to all key decision-making managers.
 2. Developing and communicating planning premises.
 3. Ensuring that action plans contribute to and reflect major objectives and strategies.
 4. Reviewing strategies regularly.
 5. Developing contingency strategies and program.
 6. Making the organization structure fit planning needs.
 7. Continuing to emphasis planning implementing strategy.
 8. Creating a company climate that forces planning.
- f. Programme

It lays down the operation to be carried out to accomplish a given work. It prescribes how enterprise resources should be used.

Merits

1. Action based – practical guide to managerial action.
2. Greater motivation.

Demerits

1. Greater risk of failure
2. Inadequate motivation.

g. Budget

It is a plan relating to a period of time expressed in numerical terms. “as a pre-determined statement of management policy, during a given period, which provide a standard for comparison with the results actual achieved.

Objectives of Budgeting:

1. To ensure effective planning.
2. to facilitate Co-ordination function.
3. To exercise Controlling effective and achieving desire goals.
4. To motivate the workforce for achieving desired results.

Merits:

Instrument of management policy

1. Time bound
2. Specific targets.
3. Synthesis of past, present and future.
4. Right motivation.
5. Basis of control.

Limitations

1. Cabined and confined.
2. Excessive reliance on past experience.
3. Danger of inaccuracy in estimates.
4. Hampers initiative – rational and pragmatic initiative is stifled.



PLANNING PREMISES

Managerial plans are based on certain assumptions which are called planning premises. They constitute the ground on which plans will stand. Meaningful premises facilitate consistency and coordination of plans. The premises may be of Non-controllable premises such as economic conditions, political situations, tastes, preferences of people etc.

Semi-controllable premises such as firms market shares, union management relations etc. Controllable premises such as policies of the organization, procedures, rules etc.

Effective Premising:

- * To effectuate the planning premises following guidelines may be adopted.
- * Selection of the premises that bear materially on program.
- * Development of alternative premises for contingency planning.
- * Verification of the consistency of premises
- * Communication of the premises.



UNIT-III ORGANISATION

To organize means to put into working order and arrange in a system. In this sense, an organization is an organized body or persons. Organising may be defined as arranging a number of complex tasks into manageable units and defining the formal relationship among the people who are assigned the various units of tasks. This definition is in the context of attainment of the goals and objectives of an undertaking.

Generally, identifiable units of tasks are put under the charge of a department, section or division. The head of that department, section or unit being given with the authority to perform those tasks. For eg. Business activities in an industrial concern may be grouped under:

1. Production
2. Sales
3. Finance and
4. Personnel

After classification and analysis of functions to be performed by each department, persons possessing requisite qualifications and experience may be appointed as head of each of these departments. Such persons should also be given proper authority to discharge their functions efficiently.

Thus basically organization is concerned with grouping the activities required to attain the planned objectives, defining responsibilities of the people in the organization, delegating the appropriate authority to them to discharge the respective responsibilities and establishing structural relationships to enable Co-ordination of the individual efforts towards accomplishment of the enterprise objectives. The main objective of organization is to establish well defined relationships as between individuals and groups of individuals and between the activities performed by them.

The term organization is derived from the word "organism" which means structure with parts so integrated that their relation to each other is governed by their relation to whole.

The term organization is used both structural and functional sense. As a structure it means a developed enterprise being operated to achieve the given goals. As a function it refers to establishing relationship between activities and authority pertaining to an enterprise.

Organization is nothing but a process of integrating and co-ordinating the efforts of men and materials for the accomplishment of a set objective.

DEFINITION

"Organisation is the process of identifying and grouping work to be performed defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives.

-ALLEN

Organisation thus is an arrangement for internal administration of the enterprise. It describes the part which each employee is intended to play in the operation of an enterprise and ensures that concerned endeavour of all of them will be conducive to the full implementation of the plans of the enterprise.

FACTORS INCLUDED IN THE CONCEPT OF ORGANIZATION

- a) Assembly of business elements such as men, money and materials.
- b) Creation of formal relationships between men employed at different levels through a hierarchy of authority.
- c) Defining the functional role of the personnel and laying down the range of their responsibility for business performance.



- d) Operating the organizational activities in conformity with the establishment objectives of the enterprise.

PRINCIPLES OF ORGANIZATION

1. Principles of objectives.
2. Principles of authority.
3. Principles of ultimate authority.
4. Principles of formal authority
5. Principles of the span of control
6. Principles of decision
7. Principles of Exception
8. Principles of Definition
9. Principles of Balance
10. Principles of Continuity
11. Principles of Organisation cost
12. Principles of Effective communication.

ELEMENTS OF ORGANIZATION

1. Division of work
2. Grouping of activities.
3. Assignment of Duties.
4. Delegation of Authority
5. Establishment of relationship.

Hence internal organization, implies designing an administrative set-up consisting of individuals with defined task and responsibility to be performed according to an orderly sequence procedures for attaining the result.

ORGANISATIONAL CHART

It is important tool for portraying net work of an organization structure. It shows

1. The main portion, nature of relationship between
2. Levels of management.

"It is diagrammatic form which shows important aspects of an organization, including the major function and their respective relationship, the channels of supervision and the relative authority of each employees who is incharge of each respective functions."

-FEORGE TERRY

TYPES OF CHARTS

1. Vertical chart
2. Horizontal chart
3. Circular chart
4. Tree chart

Merits of Organisational Chart :

1. Clarity in relationship
2. Easy to understand at a glance
3. Familiarizing new employees
4. Helps in formulating training programme
5. Helps to organizational change
6. It serves as a better method of visualizing the tone and character of an organisation.

Limitations

1. Likely to be outdated
2. Rigidity
3. It shows only relationships
4. Shifting of responsibility to somebody else
5. Does not show extents of authority or responsibility.
6. It may go against teamsprit
7. It ignores the informal aspects of orgnisation.

TYPES OF ORGANIZATION

The problem of organization is to select and combine the efforts of men of proper characteristics so as to produce the desired result. Although character and type of organization would depend largely on the size and nature of enterprise, the following broad patterns of organizing the personnel have been evolved.

- * Line organization -Staff Organisation



- * Functional Organisation -Line and Staff Organisation
- * Matrix Organisation- Projectised Organisation
- * A brief outline about the three basic organization structures are given below

LINE ORGANISATION

It is the oldest type of organisation in use in which authority flows from the men at the top to the lowest man vertically. i.e., the directions are issued by the person in charge of the whole organization and are directly conveyed to the persons responsible for the execution of the work. The advantages of this structure are:

- Simple to understand and develop.
- Clear-cut division of authority and responsibility is possible
- Discipline can be easily maintained.
- It makes for quick action

However, this structure has following shortcomings:

- Makes the organization more rigid and inflexible
- Lack of expert advice may be there.
- Key man are loaded heavily.
- Loss of one or two capable men may mar the organisation.

LINE AND STAFF ORGANISATION

A manager today cannot hope to think of all possible factors in a given situation. Therefore, he has a set of expert advisers. Those functions which have direct responsibility for accomplishing the major objectives of the firm are called line functions. The staff functions are supposed to help and assist the line in discharging their responsibility. The staff position established as a measure of support for the line organization may be of personal staff, specialised staff and general staff. This form has certain advantages and limitations. They are It is based planned specialization
It brings expert knowledge to bear upon management It provides more opportunity for advancement for able workers.

Limitations:

- * Relationship between line and staff member may create confusion.
- * Lack of authority may affect the interest of the staff member.
- * Prestige and influence of line member may suffer in front of specialist.

FUNCTIONAL ORGANISATION

Here the whole task of management and direction of subordinates should be divided according to the type of the work involved. The functional management carries this idea to its logical limit and divides up management into a number of functions such as production, sales, finance and personnel, and research and development etc. Each of these departments would serve its best for the organization.

Its advantages are;

- * It ensures a greater division of labour
- * It Improves the efficiency of the organization.
- * It brings specialization and innovations.
- * It facilitates mass production.
- * However, it has certain limitations as given below;
- * Strict enforcement of discipline is questionable.
- * Creates complexity in structuring activities.
- * Responsibility cannot be fixed effectively.

FORMAL ORGANISATION

"A Network of personal and social relation not established or required by the formal organization but



arising spontaneously as people associate with one another.”

Types of informal groups

1. Social overlays
2. Functional overlays
3. Decision overlays
4. Power overlays
5. Communication overlays

Benefits

1. Sense of belonging
2. Safety value for emotional problem
3. Aid to the job
4. Breeding ground for innovation and originality
5. Important channel of communication
6. Social control
7. Check of authority
8. Self – policing
9. Fills gaps in a managers abilities
10. Gives the managers feedback about employees and their work experience

Limitations

1. Resistance to change
2. Suboptimization
3. Rumor
4. Group think philosophy

AUTHORITY AND RESPONSIBILITY

Authority is the basis of organization in as much as organization is described as a system of authority relationships. Authority is the power to command others to act in a manner deemed by the possessor of the authority to further enterprise or departmental purpose. It is the power to make decisions which guide the actions of others. The person who makes the decisions is the superior and the person who accepts them and is guided by them is called one subordinate.

Authority is the right to give orders and the power to exact obedience.

- HENRI FAYOL

Authority may be of formal authority, acceptance authority, authority of situation, position authority, and technical authority.

Responsibility refers to duty, activity or sometimes even authority. It really means that the obligation of a subordinate to perform the duty assigned to him. The essence of responsibility is, then obligation. In the normal functioning of an enterprise much of the responsibility is in the nature of continuing obligation which means that the subordinate has an obligation to discharge his functions as required by the superior continually. Responsibility involves Compliance, obedience and Dependability. A failure to observe these elements may call forth a penalty, punishment or disciplinary action against the erring subordinate. The term accountability can also be used as a substitute for responsibility. Accountability refers to the liability of a subordinate for a proper discharge of his functions. It includes responsibility and arises from it. But accountability cannot be delegated. Thus to be accountable is to be answerable for the fulfillment or non-fulfillment of the authority or responsibility assigned.

DELEGATION

To delegate means to grant or confer. Delegation means conferring authority from one manager to organizational unit to another in order to accomplish particular assignments. Delegation determines the effectiveness of the manager in his work. The way in which delegation will influence the relationship between the subordinate and his superior and through it the performance of the



subordinate. In the absence of delegation, he may receive orders from many people and may, therefore, be unsure of his job.

ELEMENTS OF DELEGATION

The process of delegation involves three basic actions whether expressed or implied. They are The delegator should assign duties to subordinates.

He has to grant authority to subordinates to the delegated part of his work.

Delegation should create obligation on the part of subordinate to complete the job.

Merits

1. Relieves manager's workload.
2. Leads to better decisions.
3. Speed up decision – builds up morale.
4. Train subordinates and
5. Helps to create formal organization structure.

BARRIERS TO DELEGATION.

On the manager's side:

1. Fear of loss of power
2. Lack of confidence in subordinates.
3. Fear of being exposed.
4. Difficulty in briefing.

On the subordinates side:

1. Fear of criticism
2. Lack of adequate information
3. Lack of self confidence and initiative and resources.
4. No positive personal gain.

GUIDELINES FOR EFFECTIVE DELEGATION

1. Clarity in assigning the task
2. Proportionate authority.
3. Limits of subordinates authority.
4. Positive incentive for accepting responsibility.
5. Proper training of subordinates.
6. Create climate for mutual trust and goodwill
7. No over laps or slips in delegation.

STEPS IN DELEGATION

The entire process of delegation of authority can be completed through the following steps.

Determination of results protected.

Assignment of duties.

Authorization for action.

Creation of obligation.

SPAN OF MANAGEMENT

It is one of the organization principle. It refers to the number of subordinates for whose activities an executive should be held responsible. The limit to the number of subordinates who can be effectively managed by a manager.

The factors determining span of control of a superior are:

1. Nature of activities involved.
2. Ability of the superior (knowledge)
3. Nature and ability of subordinates.
4. Time available.
5. Place available etc.

GRAICUNA'S FORMULA



French management consultant V. A. Graicuna offer analyzing subordinate and superior relationship developed a mathematical formula. His theory identifies three types of the subordinates & superior relationships namely.

1. Direct single relationships.
2. Direct group relationships.
3. Cross relationship between subordinates.

These relationships vary (considerancy) with the size of the subordinates group while the supervisions own direct relationship with individuals increase n (proportion) to the addition to subordinates the groups and cross relationships increase much more than proportionately. He said the total number of relationships grows in geometrical ratio, every time a new subordinates is added.

FORMULA

$$R = N \times [2n-1+(n-1)]$$

Where N = Number of subordinates

R = Total relations.

1. When two subordinates $R = 6$

2. 4 Subordinates $R = 44$

$$= 4 \times (2 \times 4 - 1 + (4 - 1))$$

$$= 4 \times [23 + (3)]$$

$$= 4 \times \{8 + 3\}$$

$$= 44$$

Span of supervision require following skills :

- * Supervision requires attention.
- * Supervision requires Emotional stability.
- * Supervision requires time.
- * Supervision requires ability of subordinates.
- * Supervision requires nature of work.

USE OF GRAICUNAS FORMULA

It clearly shows complexity and difficulty of wider spans.

1. It reminds manager of wisdom of striking to narrower spans.

Limitation

1. Mathematical precision is debatable
2. Direct group relation may be far – fetched.
3. The main problem is not number of RL but their frequency and the volume of stress and strain they generate.
4. It does apply in cases of cross relations of a big enterprise.

Limited span of control ensures the following

1. Tighter control and closer supervision
2. Ease of managing fewer.
3. Availability of time to think and plan

On the other hand limited span of control has some shortcomings also as given below

1. Additional costs having more manager
2. Complexities in communication will arise
3. Prevention of democratic participation

DECENTRALIZATION

It is the situation which exists as a result of systematic delegation of authority through out the organization.



The term decentralization carries different meanings to different people.

Decentralization is an extension of delegation.

Decentralization implies a systematic delegation of authority through out the whole organization.

WHY DECENTRALIZATION?

Large companies having independent product or service lines may adopt a form of decentralization. Under decentralization the whole organization is divided in to self-sufficient divisions. Having experienced many difficulties in the smooth running of such centralizes organizations, decentralizations of authority has been suggested and largely resorted to particularly to achieve the following purposes.

- Easing burden of chief executive.
- Facilitating diversification,
- Providing product of market emphasis.
- Developing managers and
- Improving motivation.

ADVANTAGES OF DECENTRALIZATION

- Decentralization leads to specialization.
- Encourages decision making and assumption of authority and responsibility.
- Decentralization makes the sub – ordinates to work with involvement
- Facilitates diversification in large scale.
- Promote the development of general managers.
- Aids in adoption of fast changing Environment.

DISADVANTAGES OF DECENTRALIZATION

- Makes it more difficult to have a uniform policy.
- Decentralization leads to problem in co – ordination.
- May be limited to External forces.
- Leads to increase in cost.
- May some time leads to mis-use of power in high levels.
- Leads to expenses in training a manager.
- May be limited by the availability of qualified managers.

DELEGATION Vs DECENTRALIZATION

1. Delegation is the process while decentralization is the end result.
2. Superior is responsible for delegation where as in decentralization subordinates are responsible.
3. Delegation is vital and decentralization is optional.



UNIT IV

DIRECTION

Direction is instructing the subordinates to follow a certain process to attain a give objectives. It is getting the work done through instructions and orders. It is the function of diversion in the management process to get the work from the subordinates by means of guiding, motivation, communication, supervising, leading and if need be commanding.

It is sum of total of managerial efforts that is applied for guiding and inspiring the working teams to make better accomplishments in the organization.

It is the heart and soul of management.

PROCESS OF DIRECTION

1. Defining the objectives.
2. Organizing the efforts.
3. Measuring the work.
4. Developing the people.

Ever manager in the organization gives direction to his subordinates as superior and receives direction s subordinate from his superior.

Direction may be defined as the function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organization objective. The direction is not merely issuing orders and instructions by a superior to his subordinates, but is includes the process of guiding and inspiring them. The analysis of definition reveals that direction function consist of three elements.

- Motivation
- Leadership
- Communication

Direction has the following characteristics

- Direction is an important managerial function. Through direction management can initiates actions in the organization.
- Direction function is performed at every level of management.
- Direction is a continuous process and it continuous throughout the life of the organization.
- Direction initiates at the top level in the organization follows and bottom through there hierarchy. It emphasizes that a subordinates is to be directed by his own superior only.

IMPORTANCE OF DIRECTION

The importance of direction function in the organization can be presented as follows.

- Direction initiates action.
- Direction integrates employees efforts.
- Direction attempts to get maximum out of individuals.
- Direction facilitates charges in the organization.
- Direction provides stability and balance in the organization.

PRINCIPLES OF DIRECTION

Direction is one of the most complex function of the management as it ideals with people whose nature itself is quite complex and unpredictable.

1. Principles of relating to the purpose of directing
 - a. Principles of maximum individual contribution.
 - b. Principle of harmony of objectives.
 - c. Principle of efficiency of direction.
2. Principle relating to direction process:
 - a. Principle of unity of command.
 - b. Principle of appropriateness of direction technique.



- c. Principle of managerial communication.
- d. Principle of comprehension.
- e. Principle of use of informal organization.
- f. Principle of leadership.
- g. Principle of follow through.

Thus one of the basic functions of management is direction. Direction means the use of leadership and motivation to guide the performance of subordinates towards the achievement of the organization's goals. Important requirements for effective direction are : Harmony of objectives, Unity of command, direct supervision, efficient communication and follow-up.

COMMUNICATION

The word communication originates from the Latin word "communis" denoting common. It involves imparting a common idea or understanding and covers any type of behavior resulting in an exchange of facts, ideas, opinions, or emotions by two or more persons.

Management tasks of planning, directing, coordinating and motivation can be carried out by the process of receiving, issuing, recording and interpreting.

The information of facts and figures related to the varied aspects of business activities necessarily implies transmission of information intended to convey the idea of what is desired or required to be done. This would necessitate determination of information to link all the levels and enable the concerned officers and operative to act upon such information. This process of transmitting information as between different levels of authority and among the officers at the same level is called communication.

- Louise Allen

CHARACTERISTICS OF COMMUNICATION

1. Giving information on matters regarding things done or to be done.
2. Receiving information on matters of actions expedited or yet to be expedited
3. Creating understanding in others about their responsibility and position and prospects of a situation concerning them.
4. Making others listen attentively to the facts, figures, views, opinions under transmissions.
5. Identifying the common intentions and interest by interaction of views through channels of communications.

IMPORTANCE OF COMMUNICATIONS : Communication is described as one of the crucial factors of management. It helps in handling the major managerial tasks of planning, direction, coordination, motivating and controlling. It enables the top management.

- To formulate the comprehensive plans and policies on scientific basis.
- To put the policies and decisions into action results in accurate and efficient performance.
- Helps the management to remain informed to the problems, difficulties, grievances of personnel.
- They arise mainly due to communication gap.

It is essential for coordination which is the essence of management. It brings about mutual understanding between the officers and personnel at all levels and fosters the spirit of cooperation.

It helps in securing largest possible participation or consultation in decision making, planning and general administration. This will give democratic character to managerial process and strengthen the moral of the staff.

ELEMENTS OF COMMUNICATION

1. Communicator or sender or issuer.
2. Communicate or receiver or addressee
3. Message – orders, reports



4. Communication channel.
5. Response – reply reaction.

ESSENTIALS OR PRINCIPLES OF GOOD COMMUNICATION

1. Principle of clarity
2. Principle of attention
1. Principle of adequacy
2. Principle of adequacy
3. Principle of time
4. Principle of integration
5. Principle of informality
6. Principle of feed back

TYPES OF COMMUNICATION

On the basis of nature of passing information

- Formal communication
- Informal communication

On the basis of direction i.e. flow of message :

On the basis of mode of operation

- Oral communication
- Written communication
- Gesture communication

Each business house is concerned with two types of communication, external and internal.

Externally, it has to communicate with the other business houses, banks, government officers. The press the customers and the general public Internal communication consists in transmitting information with in the organization. Here we discuss about internal communication.

Internal communication may again the be f two types.

1. Formal or official
2. Informal

Formal communication flows along prescribed channel which all members desires of communicating with one another are obliged to follow. Formally a clerk in any of the sections cannot directly communicate with the managing director.

He must talk to his supervisor who wil pass on the passage to departmental managers, from where it will go to the managing director. Formal communication may more vertically or horizontally.

Vertical communication can flow downward or upward. Horizontal communication flows between employees of equal or comparable status. When a number of people irrespective of status sit down and confer with another to arrive at a decision acceptable to all. It is called consensus. The format for this communication is predetermined and cannot be altered.

DOWNWARD COMMUNICATION

As explained earlier communication flows from a superior to a subordinate. The managing director communicating with the departmental heads. A manager giving a directive an assistant manager or supervisor, a foreman instructing a worker. Orders, individual instructions policies, a statement job sheets, circular etc fall under downward communication. It is eminently suited to an organization in which the line of authority runs distinctly downwards with each tank clearly below another t which it is directly related.

Main objectives of downward communication

1. To give specific direction about the job being entrusted to a subordinate.
2. To explain the policies and organizational procedures.
3. To appraise the subordinates of their performance:
4. To give information about the rational of the job.



i.e. To explain to a subordinate the significance of the job assigned to him and why he has been entrusted with it. The importance of the objective of downward communication has only been recently recognized.

MEDIA FOR DOWNWARD COMMUNICATION

Downward communication may be both oral and written. Important directives to initiate action may be communicated through letters policies and procedures may be announced house organs, manuals, bulletins etc, But the downward follow of communication is dominated by oral means.

It is more natural to the foreman to issue oral instructions to his workers.

MANAGING DIRECTOR



GENERAL MANAGER



SECTIONAL MANAGERS



SUPERVISORS



STAFF AND WORKERS

LIMITATION OF DOWNWARD COMMUNICATION

1. **Under – Communication and over communication:** Downward communication is often made by either under – communication or over communication i.e. a superior may either talk to little or too much about a job under communication may also involved incomplete instructions, which will inevitably lead to unsatisfactory performance over communication or talking too much, on the other hand may lead to the leakage of confidential information.
2. **Delay:** The lines of communication in downward communication being very long transmitting information to the lowest worker in time – consuming process. By the time information reaches him it may have lost much of as significance, or it may have caused damaging delay.
3. **Loss of information:** Unless the communication is fully written, it is not likely to be transmitted downwards in its entirety. A part of it is almost contains to be lost.
4. **Distortion:** In long lines of communication, information is not only distorted. Exaggerating making under statements giving unconscious taints to facts are a part of human nature.
5. **Built – in resistance:** Downward communication causes of too much authority flow. The subordinates do not get any opportunity of participating in the decision making process they are expected to receive policy decisions and directive without questioning their appropriateness, utility or validity which they resent.

ESSENTIALS OF EFFECTIVENESS DOWNWARDS COMMUNICATION.

1. Managers should keep themselves well informed of the objectives and achievements of their organization. If they are themselves in possession of adequate information, they will be able to transmit information to their re-subordinated in an effective manner.
2. Managers must work according to communication plan. They must decide before how much information is to be communicated and at what time.



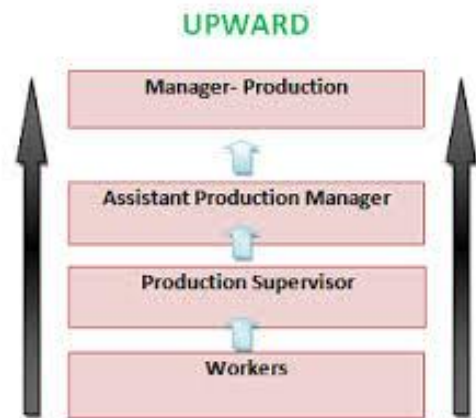
3. There should not be over communication of authority at the highest level. If an organization is so structured that orders and instructions can originate at various levels, the lines of communication will be shortened.
4. The information must be passed on to correct persons inherently.

UPWARD COMMUNICATION

If the managers have transmit information down the lines of authority they have also to receive information continuously emanation from levels below them the communication channel which pushes the flow of information upwards is known as the upward channels of communications. Managers have only recently come to the recognize the importance of upward communication.

IMPORTANCE OF UPWARD COMMUNICATION

1. **Providing feed back** - This communication provides the management with necessary feed back. The management is able to ascertain whether the directive issued the lower statuses have been properly understood and followed it also gets the valuable information on what the employees think of the organization and its policies.
2. **Out let for the sent-up emotions:** Upward communication is the employee and opportunity to sent their problems and grievances. Although the management often these things and it knows and realizes the grievances of the employees, The later hardly feel convinced and satisfied.
3. **Constructive suggestions :** Often employees often constructive suggestion to promote the welfare of the organization. Some of these suggestion when implemented definitely prove beneficial. They develop source of participation in the decision making process.
4. **Easier introduction of new schemes :** Since the employees feels themselves to be party to the decision making process, it helps the organization to introduce new schemes without unduly antagonizing the employees.
5. **Greater harmony and cohesion :** It art as a kind of lubricant. It makes the atmosphere more congenial are creates great harmony and cohesion between the management and the employees.



METHODS OF UPWARD COMMUNICATION

1. **Open door policy:** The employees are given a feeling that the managers doors are always open to them, whenever the like they can walk in to his room, without any hesitation what so where and talk to him about their problems.
2. **Complaints and suggestions boxes:** In some convenient places n the offer or the factory complaints and suggestions boxes are installed. The employees are encouraged to drop their complaints or suggestion if any, in to these boxes. These boxes are opened at regular intervals and the inform gathered scrutinized.
3. **Social gatherings:** Social gathering are frequently arranged in different departments. These gatherings offer a very informal atmosphere in which ate employees shed the inhibitions and feel free to talk about their problems.
4. **Direct correspondence:** Some times the manager may directly write to an employees and ask him to communicate with him.
5. **Reports:** Employees may be required to submit repatriates about the progress of their work a regular intervals.
6. **Counseling :** In some organization workers are encouraged to seek the counsel of their superiors on their personal problems. As they feel encouraged to talk about themselves freely, they provide the managers with valuable information.



LIMITATIONS OF UPWARD COMMUNICATION

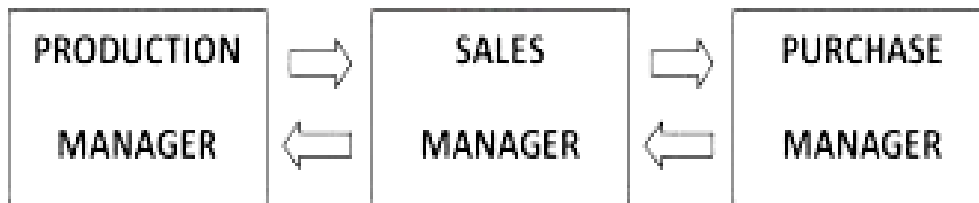
1. Employees are usually reluctant to initiative upward communication. The managers might keep their doors open, but they cannot force the employees to walk in to their problem.
2. Employees often feel that if they communicate their problems to their superiors, it may adversely reflect on their own efficiency.
3. Upward communication is more prone to distortion them downward communication. In downward communicate distortion is often unconscious. But upward communication is deliberately distorted.
4. Sometimes in the process of upward communication, workers become to bold, ignore their immediate superiors and directly approaches the top most authorities with their suggestions or complaints.

ESSENTIALS OF EFFECTIVE UPWARD COMMUNICATION

1. In order to enable the workers to over come the awe of authority, the managers should keep on encouraging them to come out of their shell and communicate freely.
2. Distortion by editing can be avoided if the lines of communication are kept as shortest possible.
3. All communicate should be properly analyzed genuine grievances deserve to be immediately resolved.

HORIZONTAL COMMUNICATION

Communication between departments or people on the same level in the managerial hierarchy of an organization may be termed as horizontal or lateral communication. It is the most frequently used channels of communication. Workers communicating with one another, &&&&& exchanging information with one another, supervisors holding a coffee break section s to discuss some organization are all engage in horizontal communication.



HORIZONTAL COMMUNICATION

IMPORTANCE OF HORIZONTAL COMMUNICATION

Horizontal communication is extremely important for promoting understanding and coordinating among various departments. Not much imagination is needed to visualize he embracing situations that the lack of co-ordination might create for the organization. The purchasing department might keep on purchasing material which is neither immediately needed nor can be adequately stored. The stores may report shortage of material when production is fully given up. Scarcity of raw material may cause the production to slow down but the sales department may continue booking orders free flow of horizontal communication among various departments can easily avert the incidents of such situations.

METHODS OF HORIZONTAL COMMUNICATION

Horizontal communication is most effectively carried on through oral means. Face to face exchanges of views or a brief conversation over the telephone in very convenient for horizontal communication. Formal channels tend to move managers status conscious so that they express their view in extremely measured items. This includes the free flow of communication takes place allow

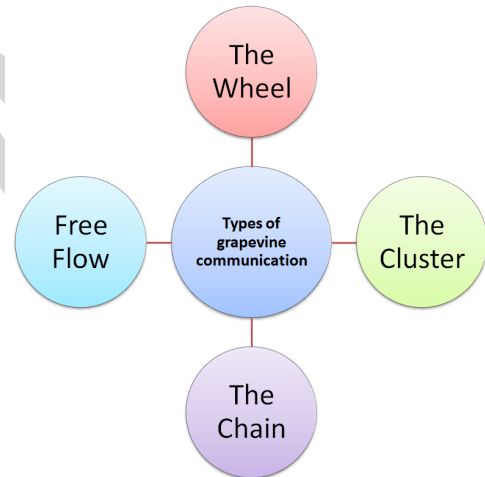


freedom of expression there is immediate feed back and all doubts and misunderstanding are sorted out.

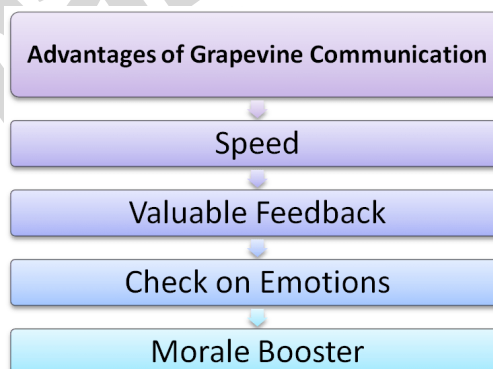
GRAPEVINE

So far we have been discussing the formal channels of communication which follow certain definite predetermined directions apart from them, they operate in every organization an informal channel of communication called the grapevine. It follows no set lines, nor any definite rules, but spreads like the grapevine, in any direction any where and spread fast.

It is quite natural for a group of people working together to be entrusted in one another and talk about appointments promotions retrenchments or even domestic affairs like the estranged relation of an employee with his wife or the romantic involvements of another. Information on most of these matters is supposed to be secret. But some people derive great pleasure from gathering such "secret" information and transmitting it to others. They are the leaders who control the grapevine. When one of them comes across any piece of information interesting enough to be transmitted to the grape vine in a very mysterious manner he whispers it to another exhorting him to keep the information secret.



ADVANTAGES OF GRAPEVINE COMMUNICATION :



DEMERITS OF GRAPEVINE:

1. **Distortion** : One of the major drawbacks of the grapevine is that it may spread baseless or distorted news which may sometimes prove harmful even to the employees.
2. **Incomplete information**: The grapevine information is usually incomplete. So there is a lively likelihood of its being misunderstood or misinterpreted.
3. **Damaging swiftness**: The swiftness with which the grapevine transmits information may even be damaging.

BARRIERS IN COMMUNICATION

There might be a number of such barriers impeding the flow of communication in the organization. This may be classified as



- (i) External
- (ii) Organizational,
- (iii) Personal factors.

EXTERNAL BARRIERS

Barriers to communication may be either external to the parties involved or they might be internal to them.

1. **Semantic barriers** : Semantic barriers are obstruction caused in the process of receiving or understanding of the message during the process of encoding and decoding ideas and words.
 - Badly expressed message.
 - Faulty translations
 - Un-clarified Assumption.
 - Specialist's language.
2. **Emotional or psychological barriers** : Emotional or psychological factors are the prime barriers in inter-personal communication. The meaning ascribed to a message depends upon the emotional or psychological status of both the parties involved.
 - Premature evaluation.
 - Inattention
 - Loss by transmission and poor retention.
 - Undue reliance on the return word.
 - Distrust of communicator.
 - Failure to communicate.
3. **Organizational barriers:** An organization being a deliberate creations for the attainment of certain specified objectives, day-to-day happening within it require being regulated in such a manner that they contribute to attain these objectives in the most efficient manner.
 - Organizational policy
 - Organizational rules and regulations.
 - Status relationships.
 - Complexity in organization structure
 - Organizational facilities.
4. **Personal barriers** : While the organizational factors discussed above are, no doubt important influences operating on communication, a host of factors internal to the two parties-sender and receiver-to this process also exert important influences on its operation, so communication is basically an inter – personal processes.

METHODS OF OVERCOMING THE BARRIERS

Considering the importance of effective communication in the successful functioning of business organizations, it is essential on the part of the management to overcome these barriers.

1. It is imperative that organizational policy must be clear explicit and encouraging the communication flow so that people at all levels realize the full significance of communication.
2. This policy should also specify the subject matter to be communicated.
3. Though the communication through proper channel is essential for orderly flow of information.
4. Even person in the organization shares the responsibility of good communication.
5. Organization should have adequate facilities for promoting communication.
6. Communication being an inter-personal process, the development of inter-personal relationship based on mutual respects, trust and confidence is essential for its promotion.
7. There should be continuous programme of evaluating the flow of communication in different directions.



UNIT - V

CONTROLLING

Control is any process that guide activity towards some predetermined goals. Thus control can be applied in any field such as price control, distribution control pollution control etc. Thus control process tries to find out deviations between planned performance and actual performance and to suggest corrective action wherever these are needed. For example Terry has defined control as follows :

“controlling is determining what is being accomplish, that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plan.

1. Control is forward looking
2. Control is both executive process and from the point of view of the organization of the system, a result
3. Control is a continuous process.
4. A control system is a coordinated – integrated system.

IMPORTANCE OF CONTROL

1. Adjustment in operations
2. Policy verification.
3. Managerial responsibility
4. Psychological pressure
5. Coordination in action.
6. Organizational efficiency and effectiveness

STEPS IN CONTROLLING

The various steps in control process which are necessary for its relationship to planning. This steps may broadly be classified into four parts.

- (1) **Establishment of control standards** - Every function in the organizations begins with plans which are goals, objectives or targets to be achieved. In the light of these standards are established which are criteria against which actual results are measured.
- (2) **Measurement of performance** - The second major step in control process is the measurement of performance. The step involves measuring the performance in respect of a work in terms of control standards.
- (3) **Comparing Actual and Standard Performance** - The third major step in control process is the comparison of actual and standard performance. It involves two steps
 - finding out the extent of deviations and
 - identifying the causes of such deviations.
- (4) **Correction of deviations** - This is the last step in the control process which requires that actions should be taken to maintain the desired degree of control in the system or operation.

ESSENTIALS OF EFFECTIVE CONTROL SYSTEM

Control is necessary in every organization to ensure that everything is going properly. Every manager, therefore, should have an effective and adequate control system to assist him in making sure that events conform to plans.



In this tailoring of control system, there are certain requirements which should be kept in mind.

1. Reflecting Organizational Needs
2. Forward Looking
3. Promptness in Reporting Deviations
4. Pointing out Exceptions at Critical points
5. Objectives
6. Flexible
7. Economical
8. Simple
9. Motivating :
10. Reflecting Organizational Pattern:

TECHNIQUES OF CONTROL

To control the activities in the organization, managers can use variety of tools and techniques. They are broadly grouped under two heads.

1. Traditional techniques.
2. Modern techniques.

Traditional techniques are those which have long been used by the managers. Some of the important techniques under this heads are budgetary control, financial statement and ratio analysis, auditing, break-even analysis and report writing etc.

“Budgetary control is a process of comparing the actual results with the corresponding budgeting data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference.” - **GEORGE R TERRY**

The different budgets such as production budget, sales budget, overhead budget, labour budget etc. clearly indicate the limits for expenses and also the results to be achieved in a given period. It ensures effective co-ordination of the work of the entire organization. It promotes co-operation and team spirit among the employees

Standard Costing is one of the techniques of cost control and it is being increasingly used by modern business concerns for the purpose of cost reduction and cost control. It involves a comparison of actual with the standards and the discrepancy is called variance.

Break-even analysis is useful in planning and control because it emphasize the marginal cost and benefit concept. It helps to make profit estimation at the different levels of activity, ascertaining turnover for desire profit and estimating the impact of the variations of fixed and variable costs. It magnifies a set of relationships of fixed costs, variable cost, price, level of output and sales mix to the profitability of the organization.

Financial statement analysis such as Found Flow analysis, Cash Flow analysis and Ratio analysis help to know the financial performance and financial position of the business unit. The liquidity, profitability and solvency position of the business unit can be ascertained and efforts can be taken to maintain these factors in an optimum proportion,

Auditing is the process of investigating financial and other operation of a business establishment. It may be carried out by internal and external members. It helps to scrutinizes the applicability and



relevance of policy, procedure and method which have a tendency to become obsolete. This it helps in choosing a suitable working procedures and methods.

Adoption of reporting system helps to analyse a particular problem and to take necessary corrective action over it. Reports may be prepared regarding taxation, legislation and its effect on profit, make or buy decisions, replacement of capital equipment, social pricing analysis etc.

MODERN TECHNIQUES

These are of recent origin, which provide information not readily available with traditional methods. These techniques help to give sharper focus and promise increasingly to improve the quality of control. Program Evaluation Review Technique (PERT) and Critical Path Method (CPM) are two major techniques coming under this head.

PERT has been developed by an U.S. Office in 1958 in connection with the Polaris Weapon System and is credited with reduction the completion time of the program by two years. **CPM** has been jointly developed by DUPoint and Remington Rand USA in order to facilitate the control of large, complex industrial projects. These techniques are used to minimize total time, minimize to cost, minimize idle resources etc. It is helpful in solving problems of scheduling the activities of on-time projects. These tools are widely being used in construction industry, planning and launching a new projects, scheduling ship construction etc. It ensures improved management of resources by facilitating better decision making. It aims to have future oriented control mechanism for the organization.

Management Information System provides needed information to each manager at the right time, in right form which aids his understanding and stimulate his action.

Management Audit is an evaluation of management as a whole. It examine the total managerial process of planning, staffing, directing and controlling.

DIRECT CONTROL VERSUS PREVENTIVE CONTROL

DIRECT CONTROL:

1. Cause of negative Deviations from standards. Uncertain, Lack of knowledge, experience or judgment
2. Questionable assumptions underlying direct control
 - Assumption that that performance can be measured
 - Assumption that personal responsibility exists
 - Assumption that time expenditure if warranted
 - Assumption that mistake can be discovered in time
 - Assumption that the person responsible will take corrective steps.

PREVENTIVE CONTROL

Assumption :

- Qualified managers make a minimum of errors.
- Management fundamentals can be used to measure performance
- Application of management fundamentals can be evaluated.

Advantages :

1. Greater accuracy
2. Encourage self control
3. Lighten the managerial burden
4. Impressive

Thus control is a very important process through which managers ensure that actual activities confirm to planned activities. It is mainly used to measure progress, to uncover deviations and to indicate corrective action.



American companies, especially auto manufacturers, were concerned about competition from Japanese exporters. The management theorist William Ouch argued that the Japanese companies had an advantage over American manufacturers because of their management style, and that an American manager who applies Z Theory can gain the efficiency advantages of the Japanese firms.

The earliest management theory is Theory X. Under Theory X, an employee does not want to work hard and take directions from an employer, and the employee only wants to receive a paycheck. Theory Y came later, and stated that employees are willing to take the initiative to learn about their job and work harder if the manager praises them and gives them benefits other than money. Theory Z goes even farther than Theory Y and attempts to convince employees to stay motivated even if a manager does not give them a reward.

Importance –

Theory Z changes the focus from the manager to the workers. According to Murgan Minir University, Theory Z allows workers to vote changes to the work environment instead of having the manager make all work-related decisions. Because the workers can make some decisions about how to run the workplace, they don't feel like the manager is imposing rules on them.

Tools –

The management theorist Kaoru Ishikawa is known for two methods that Theory Z uses, quality circles and fishbone diagrams. When a business establishes quality circle, the workers periodically meet and suggest improvements that will improve the quality of its products. The fishbone diagram, or Ishikawa diagram, lists individual factors and connects them to their effects, producing a chart that looks like a skeleton of a fish.

Main Assumption of Z Theory –

Just as Douglas MacGregor's theory X and Y were based on management assumptions about people, so too is Ouchi's Theory Z approach. Here are 5 Theory Z Principles.

- 1) Job Security – The Japanese Theory Z approach believes that people are a far too valuable resource to be lost when the economy has a downturn. In a recession, the Japanese don't fire people, they'll reduce their hours until things pick up. By contrast, when a US Company is in trouble, they waste no time laying people off and as a result lose all the knowledge, skills, and expertise that go with them.
- 2) Trust – The Japanese feel that you should never give people a reason to distrust you, Loyalty is expected of all employees. In American companies, distrust and suspicion are endemic. If a person or supplier is not delivering, the company will go elsewhere for a better deal.
- 3) Decision Taking – There are two differences between the Japanese and American approaches to decision-making. In Japanese companies, everyone gets involved in the decision-taking process as part of their commitment to the organization. As a result, the process is slow. In the US, decision-taking is the responsibility of the few and so is quick.
- 4) Teamwork – In Japan organizational success is viewed as the result of team effort, so it is illogical to reward individuals. In the US, there is still a belief that, if you do the work and claim the results, you should get the reward.
- 5) Motivation and Target-Setting – The Japanese corporation rarely sets individuals targets as a way of motivating them. They believe that individual motivation comes from others in the team. By contrast, the American corporation believes that the role of management is to set their subordinates targets and ensure that these are met, using evaluation and promotion as incentives and rewards.

India has evolved as the Global hub for management education in the recent times. With new courses coming up in the management field in India that suit needs and availability of almost every person pursuing advanced education the management.

Institutes such as Indian Institutes of Management (IIMs), Jawaharlal University (JNU) etc. are imparting Quality management education to Young and talented Future managers of the country that will manage



firms of the country in an efficient way to maximize profit and managing the available Human and other Resources.

In India, All India Council of Technical Education (AICTE) is entrusted with the responsibility of regulating, controlling and ensuring the quality of management education in the country. The formation of National Board of Accreditation (NBA) and the of workshops that it had organized have contributed substantially to widespread awareness and concern for the quality of management education, but can the AICTE in all honesty, claim that their approvals would result in quality management education of global standard.

Importance and Objective of Management Education in India -

- It produces world class the technical and management personnel who would be required globally.
- Total quality management makes the management education effective. Now some colleges and universities are beginning to recognize that TQM values are more compatible with higher education than many existing management systems.
- Management education builds up new Entrepreneurs.
- It provide over all enhancement of students as well as faculties.
- It provides a sense of confidence and enthusiasm in students to face the challenges of corporate world.
- Management education does not make graduates and post-graduate but builds up future managers.

Problems of Management Education in India

- 1) Increased competition in the educational environment – Many institute claims to provide better education than others. By doing this they attract students and increase their quantity rather than improving quality.
- 2) Lack of quality teachers – Unfortunately, the best talent is going to industry where salaries are lucrative. Those who come to academic area are the ones who could not be absorbed in the industry career out of passion. However, we can count very few professors joining out of passion towards teaching profession.
- 3) Failure in Imparting Practical knowledge – The current curriculum in management education does not teach students in facing the challenges in business environment. How to manage uncertainty and complexity are not taught in business schools. It merely teaches the concepts with case studies. It does not focus on the challenges arising out of rapid growing technology and the challenges involved in running an enterprise.