PRINCIPLES OF BUSINESS MANAGEMENT

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PREFACE

This is your first step into the world of company management! In light of the fact that we are currently standing on the brink of a dynamic and ever-changing corporate landscape, it has never been more important to have a complete understanding of management principles. The purpose of this book, which is titled "Principles of Business Management," is to act as a waypoint for you to navigate the complexities that are inherent in the business world. Whether you are an experienced executive, an aspiring entrepreneur, or a student delving into the realms of management studies, the purpose of this book is to present a comprehensive and up-to-date view on the fundamental principles that govern effective business operations. This book is in the quest of perfection. The journey through the pages of this book is intended to be one that is not just educational but also useful with application. The purpose of this course is to provide a comprehensive framework that combines theory and application by delving into fundamental ideas such as strategic planning, organisational behaviour, leadership, marketing, and finance, among other topics. The purpose of the case studies, examples, and real-world scenarios that are interspersed throughout these chapters is to demonstrate the relevance and applicability of these principles in a variety of business settings. Our objective is not just to disseminate information but also to cultivate analytical thinking and the ability to find solutions to problems. As a result of the quickly shifting nature of the business environment, agility and adaptability are extremely important. The purpose of this book is to provide you with the tools you need to successfully traverse the obstacles and capture the possibilities that are still to come. As part of the process of putting together this extensive resource, we have incorporated the most recent findings from research, insights from the industry, and the aggregate knowledge of seasoned professionals. It is our hope that the ideas that have been provided here will not only serve as a basis for your academic endeavours, but that they will also allow you to make decisions that are both informed and effective in the professional sphere. As we embark on this intellectual adventure together, I want to encourage you to approach each chapter with an open mind and a sense of curiosity towards the material. Inspire yourself to create, lead with purpose, and make important contributions to the world of business by using the concepts that are covered in these pages to serve as a source of inspiration.

I hope that your investigation into the fundamentals of effective business management will be both transforming and illuminating so that you can achieve your goals.

Abbreviations

Application Tracking System (ATS)

Critical Path Method (CPM)

Directed Acyclic Graph (DAG)

Human Resource Management (HRM)

Indian Institutes of Technology (IITs)

Institutes of Management (IIMs)

Least Preferred Co-worker Scale (LPC)

Project Evaluation and Review Technique (PERT)

Return on Investment (ROI)

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Unit 1

Introduction Concepts, Objectives, Nature Scope and Significance of Management Evolution of Management Thought-Contribution Taylor, Weber and Fayol Management

1.1 Essentials of Management:

Introduction:

"Management" is a broad idea that touches every aspect of our lives.

Various levels, including individual, group, regional, national, and worldwide, can be involved. Even on a more individual level, we can perceive the relevance of this broad idea. Take the case of a student who successfully controls his or her studies by creating a schedule, sorting books and other resources, setting goals, monitoring progress, and passing or receiving the highest possible grade.

Similarly, at the family level, parents are in charge of all matters pertaining to their children's education, household budgeting, and future planning.

At the elementary level, we observe that the principal, with the help of the teachers, oversees the whole school's disciplinary measures, as well as the students' work and academic achievement.

Therefore, as we have seen, management is an integral aspect of our everyday lives.

Everyone works in a group, and every group has its own set of objectives, and management is the key to reaching those objectives. The administration of any given group—be it a family, a government, an army, a corporation, a cricket team, a school, etc.—is essential to the attainment of its social and economic objectives.

In short, management is the art and science of getting things done by making the most of available resources (both human and material) via careful preparation, execution, and evaluation of plans and strategies.

A more technical definition of management would include the six Ms: people, money, machines, materials, methods, and markets. With the guidance of upper management, these assets are put to good use so that the company may accomplish its goals, which may include increasing sales and profits, expanding into new markets, developing and releasing innovative goods, and so on. There are many different notions that can be used to illustrate what management is and what it encompasses.

A. Management as an activity.
B. Management as a group.
C. Management as discipline.
D. Management as a process.

A. Management as an Activity:

There are four distinct types of management activities: interpersonal, goal-oriented, group, decision-making, and informational. The following table can help to clarify its various forms of activity:

1. Interpersonal activity	It necessitates communicating with the employees of a company.
2. Goal oriented activity	It entails accomplishing the objectives that have been previously set.
3. Group activity	Bringing everyone in the group closer together is a big part of it.
4. Decisional activity	Managers are tasked with making organizational decisions.
5. Informational activity	It entails public relations, information exchange, and both receiving and providing.

Figure 1.1: Management as an Activity

B. Management as a Group:

Collectively, management consists of the people and groups responsible for the day-to-day operations of an organization, including tasks such as planning, organizing, staffing, leading, and controlling. Everyone from the CEO down to the first-line supervisor is a part of it. A member of the management team responsible for guiding an organization toward its goals is known as a "manager," and they are responsible for overseeing the daily operations of the business.

In actuality, though, "management" is shorthand for an organization's upper echelons.

C. Management as a Discipline:

Management theory is a field that studies and systematically applies a variety of ideas and principles to the management of organizations and the challenges that arise within them. It is now offered as a professional course at several schools and institutes, including the Indian Institutes of Management (IIMs) and the Indian Institutes of Technology (IITs).

The field offers specialization in areas such as production management, personnel management, marketing, logistics, finance, etc., and draws theories, principles, and concepts from a variety of disciplines, including anthropology, psychology, sociology, and others. A person can qualify for an executive or managerial post after earning a degree or certification in management.

D. Management as a Process:

Planning is a process that includes a number of interconnected functions or elements. Facilitating the production of goods and services that meet customer needs while also attaining organizational objectives through the strategic management of human resources, financial resources, machinery, materials, processes, and markets. The order in which these components should appear is of utmost importance. According to Henri Fayol, "to manage is to forecast and plan, to organize, to command, to coordinate and to control." This statement summarizes the process of management.

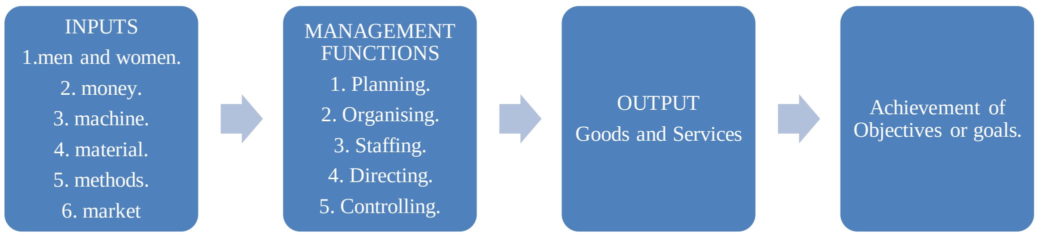

Figure 1.2: Management as a Process

Definitions of Management:

The main definitions of management are as follows:

a. "Management is the art of getting things done through others and with formally organised groups," says Harold Koontz.
b. "Management is the art of knowing what you want to do and then seeing that they do it in the best and the cheapest way," says F.W. Taylor. II.
c. "Management is the process of releasing and directing human energy towards attaining a definite goal," says C.W. Wilson.
d. In order to define and fulfill stated objectives through the employment of human beings and other resources, "management is a distinct process consisting of planning, organising, actuating and controlling," as stated by George R. Terry.
e. "Management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for employer and employees and give the public the best possible service," argues John F. Mee, who claims that management is the ultimate goal of any organization.
f. "Management is a human activity which directs and controls the organization and administration of the business enterprise," says Bayard O' Wheeler.
g. "Management is the development of people not the direction of things," says Lawrence A. Appley.
h. "Management is the art and science of decision- making and leadership," says Donald J. Clough.
i. Stanley Vance defines management as the systematic process of making decisions and exerting control over human actions in order to achieve specific planned objectives.
j. According to Robert L. Trewatha and M. Gene Newport, management is the systematic process of planning, organizing, implementing, and controlling an organization's

operations to achieve the coordination of human and material resources necessary for the effective and efficient attainment of objectives.

k. Keith and Gubelini define management as the driving force that combines human and non-human resources to create an efficient operational entity.
l. Barry M. Richman defines management as the process of organizing and coordinating human and material resources in order to meet the goals of an organization, including the necessary productive functions for attaining economic objectives.

1.2 Characteristics of Management:

A. Management is driven by specific aims: every firm has specified goals or objectives that may encompass social and economic aspects. The core and efficacy of any managerial endeavor resides in the achievement of predetermined objectives. Management and goal setting are interdependent; without a goal, there can be no effective management, and conversely, without management, a goal cannot be achieved. Hence, it is an intentional endeavor.
B. Management is a human activity: the presence of humans is a fundamental aspect of the concept of management. Every organization is established and managed by individuals or a collective group, operating consistently over time. The principles, methods, and procedures of management are employed by individuals who comprise the management team, thereby rendering it a human endeavor.
C. Management is a ubiquitous idea that is applicable to all types of organizations, regardless of their size or nature, be it commercial or non-business. It is a ubiquitous practice in all organizations as it aids in the management of human and physical resources, facilitating smooth operations and ultimately achieving predetermined objectives.
D. Management is an ethereal endeavor: it is a conceptual idea that cannot be observed or physically interacted with, while its effects can be perceived by the outcomes achieved, which can be either favorable or unfavorable. Management involves the handling of physical objects, but management itself is an abstract concept. However, the individuals or groups responsible for carrying out management activities are concrete.
E. Management is considered both an art and a science. It is classified as a science since it is a structured field of knowledge that encompasses various concepts, principles, methodologies, and the study of cause-and-effect relationships. The effectiveness of management relies on the manager's practical knowledge, personal talents, and creativity, making it akin to an art form. A manager achieves perfection in their application via diligent practice.
F. Management is an ongoing process, indicating that it is not a one-time activity but rather a perpetual endeavor. It persists until the organization is liquidated. In a business organization, the idea of the going concern notion implies that the management activities, including planning, organizing, staffing, leading, and controlling, are carried out continuously for as long as the firm is operational.
G. Adaptability: It possesses the ability to adjust its plans, policies, and decisions according to the specific demands of a given scenario or condition. It formulates distinct strategies, policies, and judgments tailored to specific circumstances and adjusts them as needed.
H. Management is a social process whereby businesses aim to fulfill the needs and desires of society's members by utilizing society's resources. From a social perspective, it is necessary for an entity to offer attractive goods and services while efficiently and

effectively utilizing the resources of society through proper management procedures. Business interacts directly with several social groups, including customers, employees, suppliers, shareholders, etc. Therefore, managers must establish and maintain positive relationships with these groups in order to ensure the smooth and successful operation of the firm.

I. Management is an interdisciplinary field that incorporates principles, concepts, methods, and approaches from diverse disciplines like as economics, psychology, sociology, anthropology, and others. This integration is done in order to accomplish the desired outcomes. Management strategies and practices are designed to optimize the usage of both human and non-human resources in order to achieve maximum output or results. This knowledge is derived from the field of Economics.

J. 10 Effective management is essential at all organizational levels, including various degrees of management. At the highest level, it is necessary to develop long-term planning, policies, and strategies. At the intermediate level, it serves as a means of communication and execution of the plan devised by the top level, acting as a bridge between the upper and lower levels. At the lower level, management is responsible for ensuring that personnel execute tasks according to the established plan. If there are any deviations, appropriate corrective actions are taken.

1.3 Evolution of Management thoughts and Approaches:

The scientific management ideas put forward by F. W. Taylor, which are part of the classical approach, come to mind whenever we talk about how management ideas have changed over time. You can also call it the Scientific Management Period or the Scientific Management Era. It is also very important to have a general idea of the time before science. Before we can study the pre-scientific period, we need to look at five different times in order. After that, the Scientific Management era took over. There are five parts to the pre-scientific period. They are the Domestic System, the Handicraft Period, The Guilds, the Cottage Period, and the Industrial Revolution.

Pre-Scientific Management Period:

A. Domestic Period: During this time, production was done by households for their own use, and there was no trading of goods. Because of this, it was self-centered, which is why it is called the Domestic Period. Production was limited by what could be produced, and farming was the main activity at that time.

B. It was during this time that villages got bigger, and more people lived in them. In this system, things are made by hand with simple tools. It is a system that depends on work. Within the village, the things that are made this way are sold or traded.

C. The Guilds: These were groups of merchants and craftsmen who worked together to control and push their trade and business. It goes on after the handicraft time. Its main goal was to improve their members' economic situations. A worker had to join a club before he could start working. The guild system was common from the 12th century to the 14th. It eventually fell apart as capital grew and people made new finds and traveled the world in the 15th and 16th centuries.

D. During the Cottage Period, traders or master craftsmen with a lot of money would buy raw materials and send them to workers all over town and the surrounding areas. They would then come back and get the raw materials back after the workers turned them into finished goods. After getting the finished things back, they are sold in the market. All of this led to more trade and commerce, but on a small scale, output was limited and not enough to meet demand. During this time, people like merchants, capitalists, and middlemen came into being, which is an important part of trade and industry. From the 1600s to the 1800s, people lived in cottages.

E. The Industrial Revolution began at the end of the 18th century and was marked by the use of machines to make things instead of people working by hand. This was the start of the factory system era, or machine period. During this time, people were split into two groups: the capitalist manufacturers, who had a lot of money, a factory, and power over the goods on the market; and the workers. Some people didn't like this time because workers were taken advantage of by having to work long hours for low pay. It was decided who would do what work and how much people would be paid.

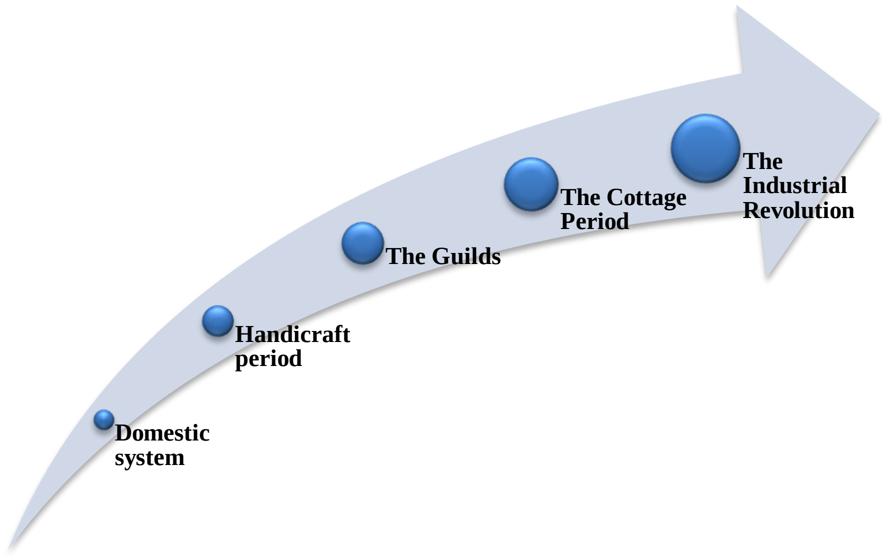

Figure 1.3: Phases of Pre-Scientific Management Period (Prior to 1880) (Kumar, 2010, pp. 5-7)

Classical Appraoch	Behavioural Appraoch	Modern Approach
• Scientific Managment • Administrative management • Bureaucracy	• Human Relation Approach • Behavioural Science Approach	• Quantitative Approach • System Approach • Contingency Theory • Social System Approach • Decision- making Approach • Management by Objective

Figure 1.4: Major Classification of Management Approaches

1.3.1 Classical Approach:

"Classical management theory" grew out of the industrial revolution and the classical method. A lot of factories were built quickly, and output switched from relying on people to relying on machines. Workers learned how to use machines, but workers still did a lot of work in factories and were an involved factor of production. We all deal with factories and workers in some way, as we've already talked about. During the industrial revolution, controlling factories and workers became a big issue, and that's where we can see management ideas and theories put into practice in a structured way. The main goals of these management ideas were to boost output, make workers more productive and efficient, and lower turnover and job dissatisfaction. The main problem with the management ideas that came out of this method was that they were fixed and couldn't be changed to fit the situation. It was only about "how to get the most done with the least amount of work and money." People during this time came up with rules that are still used today at the factory and company level to solve problems in business. The main thing that management thought about was how to use human and physical resources most effectively and efficiently so that they could lower production costs and raise profits. The following table shows the three main management ideas and the people who came up with them.

Table 1.1: Management Ideas

Management thoughts	Contributors
1. Scientific Management	Frederick Winslow Taylor
2. Administrative Theory	Henry Fayol
3. Bureaucratic Management	Max Weber

A. Scientific Management (1880- 1930):

In 1856, F. W. Taylor was born in the United States. People knew him for working hard. He quit school because he came from a middle-class home. His first job was as a trainee in a small machine shop when he was 19. Later, he worked as a machine shop laborer at Midvale Steel Works. He really wanted to learn more, so he took classes in the evenings and eventually got a degree in engineering. This was a big step forward in his career, and he became Chief Engineer when he was 28 years old, in 1884. He worked for the Bethlehem Steel Company from 1898 to 1901. After that, he went on to work as an industrial management expert. He thought of management as a science, so he came up with scientific ways to solve management problems and make things based on scientific principles and methods. He is known as the "father of scientific management" because he helped make the field of management a science field.

Scientific Management, in the words of F. W. Taylor, "is the art of knowing exactly what you want your men to do and then making sure they do it in the best and cheapest way."

To put it another way, Taylor is saying that every job or work that needs to be done in the company should be studied scientifically and then given the right steps and rules to follow so that it can be done quickly and correctly, saving money and time.

Table 1.2: Works of F.W. Taylor:

1. A Piece Rate System	1895
2. Shop Management	1903
3. On the Art of Cutting Metals	1906
4. The Principles of Scientific Management	1911

Principles of Scientific Management:

- Using Science Instead of Rule of Thumb: Taylor says that every job or work should be planned using science. Before starting the work, there should be a set of rules and processes based on scientific principles. This way, the work can be done correctly, quickly, and efficiently, with as few mistakes as possible and as little cost as possible. He also said that materials, tools, equipment, and working situations should all be the same so that tasks could be done correctly. The standards for inputs and outputs should be set ahead of time using scientific principles instead of trial and error. The standards for inputs and outputs should also be compared, and any differences should be noted so that the right steps can be taken.
- Agreement between management and employees: Taylor believed that there should be a good relationship between management and employees so that work could be done easily and peacefully, which would help the company reach its goals faster. He also said that management should change how they treat their workers. This means that management should make policies and choices that are focused on the workers and share the benefits with the workers so that the workers can be more productive. On the other hand, he also insisted that workers would become more dedicated and disciplined toward management and the company.
- Maximum output instead of limited output: Taylor said that workers and managers should work to boost efficiency so that output goes up instead of being limited. Because of limited output, management doesn't want to share wins with workers, which makes workers unhappy and causes problems between management and workers.
- Division of work between management and workers: Taylor said that management should focus on scientific planning of the work and then setting standards for it so that workers who don't follow the plan and standards can be stopped. On the other hand, workers should focus on doing their jobs quickly and correctly according to the plan made by management.
- Scientific development of workers: A worker who is carefully chosen and taught does his or her job quickly and correctly, which raises output and productivity while lowering costs and effort. Because of this, Taylor pushed for workers to be hired, chosen, and put on the right job using science so that output and production could go up while costs, efforts, and mistakes went down.
- Functional Foremanship: Taylor pushed for the hiring of a specialist foreman to direct and watch over factory workers in a way that would cut down on mistakes and downtime and get work done as planned. For the production department, he suggested eight types of foremen, such as a speed boss, an inspector, a maintenance foreman, and a gang boss. For the planning department, he suggested a route clerk, an instruction card clerk, a time and cost clerk, and a disciplinarian.

Table 1.3: Types of Functional Foreman

1. Speed boss	Maintains planned speed of production.
2. Inspector	Matching work done according to the standard set.
3. Maintenance Foreman	Maintenance of machines and equipment.
4. Gang Boss	Making arrangement of machines, materials, and men for the jo
5. Route Clerk	Determine the process of job.
6. Instruction Card Clerk	Laying down the instructions for the workers.
7. Time and Cost Clerk	Setting the time table and cost budget for the job.
8. Disciplinarian	Maintaining proper discipline in the factory.

G. Differential Piece Wage System: Taylor pushed for dividing workers into two groups: those who are efficient and those who are not. He said that workers who meet or beat the standard should be paid more, while workers who don't meet the standard should be paid less. He thought that workers would be more productive and perform better if they were motivated by money.

Advantages of Scientific Management:

- Employers can enhance productivity and reduce costs by applying scientific principles and methods. This includes efficiently utilizing human and physical resources, improving work quality, and minimizing human efforts. Ultimately, these measures enable employers to increase profits and gain a competitive advantage in the market.
- 2.From the perspective of employees, the implementation of the differential piece rate system results in higher wages for those who are efficient in production. Additionally, training programs contribute to increased productivity and efficiency, enabling workers to earn higher wages. Ultimately, this leads to an improvement in their standard of living.
- 3.From a societal perspective, the increased productivity and efficiency of labor, along with reduced production costs, result in the availability of high-quality items at affordable prices for society members. A mental revolution has occurred between employers and workers, resulting in a harmonious connection between them. Overall, the efficient and effective functioning of businesses has led to a rise in employment options for members of society.

Criticism of Scientific Management:

- The assertion that workers are consistently motivated to increase their productivity solely through monetary incentives provided by a differential piece rate system is not universally accurate. Various non-monetary incentives, such as job stability, social standing, and recognition, motivate workers to boost their productivity and enhance their job pleasure.
- The classification of workers into efficient and inefficient groups due to the piece rate system leads to disagreements, jealously, and hostility among workers, which

ultimately damages their team cohesiveness and disrupts the smooth operation of the production process.

- The separation of planning and execution leads to boredom between those who create the plans and those who carry them out, resulting in a decrease in output.
- 4.Taylor's belief in a singular optimal method for performing tasks cannot be universally applicable due to the inherent differences among individuals in an organization, including variations in their speed, efficiency, intellect, potential, behavior, and emotions.
- 5.Scientific Management leads to a decrease in employment opportunities since it emphasizes improving the manufacturing process, resulting in higher output with fewer humans and more advanced technology. There is a possibility of laying off excess employees, which could lead to dissatisfaction among the current workforce. These circumstances will promote disputes between employees and employers, and there is a lack of progress in fostering the idea of a harmonious partnership as recommended by Taylor.
- Taylor argued that appointing multiple specialist foremen leads to confusion and divided allegiance among workers, as they would have to report to several foremen.

B. Administrative Management: Henry Fayol (1841- 1925):

Henry Fayol was a French engineer and entrepreneur. In 1860, he commenced his professional journey at the French Mining Company (Commentary- Fourchambault-Decanzeville) as an engineer. Eventually, in 1888, he ascended to the position of Managing Director. With extensive real-world experience as an engineer and Managing Director, he has created comprehensive and realistic general concepts of management. These ideas are universally applicable across all types of organizations and yield precise results. The contemporary significance of these principles is evident, therefore establishing Henry Fayol as the esteemed 'Father of Modern Management'. In 1916, he documented these principles in his renowned book, Administration Industrielle Generale, written in French. In order to make it universally relevant, the book was translated into English in 1929 under the title "General and Industrial Management." He outlined five fundamental components of management that continue to be widely recognized and may be observed in numerous contemporary definitions of management. He had the belief that implementing these five aspects in the management of any business will lead to its success and aid in the attainment of the intended goals. The table below presents the specified elements:

Table 1.4: Elements of Management

1. Forecasting and planning.
2. Organising.
2. Commanding or Directing.
4. Coordinating.
5. Controlling.

Fayol categorized corporate activities into six distinct classifications to facilitate efficient and effective management. The following information is presented in the table below:

Table 1.5: Classification of Business Activities

Type of Activity	Nature of activity
1. Technical	Production, Manufacture and Adaption.
2. Commercial	Buying, Selling and Exchange.
3. Financial	Finding source of capital and its optimum utilization.
4. Security	Safeguard of Property and Person.
5. Accounting	Stock taking, Balance Sheet, Cost and Statistics.
6. Managerial	Planning, Organising, Commanding, Coordination and Control.

Fayol advocated that in order to achieve efficient and successful administration of an activity, the manager should possess the following attributes. The table below presents the desirable attributes.

Table 1.6: Qualities of a Manager

1. Physical qualities	Health and vigour.
2. Mental qualities	Ability to understand, analyse, take judgement, mental alertness.
3. Moral qualities	Energy, firmness, to accept responsibility, loyalty, initiative, tact an dignity.
4.Educational qualitie	General awareness with common matters.
5. Technical qualities	Appropriate knowledge of the technicalities of the function perform
6. Experience	Arising from the work proper.

General Principles of Management:

Fayol formulated a set of fourteen principles that can be applied to effectively manage organizations of any size and nature, including both commercial and non-commercial entities. In addition, he emphasized the importance of teaching these fourteen concepts in order to cultivate future managers. His concepts are characterized by their adaptability, allowing them to be modified to suit the needs of the scenario. He has provided comprehensive ideas that can effectively address any deficiencies that may arise while managing a business. He thought that implementing these principles would enable the business to optimally utilize its financial and non-financial resources, resulting in the attainment of predetermined objectives. The ideas are illustrated in the table provided and will be further elaborated upon in later discussion.

Table 1.7: Fayol's Principles of Management

a. Division of Labour.	h. Centralisation and Decentralisatio
b. Authority and Responsibility.	i. Scalar Chain.
c. Discipline.	j. Order.
d. Unity of Command.	k. Equity.

e. Unity of Direction.	l. Stability of Tenure.
f. Subordination of Individual Interest to General Inte	m. Initiative.
g. Remuneration.	n. Espirit de corps.

a. Division of Labour:

It refers to the allocation of tasks or responsibilities among multiple workers or employees. The primary objective of this strategy is to achieve "specialization," which refers to the improved performance that comes from frequently performing the same assigned activity. It enhances worker productivity, decreases time, human labor, and waste. Furthermore, there is an enhancement in the caliber of the generated output.

b. Authority and Responsibility:

This idea emphasizes the equal balance between authority and accountability. Authority refers to the legitimate power to delegate tasks, issue commands, ensure compliance, and make decisions pertaining to financial and human resources. Responsibility, on the other hand, refers to the duty to carry out the assigned task in accordance with the specified standards and instructions. Fayol proposed that authority should be allocated in direct correlation to the corresponding level of responsibility, since any deviation from this principle may result in the abuse of authority and the subsequent development of irresponsible behavior.

c. Discipline:

Fayol promoted the idea that discipline entails workers and employees adhering to the established norms, regulations, and policies of the business, obeying the commands and instructions issued by their superiors to their subordinates, and fulfilling their job duties with responsibility. He contended that discipline is essential for the seamless operation of an organization and will undoubtedly result in the efficient and effective attainment of the organization's objectives.

d. Unity of Command:

It signifies that there exists a sole authority figure who issues commands and provides guidance to the employee or subordinate. The significance of this principle lies in the fact that when an employee receives instructions from multiple superiors, it can result in confusion, a divided sense of loyalty and trust, disagreements, and ultimately a decline in the quality of the assigned task.

e. Unity of Direction:

It highlights the importance of each activity group being governed by a single plan overseen by one leader with a shared aim. The organization's members should focus all their efforts on attaining the shared goals of the organization. The lack of it will render the synchronization of actions and coordination of efforts unattainable.

However, it is crucial to emphasize the distinction between the concepts of unity of command and unity of direction. Unity of command pertains to the organization and coordination of individuals, whereas unity of direction pertains to the coordination of activities and tasks.

f. Subordination of individual interest to general interest:

Fayol proposed that the organization's general interest should take precedence above individual employee interests. Employees often prioritize their own desires for higher compensation, acknowledgment, and status, which can often overshadow the organization's primary goal of maximizing production.

If an individual's self-interest conflicts with or takes precedence over the collective interest, it should be scrutinized through vigilant oversight by a superior. Management should implement measures to align the personal interests of individuals with the interests of the company.

g. Remuneration:

This principle dictates that compensation in the form of wages, salaries, and allowances should be equitable, rational, commensurate with the job's requirements, reflective of the cost of living, and in line with the prevailing wage or salary framework in a specific industry. It centers on providing financial compensation to employees, which brings satisfaction to both employers and employees. Furthermore, it is important to ensure that financial compensation is neither excessive nor insufficient.

h. Centralisation and Decentralisation:

This principle dictates that compensation in the form of wages, salaries, and allowances should be equitable, rational, commensurate with the job's requirements, reflective of the cost of living, and in line with the prevailing wage or salary framework in a specific industry. It centers on providing financial compensation to employees, which brings satisfaction to both employers and employees. Furthermore, it is important to ensure that financial compensation is neither excessive nor insufficient.

i. Scalar Chain:

The term used to describe this is "line of authority." It demonstrates a hierarchical structure with a clear chain of command, ranging from the highest to the lowest level of authority. It depicts a hierarchical relationship between a formal superior and subordinate, with the superior positioned at the highest level.

Each manager has a direct superior, who in turn has another direct superior, and so forth. Every order, command, or communication must adhere to this predetermined hierarchy of authority. The scalar chain has a significant negative in that it hinders the speed of communication, delays the decision-making process, and increases the likelihood of biased information transmission.

In order to overcome these limitations, Fayol proposes the implementation of a "gang plank" approach, which involves establishing direct communication and contact between individuals in the chain of command and those in positions of power.

This facilitates efficient communication and decision-making processes, as long as the immediate superior is kept informed of these interactions. The concept can be elucidated using the provided diagram:

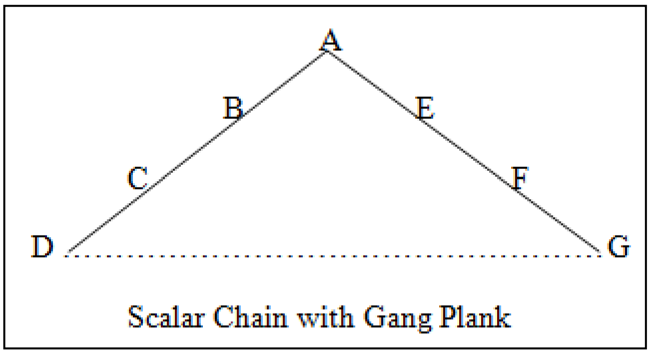

Figure 1.5: Scalar Chain

The scalar chain is represented by the double ladder directed acyclic graph (DAG) in the figure above. The primary purpose of the scalar chain is to ensure that communication between D and G follows a specific chain of command and authority. In this case, the communication will first go upward from D to A through C and B, and then it will flow downward from A to G through E and F. This mode of communication is time-consuming and will result in communication distortion due to a skewed transmission of messages. In order to address this issue, Fayol proposed the implementation of a 'gang plank', represented by the dotted line in the aforementioned diagram. This would enable efficient communication and prevent any distortion of the message. While performing the 'gang plank' task, it is important for both individuals, D and G, to inform their respective immediate superiors, C and F, of this direct communication.

j. Order:

This approach primarily emphasizes the systematic arrangement of personnel and resources. Fayol proposed that both human and non-human resources should be appropriately allocated in terms of location and timing to ensure the smooth operation of an organization.

k. Equity:

Fayol asserts that when dealing with employees in a business, it is imperative to uphold principles of justice, kindness, and equality. Sex-based discrimination should be completely eliminated. Social stratification based on caste, belief system, religious affiliation, and racial background, among other factors. Additionally, there should be no tolerance for 'favoritism' and 'nepotism'.

These factors undermine staff morale and result in disagreements, unhappiness, mistakes, and employee attrition. Therefore, it is imperative to ensure equitable treatment and actively refrain from harboring bias.

l. Stability of Tenure:

This principle emphasizes the need of minimizing employee turnover as it negatively impacts the organization's reputation in the market. It results in discontent and animosity among current employees and poses challenges for the organization in recruiting new individuals due to its negative reputation. Moreover, it amplifies the expenses associated with recruitment and training for the firm. In order to prevent such scenarios, organizations should provide job security to current employees and provide a realistic fixed time term for new employees. Fayol additionally proposed the removal of unproductive staff and the promotion of efficient employees.

m. Initiative:

Employees should be encouraged to exhibit initiative by generating novel ideas and proposing alternative approaches to their current tasks. They should be encouraged to provide input in the development of new strategies and policies. Consequently, these measures will enhance staff morale and job satisfaction. It also suggests that managers should possess an open-minded attitude and actively embrace the advice and recommendations provided by employees, so fostering a positive and harmonious relationship between the management and employees.

n. Espirit de Corps:

This notion asserts that the collective power of a group is greater than the individual strength of its members. It holds the belief that every individual should collaborate in a collective setting. Individual efforts are not sufficient for the success of any organization; collaborative efforts are necessary. In order to achieve successful group endeavors, it is essential to foster a sense of camaraderie and collaboration among the group members, which will enhance group cohesion and create a harmonious and productive work atmosphere.

Bureaucracy Model: Max Weber:

Max Weber coined the term 'bureaucracy' in the late 19th century. Max Weber was a German sociologist and the author of "The Protestant Ethic and the Spirit of Capitalism." He advocated for the use of certain norms and a formal structure in organizational management, emphasizing the importance of maintaining an impersonal relationship between employers and employees.

He opposed the operation of an organization based on nepotism with the employees. He held the belief that employees should prioritize loyalty to the organization rather than their immediate superiors. Favoritism and nepotism have no place. Weber defines bureaucratic organization as a type of organization that emphasizes division of labor to promote employee specialization.

It is characterized by well-defined rules and regulations, strict adherence to these rules in performing activities, a clear hierarchy of superiors and subordinates, and an impersonal relationship between employers and employees. He claimed that for an organization to be productive and efficient, it should adhere to the principles of bureaucracy. These ideas are alternatively referred to as "The Bureaucratic Theory of Management," "Bureaucratic Management Theory," or "The Max Weber Theory." In addition, he highlighted the need of having 'rational legal authority' as the most preferable characteristic in an organization.

Elements of Bureaucracy Model:

- Hierarchy: Within a bureaucratic organization, there exists a hierarchical structure consisting of various positions arranged in a vertical order, ranging from the highest to the lowest. The quantum of authority and responsibility escalates when one ascends to a higher-level position in the hierarchical structure. There exists a clear and established hierarchy of authority and means of exchanging information. Lower level positions are subject to the direct direction and supervision of their immediate superiors.
- labor division: Within a bureaucratic organization, the entire task or labor is partitioned into uncomplicated and repetitive operations, which are then assigned to the appropriate employee based on their level of knowledge and skill. Each employee carries out the assigned tasks and possesses expertise solely in their own area of work. Employees achieve specialization and efficiency through repetitive performance of delegated tasks, resulting in reduced errors and wastage. In this sort of organization, employees are strictly prohibited from engaging in any additional work beyond their assigned tasks.
- Rules, regulations, and procedures: All activities and operations carried out within a bureaucratic organization are governed and controlled by pre-established rules and regulations. Compliance with laws and regulations is essential for the initiation and execution of any activity. These rules, regulations, and procedures serve to standardize activities, provide guidance for future actions, and ultimately maintain equality among organization members.
- Impersonal relationships: The essential aspect of bureaucratic organization is the absence of personal connections between employees and between managers and employees. All decisions and actions are made in strict adherence to the established norms and regulations, without any influence from personal or emotional considerations. Additionally, it serves to deter favoritism and nepotism. Additionally, it aids in preventing the unwarranted influence exerted by external parties.
- Official records: All actions and resolutions made inside a bureaucratic organization are meticulously documented and stored for future reference. This organization is renowned for its efficient handling and retrieval of stored information.
- Staffing: All personnel are systematically chosen based on their technical proficiency, prior work experience, educational background, and overall ability. An employee and the organization have a contractual connection. Employees are required to adhere closely to the terms and conditions outlined in their employment contract, and their compensation is determined based on the degree of their position.
- Technical competence: Bureaucratic organizations select bureaucrats based on their technical expertise rather than through elections or inheritance. An individual with exceptional technical skills and efficiency is being considered for advancement, without any bias or favoritism based on personal connections.

Criticism of Bureaucracy Theory: The bureaucratic idea is subject to significant criticism for its sluggish work culture, which can be attributed to various inherent factors such as red tape, excessive paperwork, and superfluous and convoluted rules and regulations. Employees were had to engage in additional paperwork in order to adhere to the rules and regulations, resulting in lost time and effort and diminished work capacity. In addition, employees were excluded from participating in the development of the strategy, policies, and decision-making processes, resulting in a decrease in their morale. All tasks must adhere to established norms and regulations, which can inhibit individuals from utilizing their creativity to devise innovative work techniques. These factors hinder the productivity of the personnel and contribute to inefficiency and carelessness among them.

1.3.2 Behavioural Approach:

This strategy centered on the conduct of the individuals employed within a business. The objective of this approach is to analyze human behavior and its causes and effects, since management achieves tasks through human resources. It involves the utilization of motivation, leadership, trust, teamwork, participative management, communication, and group dynamics. The primary objective of this method is to cultivate interpersonal connections, inspire employees, and enhance their job contentment, ultimately leading to heightened productivity and the attainment of targeted outcomes in an effective manner. Additionally, it strives to synchronize individual interests with those of the organization in order to eliminate any conflicts or discontentment.

This strategy prioritizes the needs and well-being of employees over the focus on production and output. Human resources are prioritized whereas non-human resources are considered secondary. The significance of prioritizing human resources lies in their status as the sole dynamic resources, as well as their pivotal role in facilitating the optimal and effective exploitation of non-human resources, which is the primary objective of every business. The individuals who formulated theory under this framework are referred to as 'Behavioural Scientists'. The primary contributors to this method are listed in the table below:

Table 1.8: Behavioural Approach

Behavioural Scientist	Theories
1. Elton Mayo	Hawthorne Studies.
2. Douglas McGregor	Theory X and Y.
3. Abraham H Maslow	Hierarchy of Need Theory.
4. Frederick Herzberg	Motivation Hygiene Theory and Job Enrichment.
5. Robert Blake & Jane Mouton	Managerial Grid.
6. Warren Bennis	Organisational Development.
7. Rensis Likert	Management System and Linking Pin Model.
8. Fred Fiedler	Contingency Model of Leadership Style.
9. Chris Argyris	Immaturity-maturity theory and Pattern of A B Analysis
10. Tannenbaum & Schmidt	Continuum Approach of Leadership.

A. Hawthorne Experiments:

Elton Mayo and his colleagues are recognized for doing empirical research on personnel within a business. Pioneering figures such as Henry Ford, Max Weber, F.W. Taylor, and Henry Fayol formulated their ideas based on their personal experiences and perspectives regarding the human resources within organizations, rather than relying on empirical research. Elton Mayo, White Head, and Roethlisberger conducted a series of experiments and interviews between 1924 and 1934 at the Western Electric Company in Chicago, USA. This company specialized in the manufacturing of bells and other components associated with the telephone industry.

The Hawthorne Plant of Western Electric Company implemented an incentives plan, based on the principles advocated by Classical Management Thinkers, in order to enhance worker productivity. However, this initiative did not yield the desired results.

To address this issue, Elton Mayo and his team from Harvard Business School in the United States were invited to find a solution for the persistently low productivity.

The experiments done at the Hawthorne Plant are presented in the following series:

- Illumination Experiment: This experiment involved altering the intensity of lighting in the workshop to observe its effect on the productivity of the workers. Increasing the level of lighting had a beneficial effect on worker productivity. Conversely, even when the lighting level was reduced to a point where workers could barely see each other but still work comfortably, there was still a positive impact on productivity. Therefore, it was determined that the workers' productivity was not influenced by the physical surroundings. Instead, another experiment was undertaken to investigate a different intricate factor.
- Experiments in the Relay Assembly Test Room: In this study, the influence of environmental elements and working circumstances on workers' productivity was examined, while disregarding the effects of lighting. This investigation was conducted in a relay room where female workers install switches. The provision of various amenities such as regular rest intervals, tea breaks, reduced working hours, and managers fostering pleasant relationships with employees resulted in the anticipated enhancement of workers' performance. However, these amenities were revoked, and it was unexpected that there was no alteration in the workers' efficiency.
- Bank Wiring Observation Room Experiment: This experiment was conducted under normal working conditions, similar to the previous experiments conducted under test room conditions. The study was done on a sample of 14 workers, and their productive capacity was measured 18 months before to the experiment in order to ensure accurate conclusions and unbiased results. The study revealed that the chosen set of workers has restricted their productivity. Surprisingly, the highly productive worker deliberately reduced their output and declined the incentive payments. It has been determined that the chosen set of workers has established an informal group and deliberately limited their productivity, as directed by the informal group, in order to assist the less efficient workers. Informal groupings that emerged among workers had a direct impact on their productivity and production.

- Interviewing Programme: This program was carried out to determine the workers' perspective and feeling regarding their work, working circumstances, level of supervision, attitude of the supervisor, organization policies, intra-group relations, and group norms. The interview utilized both direct and indirect techniques to obtain the needed information. The indirect strategy involved asking open-ended questions to elicit personal perspectives and emotions from the workers. It was ultimately determined that social variables are a crucial component that significantly and directly affects the productivity of workers.

Conclusions of Hawthorne Experiments:

- There are several informal groups among workers based on their preferences and opinions.
- An informal group is led by an individual who possesses the authority to exert influence over the behavior and actions of the group members.
- An informal group determines the quantity of output to be generated by its members rather than relying on the actual productivity of each individual worker.
- Non-monetary incentives exert a greater influence on workers' productivity and motivation compared to monetary incentives.
- Each worker's conduct adheres to the established norms of the informal group.
- Informal groups own their own informal communication channel that governs the conduct and productivity of group members, while Management lacks authority over it.
- The workers' motivation and performance are significantly influenced by the amicable demeanor of their supervisor, who demonstrates genuine concern for their wants, issues, and overall well-being.
- 8. Occasionally, the objectives of informal groups may not align with the goals of the organization, requiring management to strive for the harmonization of both sets of goals.

B. Theory X and Y:

Douglas McGregor, a social psychologist, formulated two distinct perspectives on the behavior of individuals in the workplace. The author coined the terms Theory X and Theory Y to describe these two employee behaviors in his renowned book, "The Human Side of Enterprise." McGregor's research focuses on the examination of employees' negative behavior through Theory X and their positive behavior through Theory Y. The manager of a specific firm chooses to implement either an autocratic leadership style for personnel categorized under Theory X or a participative management style for individuals categorized under Theory Y.

Assumptions of Theory X:

a. The employees lack enthusiasm for performing their tasks. They have an aversion to work.
b. The employees lack the incentive to exert significant effort.
c. Employees are motivated to labor solely by compulsion and financial incentives.
d. The Carrot and Stick Approach is implemented for this particular group of employees.

e. Employees require diligent oversight and regulation.
f. Employees evade accountability, resulting in a lack of task delegation and authority due to their negligence and apathy.
g. Employees generally resist changes and enhancements in work methodologies.
h. Managers or supervisors adopt an authoritarian leadership style.
i. Employees require explicit directives and advice in order to effectively carry out their tasks.
j. 10. Regular performance appraisals are conducted to monitor and prevent staff from deviating from planned work.

Assumptions of Theory Y:

a. The employees are intrinsically driven and carry out their tasks willingly without the need for external pressure.
b. They exhibit autonomy and require minimal oversight and instruction.
c. They employ their ingenuity and expertise without constraints to address organizational challenges.
d. They have a preference for accepting responsibility and authority, which is why there is a system in place for decentralizing authority and responsibility.
e. Managers adopt a participative style of management to oversee these employees.
f. The employees have a conducive workplace that encourages freedom of speech and expression.
g. Employees perceive their employment as gratifying and fulfilling.
h. At this workplace, even a typical employee strives to assume accountability and carry out their tasks with maximum efficiency.
i. The personnel demonstrate devotion and commitment towards the organization.

Both theories demonstrate and elucidate the behavior of employees in the workplace. Theory X can be characterized as a negative behavior theory, as it presents a pessimistic perspective on employees' behavior in the workplace. Conversely, Theory Y embodies an optimistic outlook on employees' inherent nature. When comparing this theory to Maslow's Need Theory, Theory X represents the physiological and safety needs of employees, while Theory Y represents the social, esteem, and self-actualization needs of employees.

C. Hierarchy of Need Theory:

Abraham Harold Maslow was an American psychologist and social scientist. In his prominent publications, such as "Motivation and Personality" (1954) and "Toward a Psychology of Being" (1962), he emphasized the hierarchy of human needs. In his theory, he proposed a range of needs that progress from lower needs to higher needs, or from fundamental needs to the ultimate desire for self-actualization.

Additionally, he emphasized that fulfilling a demand in the hierarchical chain results in progression towards higher-level requirements. He has proposed a hierarchical arrangement of five distinct categories of human needs, ranging from lower-level requirements to higher-level needs. The figure below can explicitly illustrate the order of importance of these five needs.

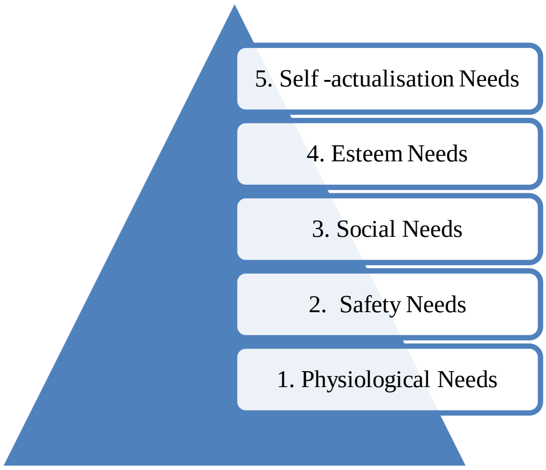

Figure 1.6: Hierarchy of Need Theory

Hierarchy of Needs:

- Physiological Needs: This is the first and essential requirement that must be fulfilled at all costs. If the physiological requirements are not satisfied, other wants become irrelevant and humans lack the will to strive for higher demands. It encompasses all the necessary elements required for the sustenance and survival of human beings, sometimes referred to as 'survival needs'. These include food, clothing, shelter, air, water, and so on. The significance of other requirements is contingent upon the fulfillment of these fundamental demands. It also exhibits a recurrent pattern.
- Safety demands: These demands are of secondary importance and occur once the physiological needs have been satisfied. These demands encompass safety and security features that are universally desired by individuals. These demands offer protection against potential dangers such as fire, accidents, robbery, etc. It offers individuals protection and assurance in terms of housing, clothes, retirement benefits, employment stability, life insurance, and property safety.
- Social Needs: The third crucial requirement is social needs. It is alternatively referred to as Affiliation requirements. These requirements occur because to the inherent sociability of humans. Every person desires love, affection, communication, companionship, social connections, family, friends, relatives, and social clubs. As a result, informal groups exist in every organization to fulfill the social needs of employees, which significantly influence their work and behavior. It has also been emphasized in the Hawthorne experiment.
- Esteem Needs: These needs emerge subsequent to Social needs and can be categorized as either internal esteem needs or self-esteem needs, as well as external esteem needs. Self-esteem encompasses self-confidence, self-respect, competence, knowledge, initiative, and achievement, among other factors. On the other hand, external esteem demands pertain to status, recognition, prestige, and respect from others.
- Self-actualization wants are the most elevated level of demands. It refers to the desire that a someone seeks to fulfill in their life. These desires are boundless and rooted in the realm of psychology, since they are perpetually fueled by the ceaseless pursuit of

advancement. For instance, if an individual desires to establish their business's reputation at a regional level, and subsequently aims to expand it to a national, international, and finally global level. Similarly, if an individual wishes to become an IAS officer and successfully attains that position, they have fulfilled their need for self-actualization. It encompasses opportunities for personal and professional growth, stimulating and demanding work, and a profound sense of satisfaction.

D. Herberg's Hygiene Theory:

Frederick Herzberg, an American psychologist born on April 18, 1923, is known for his development of the Motivator-Hygiene Theory. This theory is alternatively referred to as the Two Factor theory or the Satisfier-Dissatisfier Theory.

In his renowned article "One More Time, How Do You Motivate Employees?" published in 1968, he identified two distinct sets of factors in the workplace that contribute to employee happiness and motivation, as well as dissatisfaction.

Factors that lead to dissatisfaction when they are insufficient are referred to as "hygiene factors". Enhancing hygiene elements does not directly enhance job satisfaction, but their absence certainly contributes to job dissatisfaction.

Hygiene variables encompass elements such as compensation, employment position, working environment, organizational policies and administrative system, job security, and relationships with peers and supervisors. Conversely, an increase in motivators might result in job satisfaction. The factors encompassed in this are the job's characteristics, accomplishments, duties, acknowledgment, prospects for development and progression, and so on.

According to Herzberg, enhancing or improving hygienic elements will decrease job discontent, but it will not result in motivation. In contrast, motivational elements, also known as motivators, are directly related to the job and increasing them leads to a rise in job satisfaction.

This theory facilitates managers in enhancing employees' motivation and involvement within the workplace. However, this hypothesis is critiqued for its potential partiality, as the production of these two components is not clearly defined and does not directly influence employee performance.

E. Managerial Grid:

This model was established by Blake and Mouton. This approach facilitates managers in analyzing their leadership styles using a technique known as the Grid Technique.

They assert that leadership style comprises elements of both task-oriented and relationship-oriented behavior to differing extents. The term "concern" in this context refers to the managers' focus on the well-being of the individuals or the efficiency of production, rather than the quantity of output generated by the team.

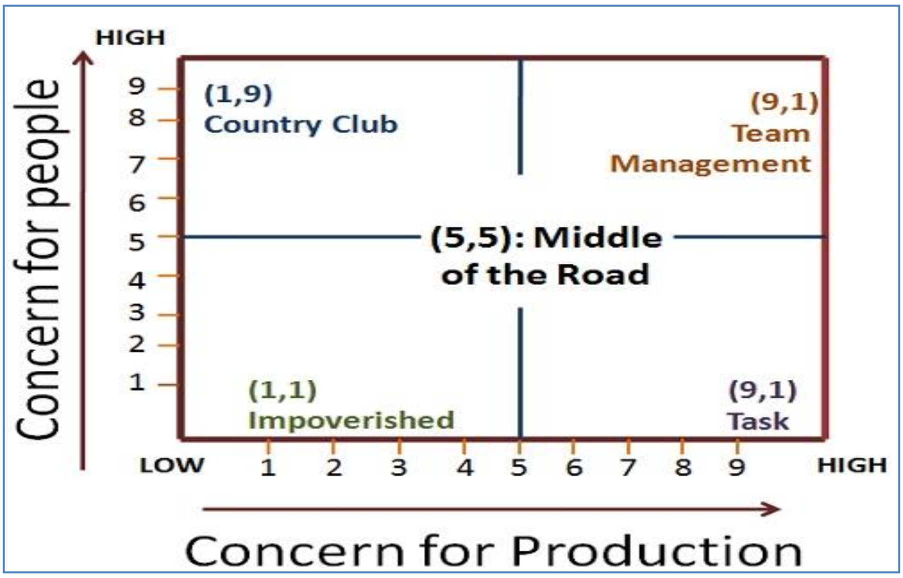

Figure 1.7: Managerial Grid

Concern for people refers to the extent to which a manager prioritizes the needs of team members, their interests, their growth, fostering positive relationships, and preserving the self-esteem of workers.

Production concern refers to the extent to which a manager prioritizes organizational efficiency, output volume, quality of policy decisions, and work efficiency.

Blake and Mouton have identified five leadership styles based on two behavioral dimensions. These dimensions include concern for production, which is represented on the x-axis, and care for people, which is represented on the y-axis. Each axis goes from 1 (low) to 9 (high).

a) Impoverished Management (1,1): Leaders that choose this strategy have poor scores on both categories and exert less effort to delegate tasks to subordinates. The leader has minimal engagement with the task. He is an abdicator and serves as a messenger, solely relaying information between superiors and subordinates. Consequently, the organization experiences a climate characterized by discord and discontent.

b) Task Management (9,1): Leaders using this approach prioritize task efficiency over people's concerns. This approach is commonly referred to as dictatorial, in which subordinates carry out tasks as instructed by their superiors.

c) Middle of the road (5,5): Leaders that choose this method achieve a balance between the appropriate level of performance and the personal requirements of their subordinates. He demonstrates a sufficient level of attentiveness to both work demands and the well-being of employees. Neither the needs of the people nor the production requirements are fully satisfied, resulting in the company achieving only average performance.

d) Country club (1,9): In this leadership style, the leader's primary focus is on the well-being and satisfaction of individuals. He fosters a congenial, joyful, and serene atmosphere for employees, ensuring a comfortable working environment. However, neglecting production can have a detrimental impact on job objectives and potentially result in disappointing outcomes.

e) Team Management (9,9): The team manager demonstrates a strong emphasis on maintaining employees' morale and optimizing job efficiency. Through careful deliberation, shared comprehension, and efficient leadership, he is able to secure the dedication of workers towards the objectives of the organization.

Warren Bennis – Organisational Development:

Warren Bennis's analysis of the distinguishing traits that define authentic leaders has significantly contributed to contemporary management theory and practice.

According to Bennis' idea, authentic leaders have self-awareness, hold a clear vision, and have the capability to effectively communicate that vision to their teams. Additionally, they are skilled at creating an atmosphere of trust.

Bennis delineated 13 distinct attributes that distinguish authentic leaders from simple managers. According to Bennis management theory, true leadership can be distinguished from management by contrasting pairs of tendencies, with each pair consisting of a management trait and a leadership trait. Here are the 13 qualities.

a. The contrast between the management of existing systems and the development of new ideas
b. Distinguishing between a carbon copy and an original document.
c. Differentiating between maintenance and development
d. Differentiating between system or structure focus and people focus is crucial in Bennis' leadership philosophy.
e. Management versus motivation
f. Comparison between acceptance and investigation
g. Comparison between short-range and long-range viewpoints
h. Preference for the mechanics and timing as opposed to the content and rationale
i. Perspective of the lower boundary compared to the perspective of the horizon
j. Comparison between imitation and genesis
k. Embracing or questioning the existing state of affairs
l. Conflict between conformity (i.e., adopting a "good soldier" mentality) and individualism.
m. Conflict between the aspiration for accuracy and the capability to execute correct actions.

Likert's Management Systems:

Rensis Likert's Management Systems are robust theories of leadership that emphasize diverse organizational dynamics and characteristics.

The Four Management Systems

Social psychologist Rensis Likert initially formulated his renowned management systems in the 1960s, drawing from his studies of the dynamics between employees and managers in organizational contexts. The four systems he has developed aim to emphasize different organizational dynamics and characteristics that revolve around the interactions among individuals. The systems specifically examine several soft management skills, such as trust-building, and how they impact the overall dynamics of the organization.

Likert identified four management systems:

- Exploitative Authoritative
- Benevolent Authoritative
- Consultative
- Participative.

According to his perspective, the greater the alignment of organizational features with the Participative system, the higher the employee satisfaction and productivity. In addition to enhancing productivity, the organization will gain several other advantages, such as improved staff retention, increased profitability, and overall reduction in long-term expenditures.

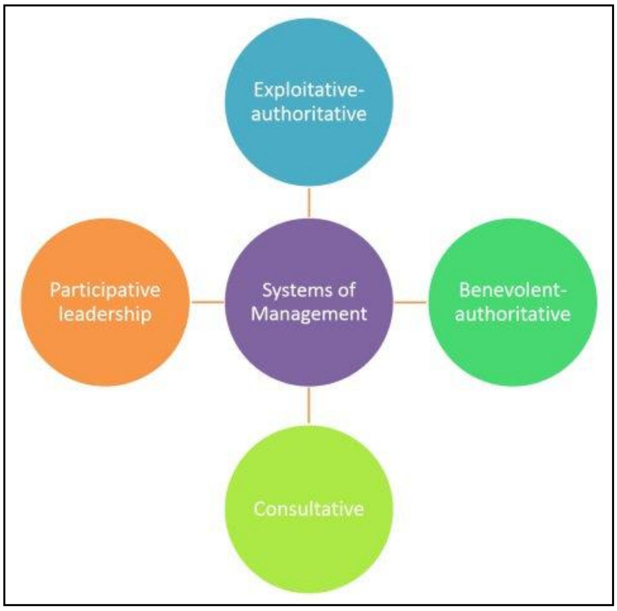

Figure 1.8: Likert's Management Systems

How Do You Identify these Systems in Your Organisation?

As a leader, one can identify the system present in their organisation through observation, but also through interviews or questionnaires answered by employees.

A. Exploitative Authoritative:

Exploitative Authoritative systems possess a robust hierarchical framework, wherein power and responsibility are centralized at higher echelons of the organization.

Lower-ranking personnel in the hierarchy exert negligible influence on decision-making and are systematically excluded from the process by their superiors, mostly due to a dearth of trust between managers and employees. Communication is characterized by a one-way flow of information and a hierarchical structure, where roles are assigned rather than encouraging a two-way conversation. The upper echelons of management bear responsibility for achieving the objectives of the firm, while assigning blame for any mistakes made by lower-level employees.

A summary of the system characteristics:

- Decision-making and accountability at higher levels of the organizational hierarchy
- Limited trust in employees
- Imposition of decisions and roles on employees
- Inability of employees to openly discuss decisions and roles with managers.
- Potential for counterproductive behavior among employees
- Motivation through punishments and threats, exploiting fear.
- Minimal emphasis on teamwork and communication

B. Benevolent Authoritative:

In a Benevolent Authoritative structure, the higher echelons of the organization also bear accountability. However, rather than eliciting performance through the use of punishment as a deterrent, which instills fear, employees are instead driven by a system of rewards. Superiors in an Exploitative Authoritative system demonstrate greater confidence in their employees compared to managers, resulting in a higher propensity to acknowledge and incentivize individuals for their exceptional performance.

There is increased bilateral communication between employees and line managers. However, upward communication is more restricted and mostly focuses on sharing good information rather than inquiries or demands. Employees will refrain from proposing novel ideas or suggestions that could enhance their productivity or satisfaction, resulting in a deficiency of communication and teamwork.

A summary of the key characteristics is as follows:

- Decision-making is delegated to middle managers.
- There is a slight increase in trust towards employees, although it can be condescending. • The ultimate responsibility still rests with top-level management.
- There is limited involvement of employees in decision-making processes.
- Employees are still unable to openly discuss their roles with managers.
- Team members may engage in competition for rewards.

- Rewards are given for performance, but there is also a lingering threat of punishment.
- There is minimal emphasis on teamwork and communication.

C. Consultative:

In a **Consultative System**, managers have yet greater trust in their subordinates and demonstrate as such by implementing ideas or beliefs that they share with their team members.

There is an open level of communication throughout the hierarchy of the organisation and team members are often consulted during the decision-making process, particularly when any changes will affect them substantially. However, the ultimate power of decisions remains with those at the highest levels within the organisation.

Employee motivation is fueled by incentives, including both rewards and the possibility of involvement or even responsibility for specific tasks. In this style, **employees** are given greater freedom and involvement in meaningful tasks are used to boost intrinsic motivation.

A summary of the key aspects:

- Decision-making extended to lower-levels when it significantly affects their role
- Substantial trust in employees
- Responsibility often shared with some team members
- Decisions can be formed through employee consultation processes
- Employees discuss job-related issues horizontally, and sometimes vertically
- Teams are more co-operative - communication and teamwork are good
- Motivation primarily through reward, but sometimes punishment

D. Participative:

Likert considered the **Participative System** to be the most satisfying for lower-level employees. Upper management has full trust in their subordinates and actively works with them as part of the decision-making process. Employees are free to discuss any issues or ideas with their superiors, knowing full well that their discussions may be conducive to at least some kind of change.

Rewards within a Participative System are common, and teams are happily co-operative with no direct competition between employees. The level of communication is high, both horizontally and vertically, and teamwork is regular. This system is generally more common in flatter organisations, or those which are smaller with lower tiers of the hierarchy, though it can be employed within any company.

A summary of the key aspects:

- Decision-making, responsibility and values are free-spread across all tiers
- Complete confidence and trust in all employees
- Decisions are formed through group participation and consultation

- Communication is free and managers actively try to understand issues
- Employees are co-operative and openly accountable
- Motivation is provided through monetary rewards and involvement in goal-setting
- Teamwork, satisfaction and therefore productivity, are high

Fiedler's Contingency Model:

Definition: Fred Fiedler was the first amongst all the leadership theorists to talk about the situational variables. According to him, the effectiveness of the leadership style depends on the situation. Thus, he along with his associates identified the situational variables and studied about their relationship with the appropriateness of leadership styles.

Fiedler's contingency model is comprised of three elements, Viz, Leadership styles, situational variables and the relationship between styles and situation.

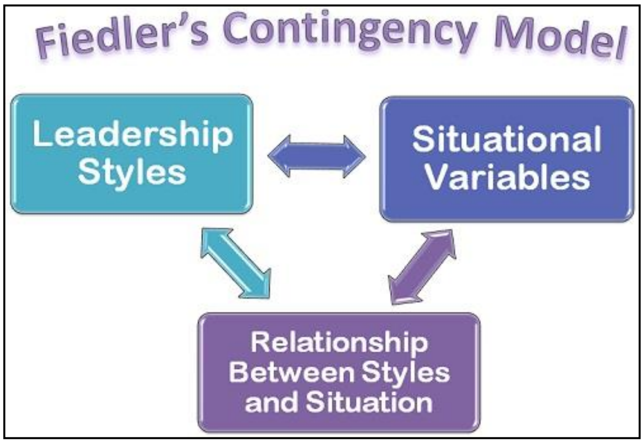

Figure 1.9: Fiedler's Contingency Model

a. Leadership Style: According to Fiedler, the leadership style depends on two dimensions, task-oriented and human-relations oriented. The task-oriented leader is primarily concerned with the task performance and the accomplishment of task goals. He gets satisfied with the accomplishment of task performance. While, the manager concerned with human relations lay more emphasis on developing the interpersonal relationship with his subordinates. In order to understand the attitude of a leader, Fiedler developed a **"Least Preferred Co-worker Scale (LPC)",** wherein the leaders are asked to rate a person on a scale ranging from lowest (1) to highest (8) on several parameters to identify the worker with whom they least like to work. Certain parameters on the LPC scale are: pleasant/unpleasant, friendly/unfriendly, tense/relaxed, supportive/hostile, cooperative/uncooperative, quarrelsome/harmonious, etc. The leaders with high LPC scores are said to be relationship-oriented whereas the ones with the low LPC scores are considered as task-oriented.

Friendly	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**Unfriendly**

b. Situational Variables: It has been observed that, several situational factors influence the effectiveness of the leadership styles, but however, Fiedler has talked about three critical dimensions:

Leader's Position Power: This element is concerned with the power or authority a leader derives from the position held by him in the organization. It has been observed, that a manager with absolute power influences the behavior of others more than the ones without power.

Task Structure: The task structure means the extent to which the task requirements are clearly defined in terms of the task goals, processes and relationship with other tasks. It has been observed, that with the clear definition of task structure the actions of the subordinates can be well directed and their performances can be well controlled, which may not be possible in case of unclear task structure.

Leader-member Relations: This dimension talks about the degree to which the members have trust, confidence and faith in their manager. With the help of these three variables, eight combinations of group-task situations were constructed by Fiedler. These combinations were used to identify the style of the leader.

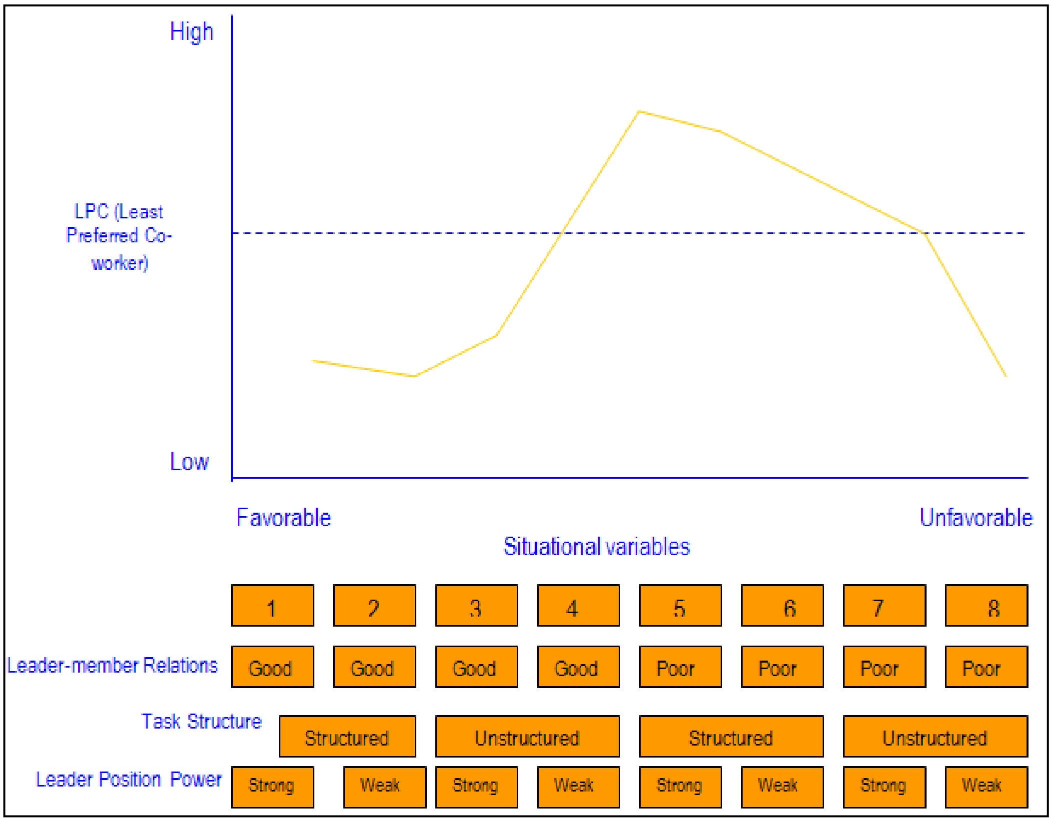

Figure 1.10: Leader-Member Relations

Relation Between Styles and Situations: This is the last element of Fiedler's contingency model, wherein he talks about the relationship between the situation and the appropriateness of leadership style. According to him, the leadership effectiveness depends on the situation, as one style favoring one situation may not necessarily be appropriate in any other situation. Thus, it is the situation that gives an opportunity to the leader to influence his subordinates through the right kind of leadership style.

Argyris Maturity Theory Presentation:

Argyris Maturity Theory, presented by Chris Argyris in Personality and Organization, is one of the many theories that seek to explain the human nature and behavior. According to this theory, a persons' development is processed along a continuous break of an immaturity situation to a maturity situation. A mature person is characterized for being active, independent, self-confident and self-controlled. On the contrary, an immature person is passive, dependant, has lack of confidence and feels need of control by others.

Many times, the self-organizations functioning (in terms of work specialization, command chain, delegation level, control level, etc.), form in themselves a deterrent for the employees to achieve in a natural way a high maturity level.

Many times organizations expect that their cooperators be passive, dependant, that have a short term perspective and that produce without requesting a high control level. According to Argyris, whenever an employee with high maturity level is before a situation like this tends to take one of three attitudes:

- Escape: reflects into resignation, absenteeism, etc.;
- Fight: through structures like unions or even through an informal organization;
- Adaptation: is the most common reaction and consists in developing an apathy and indifference attitude, in which the monthly salary represents compensation for the "punishment" that the work represents.

Continuum of Leadership Behaviour:

The leadership continuum was originally written in 1958 by Tannenbaum and Schmidt and was later updated in the year 1973. Their work suggests a continuum of possible leadership behaviour available to a manager and along which many leadership styles may be placed. The continuum presents a range of action related to the degree of authority used by the manager and to the area of freedom available to non-managers in arriving at decisions.

A broad range of leadership styles have been depicted on the continuum between two extremes of autocratic and free rein. The left side shows a style where control is maintained by a manager and the right side shows the release of control. However, neither extreme is absolute, and authority and freedom are never without their limitations.

The Tannenbaum and Schmidt continuum can be related to McGregor's supposition of Theory X and Theory Y. Boss-centred leadership is towards theory X and subordinate-centered leadership is towards theory Y.

Continuum Leadership Behaviour.

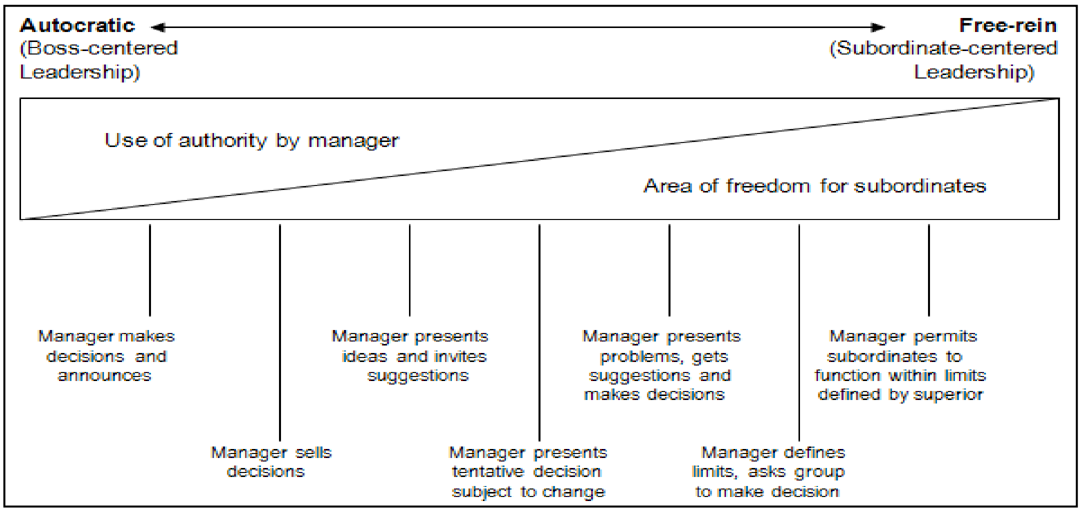

Figure 1.11: Continuum Leadership Behaviour

Manager is characterized according to degree of control that is maintained by him. According to this approach, four main styles of leadership have been identified:

- **Tells:** The manager identifies a problem, chooses a decision, and announces this to subordinates. The subordinates are not a party to the decision-making process and the manager expects them to implement his decisions as soon as possible.
- **Sells:** The decision is chosen by the manager only but he understands that there will be some amount of resistance from those faced with the decision and therefore makes efforts to persuade them to accept it.
- **Consults:** Though the problem is identified by the manager, he does not take a final decision. The problem is presented to the subordinates and the solutions are suggested by the subordinates.
- **Joins:** The manager defines the limits within which the decision can be taken by the subordinates and then makes the final decision along with the subordinates.

1.3.3 Modern Management Approach:

This approach developed in the year 1950 and is an improvement over the previous classical and behavioural approach of the management. This theory focuses on the complex nature of the employees and the organization. All plan and strategies are according to the different needs. Natures, aspirations and potentials of the employees. This approach focuses on understanding and developing effective inter relationship between management and workers. This approach believes that workers or employees work not only for money but for other non-monetary motives. So, non-financial incentives are also important for the employees working in the organisation. It uses systematic mathermatical techniques for analaysis of management and employee’s relationship which is very essential for the smooth functioning of the organization.

To understand this approach, it is very essential to study fives approaches which have been developed. Contributors of this approach have given the following approaches shown in the table below:

Table 1.9: Modern Management Approach

Modern Approach
1. Mathematical/ Quantitative Approach
2. System Approach
3. Contingency Approach
4. Social System Approach
5. Decision Theory Approach

A. Mathematical/ Quantitative Approach:

This approach is basically an improvement over the classical approach which focused on managing physical resources efficiently and behavioural approach which focused on managing and satisfying human resources efficiently and effectively. This approach has been propounded by C. W Churchman and his associates. This approach is also known as Operational research or Operational analysis. This approach focuses on solving business problems and to take rational decisions which any manager faces while managing an organization. Every organization involves use of number of physical resources and human resources to achieve its predetermined objectives and at the same time there arises number of issues and problems for which decision is to be taken by the manager. This approach helps manager to scientifically analyse and evaluate the problem and then take rational decision with the help of various statistics and formulae. It assumes that decision making process is logical and is taken on the basis of some quantitative data and mathematical calculations rather on the basis of guess work or trial method. Here the organization is assumed to be operated on the scientific manner and every problem is evaluated and solved with the help of some quantitative measurements which ultimately gives correct and accurate results. Some special formulae which are used by managers for solving and taking rational decisions are given below in the table.

Table 1.10: Mathematical/ Quantitative Approach

1. Break even analysis.	8.Linear programming.
2. Game theory.	9. Sampling analysis.
3. Cash benefit analysis.	10. Ratio analysis.
4. Theory of Probability.	11. Regression analysis.
5. Time series analysis.	12. Network analysis.
6. Statistical quality control.	13. Waiting line or queuing theory
7. Variance analysis.	14. Economic order quantity. Etc.

To get a comprehensive understanding of quantitative theory it is necessary to study three main components of it which are discussed below:

a. Management Science: This approach focuses on the use of mathematical models, formulae, statistical tools such as Linear Programming, PERT, CPM, Regression analysis etc for evaluating and analyzing business problem and to find out best and suitable solution by taking effective decision. For evaluation and analysis of business problem, help from different experts from different discipline is taken by the management.

b. Operation Management: It basically focuses on the managing the activities of the organization efficiently and effectively. In an organisation, various inputs like raw material, labour, and capital is transformed or processed into useful goods or services in the form of output. Its aim is to do efficient utilization of the factors of production and to reduce cost of production. It also emphasizes on the efficient delivery system of the finished goods or services, after sales services, customer relationships, customer needs, customer satisfaction, etc. It involves use of all functions of managements for the efficient and smooth operation of the organsiations. It uses various techniques like material control method, quality control methods, inventory analysis, forecasting analysis etc.

c. Management Information System: As the name suggest it focuses managing past, present and projected data so as to provide it in a more accessible and useful format to the manager so as to assist to evaluate all the alternatives available and choose the best alternative for solving problem. It is a modern and recent approach which uses computer technology for managing information.

B. System Approach:

The contributors to this approach are Ludwing Von Bertalanfty, Lawrence J\ Henderson, W.G. Scott, Deniel Katz, Robert L Kahn, W. Buckley and J D Thompson. This approach advocates that the system has number of interrelated and interdependent elements which needs to be taken into consideration by the mangers and all these elements forms a unified system. These elements are known as sub system and should be studied as a whole rather than studying each element individually. In the same way, an organization can be called as a whole system or unified system and different departments and divisions under it can be called as sub system. Manager should take decision taking into consideration its impact on each elements of the business organization. All sub sytems are coordinated and controlled so as to achieve the goals of the organization. To understand it more clearly it is necessary to go through the concepts related to it which are given below:

a. Sub system: This is a vital concept of this approach. It focuses on identifying different sub system which are interrelated and inter dependent so as to achieve the goals of the organization. So, it can be said a system comprises of different elements or parts which are related to each other. For e.g. An organsiation has different functional departments which are dependent on each other such as reduced cost of production can be achieved by the production department if marketing department grabs more orders, purchase department purchase material in bulk and in optimum and reasonable cost, finance department arranges finances for it from low cost source and so on.

b. Open and Closed system: A system interacts with its environment then it is called as open system and other hand when it doesn't interact with its environment it is a closed system. For eg. Departmental store is an open system and monestary, asylum, prison etc is a closed system.

c. Boundaries: an open system has flexible boundaries while closed system has rigid boundaries.

d. Synergy: It implies that different parts of the organization should work together efficiently and effectively so as to become more productive and achieve the desired objective. It focuses on working in cooperation rather than working in isolation.

e. Feedback: It is an essential factor as environment is dynamic so it helps the system to modify and correct the mistakes. It helps in achieving success and desired objectives.

f. Transformation process: Under the system approach inputs such as human resources, material resources, financial resources, information etc are obtained from the environment and is transformed through various process and finally converted into output in the form of finished goods or services which are sent back to the environment.

g. Holistic study: The system approach advocates on study all parts of the system instead of study each part individually. It believes in the holistic study rather than the part study. For success and achievement of the objectives the manager should study the company as a whole rather than studying only a part of it.

h. Multi-disciplinary approach: This approach derives rules and principles from various field of discipline such as mathematics, economics, operation research, statisitics, system analysis, ecology, etc.

Hence, the system approach helps manager to understand all parts of the system and to adopt a holistic view to take any decision and solve any problem, but this approach has been criticized on the ground for being too abstract, assumes that organization works on same process, over emphasis on cooperation and unity of all part which is difficult to achieve in many organization.

C. Contingency Approach:

This approach believes on the fact that there is no universal management tool for managing any situation or solving any problem. It advocates on the fact that there is requirement of different management techniques for different situations. In other words, for managing specific situation, there is a requirement of specific management tools and strategy that best fit the situation. Therefore, it is also known as 'Situational Approach'.

It helps in the development of the manager as he/she learns different management techniques to solve different problems or situation. It also requires managers to have thorough knowledge of all the principles and tools suggested by the classical, neo classical and modern management theorist and practioners.

It very takes into consideration the dynamic nature of the external environment in which the organization is operating and thereby depicts and suggest formulation of specific policies and strategies that best suits to the changing business environment. It is an improvement over system approach as the system approach depicts the relationship between different sub systems, but the contingency approach also includes the study of relationship between the organization and the external environment. The contributors to the contingency approach include many theorists and practioner such as Paul Lawrence, Jay Lorsch, G. W. Stalker, Selznik, Bums, Woodwards, James Thompson and others.

It has a practical approach and it always make managers to be vigilant about the changes in the environment and to use innovation and creativity so as to formulate suitable and best fit management techniques and styles. Hence it is more realistic and has practical significance in the management of the organization.

On the other hand this approach has been criticized on the ground of being too general and vague. It doesn't suggest any particular management techniques for solving any problem or tackling any situation. It believes that the organsiation should be dynamic and its policies and management techniques should be elastic so as to change frequently which is very difficult to do. It is not suitable while solving any problem or tackling any situation when there is a shortage of time as it is not practical for the manager to study all variables and formulate the possible solution. And at the last in modern time now mangers are more able and tactful they not only react to the dynamic situation but also make efforts to bring changes in their management style using their creativity and innovation.

((Sharma, Priyali. (n.d).Quick Notes on Contigency Approach to Management. Retrieved from https://www.youarticlelibrary.com.)

D. Social System Approach:

This approach is propounded by a famous socialist, Vilfredo Pareto and was further refined by Chester I Barnard. This approach developed in Social science era and Modern Management. It is an improvement and extension of Human Relation Approach. It takes into consideration the principles and theories of Human Relation School or Human Behaviour Schools.

According to this approach, an organsiation is total system consisting of different individuals who have different culture, behaviour, taste, motives, needs, thinking and creativity. All these individuals can achieve the common objective of the organization by working together in a team with the spirit of cooperation, harmony and brotherhood. This approach considers organization as a social system because members of the organization satisfy their biological, physical and social needs by interacting each other and develops cooperation and mutual harmony. All individuals or members of the organization achieve mutual cooperation and harmony with the help of formal organization which is deliberately created by the management so that efforts of all members can be coordinated and controlled which will ultimately helps in achieving the goals of the organization. This approach focuses on cooperation of all members of the organization and therefore it is based on 'Theory of Cooperation'.

Management should evaluate and analyse the behaviour pattern of all members (members of both formal and informal groups) of the organization and should devise necessary financial and non-financial motivation aids so as to develop cooperation, harmony and motivate them consciously work for achieving the desired objectives of the organization and thereby satisfying their biological, physical and social needs. The system approach focused on the study of all the sub system in the same way Social System approach also evaluate and analyse all groups and not single group.

E. Decision Making Approach:

The main contributors of this approach are Chester I Barnard and Herbert A. Simon. This approach believes that management is equal to decision making i.e., decision making is an inherent part of management and therefore cannot be separated. If decision making process is avoided in management, then management is useless and is mere a theoretical concept. Decision making is the practical and vital part of the management system because success and failure of any organization depends on the quality of the decision taken by the manager. It is an inherent part of the management on the ground because manager has to select most appropriate and best suited alternative from different alternatives available for solving the problem. Decision making is a recurring process as manager has to take decision many times because problems come after the other due to the dynamic nature of the internal and external environment and its components.

Decision making is a rational process as it is taken by the manager after thorough evaluation and analysis of the different variables related to the problem as well as after foreseeing the possible impact of it on the organsiation and therefore the effectiveness of the organization depends on the quality and accuracy of the decision taken by the manager and that is why is a challenging task for the manger.

Decision making approach implies on the use of quantitative methods and tools and at the same time system of effective communication for making the process reliable and accurate. It also foresees the impact on impact of the particular decision on various aspects like economic, social, practical and political aspect. It also focus on the comprehensive evaluation and analysis of various factors affecting the decision making process.

Decision making approach has been criticized on three major grounds, firstly it presents a narrow concept as alone decision making cannot be called as management because management involves number of other functions like planning, organising, directing, controlling etc which are essential and completes the functioning of management.

Secondly, taking rational decision is not a perfect exercise because it requires lots of information which may or may not be reliable and accurate and if they are available 100% guarantee cannot be given for the rationality and correctness of the decision taken. Thirdly, decision making approach advocates on the use of quantitative or mathematical formulae and statistics for taking decision, which is not always possible for every situation, sometimes manager has to take decision on the basis of his/her past experience and knowledge. Hence it can be concluded that decision making is only a part of the management and therefore cannot be called as equal or synonymous to management.

Some Contemporary Approaches to Management:

A. Global Perspective Approach: This approach focuses on the functions of management performed by the mangers should take Global situation into consideration rather than limiting their managerial activities to their domestic level. The reason is domestic business concern also face competition from foreign entities while producing goods or services or trading it. On the hand it is very essential for the business entities which are trading at international level as they have to face global competition. The manager has to decide at global level that at which location in the world resources can be obtained at low cost and at which place it can be processed at low cost etc. All this requires management techniques and tools to be applied at global level.

B. Theory Z Concept: This concept was developed by American economist and management professor William J Ouchi. He developed this after Theory X and Theory Y of Douglas McGregor. It is a motivation theory and is an improvement over the Theory Y. Ouchi explained this theory in his famous book, Theory Z: How American Business Can Meet the Japanese Challenge in 1981. This theory was quite popular during Asian Economic Boom in 1980. Before this theory Pre-Theory Z was developed by Abraham H. Maslow in his famous paper, Journal of Transpersonal Psychology in 1969. After that W.J Reddin introduced 3D theory in his book, Managerial Effectiveness in 1970. Ouchi's theory Z became more popular and well accepted and is purely employee centric which based on Japanese Management Style.

According to this theory, to increase the productivity, morale and motivation of the employees it is necessary to provide them life time job security, better working condition, participation in decision making, formalized measures, training and development opportunities, opportunities for promotion, caring and respect attitude from the manager and top management, slow performance appraisal and promotion, necessary measures for the well being of the employees during employment and after retirement, and provision of job rotation so as to increase the skills of the employees. All these measures should be adopted by the manger and organization so as to increase employee morale, motivation and satisfaction which will ultimately lead to smooth functioning and success of the organization.

C. Mckinsey 7-S Model: This model was developed in late 1970's by Tom Peters and Robert Waterman who were consultant at McKinsey and Company. They developed seven elements which are related to the internal system of the organization. This model advocates on the aligning these seven elements so as to help organization to achieve their objectives and become successful. Moreover it evaluating, analyzing, aligning and sometimes re-aligning of the these elements helps to know the future impact of the changes which will take place due to merger or acquisition of the organization.

These seven elements are classified into two groups i.e. hard group and soft group. Hard group are easy to identify and alterations can be made by the organization easily. On the other hand soft group are difficult to describe, intangible and company's culture have direct impact on them. Hard group includes strategy, structure and system while soft group includes shared values, skills, style and staff. Each element is discussed below:

a. Strategy: it includes all activities which helps organization to have competitive advantage over their competitors and also includes optimum utilization and allocation of human and physical resources.
b. Structure: it includes superior subordinate relationship, chain of command, hierarchy chain, communication channel, show authority responsibility relationship and the level of centralization and decentralization of authority.
c. System: it shows how the jobs and operational activities are performed.
d. Shared Values: It shows the corporate culture which is shared and followed by all the members of the organization.
e. Skills: it includes the level of abilities and competence of the employees of the organization which depicts the internal strength of the organization.
f. Style: it includes the style of leadership employed by the manager for motivating and making employees work according to the planned course of action.
g. Staff: it includes the human resource working in an organization.

All these seven elements have to be coordinated and aligned which will lead to smooth functioning and success of the organization.

D. Excellence Approach: The contributors to this approach are Thomas Peter and Robert Waterman Jr. They have extracted eight common characteristics in some selected excellent companies such as Amoco, Avon Paints, Boeing, Disney, Hewlett- Packard, IBM, Intel, 3M, Proctor & Gamble and Walmart etc. They have identified these eight characteristics and published in their book titled, In Search of Excellence: Lessons from America's best run companies. These eight characteristics are discussed below:

- A bias for action: A successful organization believes in doing actions rather than delaying it through different cumbersome process or approvals.
- Closeness to the customer: A successful organization always focuses on identifying the needs, desire, taste and preference of the customers and they customize their product or services so as to give maximum satisfaction to their customers.
- Freedom and spirit of entrepreneurship among employees: Employees should be given full autonomy so as to show their creativity and innovation while performing job and spirit of entrepreneurship should be inculcated in them.
- 4.Productivity through people: good working environment, respect from superiors, motivational incentives and to share increased productivity of the employees with the success of the organization.
- Hands on, Value- Driven: Values of the company should be shared by all members of the organization and leaders should depict positive role model and managers should actively involve in solving problems at all levels.
- Stick to the knitting: it emphasizes on sticking to the business which company knows the best and executives should also be familiar with main business of the organization.
- Simple form, lean staff: less bureaucratic procedure, simple method of doing job or task, few people at top level.
- Simultaneous loose-tight properties: There should be a proper balance between centralization and decentralization of authority so as to protect company main values and at same time more freedom will encourage innovation, creativity and risk taking capabilities among employee.

E. Total Quality Management Approach: It is an Approach that focuses on improving quality of product, services, process and the work culture of the organization. It is basically customer focused as the main concern of every customer is quality product or service at reasonable price and is a long term approach. It strictly adhere on the quality efforts from the side of the employees working in the organization as these employees are involved in the transformation process of making final products and providing final services to the customers. The quality efforts can be developed by providing appropriate training programmes and making them skilled employee so that they can meet the quality expectations of the customers. The TQ M approach involves adherence to eight principles which are customer focused, collective efforts of the employees, continues appraisal on the process, integration of the functioning of all departments, strategic and systematic approach based on the quality as the core value, continuous improvement in the process, decision based on facts and logic and at last effective communication so as to motivate employees at all levels in the organization. The TQM approach derives its principles from different management thoughts and theories such as the Behavioural sciences, economic theories, process analysis, evaluation and analysis of quantitative and qualitative data. Some theorist and experts who contributed to this approach includes are Philip B. Crosby, Joseph M. Juran, Kaoru Ishikawa, W. Edwards Deming, Armand V. Feigenbaum etc.

Mintzberg's Theory of Management: This theory of management was developed by Professor Henry Mintzberg and published in his famous book, "Mintzberg on Management: Inside our Strange World of Organizations", in 1990. Mintzberg conducted empirical studies on five private and semipublic organizations in 1973 which also contributed to the development of Mintzberg 10 model for the managers. Managers in an organization have numerous roles to play such handling customer and employees grievances, guiding and motivating employees, scanning external environment and the changes occurring in it, devising strategies and plan for meeting the needs of the customer and face competitions, running organsiation according to the set plan, making operating activities strictly in accordance to set standard, public relation, etc so the roles of the managers have no limits and a manager has to perform different roles and functions according to the relevant situations. Mintzberg through his empirical studies observed and recorded the 10 main roles of a manger in the practical environment.

Mintzberg identified 10 roles that a manger has to perform and has classified them into threegroups which are given below in the table:

Interpersonal contact	Informational processing	Decisional making
• Figurehead • Leader • Liaison	• Monitor • Disseminator • Spokesperson	• Entrepreneur • Disturbance handler • Resource allocator • Negotiator

Figure 1.12: Total Quality Management Approach

Mintzberg 10 managerial roles of a manager:

A. Interpersonal contact: this heading implies that manager has to contact and communicate with number of persons in internal and external environments such as customers, employees, suppliers, government authorities, society etc. He/she has to maintain contact with these persons so that the organization can be operated smoothly. It includes three roles which are discussed below:

a. Figurehead: the manager has to perform ceremonial and symbolic duties as a figurehead such as attending employee's parties, welcoming of important dignitaries, welcoming and organising parties for important customers etc.
b. Leader: As a leader, a manager has to guide, motivate, control, coordinate the work of his subordinate so that work can be performed by the subordinate according to set standards and if there is a deviation then taking corrective actions.
c. Liaison: As a liaison, a manager act as a connecting link between the top level and low level in an organization as well as it act a link between the organization and the external parties.

B. Informational processing: Under this role, a manager collects, analyze and send information to the various parities within the organization as well as outside the organization. Information flow can be upward, downward, horizontal. In upward flow manager communicates the problem and requests of the subordinates to the top management. In downward flow, manager conveys the decisions, policies, startiegies formulated by the top management to the subordinates, and under horizontal flow, manager contacts and sends and receives information from his peer managers and sometimes board of directors. This heading consists of three roles which are discussed below:

a. Monitor: under this role, the manager scans his/her internal and external environment and collects and records information which are pertinent for the functioning and success of the organization. While monitoring, a manager can get information relating to problems and opportunities for the business.
b. Disseminator: Under this role, the manager communicates vital information to the subordinates and the members of the organsiation.
c. Spokesperson: As a spokesperson, the manager communicates the policies, achievements, future plan, growth rate, contribution to the society, etc to the outside world. So, as a spokesperson, he represents the organization to the outside world.

C. Decisional making: The main complex job of every manager is to take decisions which can bring success or failure to the organization. Four roles under this heading are explained below:

a. Entrepreneur: As a entrepreneur, the manager makes plans for the activities to be performed, delegation of work to different subordinates, evaluating the performance of his subordinates and the organization, taking risk, appraising different projects and selecting the best and profitable projects for investment, making strategies to face competition, designing, developing and testing new product or service, optimum allocation and utilization of the physical and financial resources of the organization.

b. Disturbance Handler: As a disturbance handler, the manager has to take decision regarding various unexpected problems, conflicts among the subordinates or groups. He/ she has to analyse the problem and develop rational decision for solving it.
c. Resource Allocator: As a resource allocator, the manager takes decision regarding the optimum allocation of the physical and human resources of the organization so that the organization can be operated smoothly and achieves the set objectives.
d. Negotiator: As a negotiator, the manager bargains with the individuals and other organization taking into consideration the interest of the organization such as negotiating with the employees or trade union on account of strikes, lock out or other demands etc.

Peter Drucker and Value Creation:

Peter Ferdinand Drucker was born in 19th November 1909. He worked as a management consultant to various institutes and organization as well as an educator. He wrote about 39 books which have been translated into 36 languages and number of articles on the basis of his practical experience and empirical studies. He focused on the practical applications of the management theories and techniques. He focused his studies on both profit and non-profit organizations. Due to his vast contribution in the management field, he is called as Father of Modern Management. He has worked in many fields such as a financial writer, securities analyst, correspondent for British Financial Publications, as an Economics Professor at Sarah Lawrence College, New York, worked as clerk trainee for an export firm, as a editorial columnist for the Wall Street Journal etc. Professor Drucker has worked in many fields and gain practical knowledge and therefore developed many techniques for solving managerial problems and helping organization to become efficient and successful.

According to Peter F Drucker, "Management is an multipurpose organ that manages business, manages managers, manages workers and manages work,"

Some Books written by Professor Peter F. Drucker as given below in the table:

Table 1.11: Peter Drucker and Value Creation

1. The End of Economic Man (1939)	18. Innovation and Entrepreneurship (1985)
2. The Future of Industrial Man (1942)	19. The Frontier of Management (1986)
3. Concept of the Corporation (1946)	20. The New Realities (1989)
4. The New Society- The Anatomy of Industrial Order (1950)	21. Managing the Non- Profit Organization (1990)
5. The Practice of Management (1954)	22. Managing for the Future (1992)
6. America's Next Twenty Years (1957)	23. The Ecological Vision (1993)
7. Landmarks of Tomorrow (1957)	24. Post –Capitalist Society (1993)
8. Managing for Results (1964)	25. Managing in a Time of Great Change (1995)
9. The Effective Executive (1966)	26. Drucker on Asia with Isao Nakauchi (1995)

10. The Age of Discontinuity (1968)	27. Peter Drucker on the Profession of Management (1996)
11. Men, Ideas, and Politics (1970)	28. Management Challenges for the 21st Century (1998)
12. Technology, Management, and Society (1971)	29. Managing in the Next Society (1999)
13. Management: Tasks, Responsibilities, Practices (1973)	30. The Essential Drucker (2001)
14. The Pension Fund Revolution (1976)	31. The Daily Drucker (2002)
15. Adventures of a Bystander (1978)	32. A Functioning Society (2003)
16. Managing in Turbulent Times (1980)	33. The Effective Executive in Action (2004)
17. Toward the Next Economics (1981)	34. Managing Oneself (2007)
18. The Changing World of the Executive (1982)	

Meaning of Value Creation: Value creation in a business organization implies satisfaction of the three main stakeholders which are customer, employees and investors. Value is created for the customer when he/she gets desirable products or services at reasonable price. For this continuous scanning of the change in needs, taste, fashion, desires of the customers is required and at the same time organization has to run parallel to these changes in the customer requirements then only it can satisfy and create value for its customers.

Continuous product improvement, Innovation in the product, process and services is required for creating value in the customer. Customer is the king and creating value for the customer is the essential for the survival and success of any organization.

For creating value for the customer, it is very vital that there is satisfaction on the part of the employees who are making these products, performing process, and rendering services to the customers. Employees can better serve the customer only if they are rewarded fairly, provided necessary training and development opportunities, job enrichment, proper working working condition, respect from the management, participation in decision making, pariticipation and consideration of their views on the product or service designing, share in the increased profit, speedy redressal of their grievances, autonomy to show their creativity and innovation in the product, process or services. And at same time investor gets fair return on their capital, safety of their capital etc which is possible through increase in revenue and profits and for that value for the customers should be increased.

Value can be created for the customers if both employees and investors are well satisfied which in turn pass on to the customer.

Peter F Durcker is credited with making management a formal discipline through his book The Practice of Management published in 1954. He believed in improving the management quality of the business for which he developed many ideas, tools and techniques for improving the managerial talent and skills of the managers.

According to Ducker business is not only meant for earning profit which is propagated by previous management thoughts and business practices. He focused on value creation in the business. He described the business as an organization that "adds value and create wealth". Value is created by satisfying customer in all aspects whether it is quality of the product or service, its cost, its innovation, handling of customer grievances, after sales services etc and on other hand wealth is created for the owners of the business who invest capital and expects safety and adequate return on it. So, he focused on creating value for the customers and owners of the business. Druckers value creation is not limited to customer and owners only but to the employees and mangers also. He devised many techniques for improving manager employee relations, he considered all aspects related to an employee which can affects it productivity and motivation and at the same time focused on improving functional quality of the managers so that they solve business problems easily and smoothly run organisation and ultimately achieving the goals of the organization.

Drucker's value creation can be understood through his 6 major contributions in the field of management which are discussed below:

a. Nature of Management: Peter Drucker is against the bureaucratic style of management and has placed more importance to innovation and creative which are essential elements of value creation. He considered management as both discipline and profession. As a discipline it has its own set of tools, techniques, skills and process and as a profession he emphasized on the practical application of these tools, skills, knowledge, techniques for solving various business problems by the managers. He also advocated the management should be performed as a liberal profession instead of strict profession. He also focused that managers should use their creativity, knowledge, skills according to the situation and its requirement. Drucker's emphasis on practical application of management puts him in the category of "empirical school of management."
b. Management Function: Drucker has considered management as an activity which a manger has to perform at all levels. Management cannot work in isolation, and it helps in moving the wheels of the business towards its set objectives. It is a task which manger has to perform so that organization can move towards its set object and achieve it, to make the operations and efforts of the employees productive and reduce cost, taking into consideration the impact the of the organizational activities on the society and its responsibility towards society.
c. He emphasized on the performance of the above function simultaneously. He advocated that manager has to improve things as a administrator and has to act as an entrepreneur by diverting the resources from low profit area to high profit area. He also focused on the goal setting concept. According to him, goals should be set by the manager taking into consideration eight areas which are innovation, market standing, productivity, physical and financial resources, managerial performance and development, profitability, responsibility towards society, workers performance and attitude. So he created value by considering management as an activity for achieving the above stated functions, value of the society, customer, workers, resource utilization, oragnisation's performance etc are well raised by the Drucker and are given due importance.

Organisation Structure: Peter Drucker is on the view of replacement of bureaucratic style of management with management style which has three basic elements:

- It helps and encourages the performance of the organization.
- ii. it has level managerial level so that activity and decision speed is fast and does not halt due to high level of managerial levels.
- it helps in developing futures mangers by having an element of delegation of authority and responsibility to the subordinates to handle complex activities and take decisions.

He also identified three basic areas which should be considered while organising.

- Activity analysis: under this what activity should be performed, grouping of similar activities, and level of importance to each type of activity is considered.
- ii. Decision Analysis: Under this four aspects are considered while taking any decision which are future impact of the decision, impact on the other functions of the organization, consideration of qualitative aspect in the decision, occurrence of the decision whether it is taken regularly or occasionally.
- Relation analysis: it helps in defining the structure and how to man right person on the right place in the structure.

So, Drucker also created value by putting focus on how an organization structure should be, due weightage is given on the efficient and smooth working of the organization, proper activity, decision, and relation analysis is done.

d. Federalism: According to Drucker, Federalism provides opportunities to management units at operating level to participate in the decision making along with the top management which creates value for the operating management units so as to put self-restrict on their autonomy, setting standard for evaluating their performance and effectiveness of their activity, and to help managers at all levels to solve various problems. Drucker empahsised and valued on the decision making should not be done by the top management alone but should involves managers of various levels so that decision is well accepted by all and have a proper blend of the interest of both the parties. Value is created for managers at various levels and of different units so that they feel satisfied, and their productivity and morale is increased.

e. Management by Objectives: In1954, Peter Drucker presented the Management by Objective in his famous book, The Practice of Management. This concept focused on setting objectives with the cooperation of managers and subordinates and the goals should be clearly defined so that every member in the organization know what is expected from him/her and how he/she should work so as to achieve the goals of the organization. It creates value for the employees as well as the organization by merging the goals of both the parties. The main focus of this concept is on the achievement of the objective set beforehand. It also focuses on the effective performance of the business. According to Drucker, MBO is not only a technique of management but also a philosophy of management.

f. Organisational Change: Drucker focuses of making organization dynamic instead of static organization so that it can easily absorbs the changes taking place in the external environment and mould its plan, policies, strategies accordingly. He have given due value to concept of change and advocates on the flexibility on the operation of the organization.

He believed that a s organization can be smoothly run and become successful if it runs parallel to the changes taking place in the external environment or in the society.

Hence, the value created by the Drucker can been seen in his major contributions which are discussed above. He created value in every area whether it is for employees participation in the decision making, their productivity, effective performance of the organization, decisional aspects, element of flexibility for the organisation to cope up with the change element, efficient organising of the structure for smooth and effective functioning of the organization, clarity of the objectives, autonomous nature of the management, consideration of the management interest and many other elements discussed above.

Management Process:

Management is a multifaceted process that encompasses a number of interconnected parts or functions executed by the manager to accomplish the organization's desired goals or objectives. The fundamental components encompassed in the process of management are

A. Planning
B. Organising
C. Staffing
D. Directing
E. Controlling

With the coordination of these five basic functions a manager is able to do optimum utilization of human, physical and financial resources so that objectives of the organisation can be achieved.

These functions are interrelated to each other because one function can be performed in isolation otherwise objective cannot be achieved. These functions are continuously performed till the organization is operating or is not liquidate. These functions are performed in a prescribed time for the achievement of the objectives.

Management is also considered as a social process as it involves interaction with numerous persons or members of the society such as employees, investors, supplier, government, creditors, debtors, customers etc.

Manager has to deal with human resources while performing these 5 basic functions of management. Manager guides, motivate and control these human resources so that they can work as a team and help in coordinating different functions for the achievement of the objectives of the organization. These 5 basic functions of management helps in conversion of input into output in the form of goods or services for the customers.

Management is a universal process as these functions are performed in every type of organization whether it is a profit-making entity or non-profit making entity. The main things is presence of coordination which binds all these functions in a proper sequence which helps in the proper utilization of the human, physical, and financial resources and ultimately the objectives of the organization.

Luther Gulick coined PODCORB for describing the process of management which depicts seven functions of management which are: Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting. George R. Terry had limited the process of management to four functions only which are: Planning, Organising, Actuating, and Controlling. R. C. Davis had identified only three functions of management which are: Planning, Organising and Controlling. But Harold Koontz and C. O'Donnell have given five functions of management which are widely accepted and are always discussed when the topic of management process is raised. These five basic functions are: Planning, Organising, Staffing, Directing and Controlling.

These five basic functions which are included in the process of management are discussed below:

A. Planning: The first and important function of management is planning. It is a mental process as it requires use of intellects and logic. It is deciding about the future course of action to be adopted for achieving the objectives of the organisaiton. It involves collection of facts and figures of past, present and on the basis of it planning for future is done. It involves a series of steps which if followed will lead to the achievement of the desired results. It helps every member of the organization to work according to the set path or prescribed method and act as a yardstick which control members to deviate from the plan. It involves definition of problem, setting objectives, setting premises, finding different alternative solutions or steps, evaluation of these alternatives and selecting the best alternatives taking into consideration the cost and benefit. The most essential requirement of a good plan is periodic review or revision of the plan so that the organization can adjust with the dynamic nature of the business environment.

It provide solution to what is to be done, when it is to be done, how it is to be done, where it is to be done, who is to do it, how it will be evaluated, who will be responsible and what to do if one plan fails.

Planning acts as a bridge between the organization and its goal or mission. If an organization fails to achieves its results then it is the planning which is defective. A good plan is always based on accurate facts, logical and rational decision. Planning is a continuous exercise it is performed until the business is liquidated. It is a pervasive term because we can see it application in every walk of life and every type of organization. From an individual to a big organization there is always an element of planning present helping each organism and organization to achieve its objectives. Planning helps in the proper and efficient utilization of the human, physical and financial resources of an organization so as to make its operation and functioning cost effective and successful.

According to Koontz and O'Donnell, "Planning is deciding in advance what is to be do, how to do it and who is to do it. Planning 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."

B. Organising: the next function of management process is Organising. It involves identification of different activities which will help in achievement of the objectives and after that grouping of similar activities and then allocating these activities or task to the suitable person according to his talent and capability. It is basically a network of authority and responsibility so that the task can be efficiently and effectively performed by the employees and ultimately leads to achievement of the objectives. It involves proper delegation of authority and responsibility and a sound organising helps in avoidance of duplication of efforts, activities, and repetition of useless activities thereby lead to cost reduction and efficiency in operations. It helps in the proper utilization of the human, physical and financial resources of the organization. It defines the relationship between superiors and subordinate and it requires proper coordination among all members working in the organization.

According to Louis A. Allen, "Organising is the process of identifying and grouping the work to be performed, defining, and delegating responsibility and authority, establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."

C. Staffing: Organisation structure creates number of post or positions for which appropriate human resources are recruited, selected, oriented, trained, and developed. It involves filling of various positions with right person so that work can be performed efficiently and effectively and there is job satisfaction for the employee performing the job at the right place. Staffing involves planning in advance the requirement of manpower, their recruitment, selection, compensation, opportunities for growth and development, training, performance appraisal, dismissal, retirement etc of the employees. The main focus of staffing is to acquire right person and position that person at the right place so that quantity and quality of the output can be improved.

According to Koontz and O'Donnell, "The managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure."

D. Directing: The most active function of the management is directing as it activates all the resources of the organization. After planning, organising, and staffing, it is directing which puts a sparks and guide, supervise, communicate, motivate, coaches every employee of the organization to work according to the plan and with full zeal so that their performance is improved and objectives of the organization is achieved easily. This function is especially performed by the manager as he/she has to get work done from their subordinates. It helps to make subordinate on the right track in the process of performing their job. According to Koontz O'Donnell, "Direction embraces those activities which are related to guiding and supervising subordinates." Directing consists of four main elements which are discussed below:

- Supervision: It simply implies overseeing, monitoring, and observing the activities of the employees so as to see that they perform their activities according to the given instructions, and prescribed methods. This is done by the person known as supervisor.
- Communication: Through communication, information is disseminated to the subordinates so that the subordinates work according to communication made. It helps to maintain cooperation, coordination among subordinate, it helps to remove any confusion or doubts, conflicts, mistrust in the mind of the subordinates. It also helps the

management to become aware of the problem or grievances faced by the subordinates and progress of the work. Efficient and effective communication helps to increase moral, productivity and encourage subordinates to work with full zeal and confidence for the achievement of the objectives.

- Leadership: Through leadership, a manager guides, influence, persuade and command subordinates to work with full dedication so that objectives of the organization. The manager as a leader directs subordinate for the right course of action, correct methods of doing task, motivating them, inspiring them if they do mistake or cannot perform work properly. A manager adopts different leadership style according to the situation such as autocratic leadership style, democratic leadership style and free rein leadership style. The main aim of leadership is to lead the subordinates towards the achievement of the goals of the organization.
- Motivation: It is also an important element of directing as an organization consists of employees with different behaviour, nature, perception, attitude and all have different way of doing work. A manager uses motivation to influence, persuade and increase the moral of their subordinates so as to encourage them to be on right track and work with full dedication and enthusiasm for achieving the objectives of the organization. Motivation can be of two types, one is financial motivation through which employees are motivated by giving financial rewards and incentives such as bonus, increment in salary or wages, etc and on the other hand, second is non-financial motivations which are recognition, awards for best performance, freedom to work, freedom to use creativity and innovation.

E. Controlling: It is the most important function of management and is directly linked with the planning function because it if there is no plan then no controlling can be done. It involves determination of the standard performance and then comparing the actual performance with the set standards and if they are equal then no controlling is required but if there is a variance then it must be reported to the concerned manager and necessary corrective action is taken so as to make the subordinate on the right track. Its aim is to ensure that work is performed by the subordinates in strict adherence to the set standard. According to E.F.L. Brech, “Control is checking current performance against predetermined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance, and also recording the experience gained from the working of these plans as guide to possible future needs.”

So, we have discussed the five vital functions of management which are performed by every manager. These five functions are closely related to each other and therefore are interrelated to each other. For proper cohesiveness among these five functions there is an element of coordination which is also called as essence of management function. Coordination is present in all the functions of management such as in planning there is a coordination between the division’s goals and the organization goals, in organising, there is a coordination between the right person matches with the right job, in directing, there is a coordination so as to maintain functional harmony and at last in controlling, there is a coordination between the actual performance with the planned performance. So, we can say coordination is an inherent part of the management functions and is present in all the functions of the management and at the same time it also coordinates all the fives functions of the management so that the organization can be run smoothly and can achieve the objectives easily and within a time frame set.

Management process is a continuous process, and it is a cycle which consists of series of five functions of management and these functions are to be performed in a proper sequence and on a continuous basis until the organization are liquidated. Coordination acts like a thread which binds all the five functions of management and maintains smooth flow of activities of the organization and ultimately leading towards achievement of the set objectives. It can be shown with the help of the diagram below:

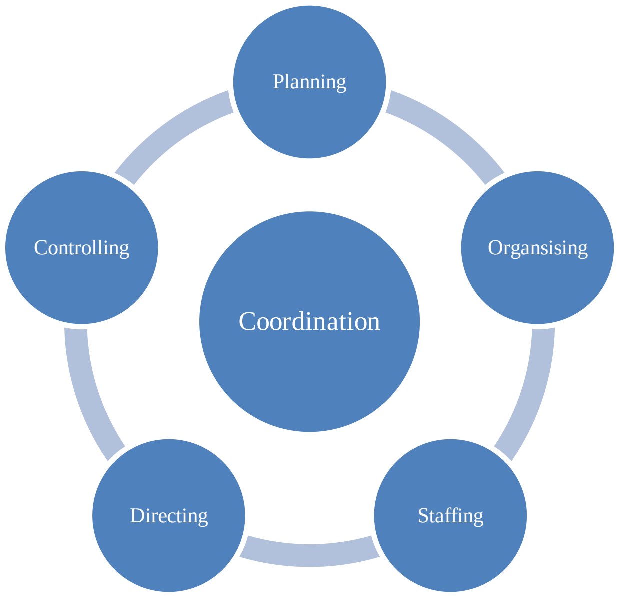

Figure 1.13: Management Function as a Process

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Unit 2

Planning: Concept, Objectives, Nature, Limitation, Process of Planning, Importance, Forms, Techniques and Process of Decision Making

2.1 Planning:

Meaning of Planning:

Planning is the primary and fundamental role of management. It is always connected to the subsequent sequence of events. It serves as a conduit for the organisation to accomplish its goals. It is a cognitive task that necessitates the use of one's intellect and the assessment of diverse data and information related to the organisation and commercial milieu.

Accurate future forecasting and achievement of objectives can be accomplished by thorough review and analysis of the available information. The process of planning always commences with the identification of objectives, as planning is unnecessary in the absence of clear objectives.

Once the objectives have been determined, the potential alternatives for attaining them are carefully examined, and ultimately the most optimal solution is chosen. An effective planning process includes regular review and adjustment due to the dynamic nature of the business environment. An organisation cannot rely solely on a static plan and must incorporate flexibility to adapt to changes.

Additionally, it involves a component of decision-making as the selection of the optimal option from a range of choices is a challenging endeavour. For instance, when a manufacturer aims to promote their product, their objective is to increase awareness and sales. They have several options for promotion, including print, electronic, banners, and hoardings. From these alternatives, they must choose the most effective one. After implementing the chosen strategy, they need to evaluate its results. If any shortcomings are identified, they must revise their planning accordingly.

It offers solutions to questions regarding what, how, who, where, and when actions are to be carried out. Furthermore, it emphasises the individuals or entities accountable for achieving the outcomes, as well as the methods by which the tangible, monetary, and personnel assets will be organised, distributed, and employed to their fullest potential.

Additionally, it entails the development of subsidiary plans in conjunction with the primary plan. Additionally, it assists in coordinating, guiding, and overseeing managerial responsibilities by offering appropriate courses of action to be pursued, along with performance benchmarks.

Figure 2.1: Planning

The diagram above illustrates that planning serves as a connection between the organisation and its aims or mission.

Below are Several Definitions of Planning:

As to L.F. Urwick, planning is essentially a cognitive inclination to approach tasks in a systematic manner, to deliberate before taking action, and to base decisions on factual information rather than speculation.

M.E. Hurley defines planning as the act of making decisions in advance about what has to be done. The process entails choosing objectives, policies, processes, and plans from a range of possibilities.

As to Henry Fayol, "Planning involves anticipating the future and making necessary arrangements for it." The plan of action is simultaneously. The outcome anticipated the course of action to be pursued, the steps to be taken, and the techniques to be employed.

Koontz and O'Donnell define planning as the process of making decisions in advance regarding what actions to take, how to execute them, when to carry them out, and who will be responsible for their implementation. Planning serves as the means to bridge the disparity between our current position and our desired destination. It enables the occurrence of events that would not otherwise take place.

George R. Terry defines planning as the process of choosing and connecting relevant information, as well as developing and utilising assumptions about the future, in order to visualise and develop recommended actions that are deemed essential for achieving desired outcomes.

2.1.1 Essence of Planning:

Below are the following features of planning:

A. Goal-oriented: The primary distinguishing characteristic of planning is that it is always developed with a certain predetermined objective in mind. Both planning and goal setting are crucial; the absence of either renders the action futile. The formulation of a goal is an essential stage in order to achieve it, and as such, plans and sub-plans are developed. Without a clear target or goal, the act of planning becomes unnecessary.

B. Continuous function: Planning is an ongoing process. The planning process will only conclude upon the liquidation of the organisation, as all commercial concerns operate under the assumption of continuity. Planning is a process that is constrained by time and objectives. Once the allotted time has elapsed or the objectives have been achieved, a new plan is developed.

C. Adaptability: A well-designed plan incorporates an aspect of adaptability, as it may not always be feasible to accomplish objectives with a single or initial plan. Therefore, adjustments and adaptations are made, taking into account any shortcomings in the original plan or changes in the business environment.

D. Ubiquitous: Planning is an omnipresent activity that is necessary in all forms of organisations, whether they are profit-oriented or non-profit-oriented. Even students engage in planning to determine their desired field and the steps needed to achieve their goals. It is a crucial task that is carried out by every manager, regardless of their level of management. Top-level management engages in strategic planning, which encompasses long-term objectives. Middle-level management, on the other hand, is responsible for establishing departmental goals, while lower-level management mostly focuses on operational planning.

E. Cognitive Activity: Planning is consistently carried out through the utilisation of mental faculties. The planning activity necessitates the manager to possess inspiration, creativity, sound judgement, logical thinking, factual knowledge, information, and estimations. Decision-making is the deliberate process of selecting the most optimal option to progress towards predetermined goals.

F. Future-oriented: Planning is consistently conducted with consideration of past, present, and future projections. Continuous evaluation of future prospects allows for seizing upcoming opportunities and maximising their benefits. Additionally, it serves as a precautionary measure against potential threats, aiding in the development of necessary strategies to avoid or minimise their impact.

G. Determining the optimal course of action: Once an objective is established, several alternative courses of action arise for achieving the objective. Therefore, planning entails carefully evaluating and analysing each alternative in order to select the most effective one for attaining the predetermined objective.

2.2 Importance/ Significance/ Objectives of Planning:

A. Emphasise Goal/Objectives: Begin by establishing the desired outcomes to be attained, and thereafter channel all the organization's endeavours and resources towards accomplishing these objectives.

It gives guidance and ensures that the organization's efforts align with the planned objectives. Therefore, it enables the organisation to circumvent futile endeavours.

B. Risk mitigation: Planning is a forward-looking process that anticipates future events in a changing business environment, taking into account various uncertainties such as threats or potential losses. Through proactive anticipation of potential risks and liabilities, planning facilitates the development of suitable measures to effectively mitigate or reduce the impending threats or losses.

C. Operational efficiency: Planning facilitates the identification and selection of the most lucrative and cost-effective options from a range of choices. It also anticipates and plans for the necessary resources, including human, physical, and financial resources, that are required for the efficient and uninterrupted functioning. The company is highly diligent in obtaining resources at the lowest possible cost while maintaining high quality. This approach reduces operational expenses and promotes efficiency.

D. Facilitates competition management: Planning enables the efficient allocation of resources to produce goods or services. Each every step in operations is meticulously planned, resulting in either no or minimal wastage. This, in turn, aids in reducing the overall cost of operations. Therefore, a decrease in operational expenses enables an organisation to provide goods or services at significantly lower costs compared to their competitors, allowing them to effectively withstand intense competition.

E. Fundamental for regulatory function: One of the crucial purposes or significance of planning is its ability to quantify the objectives or aims to be attained. The quantification of objectives aids in the development of various benchmarks against which actual performances can be measured or compared.

When comparing actual performance to established standards, it is desirable for the actual performance to be equal to or greater than the standards. This indicates that the operation is efficient. However, if the standards exceed the actual performance, a variance occurs, indicating a deviation in performance. This variance is reported and appropriate corrective actions are taken to bring the deviated activities back on track or align them with the planned course of action.

F. Coordination of all activities: Planning determines the course of action to be taken by every department or division within the organisation. It fosters and sustains effective collaboration among various departments to achieve the shared goals of the organisation. It serves as a conduit via which the various operations of different departments are consolidated or directed towards a shared objective. The diagram below clearly illustrates the point:

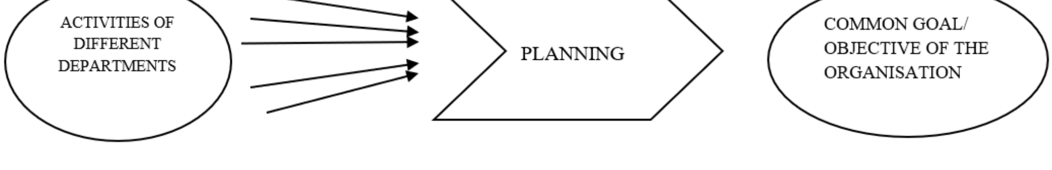

Figure 2.2: Planning Directing all Activities towards the Common Goal of the Organisation

G. Logical and rational decision making: Planning assists the management by providing comprehensive knowledge about past, present, and future estimates. This enables the manager to make informed decisions based on reason and logic, ensuring accurate outcomes and facilitating the attainment of planned objectives. It dissuades managers from making decisions based solely on speculation, luck, or chance.

H. Promotes adaptability in organisation: Planning incorporates a degree of flexibility, allowing for mindful consideration of any changes in the business environment. Incorporating modifications enables the firm to effectively adjust to essential changes, hence fostering a dynamic organisational environment that promotes success and growth.

2.3 Limitations of Planning:

A. Expensive endeavour: Planning is a costly process due to the involvement of multiple processes. The task demands a significant investment of time, money, and effort from the manager, who must dedicate a substantial amount of time to gather information on past, present, and future projections. Following the gathering process, it is necessary to conduct analysis and evaluation, which may occasionally necessitate the assistance of specialists. Therefore, it is a costly procedure.

B. Unsuitable for a dynamic environment: Planning is inherently designed for the future, which is characterised by uncertainties due to its dynamic nature. A plan formulated based on a single assumption necessitates the development of various policies, procurement and distribution of resources, and implementation of operational procedures.

However, the business environment is constantly evolving, and if the assumption on which the plan was based proves to be false or invalid in the future, all the activities carried out based on that assumption will fail, resulting in significant financial losses for the organisation.

C. Inhibits creativity: Planning engenders a misguided sense of assurance among employees, leading them to believe that all aspects have been meticulously accounted for and any potential uncertainties or mishaps have been adequately addressed in the plan. Employees strictly adhere to predetermined instructions for job execution, thereby suppressing their potential for creativity and innovation. Consequently, their efficiency is confined to predefined standards, which hinders their motivation to enhance productivity and demonstrate originality. This lack of motivation poses a detrimental impact on the organization's growth.

D. Inaccuracy: A well-crafted plan might result in significant financial turmoil for an organisation if it is based on erroneous or incorrect information. A plan relies on future projections, which might be inaccurate if the planner is influenced by bias, prejudice, closed-mindedness, or uses improper tools or models for estimation. Planning is often plagued by inaccuracies in the information available and mistakes made by the planner.

E. Internal constraints: Occasionally, despite effective and well-crafted planning, the attainment of set objectives may be hindered or only partially achieved due to internal constraints. These constraints may include employee resistance to change, restrictions imposed by organisational policies, procedures, and entrenched culture, closed-mindedness exhibited by top management, and limitations in available capital.

It is crucial to acknowledge that these internal constraints are within our power and can be altered to attain the predetermined target successfully.

F. External constraints: Various factors influence the planning process, including government policies, regulations pertaining to the business and its products, taxation and policies related to business growth and innovation, rapid technological advancements, trade union interference in productivity norms, work limitations, wages, and worker resistance to change, as well as changes in consumer preferences. These uncontrollable events can significantly impact the planning process, particularly inflexible or unchanging plans.

Upon careful examination of its constraints, it cannot be definitively stated that planning is either wasteful or an expensive endeavour only feasible for large corporations. We acknowledge its numerous advantages, and with diligent and genuine efforts from the planner, it can be rendered a cost-effective process. The limitations can be mitigated by ensuring flexibility in the plan and eliminating internal obstacles. Simultaneously, it is crucial for top management to possess an open-minded approach during the planning process. Effective planning occurs when the expenditures incurred are outweighed by the advantages gained by the organisation.

2.4 Steps in Planning Process:

A. Formulation of Objectives: The first and foremost step in planning is the formulation of the objectives. Setting up of objectives requires two steps, first is the formulation of objectives for the whole organization and after that the whole objectives is divided among different departments, divisions or sections into each unit objectives, this can be understood with the help of the figure given below:

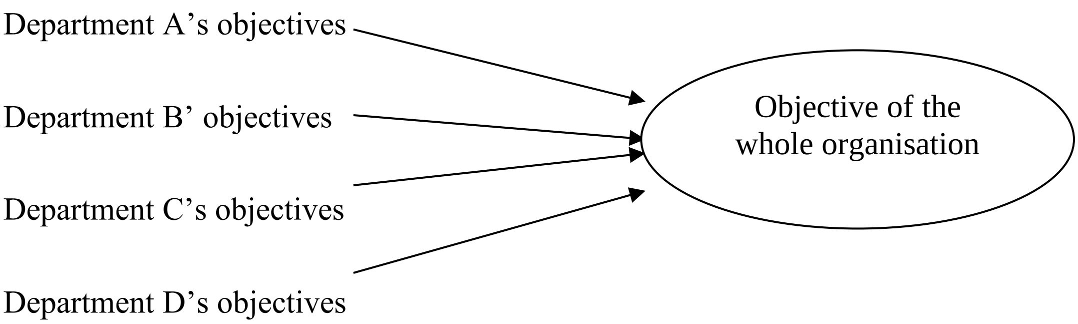

Figure 2.3: Steps in Planning Process

The above diagram depicts that suppose a organization has four departments which are performing their own function so in this case planning will be made by first formulating the objectives of the whole organization and then it is divided into different departments objectives. The above diagram shows that if each department's objective is fulfilled then it will lead to the achievement of the objective of the whole organization. It is important for the planner to take note of future opportunities and threat along with internal strength and weakness of the organization while formulating its objectives.

B. Development of planning premises: After the formulation of the objectives, the next step to be followed is developing of planning premises. Planning premises are the assumptions, boundaries, limits under which plan can be successfully implemented or can be executed smoothly. It is a very important step because if there is a flaw in setting up premises then the whole planning process will go waste. Premises can be internal such as availability of resources, capability of human resources, financial strength etc, it can be external also such trend in technology, innovation, Government policy, business cycle, customer taste and fashion etc.

Internal premises are controllable and external premises are uncontrollable. Premises can be tangible such as units produced, machines, raw material etc and it can intangible such goodwill of the business, loyality of the employees, employees and employer relations etc. All these types of premises are taken into consideration while developing planning premises. It can be shown with help of a diagram given below:

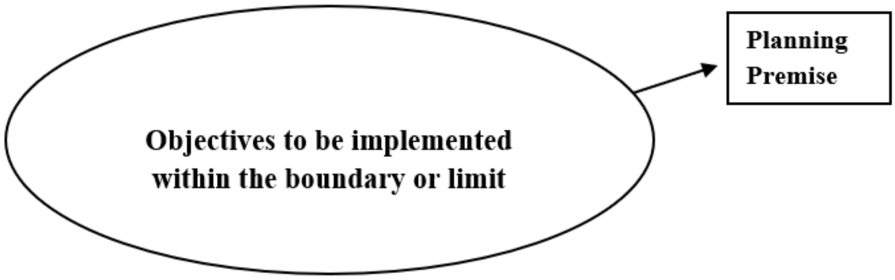

Figure 2.4: Planning Process

C. Identification of different alternatives: After the premises are defined and formulated next important and vigilant step from the side of the planner is to collect relevant facts, figures and data which will aid in discovering various alternatives which can help in the achievement of the predetermined objectives. It is important to note that the only those alternatives should be selected which are closely related to attainment of the objectives instead of large numbers of alternatives which will lead to confusion and selection of irrelevant alternative which will lead to failure of planning process. For example if a business concern wants to promotes it product or service then it has many alternatives such as advertising, sales promotion, personal selling and publicity etc.

D. Evaluation and selection of best alternative: Under this step, all discovered alternatives are evaluated and analysed in terms of the cost and benefits ratio, their relative reliability, feasibility, closeness with the objectives of the organization, degree of risk, quantum of time and efforts required, capabilities of the employees, strength and weakness of the organization etc. So, after the evaluation of the each alternatives on the pre determined parameters, the most suitable alternative course of action is selected.

E. Formulation of detailed or derivative plan: Under this step, detailed or specific plans are prepared so as to support the main plan. These derivative plans contain a sequence of actions which are to be done so as to support the main plan and which will ultimately lead to achievement of the objective set. For example, a business concern plans to open one more sales outlet, then the derivative plan will be the selection of the site, purchase, hire or construction of building, recruitment and selection of sales staff, advertising strategies, display of products, ambience of the outlet etc.

F. Setting of sequence and scheduling of operation: after the main and detailed plan are set then the next step is to decide and set a series of activities to be performed for the performance of the organization. Scheduling regarding the initiation and end of the operations is also decided and fixed. It can be said we have to maintain coordination and cooperation between difference activities for the initiation of the operations. And operations have to be strictly in accordance with the selected planned course of action. This stage also involves proper and clear communication of the plan with the employees who have to make it operational and to secure their cooperation.

G. Follow up Actions: This step involves the regular appraisal of the plan and the activities which are initiated according to the plan. Actual performance are compared with the planned performance and if there is a deviation, then it is reported and necessary actions are taken. Sometimes plans are revised when there is a change in the business environment or when standards are overstated. This is the most important step because if the close monitoring of the activities as per the plan is not done or regular revision and updating of the plan is not done then the organization will fail to achieve its objectives.

So, all the above seven steps are involved in the planning process. These steps are very vital and should be formulated in the above sequence. If there is remains any flaw in any step or steps are not followed in the sequence discussed above then the organizations actions will go waste and the objectives cannot be achieved. These steps can be showed in a sequence in the diagram given below:

Table 2.1: Steps in Planning Process

1. Formulation of the objectives.
2. Development of planning premises.
3. Identification of different alternatives.
4. Evaluation and selection of best alternative.
5. Formulation of detailed or derivative plan.
6. Setting of sequence and scheduling of operations
7. Follow up actions.

2.4.1 Types of Plans:

There are two types of plans.

a. Standing or Repeated use Plans.

b. Single use or Operating Plans.

- Expensive endeavour: Planning is a costly process due to the involvement of multiple processes. The task demands a significant investment of time, money, and effort from the manager, who must dedicate a substantial amount of time to gather information on past, present, and future projections. Following the gathering process, it is necessary to conduct analysis and evaluation, which may occasionally necessitate the assistance of specialists. Therefore, it is a costly procedure.

- Unsuitable for a dynamic environment: Planning is inherently designed for the future, which is characterised by uncertainties due to its dynamic nature. A plan formulated based on a single assumption necessitates the development of various policies, procurement and distribution of resources, and implementation of operational procedures. However, the business environment is constantly evolving, and if the assumption on which the plan was based proves to be false or invalid in the future, all the activities carried out based on that assumption will fail, resulting in significant financial losses for the organisation.
- Inhibits creativity: Planning engenders a misguided sense of assurance among employees, leading them to believe that all aspects have been meticulously accounted for and any potential uncertainties or mishaps have been adequately addressed in the plan. Employees strictly adhere to predetermined instructions for job execution, thereby suppressing their potential for creativity and innovation. Consequently, their efficiency is confined to predefined standards, which hinders their motivation to enhance productivity and demonstrate originality. This lack of motivation poses a detrimental impact on the organization's growth.
- Inaccuracy: A well crafted plan might result in significant financial turmoil for an organisation if it is based on erroneous or incorrect information. A plan relies on future projections, which might be inaccurate if the planner is influenced by bias, prejudice, closed-mindedness, or uses improper tools or models for estimation. Planning is often plagued by inaccuracies in the information available and mistakes made by the planner.
- Internal constraints: Occasionally, despite effective and well-crafted planning, the attainment of set objectives may be hindered or only partially achieved due to internal constraints. These constraints may include employee resistance to change, restrictions imposed by organisational policies, procedures, and entrenched culture, closed-mindedness exhibited by top management, and limitations in available capital. It is crucial to acknowledge that these internal constraints are within our power and can be altered to attain the predetermined target successfully.
- External constraints: Various factors influence the planning process, including government policies, regulations pertaining to the business and its products, taxation and policies related to business growth and innovation, rapid technological advancements, trade union interference in productivity norms, work limitations, wages, and worker resistance to change, as well as changes in consumer preferences. These uncontrollable events can significantly impact the planning process, particularly inflexible or unchanging plans.

Upon careful examination of its constraints, it cannot be definitively stated that planning is either wasteful or an expensive endeavour only feasible for large corporations. We acknowledge its numerous advantages, and with diligent and genuine efforts from the planner, it can be rendered a cost-effective process.

The limitations can be mitigated by ensuring flexibility in the plan and eliminating internal obstacles. Simultaneously, it is crucial for top management to possess an open-minded approach during the planning process. Effective planning occurs when the expenditures incurred are outweighed by the advantages gained by the organisation.

It consists of:

a. Master budget.
b. Functional budget.
c. Capital and revenue budget.

a. Master budget: It is the summation of all the functional budgets which are prepared by each department of the whole organization. It gives a holistic picture of all the future course of action to be taken by all the departments or divisions of the organization. It also shows how all the functional budgets will ultimately help in the realization of the main objective of the organization.

b. Functional budgets: These are department or division centric budgets as each department prepare it own budget and also take into account the budgets of other department too with which it is related, for example production budget will be prepared on the basis of the sales budget, purchase department budget, etc. It shows the future of course of action to be taken by a particular department for achieving their departmental goals in quantitative terms. Examples of functional budgets are sales budget, production budget, Labour budget, Cash budget, Production overhead budget, distribution overhead budget, administrative overhead budget etc.

c. Capital and revenue budget: Capital budget shows expenditure of permanent nature. It is expended on the purchase and construction of fixed assets which are used for a longer period of time in business such as purchase of land, construction of factory building, purchase of furnitures etc. On the other hand, revenue budget shows the expected income and expected expenses of the organization.

2.5 Elements of Planning:

It includes Objective, policy, strategy, procedure, rule, programme and budget which have been discussed in detailed above.

Types of Planning:

Types of planning can be understood under different headings specifying particular nature of the group.

A. Planning on the basis of scope of activities:

a. Corporate Planning: This is a holistic plan including all the elements of the business organization. It formulates plan by taking into consideration the internal and external factors affecting the business organization. It is formulated by the top management in accordance with the mission, objectives, vision and organization culture. It involves scanning of the external environment and identifying opportunities and threat and at the same time formulating suitable plan for taking the best advantage of the upcoming opportunities and to reduce the impact of the upcoming threats. While formulating corporate plans, organization's strength and weakness are also taken into consideration.

b. Functional Planning: It is department centric or functional centric. A business organization has different functional departments which perform specific functions and each department have their own set of objectives and course of action to be followed. For running each department, functional planning is formulated so that each department can work together and contribute to the main objective of the organization. Example, production planning is formulated for production department, sales planning is formulated for sale department and so on.

B. On the basis of the content:

a. Strategic Planning: These plans are focused on realizing the long-term objectives of the organization. It is wider in scope, and it set the future course of action to be followed by all the members and departments of the organization. It sets the limit or boundary within which all plans and decision will be taken.

b. Tactical Planning: These are short term planning generally limited to one year. These plans focus on the operations such as production, selling distribution etc. these plans are formulated within the limits set by the strategic plans. These are made by lower-level managers who are well versed with the department nature of activity and the immediate external environment. It is more comprehensive than strategic planning.

c. Operational Planning: These are detailed plans which help in day-to-day functioning of the organization. It specifies in detail what tasks are to be performed, who will perform, who will be responsible, what quantum of resources will be required and how it will be allocated. It focuses on day-to-day task keeping in view the objectives of the organization.

C. On the basis of the time duration:

a. long term Planning: These planning are for longer duration as it covers the main objective for which the organization is established. They are comprehensive plans and specifies the future course of action for all the departments and the members of the organization. They are made for achieving long term objectives and usually involve a time period which is more than 1 year such as for 3 years, 5 years, 10 years and so on. It takes into account the changes cropping in the external environment of the business.

b. short term Planning: These planning are limited to one year only and are formulated for achieving the short term objectives of the organization. They are focused on the functioning of the particular department as per the set plan.

D. On the basis of the Approach:

a. Proactive Planning: These planning are related to systematically forecasting or estimating the possible impact of the future event in advance. It alerts in advance about the risk or threat and their consequences on the functioning and survival of the organization. It involves devising necessary strategies, plans and precaution measures so as to minimize the adverse impact of the future event on the organization. It is basically planning in advance about the course of action to be taken for mitigating the impact of the upcoming threat in future.

b. Reactive Planning: it is the planning which is focused on solving the current issues or situation. These plans formulate the course of action to be taken for solving the current problem which they have missed to identify in their past planning.

E. On the basis of magnitude of formalization:

a. Formal Planning: These types of planning are undertaken by the large organization. Under this data and information regarding past, present and future is collected, evaluated and analysed systematically and logically. It involves use of various statistical and mathematical methods, procedures and tools for collecting and analyzing the information as well as use it for accurate forecasting. It involves the use of number of experts from different field and utilizing their views and suggestion in the planning process. It avoids using trial and error methods, intuition or guess work in the planning process. These types of planning require more time, energy and efforts and therefore are costly affair.

b. Informal Planning: These planning are formulated by the small organization who cannot afford to use the services of the experts in the planning process. These planning are based on the guess work, trial method, intuition of the owner of the organization. These planning does not involve the use of sophisticated techniques for forecasting future events which can affect the functioning and performance of the business.

Characteristics of an Effective Plan/ How to Make an Effective Plan?

- The objectives outlined in the strategy must be precise, unambiguous, and attainable.
- The managers should participate in the planning process by utilising an effective organisational framework.
- The upper management should actively participate in the development of the plan, as well as establish the boundaries within which functional and operational plans are to be created by middle and lower-level managers.
- It is imperative to include all employees in the development of the planning process.
- In order to successfully execute the plan, it is crucial to disseminate all pertinent information on the plan to all stakeholders of the business. This includes objectives, future course of action, resource allocation, and other relevant details.
- The plan should be regularly reassessed due to ongoing changes occurring in the company environment. The plan should incorporate a degree of adaptability.
- The expenses associated with planning should always be lower than the advantages it would yield.

The primary component of a successful strategy is the precise and dependable gathering of data and facts through the implementation of a methodical and scientific forecasting technique.

2.5.1 Objectives:

Objectives are the vital ingredients for the survival and growth of the organization. No organization can think of operating its activities with out setting objectives. It guides the physical, financial and human resources of the organization in a correct direction and involves their optimum utilization for the achievement of the desired results. Objectives are general as well as specific. General objectives are not quantitatively expressed but it shows the path and direction within which all activities and efforts of the organization should be directed. On the other hand, specific objectives are quantitatively expressed in terms of goals, target and results to be achieved.

Objectives are long term as well as short term also. Long term objectives are set by top management and covers all business activities and are for a longer duration of time such as 3 years, 5 years, 10 years and so. On the other hand, short term objectives are set at department or divisional level by the operational managers responsible for their respective department. Short term objectives are to be realized within a short period of time generally one year.

Objectives are helps in the formulation of planning, optimum organization of all resources, directions, coordination and most important act as an instrument of control. It compels organization to direct all activities in a desired manner so that objectives can be achieved. Objectives can be different for different organization. Customer satisfaction, providing quality product at low prices, quality services, quick redressal of customer grievance, social responsibility, poverty eradication, achieving national or international recognition, modernization, expansion of business, sales maximization, profit maximization , public welfare etc are different types of objectives which are formulated by an organization. An organization cannot even think of starting its operations without the formulation of clear, specific, realistic and achievable objectives.

Definitions by different authors:

A. Nature/ Characteristics of Objectives:

a. Multiple objectives: An organization has different individuals, groups and institutions who have direct and indirect interest in the functioning and performance of the business. An organization has to satisfy or fulfill their interest for the survival and growth. Therefore an organization has to formulate multiple objectives for satisfying the needs and expectations of their stakeholders such as customer, who expect quality goods at reasonable price and regular supply of goods, the supplier who expects regular orders and timely payments of dues, government who expects true amount of taxes and legal compliance, society who expect employment opportunities and so on.
b. Time element: Time period demarcates the objectives into two types. First is a short term objective which has a maximum tenure of one year and are formulated at departmental level. On the other hand, second is long term objectives which are for a tenure more than one year, usually 3 years, 5 years or 10 years. Long term objectives are formulated at a holistic level and take into consideration all the departments of the business organization. Objectives always have time elements and are tried to be achieved within a stipulated time.
c. Quantitatively expressed: The important feature of objective is that it is quantitatively expressed while formulation so that the it can assist in measurement of the actions which are performed in the organization, identify any deviations from the objective set, and encourages the use of corrective actions for correcting the deviations.

d. Adaptive: One of the important features of objective is that it has an element of molding itself according to the changes in the business environment. If an objective lacks this feature, then the organization cannot survive and grow in the long run.
e. Arrangement on the basis of importance: An organization formulated number of objectives to be achieved but while formulating it add an element of priority to each objective. The objectives are arranged in a hierarchical order according to the level of importance, urgency, or priority. The most important or urgent objectives are placed on the top of the hierarchy and demand immediate and necessary actions than the other less important objectives.
f. Coordination: All objectives are formulated in such a manner so that they can contribute towards the main objectives. There is coordination among different objectives, and they do not conflict with each other while they are in process of achievement. If there is no coordination among different objectives then there will be a situation of confusion, conflicts and deviation from the common objective of the organization.

B. Classification of the Objectives:

Objectives can be classified into three main categories which are discussed below:

- **On the basis of the scope:**

a. Primary Objectives: These objectives are formulated for the entire functioning of the organization. Its covers all the departments or divisions of the organization. It depicts the future course of action to be followed by all the departments or divisions. It takes into account the interest of all the stakeholders of the organization such as customers, suppliers, Government, investors, creditors etc. It is holistic in nature. It usually defines the objectives relating to the survival, growth, and modernization of the organization. They are also known as "Strategic Objectives".

b. Secondary objectives: The scope of these objectives is narrow as they are primarily focused on the functioning and problems of a specific department. These are focused on the smooth running of a particular department. They aim at setting the goals, targets and standards of a particular department. They are also known as "tactical objectives".

- **On the basis of the time period:**

a. long term Objectives: These objectives are of big nature and involve a long period of time, usually more than 5 years. These objectives define the missions and aspiration of a particular organization. It is a place or position where a particular organization desires to see itself. For example, a a local or regional company desires to become a national company or operate at a national level. It can include objectives such as entering foreing market, diversification of the business etc.

b. medium term objectives: These objectives are usually confined itself less than 5 years but more than 1 year. These are of medium nature and comparatively smaller in scope when compared to long term objectives. Examples: introduction of new product, entering new market, changing the design of the product, modification in the process of production etc.

c. Short term objectives: These are targets or goals confined to a specific department or division of an organization and are usually achieved within a period of 1 year. It focuses on the targets to be achieved, problems to be solved and the designing strategies for the smooth functioning of a particular department. Example cost reduction in a production department through minimization of wastages or optimum use of raw material, setting the sales objectives of a sales department etc.

- **On the basis of the nature:**

a. Financial or monitory objectives: They are focused on the financial aspects of the organization. They are set to provide financial benefit to the organization and are usually formulated through short term or medium tern objectives. They aim at optimum utilization of the resources of the organization with a view to provide monetary gain to the organization. Example cost reduction in the production process, increase of sales revenue target, reducing the carrying and holding cost of inventory, minimizing the operational cost of a particular department or all departments etc.

b. non-financial or non-monetary objectives: These are opposite of financial objectives. They focus on the non-financial aspects of the organization such as inculcating the culture of the organization in the working of the members, care for the customer, employee and different other stake holders, doing charity, organizing cultural events, assisting in solving social problems. These objectives primarily focus on the improving and enhancing the public image of the organization and at the same time help in the survival and growth of the organization in the long run.

C. Steps in Setting Objectives:

Setting objectives is a vital part of planning process. It is the element which initiates other management functions of the organization. Running an organization without setting an objective is a useless exercise. An objective should be specific (S), measurable (M), achievable (A), realistic (R), and time (T) bound. Hence objective should be SMART objective. Following are the steps in setting up of objectives.

a. Classification of objectives: Different objectives should be classified into long term, short term and medium term according to time duration.

b. Division of the classified objectives: After classifying the objectives should be divided among different departments, divisions or sections of the organization. While dividing the classified objectives, it is important to define the roles, duties, responsibility, and authority of the each department and its member to whom a particular objective is allocated. It is an important step and need a careful and detailed analysis on the part of the management. Necessary modifications should be done in the objectives if found.

c. Assessment of the area to be covered: In this stage, the objectives is to be evaluated and anlaysed so as to check whether it is covering all the important areas of the business. According to Peter Drucker, objectives should mainly cover eight main areas such as market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker's performance and attitudes and public responsibility. This is a vigilant exercise because if any area is missed, then the process of setting objective will go waste. If any area is missed, then it should be added and taken into account.

d. Coordination among the different objectives: It is an important step and it requires proper coordination among different objectives set and divided among different departments. Coordination is required so that there is no overlapping of activities, no confusion, no conflict and each department is aware of the specific task to be done and its contribution to the other department's objectives and to the main or long-term objectives of the organization. Objectives should also be ranked according to the priority level and the time, money and efforts should be allocated accordingly.

e. Reconciliation of the objectives with the external environment: Under this last step, the objectives should be reviewed, and it should be checked whether it is considering all the external elements of the business environment or not. If any element is left it should be taken into account and at the same time should have a flexibility clause so that the changes occurring in the business environment is taken into consideration when needed.

D. Importance of Objectives:

a. Provides Direction: Objectives defines the path or course of action which has to be followed. It helps the managers to put the human, physical and financial resources in a specific direction so that the operations can be run smoothly and can lead towards the achievement of the main objectives. It helps to avoid use less actions.

b. It validates the actions: Objectives helps in to make all the activities of the organization valid and in compliance with legal and public interest. It helps organization to avoid all such activities or actions which can have a negative impact on the public image of the organization. It tries to makes actions in parallel to the interest of the different stakeholders of the business. So, in the long run, it helps the organization from any unnecessary legal and social actions.

c. Assist in coordination: A well formulated objective helps in bringing efficient and effective coordination among the activities and efforts of all members of the different organization. It tries to unify and bring harmony in actions of all departments. It brings consensus between the activities of all departments and the primary objective of the organization.

d. Helps in formulation of standards: Objectives provides guidelines to the course of actions which is to be carried out. It also helps in the formulation of standards which helps in the assessment of the actual performance with the standard performance and thereby identifies deviations so that necessary actions can be taken to correct it. It ultimately helps to monitor the progress and growth of the organization.

e. Source of motivation: A well-defined and formulated objectives always inspires and motivated employees to work hard and increase productivity. It helps employees to work efficiently and effectively so that the targets can be achieved with the stipulated time. Increased productivity and efficiency of employees provides them necessary financial and no financial incentives which increases their morale as well as productivity and therefore ultimately brings organizational peace and increase organization success rate.

2.5.2 Policy and Strategy:

An organization has different functional departments and each focus on achieving its own objectives and at the same time coordination, cooperation and integration is made among different functional departments so that the main objective of the organization is achieved, and it becomes successful. Successful achievement of all objectives of all department and coordination, integration and cooperation is achieved with the help of policies and strategies.

Policies and strategies provide direction to the course of action to be followed. If there is a flaw in formulating policies and strategies, then it will lead to employee dissatisfaction and results will not be achieved and ultimately leads to organizational stress.

Policy is a "way", strategy is a "mean" and planning is aimed at achieving "ends". Overall, these three elements help an organization to achieve a particular objective.

A policy defines and limits the course of action in an organization. It is related with "what" and "why". It is formulated taking into consideration the legal environment, statutory requirement, voluntary codes of practice, conduct and ethics, expectations of the different stakeholders, mission, ideology and cultural aspects of the organization.

A policy is always focused on achieving a particular objective. They reflect the intentions of the organization which they expect to achieve while performing any action or decision.

A Policy consists of the following:

a. It shows the source of mandate and authority about the implementation of the policy.
b. The goals and purpose of the policy.
c. Person or related authority responsible for its implementation.
d. The process through which a policy will be implemented.
e. The procedure to be followed for its clear communication.
f. The standards on which the implemented policies will be assessed.
g. The periodic review of the policy.

A policy should always focus on the mission and objectives of the organization while dealing with any situation, action or decision. It should be mission oriented rather than based or formulated due to unexpected situation or other pressures. It should have an element of accountability, responsibility and cohesiveness with the organization goals.

A policy acts as a discipline stick which instructs employee what to do and what not to do. Eg. "No smoking in production area" gives instructions to the members of the production departments not to smoke.

It always focuses on telling the ways how the objectives can be achieved. It also helps in the proper formulation of the strategies so that the strategies take into account the objectives of the organization. It provides guidance and direction to the action and behaviour of the employees.

It acts as an instruction manual which helps management to take correct decision and helps to solve a particular problem or situation.

A. Characteristics of Policy:

a. Flexibility: Policy should have an element of flexibility so that any changes in the business environment or pressure of external and internal groups can be considered. It should be noted that the policy should not be static, it should be flexible to that extent where the aims and missions of the organizations are not hampered.

b. Effective instrument: A policy helps in the proper and effective implementation of the plans formulated. It helps to realize the real essence of the plan and helps to achieve the objectives of the organization.

c. Detailed procedures: A policy should have an element of detail description and procedures that should be followed in a particular situation. It is peculiar to note that the procedures should be clear and simple so that help the employees of the organization to understand it explicitly.

d. Effectiveness of the change: The policy should be amended only after detailed and logical testing of the effectiveness of the change whether the change will improve the working or make the working of the organization cost effective or not. If the change gives positive results then it can be incorporated in the policy.

e. Periodical review: A policy is periodically reviewed because a policy can be effective in one situation but cannot effective in another situation because situations keep on changing. So, reviewing of policy helps to make it more adaptable and effective to different situations.

f. Discipline: A policy develops discipline in the working and behaviour of the employees which makes them productive and increases job satisfaction in the long run. A disciplined employee attracts various financial and non-financial incentives while undisciplined employee faces penalty and other actions.

g. Brings harmony in actions: A policy provides a detailed procedure for solving any problem under a given situation. Basically, it gives same directions and procedures for the repetitive situations due to which there is always harmony in the actions of the employees.

2.5.3 Strategy:

It involves defining and formulating the specification and detailed actions and prorgammes for achieving the long term objectives of the organization. It helps in the implementation of the policy set. It focuses on the achievement of the overall objectives of the organization.

It includes detailed course of actions and proper allocation of the resources for the achievement of the objectives. Strategy comes into existence when management formulates and finalises the plan of action to be followed for the achievement of the objectives taking into consideration the policies of the organization. Strategies can be stated as "plan of actions" while policy can be stated as the "guidelines" to be observed while planning and implementing actions.

Strategies imply the objectives, missions and planned directions of the organization. It is formulated on the basis of the relationship and interaction between the organization and the elements of the business environment. A proper strategy focuses on the efficient and effective utilization of human, physical and financial resources so as to get an added advantage over competitors and ultimately easily achieve the predetermined objectives.

A. Characteristics of Strategy:

a. It is a detailed plan of action and planned directions to be followed for achieving the predetermined objectives.
b. It implies the implementation of the policy/policies and within a time bound.
c. It is always unique for a particular situation. It is formulated and revised as the situation keeps on updating.
d. It requires the attention of the top management as its involves implementation of crucial decisions which can either give profit or can bring financial loss to the organization.
e. The strategy needs to be parallel to the changes taking place in the external forces of the business environment.
f. It is formulated keeping in view the quantum and efficiency of the available resources of the organisation. It takes into consideration the strength and weakness of the organization.
g. It is formulated taken into account the degree of risk which an organization is willing to undertake.
h. Every strategy is time bound hence, the goal is to be achieved within the stipulated time frame otherwise the effectiveness of the strategy will loose and therefore it has to be reformulated.
i. The efficiency and effectiveness of the strategy can be identified with the results achieved, if results achieved are not according to the standards, then there is a fault in the formulation and the implementation of the strategy.

Table 2.2: Difference between Policy and Strategy

Basis of distinction	Policy	Strategy
1. Meaning	It provides directions and guidance in decision making and expected behaviour.	It is a detailed and logical plan which is focused on the attainment of the predetermined objectives.
2. Type of action	Action principle	Action plan
3. Nature	It is fixed in nature and is altered in few extreme conditions.	It is flexible in nature and is adjusted according to the change in the situation.

Basis of distinction	Policy	Strategy
4. Nature of situation/activity	It is generally formulated for a repetitive situation or activity.	It is specially formulated for a particular situation which is unique and is not previously faced by the organization.
5. Orientation	It is thought and decision-oriented concept.	It is action-oriented concept.
6. Formulation	It is formulated by the top management.	It is formulated top management and middle management.
7. Approach	Closed approach or static approach	Open approach or flexible approach.
8. Aim	It aims at defining what should be done and what should not be done.	It aims at defining the plan of actions and methodology to be adopted for achieving the predetermined target

B. Meaning and Definitions of Decision Making:

Decision making is an important function which is performed by every manager. A decision making is an inevitable from the manager. A person who is taking decision in an organization is identified as a manager. It is a mental exercise which involves use of logic and systematic study of the problem or situation, finding alternatives and selecting the best alternative for the given problem or situation. The result of decision making is reflected by the achievement of the desired goals. The success and failure of an organization depends on the quality of the decision taken by the manager. If the decision-making process has fault then it can bring huge loss or even can lead to the liquidation of the organization in a serious situation. Decision making helps in the optimum utilization of the physical, human and financial resources for the achievement of the desired objective. It is important to note that a manager takes decision regularly for the smooth operation of an organization or a particular department of whom he/she is a head. A manager can finalise a plan or reject a plan, hire or fire an employee, approve or disapprove a proposal, invest or disinvest in a project, give an order, command, select the raw material to be used, finalise the design of a product, finalise the method of production, direct for training of employees, etc all these functions or activities involves or reflect decision making process undertaken by the manager in an organization.

C. Definitions of Decision Making:

According to Mary Cushing Niles, “Decision making takes place in adopting the objectives and choosing the means and again when a change in the situation creates a necessity for adjustments.”

According to Peter F. Drucker, “Whatever a manager does he does through making decision.”

According to George R. Terry, “Decision making is the selection of one behaviour alternative from two or more possible alternatives.”

According to Dalton E. Mcfarland, "A decision is an act of choice wherein an executive form a conclusion about what must be done in a given situation. A decision represents behaviour chosen from a number of alternatives."

According to Cooper, "A decision is a point reached in a stream of action."

D. Characteristics of Decision Making

a. Mental process: Decision making is a mental process as a manager uses his mind intellects to take decision. Decision is taken by the manager on the basis of his education, social, and cultural background, prejudices, experience, rationality, reasoning ability etc. The manager knows the impact of each alternative for solving a problem and he/she selects the best alternatives which gives the maximum benefits at low cost and efforts.

b. Universal application: Decision making process is a part and parcel of every one's life. This act is performed by an individual, household, sole proprietor, partnership firm, joint stock company, cooperative society, political party, army, police, judiciary, non-profit organizations, and many more. It is an essential process and ongoing process. For smooth and successful running of an organization it can't be avoided and there is no alternative option to it.

c. Situation oriented act: Decision making process is molded according to the requirements or changes in the situations or according to the nature of the problem. The face of decision keeps on changing and a special and new decision is taken for a new situation or problem. It is important to note for routine situation or reccuring problem, the nature of decision is same.

d. Evaluation of Alternatives: The peculiar point of decision making is the evaluation and analysis of the different alternatives for a particular situation or problem. During evaluation the cost and benefit of each alternative is taken into consideration, and it impact on the current and future functioning and growth of the organization.

e. Selection activity: Decision making process has an essential element of selection. For doing a particular activity or solving a problem, variety of alternatives are available, but the best and most efficient alternative course of action is to be selected. So, decision making involves the selection of the best alternative course of action on the basis of scientific, logical and rational basis.

It is important to note that the act of selection involves consideration of cost and benefits which means alternative which involves more benefits, and less cost and low efforts are selected.

f. Act of commitment: Decision making process involves a serious commitment on the course of action selected for solving a particular problem or for a unwelcomed situation. Commitment can be long term or short term and the level of commitment depends on the quality, rationality and accuracy of the decision taken. For serious commitment decision should not be taken in a haphazard and irregular way, or in a guess work.

g. Parallel to the objectives: A decision is always taken into consideration the predetermined objectives of the organization. A decision-making process never involves the selection of an alternative which is contrary to the short term or long-term objectives of the organization. Decision making process is always guided towards the achievement of the predetermined objectives of the organization. The Efficiency and effectives of a decision is judged on the basis of the quantum of the objectives achieved.

E. Steps in Decision Making:

Decision making consists of series of interrelated steps and are to be followed in the prescribed way by the manager for solving a particular problem and achieving the objectives. Fault in any step may waste the time and efforts on decision making process and the results will not be achieved as expected. Chart given below shows the six steps involved in decision making:

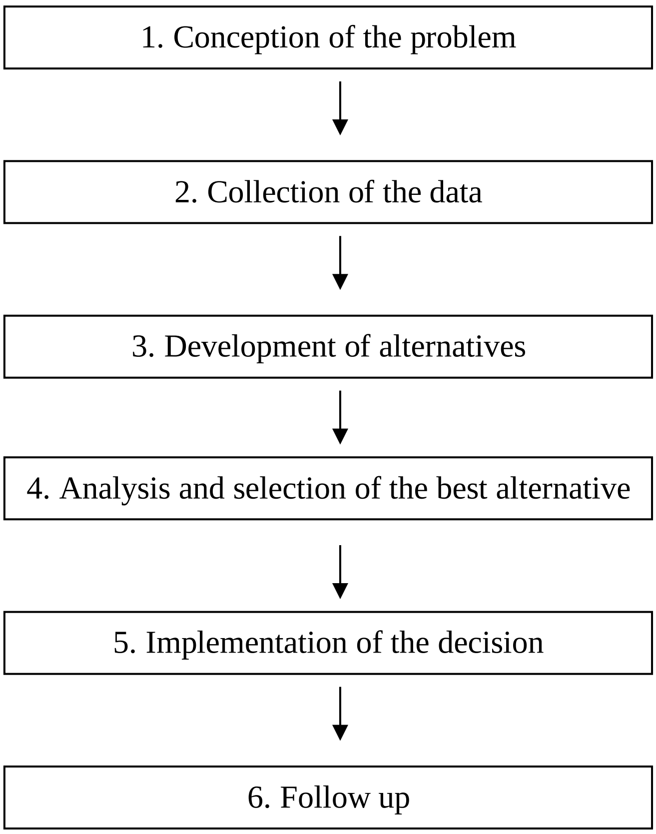

Figure 2.5: Chart Showing the Steps in Decision Making Process

The steps involve in decision making process are discussed below:

a. Conception of the problem: The first peculiar step in a decision-making process is conception of the problem. The decision-making process always directed at solving a particular problem which is currently prevailing or may prevail in future.

It is very important to define the problem clearly otherwise decision-making process will be sheer waste of time and efforts. For defining the problem, it is to be observed and necessary facts and information has to be collected.

For example, increase in cost of production may lead to decision regarding the cost reduction but this may not be the correct decision as problem is not explicitly identified and defined increase in cost may be due to inappropriate product design or plant lay out etc. So, defining the problem is very important and vigilant step-in decision-making process.

b. Collection of the data: The second step in the decision-making process is collection of relevant data pertaining to the problem under study. It is important to note that the information must be reliable, accurate and current. Collection of data helps in giving a clear picture about the problem.

It tells about the causes of the problem, and the impact of the problem on the current and future performance of the organization if not corrected. Collection of data helps in developing different alternatives for solving the problem. Information can be collected from internal sources like sales reports, documents and past decision taken etc. and from external sources through primary data in the form of surveys and other measures. If proper and adequate data pertinent to the problem is collected, the problem is half solved.

c. Development of alternatives: The third step-in decision-making process is development of alternatives for solving a problem or achieving an objective. Development of alternative calls for creativity, imagination, intellectuality, foresightedness and rationality on the part of the manager. The alternatives are also developed on the basis of past experience, past decisions taken, strategies and policies of the competitors, suggestions from the employees, survey of the consumers. It is to be noted that too much alternatives can create confusion and difficulty in the selection of the alternatives.

d. Analysis and selection of the best alternative: This is a vital step-in decision-making process. Different alternatives are evaluated and analysed in the light of possible desirable and undesirable impact on the organization, quantum of time and efforts required, cost to be incurred, benefits to be received, reaction and impact on different stakeholders such as customers, employees, supplier, Government etc, level of risk. On the basis of these analysis and evaluation that alternative is selected which provides maximum desirable impact and benefit and requires less time, efforts, risk and cost. It is to be noted a manager uses his past experience, intuition and experimentation of the alternatives for the selection of the best alternative for a problem under consideration.

e. Implementation of the decision: After the analysis and selection of the best alternative, decision is to be taken and implemented. It is not an easy task. It requires manager to decide the time at which it is to be implemented, how the decision and related policies, procedures, strategies and rules are to be communicated to the employees and to gain acceptance, fixing of responsibility, allocation of necessary resources, facing and solving resistances form the employees and other members of the organization and at the same time developing coordination and cooperation with other departments for the successful implementation of the decision.

f. Follow up: The implementation of decision is not alone can help in solving the problem or achievement of the predetermined objective, the implemented decision needs to follow up. Necessary information regarding the action and performance of the employees is to be collected whether they are working in accordance with the path as decided in the decision. If employees and work is not running in accordance with the prescribed path and method, then necessary corrective actions are to be taken so a control function has to be performed at this step. Furthermore, there should be a feedback mechanism so that the grievance and problems faced by the employees in following the decision can be known and necessary revision can be done in the decision taken.

Types of Decisions:

There are different types of decisions which are discussed below:

a. Programmed and non-programmed decisions: The programmed decisions are generally taken for problems which are of routine/ regular/ recurring and structured in nature. These decisions are taken on the basis of pre-defined rules, policies, procedures and methods.

If such problem arises, only the predetermined standards are followed for tackling or solving it. It does not require use of any special analysis, judgment, evaluation, rational and logical thinking on the part of the manager or employee solving such problems. These are generally taken by lower level or middle level employees or managers. These decisions can be taken for selection and dismissal of the employee, selection of a supplier etc.

On the other hand, non- programmed decisions are taken for extraordinary, non-recurring, unstructured problems. This decision requires extensive analysis, use of different statistical and mathematical tools, opinions of experts, rational and logical thinking. It is generally taken by the top management. These decisions can relate to expansion of the business, introduction of the new product etc.

b. Major and Minor decisions: A decision can be major when it is taken for an important issue. It involves a considerable time, efforts and energy. It involves high risk and high cost such as opening of a new branch, entry into a new market, merger and acusistion etc. It is taken by the top management.

On the other hand, minor decisions are taken for small issues and problems. It involves less time, efforts and energy when compared with major decisions. It involves low risk and low cost. It is generally taken by lower and middle level management. Examples of such decisions are purchase of raw material, time for maintenance of machines etc.

c. Basic and Routine decisions: The basic decision are taken by the top management involving considerable time, efforts, risk, cost, detailed analysis and evaluation, opinions of the experts, survey of the market, experiments and have long term impact on the functioning, survival and growth of the organization. Fault in basic decisions can bring huge loss to an organization and can even lead to its liquidation. For example, decision regarding introduction of new product, investment in a big project etc. These decisions are not repetitive in nature and require long term commitment.

On the other hand, routine decisions are taken for routine or day to day functioning of an organization. These decisions help in the smooth functioning of different departments of an organization. It requires less time, effort and money. It is for short duration and is usually taken by middle and lower-level management.

d. Organisational and Personal Decisions: Organisational decisions are always taken for the benefit and success of the organization. It helps in the achievement of the predetermined objectives. These decisions are taken by the manager due to his/her official power and these can be delegated to the subordinates.

On the other hand, personal decisions are taken by the manager at an individual level and are basically taken for the achievement of the personal goals. These decisions cannot be delegated to others.

e. Policy and Operating decisions: Policy decisions are taken by the top management and are very vital and impacts the whole organization. The decisions are in regard to formulation of different policy which may be rigid or flexible and it gives direction and defines the limit and way the action or problem is to be solved. On the other hand, operating decisions are taken by the middle and lower-level management for the smooth functioning of particular departments. Each head of department takes their own operating decisions. It is important to note that operating decisions are taken while taking into consideration the policy decisions taken by the top management.

f. Individual and Group decisions: Individual decisions are taken by the owner or the manager of an organization. It requires less time, energy, efforts and cost. These are less risky and do not involve consensus of others.

On the other hand, group decisions are taken by the group such as board of directors of a company, or a special committee of an organization formed for a special purpose. These group decisions are vital and requires considerable time, effort, energy and cost. It decides the fate of the organization. It requires consensus of all the members of the group other wise decision cannot be taken. It is a time-consuming process and usually leads to conflicts due difference in opinions of the members of the group.

F. Significance/Importance of Decision Making:

a. Increased Employee motivation: If the decision is properly communicated and it helps organization to achieve its targets, then the motivation and loyalty of the employees in the decision-making process is increased. Employees gets financial and non-financial incentives on the successful implementation and abidance of the decision taken. It is important to note that decision making should be rational and logical and its benefits for the organization and its employees should be clearly communicated so as to increase its acceptance.

b. Optimum utilization of resources: A well thought and systematic decision helps in the efficient and effectives utilization of all the resources of the organization. While taking a decision, its impact on all the resources of the organization are taken into consideration. An effective decision is one which engage all resources and no resources is left idle or unutilized or underutilized. It helps in optimum utilization of men, materials, methods, money, machines and methods so as to reduce cost and become competitive in the market.

c. Facilitates efficiency: A rational and systematic decision helps in increasing efficiency by getting maximum output with minimum inputs of all the resources of the organization. It focuses on increasing the return from an investment. It helps to make every task cost effective and thereby increases the quantum of profits.

d. Goal achievement: A decision making process is always directed on the accomplishment of the goals whether it is long term or short term. It achieves the desired goals by systematically analyzing the problem and the various alternatives available for it. It achieves the goals by selecting the best alternative course of action and periodic review and monitoring of the decision and the actual course of action.

e. Business growth: A business can grow when it scans it external environment and identify the available opportunities and threats. A sound and quick decision-making process makes the best use of the available opportunities instead of losing them to the competitors and takes appropriate actions against the upcoming threats. So, in this way, decision making process helps in the growth of the business and makes it more competitive in the market.

f. Provides remedy for the problems: A sound and rational decision helps in defining and analyzing the problem faced by the business. It identifies different alternatives for it and chose the best one which requires minimum efforts, time, money and energy and provide maximum benefit and has least adverse impact. It provides strength and confidence to business for facing any problem and reduces fears.

g. Encourages innovation and creativity: Decision making process encourages the managers to become innovative and bring creativity in thinking process so as to take rational and sound decision. It helps to bring new changes in the organization by eliminating old and obsolete ideas and way of thinking. Due to innovation and creativity, new products are launched, new methods of production are introduced, new skills are imparted to the employee for improving their productivity etc.

h. Essence of management functions: Decision making process is an inevitable part of the management function. It is required in every management function of an organization. In planning it can be seen as a decision on selection of an alternative for the achievement of the objective; in organising, decision can be seen which, what and from where the resources are to be acquired, its application and type of organization structure to be made; in directing, decision is taken regarding the style of leadership, communication method, motivation methods to be followed and applied; in staffing, decision can be seen as which staffing techniques to be selected for the acquisition, training, development and performance appraisal of the employees and in coordination, decision can be seen as how the coordination is to be maintained among all the functions and activities; in controlling, decision can been seen in context of the formulation of the standards for performance appraisal.

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Unit 3

Organizing: Concept, Objectives, Nature of Organizing, Types of Organization, Delegation of Authority, Authority and Responsibilities, Centralization and Decentralization Span of Control

3.1 Organizing:

Organising is a subsequent function executed by the management. It is the subsequent function of management following the process of planning. During the planning phase, both long-term and short-term goals are established. To achieve these goals, the process of organising is implemented. This function is crucial and intricate. The process entails identifying various activities, assigning them to different units, divisions, and departments, defining and allocating positions within the organisational structure, delegating authority and responsibility within the hierarchy, ensuring proper coordination and cooperation among all members and departments, and facilitating smooth communication and information flow. These duties are carried out within an organisation, where its members collaborate and coordinate their efforts to achieve the organization's objectives.

The organising process involves the identification and categorization of operations to be performed, the establishment of a hierarchical structure and communication channels, the assignment of power and responsibility, and the coordination of all departments. Various authors have provided distinct definitions of organising, however all convey the same notion stated before. These definitions are as follows: Organising refers to the process of creating productive interpersonal connections between individuals, enabling them to collaborate effectively and derive personal fulfilment while performing certain activities within a given setting, all with the aim of accomplishing a desired goal or target.

Attributed to George R. Terry

"Organising refers to the systematic arrangement and categorization of the activities within a business, as well as the establishment of the hierarchical relationships between them."

The author of this quote is Theo Haimann.

An organisation is a cohesive group of individuals who collaborate to achieve specific objectives.

The name is McFarland.

"Organising a business entails supplying it with essential resources such as raw materials, tools, capital, and personnel to ensure its smooth operation."

"Management is the art of getting things done through people." - Henri Fayol

An organisation is a collective of individuals who collaborate under the guidance of leaders to achieve a shared objective.

– Ralph C. Davis

3.1.1 Nature/ Characteristics of Organising:

a. Work allocation: Within the framework of organising, all tasks that will contribute to the accomplishment of the goals are recognised and subsequently distributed across various departments/divisions/sections of an organisation. Specialisation facilitates efficient workflow, leading to increased staff productivity and reduced wastage and idle time.

b. Shared objectives: Organising is distinct in that it requires all employees from various departments/divisions/sections to engage in actions that contribute to the attainment of a single goal. Its primary objective is to guide and coordinate the actions of all individuals inside the organisation towards a shared objective.

b. Coordination: Organising facilitates the establishment of coordination among the activities or actions of all members across various departments/divisions/sections, ensuring a seamless flow in operations, fostering team spirit, unity, and ultimately the accomplishment of the organization's objectives.

c. Authority and responsibility: In the process of organising, positions are established in a hierarchical manner, with each position being assigned to members of the organisation. In order to ensure that members of an organisation accomplish their assigned tasks effectively, each member is given specific authority and responsibility, and is held accountable for any subpar performance. Authority enables a manager to effectively delegate tasks to subordinates, while responsibility fosters a sense of dedication and accountability towards task fulfilment.

d. Collective: In the process of organising, an organisation is formed, comprising a collective of persons who collaborate to accomplish predefined goals. An organisation cannot operate effectively with just one people; it requires a group of individuals to whom work, power, and responsibility can be transferred.

e. Organising as a Management Catalyst: Organising can be likened to an engine in the realm of management. Just as a motor vehicle cannot function without an engine, a faulty engine also renders a motor vehicle inoperable. Similarly, organising entails the establishment of different job roles, division of tasks, delegation of authority and responsibility, and a prescribed chain of communication. If there are any flaws in the organisation of these functions, the management's efforts will be unsuccessful, resulting in the failure to achieve the predetermined objectives.

f. Universal function: Organising is a ubiquitous activity that is carried out in both profit-oriented and non-profit organisations. The complexity of the organising function increases in large organisations compared to small organisations. The organising function is evident in several types of organisations such as commercial organisations, schools, colleges, universities, armies, government organisations, hospitals, and charitable institutions.

g. Flexibility: The organising function possesses a degree of flexibility, allowing its components to be modified in response to changes in the internal and external environment. It possesses inherent flexibility, which is crucial given the ever-changing nature of both the internal and external environment.

3.1.2 Steps in Organising Process:

The organising process involves seven important steps which needs to be followed for the smooth functioning and performance of the organization.

Adherence to these seven steps helps in the accomplishment of the strategic and operational objectives within the set time frame and that too efficiently and effectively.

These seven steps can be shown in the chart given below:

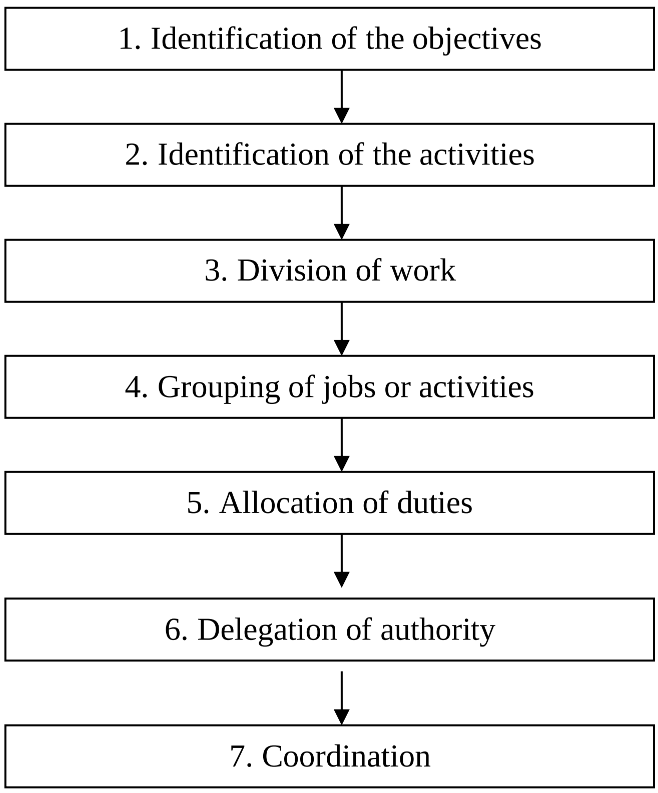

Figure 3.1: Steps in Organising Process

a. Identification of the objectives: This is the initial stage that must be determined, as the foundation of the organising process is in the aims of the organisation. Objectives establish and facilitate the path of action required to get a desired outcome. Furthermore, it aids in the assessment and selection of both strategic and operational choices. The setting of objectives occurs within the "planning" function of management.

b. Activity identification: The second step in the organising process involves identifying all the activities that will contribute to the accomplishment of the objectives. It is crucial to consider the organization's objectives when identifying the activities.

c. Work allocation: Once all the activities or total work have been identified, they are separated into smaller tasks or assignments. Within an organisation, these tasks that are little or fragmented are allocated among the various members of the organisation, as it is not feasible for a single individual to accomplish all the work. It facilitates the cultivation of expertise and enhances the efficiency of personnel, ultimately benefiting the organisation. It enhances the cost-efficiency of the production process and strengthens the organization's competitiveness in the market.

d. Job or activity categorization: In this stage, similar tasks or activities are classified and assigned to the appropriate department. Activities are categorised based on their inherent characteristics, roles, and other relevant factors. It enhances the efficiency of the management system. Each department concentrates on the activities assigned to it and further subdivides them to ensure efficient departmental performance. For example, all actions pertaining to the creation of a product are categorised and assigned to the production department, whereas all activities related to the sale and promotion of goods or services are grouped under marketing activities and assigned to the marketing department. Grouping can be categorised as primary and secondary. Primary grouping involves categorising activities based on the organization's functions, such as sales, production, finance, marketing, and the items manufactured. Secondary grouping, on the other hand, involves categorising activities based on factors like geographical region, nature, and kind of clients.

e. Allocation of duties: Under this step, group of activities are assigned to the different places in the organization for the efficient performance. Assigning these grouped activities to each position facilitates the identification of the necessary qualifications, abilities, talents, and experience required by the individual who will occupy that post. Every job is occupied through careful selection, training, and development, considering the specific requirements of the role in question. For example, the product department necessitates a production manager who must possess the requisite technical knowledge and competence for the production process.

f. Delegation of authority: It is a crucial phase in organising process, under this, the holder of the post i.e. the manager is given suitable authority so that he can execute work and get work from his/her subordinates efficiently and effectively. For example, a production manager is granted the power to make decisions about the choice of raw materials in terms of both quality and quantity, the organisation and order of production processes, quality control, and the establishment of production goals. It is crucial to acknowledge that authority should be accompanied by accountability. Authority and accountability are interdependent; without responsibility, a manager may misuse their power or fail to carry out their work diligently, and without authority, work cannot be executed with optimal efficiency and effectiveness. Managers assign their authority to their subordinates, so making them responsible for the delegated tasks. Hierarchical structures follow a top-down flow of authority, with the content of authority diminishing as it descends to lower levels. It develops superior subordinate connection and establishes communication channel.

g. Coordination: The final stage of the organising process, coordination aims to provide coherence and efficiency across all departments within the organisation. Understanding the interdependence across departments is beneficial for each department. Coordination is fostered both intra-departmentally and inter-departmentally. Every action of each member is synchronised at both the departmental and organisational levels to ensure the seamless and effective attainment of predefined objectives.

3.1.3 Significance/ Importance of Organising:

a. Specialisation: Under organising, an organization gets the benefits of specialisation of employees. All activities are divided into small jobs and are delegated to the desirable and competent employee who in turn get expert by doing the same job every time. Specialisation leads to increase in productivity of employee due to less time and effort due to repetition of the same job.

b. Optimum utilization of resources: Under organising, all activities are identified for the smooth operation and achievement of the objectives of the organization. Due to identification of all activities no activity is left and all activities are divided among different employees taking into consideration the avoidance of duplication of work. All the resources are acquired and put to use after careful consideration of the future course of action and objectives set by the plan due to which there is optimum utilization of all resources like men and women, machine, material, money, etc.

c. Coordination and cooperation: Organising helps in maintaining proper coordination and cooperation among all departments and all employees. It also instills coordination and cooperation at each department level. Due to clear work relationship, each employee know who is the superior, whom to report, prescribed channel of communication to be observed, authority and responsibility, all this helps to eliminate confusion and conflicts in the organization. Managers knows the quantum of authority and responsibility he/she has and amount of authority and responsibility to be delegated to subordinates for the accomplishment of desired amount of work.

d. Growth and development of personnel: Under organising, employees are given regular training opportunities so that they can improve their skills and knowledge which increases their productivity and helps in reducing the cost and maintaining the quality of the output. Organising instills creativity and innovation in the employees through delegation of authority from the managers and helps them to prepare for future managerial jobs.

e. Dynamic in nature: A good organising process has an element of dynamism which helps it to adopt according to the changes in the external environment as well as internal environment. There are several changes that takes place in the external environment such as change in technology, taste and preference of customers, strategies and policies of competitors, change in work methods and production process etc. at the same time changes takes place in internal environment such as separation of employees, strike by employees, dissatisfaction with the pay, work environment, work standards etc. All these factors facilitate the changes in the organization structure and if it is flexible will easily adopt these changes and bring success to the organization.

f. Sense of security: Organising process divides all the work according to the plan and there is systematic development of organization structure, clear definition of work to be performed, position to be held, authority and responsibility, superior and subordinate relationship etc. All this develops sense of security among all the members of the organization due to clarity in the all aspects related to the work performance.

g. Support to Management: Organising process helps the management to define all work and actions of the members according to the objectives of the organization. It helps management to direct all members to work with integrity and increase productivity. It helps managements to take time actions and revision in the organising process in context of change in business environment.

3.2 Types of Organization:

Organisation consists of all individuals which together so that the common objectives of the organization is achieved. A well designed organization helps in the efficient and effective operation of all the activities which will help in its survival and growth.

It focuses on avoiding and eliminating duplication of work, confusions and delays related to the job. According to Haimann, “Organisation is the structural framework within which various efforts are coordinated and related to each other.”

Organisation focuses on directing the efforts of all the members towards the common goal of the organization. It has been rightly defined by Mc Farland, “An identifiable group of people contributing their efforts towards the attainment of goals is called organization.”

Organisation includes a network of relationship among the members working in it. These relationships can be formal as well as informal. So, on the basis of relationship among members, organization can be of two types:

- Formal Organisation.
- Informal Organisation.

3.2.1 Formal Organization:

Formal organization is an organization which is deliberately created by the top management. It clearly defines the quantum of authority and responsibility held by each member in the organization. All the members know whom to receive order and whom to give order.

This organization has well defined policies, rules, regulations, procedures, methods which every member has to comply with. It is an official and disciplined organization under which focus is on directing the efforts of all the members along with the blend of cooperation and coordination for the attainment of the objectives of the organization.

Under this prescribed hierarchy is followed for communication and decision making process. Here a manager has the authority and responsibility to get work done from subordinates as per the plan.

Manager also delegate some authority and responsibility to the subordinates for the smooth performance of the work assigned. According to Chester Bernard, “An organization is formal when the activities of two or more persons are consciously coordinated towards a common objective.”

A. Characteristics of Formal Organization:

a. Defined relationship: Under formal organization, every member knows whom to give orders and whom to receive orders. There is a prescribed chain of command and communication. Due to clear definition of relationship of authority, responsibility, superior-subordinate relationship, there is no element of confusion and conflicts among members.

b. Systematic functioning: Under formal organization, all activities are performed, and decisions are taken by strict adherence to the rules, regulations, policies, procedures and methods formulated by the top management. It is important to note the predetermined objectives of the organization are also taken into consideration during the performance of formal organization.

c. Division of work: Under formal organization, all the activities which can assist in the achievement of the objectives of the organization are identified and divided into small and convenient jobs which are allocated to the different departments and ultimately to each of its members. It also takes into consideration the observance of proper coordination and cooperation among different departments and its members.

d. Deliberate creation: Formal organization is created by the top management deliberately and is strictly followed by each member of the organization so that the various objectives of the organization can be achieved. It is important to every member to follow the structure and related aspects of formal organization.

e. Stability: Formal organization is quite rigid in its nature and is not easily modified due to the personal satisfaction and wishes of its employee. If an employee does not like it he/she can leave the organization but the formal organization will be rigid and stable.

f. Impersonal: Formal organization gives more priority to work rather than the personal feelings and social needs of the employees. If an employee has work related issues he/she can follow the prescribed channel for the communication of his/her grievances. Discipline is an essence of formal organization.

B. Merits of Formal Organization:

a. Accountability: Under formal organization, all members are accountable for the work assigned and they have to provide reasons for the deviation in their actual work from planned work. Authority and responsibility are clearly defined and all members are vigilant in the performance of their work and hence avoid indiscipline and ineffieincies.

b. Avoidance of duplication of work: Under formal organization, all necessary activities are identified and allocated as per the objectives of the organization. While allocating work unnecessary and duplicate work are identified and eliminated which makes the work efficient and effective.

c. Unity of command: Under formal organization, subordinates get order from one superior only due to which confusion, conflicts and division of loyalty are avoided. Unity of command is followed by observing the principle of scalar chain which shows the prescribed hierarchy of command and communication.

d. Provides stability: The main crux of formal organization is the observance of the prescribed rules, regulation, authority and responsibilty relationship. All members direct and confines their behaviour and action in accordance with these established protocols due to which there is stability in the activities and in the organization.

e. Achievement of goals: Under formal organization, all actions and activities are strictly in accordance with the pattern set in the plan due to which it helps in the achievement of the goals of the organization.

C. Demerits of Formal Organization:

a. Suppress creativity and talent: Formal organization is operated on the prescribed rigid rules, regulation, methods and procedures due which member of an organization is compelled to work as per these rules and regulations and they are not allowed to show and use their creativity and talent in performing the assigned work. All this leads to underutilization of the creativity and talent of the employees.

b. Delay in decision making: Under formal organization prescribed chain of command, authority and communication is followed for taking any decision. Due to all this, the process of decision making becomes time consuming and ultimately leads to the increase side effects of the problem or loses of the business opportunity to the competitors.

c. Absence of informal relationships: Under formal organization, all relationship between superior and subordinates and between superior to superior and superior with the management is clearly well defined along with the certain limitations and protocol in the relationships and there is no development of informal relationship in this organization by the top management due to which social needs of the employees, sharing of knowledge and experience with each other is avoided which leads to conflicts, confusion, job dissatisfaction and increase employee turnover.

d. Incomplete picture: Formal organization does not show the complete picture of the working of an organization as it depicts that the organization is smoothly managed with the principles of formal organization but it in practice, an organization is well operated with the co-existence of both formal and informal organization.

3.2.2 Informal Organisation:

It arises in a formal organization where members develop their social group on the basis of common taste, interest, goals, religion and other aspects. It arises spontaneously and is emerges due to the fulfillment of the social needs of the members of the organization.

Under this, each member helps each other to solve problems, share their personal and professional problems and challenges, enjoy and celebrate together, sometimes resist together against the policies, decisions and other job-related aspects with the management.

These social groups have an element of friendship, brotherhood, cooperation, harmony and groups norms. It is important for each member of the informal group to follow the norms set by the group.

These social groups formed are not formed by the top management. These groups have no hierarchy, superior subordinate relationship, no authority and responsibility. These groups help to satisfy the psychological and social needs of the members of the formal organization. These groups sometimes guide the behaviour of its members and the way of doing the assigned jobs. The network of these social groups in a formal organization is known as "informal organization". Example, managers of few departments form their informal group.

Few employees of different department or in the same department form their informal group. Employees having interest in cricket match form their own informal group for satisfying their cricket interest goals. The membership of this group is voluntary in the sense that members can join and leave the group as per their wish. Flow of communication is fast in this group and sometimes there are more chances of rumours spread through this informal group.

According to Chester Barnard, "That Organisation is informal where the mutual relations are established unconsciously for common objectives."

According to Keith Davis, "Informal orgnisation is the network of personal and social relationships not established or required by formal organization."

A. Characteristics of Informal Organization:

a. Facilitated by formal organization: Informal organization is not deliberately created by the top management; it is formed when a formal organization comes into existence. If there is no formal organistion, then there is no existence of informal organization. It is due to formal organization, members interact with each other in respect of their work and other aspects and gradually they develop informal groups on the basis of their common needs, interest and social needs.

b. Personal aspect: Informal organization is based on personal feelings and it gives due importance to the personal feelings, emotions, needs, interests, likings, disliking, brotherhood etc. Informal groups norms are formed taking into consideration the personal aspects of its members.

c. Membership is voluntary: Informal organization has voluntary membership, any one can becomes the member of the informal group on the assertion of the existing members and any member can leave the group if his/her needs or interest clashes, or due to other reasons. All this make informal organization instable in nature.

d. Free flow of communication: Under informal organization, the members of each groups have no superior subordinate relationship or authority and responsivity aspects and it does not matter to the group members regarding the position held by the member, power, salary etc.

All this leads to free flow of communication. No prescribed hierarchy is followed for communication in the informal groups, every member is free to express his/her opinion, grievances etc.

e. No existence in the organization chart: Informal organization is not created by the top management; hence, it does not find any place in the organization charts and manuals. No information can be accessed about the informal group in the official records of the organization.

f. No written group norms: Informal organization has group norms which are decided, agreed and abides by each of its members. There is not strict and written rules and regulations of it. If a member thinks that the rules are contrary to his/ her interest, then he/she can leave the informal group due to the voluntary membership or can suggest for modifications.

g. Not created by top management: One of the peculiar characteristics of informal organization is that it is not created by the top management. It is created by the members of the formal organization on the basis of the common interest, likings etc. It is created for satisfying the social and psychological needs of the members of the formal organization.

B. Merits of Informal Organisation:

a. Job Satisfaction: It has a powerful influence on the productivity and job satisfaction. It also gives stability to workgroups. It is the means by which workers feel a sense of security and belonging. This sense of feeling retains them in the formal organization and thus turnovers reduced and productivity increases.

b. Meet the personal need: It is a social structure formed to meet personal needs of the members of the group. Such needs cannot be met by the formal structure. The formal organization cannot take account of the sentiments and values residing in the social organization by means of which, individuals or groups of individuals are informally differentiated, ordered and intergraded.

c. Effective work system: Informal organizations are complementary to formal organization. They blend with formal systems to make an effective system for getting the work done. Formal systems to make an effective system for getting the work down. Formal plans and policies cannot meet every problem in a dynamic situation because they are pre-established and inflexible. An informal relation can better meet certain requirements of the formal organizations because they are spontaneous and flexible.

d. Lighten management workload: Informal organizations are to lighten the workload on the management. When management is sure that informal organizations are with them, they feel less compelled to have a check on the workers frequently. Managers unhesitatingly delegate and flexible. Dublin has rightly said, “Informal relations in the organization serve to preserve the organization from the self-destruction and would result from literal obedience to the formal policies, regulations, and procedures. Startle observations are also worth noting.

e. Good communication: The Informal organization is a useful channel of communication because it is developed y the members of the group. They remain in close contact to each other and know what is going to open before the formal communication reaches them and they can chalk, decentralize their authority because they are aware of the cooperation, of the workers.

f. Fill the gaps of Management ability: Following the same line of thought informal organization may fill in the gaps in a manger’s ability, if suppose, a manager is weak in planning ability, members of informal group help in correcting the defective plans by making their valuable suggestions and improve them in implementation also. Gives satisfaction and stability to work groups: The significant benefit of the informal organization is that it gives satisfaction and stability to workgroups. It is the means by which workers feel a sense of belonging.

C. Demerits of Informal Organization:

a. Resistance to Change: It is very difficult for management to bring changes in the organization if the informal organization opposes them. Such resistance may restrict growth of the organization.

b. Creates Rumors: Sometimes informal organization becomes a disturbing force, which can go against organizational interests, e.g., spreading rumors in the organization.

c. Lack of specialization: It is based on the mutual relationships rather than on division of work as anybody can talk to any person in any department with regard to any topic. Hence, specialization is not possible.

d. Conformity: Informal organization exerts strong pressures for Conformity. Conformity can make group members reluctant to act independently, creatively or imaginatively, for fear of losing group approval and membership. Informal group leaders sometimes manipulate the group toward undesirable needs. They may pose roadblocks for the competent people.

Table 3.1: Difference between formal and informal organization:

Basis of distinction	Formal Organization	Informal Organization
1. Meaning	Formal Organization may be defined as such organization in which authority, responsibility and accountability of each member are clearly defined.	Informal organization may be defined as such organization in which authority, responsibility and accountability of each member are not clearly defined.
2. Aim	The aim of establishing formal organization is to achieve pre-determined goals of an enterprise	The aim of establishing informal organization is just to fulfill the psychological and social needs of its members.
3. Firmness	Formal organization is generally more firm in comparison to informal organization, because it is established according to proper rules and regulations for achieving certain goals.	Informal organization is not as firm as formal organization, because it is established, in the lack of proper rules and regulations.
4. Essential	Formal organization is generally more essential in every organization, in comparison to informal organization due to its firmness.	Informal organization is not as essential to every organization as formal organization due to absence of proper suitability.
5. Size	Formal organization is generally too large in size, in comparison to informal organization.	Informal organization is generally too small, in comparison to formal organization.
6. Creation	Formal organization is created on the basis of proper rule and regulation, where authority, responsibility and accountability of each member are clearly defined.	Informal organization is created spontaneously. It doesn't require any rule and regulation to emerge.
7. Need of organization chart	Organization charts is needed to show formal organization.	There is no use of organization charts in informal organization.
8. No. of members	There is long list of members in this organization for achieving certain goals of organization.	In informal organization there is short list of members due to lack of certain goals.
9. Leader	In formal organization, generally managers are the leader of organization and so, each and every activity is done under their guidance.	In informal organization generally leader is elected by the members and so, each and every activity is done by members under his guidance.

Basis of distinction	Formal Organization	Informal Organization
10. Flow of authority	In formal organization generally authority flow from top to bottom vertically over the subordinates and responsibility goes from bottom to top over superiors.	In informal organization everyone has equal rights and duties, so there is horizontal flow of authority in this organization.
11. Types of Communication	In formal organization generally written or formal communication takes place to express the orders, views and feedback etc	In informal organization generally oral or informal communication takes place to express the orders, views and feedback etc.
12. Relationship	In formal organization each and every member has impersonal or formal relationship with each-other due to bound in rules.	In informal organization each and every member has informal or personal relationship with each-other due to equal rights.
13. Scope	The scope of formal organization is broader, in comparison to informal organization.	The scope of informal organization is narrow in comparison to formal organization.

3.3 Organisational Structure:

An organization is a social unit of individuals that is designed and managed to achieve common goals. As such organizations are open systems that are greatly affected by the environment, they operate in. Every organization has its own typical management structure that defines and governs the relationships between the various employees, the tasks that they perform, and the roles, responsibilities and authority provided to carry out different tasks. An organization that is well structured achieves effective coordination, as the structure delineates formal communication channels, and describes how separate actions of individuals are linked together.

Organizational structure defines the manner in which the roles, power, authority, and responsibilities are assigned and governed, and depicts how information flows between the different levels of hierarchy in an organization. An organizational structure is defined as “a system used to define a hierarchy within an organization. It identifies each job, its function and where it reports to within the organization.” A structure is then developed to establish how the organization operates to execute its goals.

3.3.1 Designing Organization Structure:

An organization structure should satisfy the requirements of the business. It should ensure optimum utilization of manpower and different functions should be properly performed. There is a need for harmonious relationship among persons at different positions. Designing of a structure is an important task and it should be undertaken carefully.

Steps Essential for Designing Effective Organization Structure:

A. Recognizing activities:

The activities which are required to be performed in achieving organizational objectives should be identified. The functions to be performed for achieving different goals should be ascertained and activities relating to these functions should be identified. The major activities are classified into a number of sub-activities. While identifying activities it should be borne in mind that no activity has escaped, there is no duplication in activities and various activities are performed in a coordinated way.

B. Classification of Activities:

The closely related and similar activities are grouped together for departments, divisions or sections. The co-ordination among activities can only be achieved through proper grouping. The grouped activities can be assigned to different positions. The assignment of activities to individuals creates authority and responsibility. The authority is delegated to the lower levels of various departments and responsibility is fixed.

C. Delegation of Authority:

Delegation is the act of assigning responsibility to others in order to accomplish tasks in an administrative setting. When new jobs are established inside the organisation, tasks and responsibilities are delegated to individuals filling these roles. Authority is necessary for doing tasks. The authority is assigned to different individuals based on the allocation of responsibilities. Delegation establishes a hierarchical structure inside the organisation, determining the formal interactions between individuals and specifying the distribution of authority.

Features of Good Organizational Structure:

The subsequent are the characteristics of an effective organisational framework:

a. Unambiguous Chain of Command: There must be a distinct and unequivocal hierarchy from the highest level to the lowest level. The delegation of authority should be carried out gradually and in accordance with the specific tasks allocated. It is essential for every member of the organisation to have a clear understanding of their assigned tasks and the level of authority granted to them.

b. Adequate Delegation of Authority: The delegation of authority should be proportional to the allocated responsibility. If the level of power is insufficient to do the designated assignment, the work will remain unfinished.

Occasionally, managers delegate tasks to their subordinates without granting them adequate authority, which indicates a deficiency in their decision-making skills. An insufficient or ineffective authority figure can pose challenges for subordinates, since they may struggle to successfully complete the assigned duty.

c. Limited administrative hierarchy: Whenever feasible, it is advisable to establish a minimal number of management levels. The greater the number of these tiers, the more delays there are in communication. The process of communicating decisions from higher levels of authority to lower levels will require additional time.

Likewise, it will require a significant amount of time for information from lower levels to reach the top. The quantity of managerial tiers is contingent upon the characteristics and magnitude of operations. There is no fixed number of levels that can be established for any issue, but it is important to make an attempt to reduce them to a minimum.

d. Streamlined and Adaptable: The organisational structure should be characterised by a high degree of simplicity. Excessive degrees of management should be avoided. An effective framework should strive to eliminate any ambiguity and perplexity. The system should possess adaptability to accommodate evolving requirements. An expansion or diversification may necessitate the reclassification of roles and responsibilities. The organisational structure should possess the capacity to assimilate new modifications without modifying the fundamental components.

e. Span of Control: Span of control pertains to the quantity of individuals that a manager can directly oversee. An individual should oversee a limited number of subordinates with whom they can maintain direct communication. The number of individuals requiring supervision may vary depending on the specific characteristics of the task at hand. It is imperative to ensure effective supervision in order to maintain a well-organized group, as failure to do so may result in inefficiency and subpar performance.

3.3.2 Types of Organizational Structure:

The types are:

A. Line Organization
B. Line and Staff Organization
C. Functional Organization
D. Committee organisation
E. Project Organization
F. Matrix Organization

A. Line Organisation:

Line organisation is the simplest and oldest form of organisation structure. It is called as military or departmental or scalar type of organization. Under this system, authority flows directly and vertically from the top of the managerial hierarchy 'down to different levels of managers and subordinates and down to the operative level of workers.

Line organisation clearly identifies authority, responsibility and accountability at each level. The personnel in Line organization are directly involved in achieving the objectives of the organization.

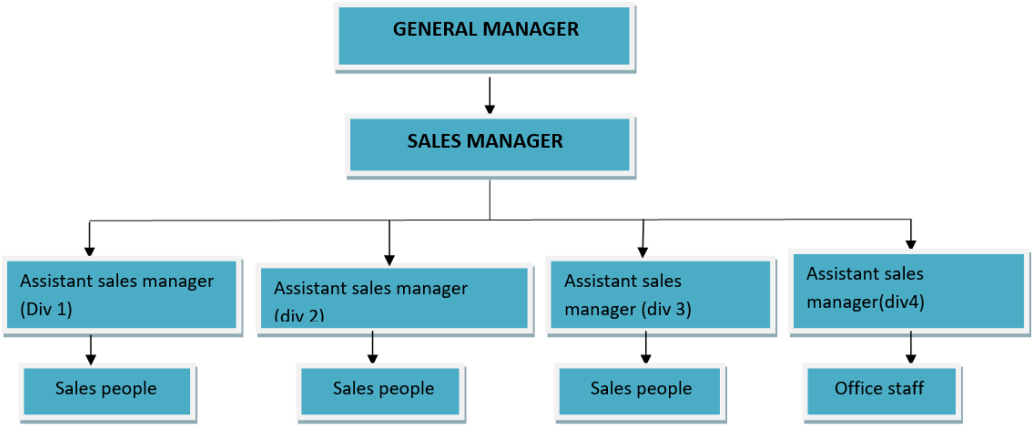

Figure 3.2: Line Organization

Advantages of a Line Organization:

- Easy to work.
- Economical and effective. It also allows quick decisions and efficient coordination.
- Conforms to the scalar principle of organization. Further, it promotes the unity of command.
- In a line organization, the responsibility for the performance of tasks is fixed upon definite individuals. Therefore, there is accountability of delegated tasks.
- There is excellent discipline in a line organization due to unified control and undivided loyalties.
- The overall cost of running the organization is low due to the non-involvement of staff personnel.
- It is a stable form of organization.

Disadvantages of a Line Organization:

- Such organizations usually suffer from a lack of expert advice. If the line manager has trouble making a decision, there is no expert staff that he can turn to.
- A line organization can suffer from a lack of specialization. This is because each department manager is concerned only with the activities of his own department. Therefore, employees are skilled in tasks pertaining to their departments alone.
- These organizations can overburden a keyman or a few key-men to the extent of their breaking point. Also, in the absence of a staff aid, if a strong man seizes the organization, he can run it arbitrarily. Such arbitrary power can lead to a considerable damage to the organization.
- Such organizations might also encourage nepotism or favoritism based on relationship or friendship.
- It might stop progress and prevent the unit to work effectively.

- A line organization is usually rigid and inflexible. In fact, such organizations maintain discipline so rigorously that they can rarely change.
- These organizations are based on the autocratic system of management.
- The division of work is not based on any scientific plan but on the whims of the manager.

B. Line and Staff Organization:

The line and staff organisation is a refined version of the line organisation, characterised by increased complexity compared to the latter.

According to this administrative organisation, specialised and supportive operations are integrated into the chain of command by assigning staff supervisors and staff specialists who report to the line authority.

The authority to make decisions and provide orders is always held by the line executives, while staff supervisors provide guidance, advise, and counsel to the line executives.

The role of Personal Secretary to the Managing Director is that of a staff official.

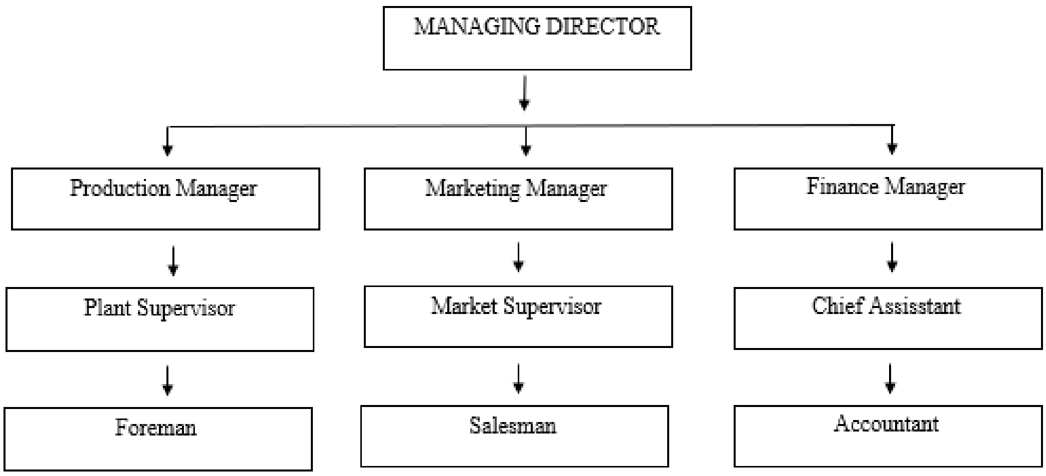

Figure 3.3: Line and Staff Organization

In a line and staff structure, the administration of business units is separated into two main divisions: the staff, which is responsible for planning, and the line, which is responsible for executing the task.

The personnel is connected to the line to enhance the line's efficiency in carrying out its responsibilities. This system effectively differentiates between the two facets of administration, namely planning and implementation.

Types of Staff:

The Staff may be of three types:

a. Personal Staff: Personal staff members are assigned to specific line officers on an individual basis. Personal assistants, private secretaries, and similar roles comprise the personal staff of line managers. These individuals assist their superiors in every conceivable manner. The day-to-day tasks of line officers are primarily delegated to their personal staff.

They schedule regular meetings, handle incoming mail, organise schedules, and accompany the supervisor on official trips. The line officers are exempt from mundane tasks and are able to allocate a significant amount of time to strategic planning and implementation.

b. Expert Personnel: These individuals possess advanced technical qualifications and offer their services to the entire organisation. They assist line and other staff members in the process of planning, arranging, and coordinating their work. Their expertise is a valuable advantage for the company. The employment of a legal advisor can provide assistance to any department in need of his counsel.

c. General Staff: The General Staff comprises individuals who are assigned to the primary executives. They possess an identical background to that of line officers. They are appointed as deputies to prominent officials, among other roles. They have the potential to be designated as Deputy Managers, Assistant Managers, Special Assistants, and other similar positions.

Functions of Staff Authority:

The staff authority is assigned the following functions:

- **a. Activity of Control** – It has to discharge the functions such as – (a) organisation; (b) cost; (c) audit; (d) budget; (e) personnel (f) accounting; etc
- **b. Activity of Co-Ordination** – It has to help in co-ordination of work among different departments. These functions are – (a) planning; (b) order and distribution; (c) production planning; (d) communication.
- **c. Activity of Service** – It performs functions like – (a) research and development; (b) taxes; (c) statistical analysis; (d) personnel development.
- **d. Activity of Advice** – It has to perform functions such as – (a) legal advice; (b) public relations; (c) labour relations; (d) economic.

Merits of Line and Staff Organisation:

- There is a planned specialization.
- There is a clearly defined authority and responsibility. The line of command is maintained.
- There is a split of conceptual and executive function.
- The staff with its specialised knowledge provides prospects to the line officers for adopting a rational multidimensional view towards a problem.

- This type of organisation encourages organisation growth as each man grows in his own speciality. It also helps co-ordination through co-operation and leadership.

Demerits of Line and Staff Organization:

- There is an emergence of confusion among the employees due to the existence of dual authority in a line and staff organization. All this hampers the communication in the firm.
- There are sometimes conflicts between the line executives and the staff managers. They could have a difference of opinions. This can prevent the harmonious relations between the two and cause an imbalance in the company.
- Sometimes the expert advice given by the staff is misunderstood or misinterpreted by the line executives.
- The line and staff organization surpasses the simple line and functional organization in terms of cost. The staffing specialist has a high remuneration cost generally.

Table 3.2: Difference between line and line & staff organization:

Basis of distinctions	Line organisation	Line and staff organisation
1. Meaning	The organization in which there is downward movement of authority and responsibility, and upward flow of accountability is known as line organization.	The organization structure, in which specialist are added to the line managers to provide guidance and support, is called line and staff organization.
2. Magnitude of centralisation	Complete centralization.	Partly centralized and partly decentralized
3. Level of control	Strict.	Loose.
4. Authority	Instructions	Instructions and advise.
5. Executives	Line executives are generalist.	Line executives are generalist and staff executives are specialist
6. Suitabilty	Small organization with less number of employees.	Large organization with a number of employees.

C. Functional Organization:

A functional organization is the most common type of organizational structure. This is where the organization is divided into smaller groups based on its special functions such as IT, finance or marketing. This departmentalization allows greater operational efficiency because the employees have their skills and knowledge to be shared within the group. The basis of this functional organization structure is an arrangement where a worker has different managers for different areas of the organization operation. Since this type of structure has many departments, it could also have several reporting structures as well. In a functional organization structure, the reporting relationships are grouped based on the specialty or functional area. Separate areas are established to take care of different concerns.

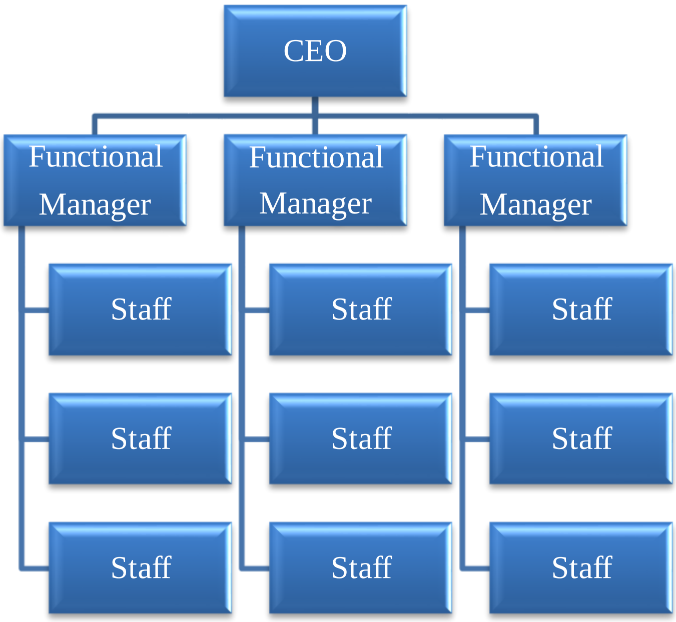

Figure 3.4: Functional Organization

Advantages of Functional Organizational Structure:

- The executive or the team leader has the knowledge and experience of that particular field. For example, the person heading the IT department will have the education and skill necessary to shoulder this responsibility and successfully run his team.
- Because the employee has expertise in that particular field, the work is more efficient and precise. There are fewer mistakes. This also helps with the motivation of the employees of the company.
- Since all team members come from similar backgrounds it allows them to share ideas and come up with solutions. There is a sharing of knowledge, which is always beneficial.
- The employees also having a clear idea of the hierarchy of the firm. They need not report or answer to several managers.
- Also, the employees feel secure in their work. They see that their work and efforts is not going unnoticed. This sense of security helps them perform better.

Disadvantages of Functional Organizational Structure:

- The work can be quite one dimensional. After a while, the employees may start feeling monotony or boredom. The lack of new challenges can make them unenthusiastic for the job at hand.
- In this structure, the manager must take care of the appraisal system. If the correct approach is not taken then conflicts may arise between the employees regarding promotions or appraisals.
- Also, this form of organization requires a high degree of specialization which is difficult to establish

- If there is a necessary change of personnel it can disrupt the whole system and its balance. Also, it is quite a rigid structure, not leaving a lot of scope for adaptation.
- In Functional Organizational Structure, the employees never gain any knowledge or skills outside their own department. This can cause difficulties in inter-departmental communication.

D. Committee Organization:

Committee is not a separate organization as such. It is just an extended idea of line and staff system. Under this system, instead of a single officer acting in advisory capacity, there is a committee of experts for advice and guidance in business planning and execution. These committees play a wider role in the management of plant organization and are found at all levels of management hierarchy. But in medium sized undertakings, they are found only at top level.

In the words of **H. Koonts**, "Committee is a group of individuals to whom some matters are assigned as a group. It is this characteristic of group action that sets the committee, apart from other organization devices".

Definition of E. Dale:

"Committee is a group of people (usually not more than four who can sit around a table) which makes decisions or present views points and whose conduct is governed by set of rules".

The committees are set up for the following reasons:

- The committees provide a forum for exchanging ideas among organizational members.
- The exchange of ideas among members may generate some suggestions and recommendations which may be useful for the organization.
- There can be proper discussion on present problems and efforts are made to find solutions.
- The committees may also be needed in establishing and developing organizational policies.

Types of Committees:

Different committees may be formed with different id and purposes. Some committees may be only advisory and some may perform managerial functions.

There are following types of committees:

a. Formal and Informal Committees:

If a committees formed as a part of organization structure and is delegate some duties and authority, it is a formal committee and informal committee may be formed to tackle some problem, manager may call some experts to help him in analysing a problem and suggesting a suitable solution. The chief executive may call a meeting of departmental heads and some experts to find out a solution to some problem. In both the cases it is a case of an informal committee.

b. Advisory Committees:

These are the committees to advice line heads on certain issues. Line officers may refer some problems or issues to a committee for advice. The committee will collect information about the problem and recommend solution for the same.

The line officers have the powers to accept, modify or reject the suggestions of advisory committees. These committees have no managerial powers and cannot exert their views on the line executives.

c. Line Committees:

There may be committees with managerial powers. Instead of giving work to one person it may be assigned to a number of executives. The committees having administrative powers are called line or plural committees.

Line committees help in planning company policies and programmes and organizing efforts at fulfillment of these plans, etc. These committees also direct and control the activities of employees for achieving organizational goals.

Merits of a Committee:

- A committee helps securing co-operation of various personnel.
- A committee is effectively used to appoint persons to fill vacant positions in the enterprise.
- Committee meetings may be called to train younger executives and to give them a keener insight into the operation of the business.
- A committee often performs worth-while tasks since two experts are better than one.
- A committee coordinates the efforts of the departments which are represented (e.g., sales, production and engineering) in development of a new product.
- A committee is of special value in broad policy determination and rounding out plans.
- A committee reduces the workload of management.
- Committees are especially good at innovation or brainstorming.

Demerits of committee organisation:

- An executive afraid to stand behind his own decisions may use a rubber-stamp committee and thereby share his responsibility with others.
- Sometimes it turns out to be true that what a committee finishes in a week, a good individual may complete in a day.
- In a committee, no individual can be held responsible for anything.

- It may be said that committee operations are slow and committees tend to hang on for a considerable time.
- Committee decisions represent generally a compromised position and do not truly reflect the real feelings of the individual committee (or group) members.

Principles of a Committee:

- The number of persons in a committee should depend upon the need and be optimum minimum (about 5 to 10 persons).
- Responsibility, authority, objectives and duties of the committee should be clearly defined.
- Agenda of the committee should be prepared and communicated to the committee members at least a week before they meet for discussions.
- Problems which can be taken care of by an individual should not be included in the agenda of the committee
- Committee meetings should begin and end on prefixed timings.
- Problems not related to the subject-matter at hand should not be discussed because it will simply waste time.
- The operation of the committee should be a cooperative development.
- The recommendations made by the committee should be published and circulated to interested and concerned persons. The committee should be apprised of the action taken based upon its recommendations.
- A committee must be dissolved after its purpose is over.

E. Project Organisation:

When an already existing organisation finds it difficult to cope up with the new situations, it decides to launch a project organisation. In order to accomplish the project goals, a separate division is created for each project.

Project organisation is created when the project is big in size and subject to high standards of performance. A project organisation is solely responsive to the planning, design, development, production, evaluation, and support of a single system or product.

Need for Project Organisation:

Running enterprises go for project organisation if:

- The project presents a unique or unfamiliar challenge.
- The project is a onetime task with well-defined specifications and the firm wants to continue to concentrate on its regular activities.
- Successful completion of the project is critical for the enterprise/organisation.
- The project is to be completed within the given time limit.

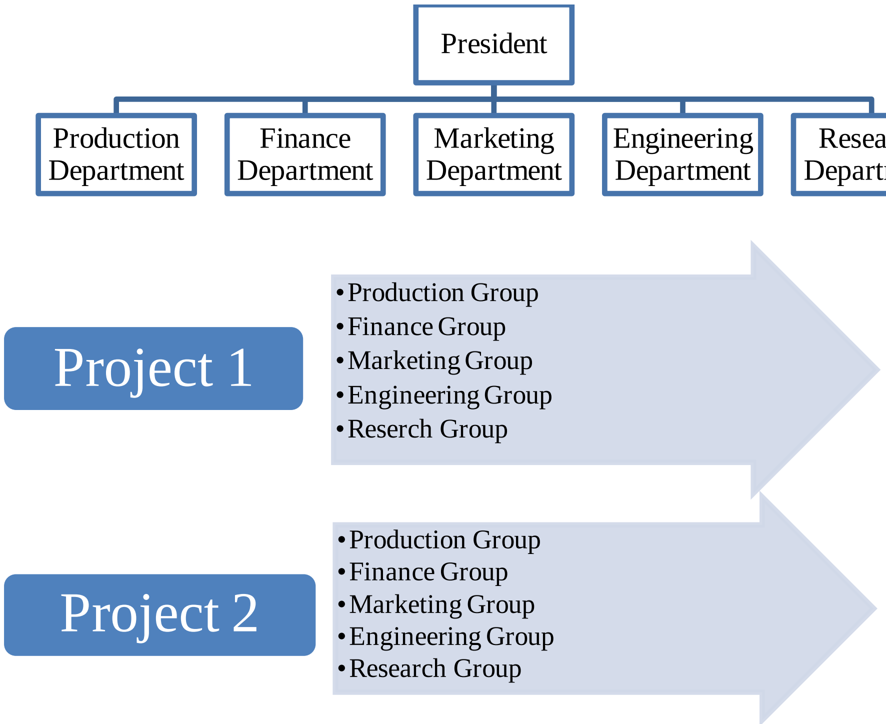

Figure 3.5: Project Organization

Merits of Project Organisation:

- It does not interfere with the existing organisation.
- It provides concentrated attention that a complex project demands.
- It allows maximum use of specialists available in the enterprise.

Demerits of Project Organisation:

- Project manager has to deal with persons of varied nature and interest.
- Every one working in the existing organisation is attracted to the projects.
- Since work differs from project to project, experience gained in one project may not be relevant to other projects.
- Project work being temporary, there is quite uncertainty and insecurity of job for specialists hired from outside.
- Decision-making is very difficult because there are unusual pressures from specialists from diverse fields.
- There may be conflicts among the specialists.

F. Matrix Organisation:

A matrix organizational structure is one of the most complicated reporting structures a company can implement. Read on to learn why a company might implement a matrix structure and the advantages and disadvantages for both company and staff.

Definition: A matrix organizational structure is a company structure in which the reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager.

Example: In the 1970s, Philips, a Dutch multinational electronics company, set up matrix management with its managers reporting to both a geographical manager and a product division manager. Many other large corporations, including Caterpillar Tractor, Hughes Aircraft, and Texas Instruments, also set up reporting along both functional and project lines around that time.

Merits of Matrix Organisation:

- The matrix structure is an efficient means for bringing together the diverse specialised skills required to complete a complex assignment or execute a project.
- It is flexible in nature. It can be applied more usefully to an organisation involved in projects ranging from small to large. It can better respond to the changes in technology, market conditions, etc.
- It motivates personnel engaged in the project. They can utilise their competence and make maximum contribution for the execution of the project. It also improves communication and coordination by facilitating direct contact between the project manager and the functional groups.
- It provides a balance between time, cost and performance. The balance can be achieved through the built-in checks and balances and the continuous negotiations carried on between project and functional personnel.
- It helps in improving flow of communication around the organisation as required information is communicated both vertically as well as horizontally.
- It encourages specialisation and organisation gets benefits and economies arising out of specialisation since specialised central pools are created in the form of functional departments providing specialised services and resources to project units.

Demerits of Matrix Organisation:

- The matrix organisation violates the classical principle of unity of command. The personnel from functional departments have to face the situation of two bosses, project manager and functional manager. As a result, a functional group may side track his responsibility easily if project unit fails in achieving its goal.
- In matrix organisation, the problem of coordination is more complicated because neither functional head has an authority over project unit in a direct manner nor the project manager has full authority over project activities. The project manager works as coordinator and facilitator but without required authority.

- Matrix organisation is not a homogeneous and compact group. The multiplicity of vertical and horizontal relationships may impair organisational efficiency. Deputationists may try to emphasise their own specialisations at the cost of the overall project. There is lack of jurisdictional clarity.
- Apart from formal relationships, informal ones also operate in the matrix organisation. Thus, organisational relationships become more complex, and they create the problem of co-ordination.
- Dual reporting relationship in matrix organisation can contribute to indiscipline, ambiguity and role conflict. The functional representative who is subject to dual command cannot satisfy the priorities of both the bosses.
- Each project manager is charged with the successful implementation of his project. For this, each project manager has to share resources with other project managers. This might create rivalry between various project managers.

Functioning of the Matrix Organization:

Under a matrix organisation project teams are formed, drawing personnel from the permanent functional structure. Different project managers share resources and authority with functional heads. The project teams members are subject to a dual line of command that of the project manager and the concerned functional specialist whose department they originally belong to during the continuance of the projects.

When one project is over, its personnel and resources are diverted to some new project; as undertaking a large number of small projectors, is a typical feature of a matrix organisation.

3.4 Delegation of Authority:

DELEGATION--THE ART OF MANAGING As shown earlier, the process of managing begins with the establishment of objectives. Once the objectives have been established, the functions that must be accomplished are considered. Then the work to be performed or the responsibilities to be assigned are determined.

This means it is necessary to know the personnel and physical resources needed to accomplish the objectives of the enterprise. Thus, when the functions, personnel, and other resources are grouped together by some means of departmentalization into a logical framework or organizational structure, the process of delegation begins.

Authority **-** in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined.

All people who have the authority should know what the scope of their authority is is and they shouldn’t misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility.

Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

Definitions of Authority:

According to Barnard,

"Authority is the character of a communication (order) in a formal organization, by virtue of which it is accepted by a contributor to, or member of, the organization as governing the action he contributes; that is, as governing or determining what he does or not do, so far as the organization is concerned."

According to Koontz and O'Donnell,

"Viewed internally with respect to the enterprise, responsibility may be defined as the obligation of a subordinate, to whom a superior has assigned a duty to perform a service required. The essence of responsibility is then, obligation."

A. Characteristics of Authority:

The following characteristics of authority deserve special attention:

- **Decision making right** – Authority includes the right to take decisions and get them executed by the subordinates. Generally, decisions are taken on problems related to assigned activities.
- **Positional** – Authority is always positional in nature. It refers to the relationship between superior and subordinate. Once the superior vacates his position, he ceases to have authority.
- **Restricted scope** – The extent of authority is determined by the rules and norms of the organization. The limit of authority enjoyed by a position is limited.
- **Allocated downwards** – Authority is always delegated downwards. The superior can delegate part of his authority to his subordinate in discharging his assigned duty.
- **Permanency** – Authority has a longer stability. The authority, once granted, remains in force unless it is withdrawn prematurely.
- **Chances of withdrawal** – Authority granted to a position can be withdrawn at any time if the situation so warrants. Generally, authority is withdrawn with a view to reduce the damage for better results.
- **Downward flow** – Authority always flows downward in an organizational structure. The superior grants authority to his subordinates to get the work done.
- **Legal right** – Authority implies a legal right (within the organization itself) available to superiors. It is granted as per the statute (i.e., rules and regulations) of the organization to achieve the pre-decided organizational goals.
- **Inducing behaviour of subordinates** – Authority influences the behaviour of subordinates in terms of doing the right things at the right time. It is a commanding force that compels the subordinates to do the right thing to attain organizational goals.

B. Difference Between Authority and Power:

Definition of Power:

By the term power, we mean the personal capacity of an individual to influence others to do or not to do an act. It is independent and informal in nature derived from charisma and status. It is an acquired ability that comes from knowledge and expertise. It is the right to control other's actions, decisions and performances.

Power is not hierarchical, i.e. it can flow in any direction like it can flow from superior to subordinate (downward) or junior to senior (upward), or between the persons working at the same level, but different departments of the same organization (horizontal), or between the persons working at different levels and departments of the same organization (diagonal). In this way, it is not confined to any boundaries. Moreover, the element of politics is usually attached to it.

Definition of Authority:

Authority is legal and formal right to a person, who can take decisions, give orders and commands to others to perform a particular task. It is conferred to high officials, to accomplish organisation's objectives. It is hierarchical in nature, it flows downward, i.e. delegated from superior to the subordinate.

In general, authority is exercised to get things done through others. It is attached to the position, i.e., any person who gets the position enjoys the authority attached to it, the higher the position, the higher would be his authority. As the authority lies in the designation, in the absence of authority, the position offered to the person would be of no use. Moreover, it is restricted to the organisation only.

C. Key Differences Between Power and Authority:

The difference between power and authority can be drawn clearly on the following grounds:

- Power is defined as the ability or potential of an individual to influence others and control their actions. Authority is the legal and formal right to give orders and commands and take decisions.
- Power is a personal trait, i.e., an acquired ability, whereas authority is a formal right, that vest in the hands of high officials or management personnel.
- The major source of power is knowledge and expertise. On the other hand, position and office determine the authority of a person.
- Power flows in any direction, i.e., it can be upward, downward, crosswise or diagonal, lateral. As opposed to authority, that flows only in one direction, i.e., downward (from superior to subordinate).
- The power lies in person, in essence, a person acquires it, but authority lies in the designation, i.e. whoever get the designation, get the authority attached to it.
- Authority is legitimate whereas the power is not.

3.4.1 Responsibility:

Concept of Responsibility:

Responsibility is the obligation to do something. It refers to the duties assigned to a person by virtue of his position in the organization. It is the physical and mental activities that must be performed to complete a task. It is the obligation of the subordinate to perform any duty required to be performed by his superior.

Responsibility is a derivative of authority. A person becomes responsible to perform the assigned task as soon as authority is delegated to him. Responsibility is absolute and cannot be delegated. It flows upward as a subordinate is responsible to his superior.

'Responsibility is the obligation of an individual to perform the assigned task to the best of his ability.'**-** [R. C. Davis]

'Responsibility is the obligation of a subordinate to carry out assigned activities under the direction of his superior.' – [George R. Terry]

'Responsibility is the duty to which a person is bound by reason of his status.' – [M.E. Hurley]

'Responsibility is the obligation of a subordinate, to whom a superior has assigned a task, to perform the duty as required by his superior.' – [Koontz & O'Donnell]

'Responsibility is the duties and activities assigned to a position.' – [Mc Farland]

Therefore, responsibility involves three main elements of conduct, namely – (a) compliance, (b) obedience, and (c) dependability. These elements provide the basis on which the relationship of superior and subordinate is established.

A. Characteristics of Responsibility:

Responsibility is generally marked by the following features:

a. **Results of assigned duty** – Responsibility are the result of the duty assigned to subordinates. It is an obligation of an individual to perform the assigned duties under the direction of his superior.
b. **Obligation to perform** – The essence of responsibility is the obligation to perform the assigned work in a satisfactory manner.
c. **Assigned to human beings only** – Responsibility can be assigned to human beings only. In other words, non-living things cannot be assigned responsibility.
d. **Non-transferable in nature** – Responsibility cannot be transferred. It is absolute and cannot be delegated.
e. **Upward flow** – Responsibility always flows upward in an organizational structure. A subordinate is always responsible to his superior.

f. **Derivative of authority** – Responsibility should be commensurate with authority. A person becomes responsible to perform an assigned task as soon as authority is delegated to him.
g. **Superior-subordinate relationship** – Responsibility arises from a superior-subordinate relationship. Only a superior can assign duties to his subordinates to get the work done. Subordinates are bound to perform the duties assigned to them.
h. **Goal (or target) orientation** – Responsibility may be fixed in terms of function (or target). It may be a continuing obligation or confined to the performance of a single function.

3.4.2 Accountability:

Accountability always flows upwards; it is the act of being liable for actions and decisions. Accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility, and every employee should be held accountable for jobs assigned to them and be able to complete that job as per the standards set by the superior. During delegation of a task, the accountability of the task transfers from the manager to the person receiving the delegation and actually completing the work. It is the answerability for the performance of the assigned duties and any positive or negative consequences associated with their performance are ultimately their responsibility.

When delegating, authority, responsibility and accountability are all interrelated. A manager is responsible for all actions of employees under his leadership even if there are a number of layers in the organisation. Accountability means that the subordinate should explain any factors that are responsible for poor or lack of performance, however, the manager is ultimately responsible for the overall performance of the employee.

The authority, responsibility and accountability for the task changes hands when a manager, or superior employee, delegates a task down the hierarchy.

Figure 3.6: For successful delegation

A. Relationship between Authority and Responsibility:

Authority is the right of a superior to give orders and instructions to his subordinates to get things done. Responsibility means the duties assigned to a person at the time of delegation of authority. Responsibility also denotes the obligation of the subordinate to perform the duty to the best of his ability. It arises from the superior-subordinate relationship.

Authority can be delegated, but responsibility cannot be delegated. Authority moves downward. A superior can always share his authority with his subordinates, but he cannot delegate the responsibility or obligation to perform his duty.

Responsibility is owed to one's superior. Therefore, no subordinate can avoid his responsibility by delegating some authority to his subordinate. Accountability always moves upward and so it cannot be delegated.

Authority and responsibility are closely related. There should be a parity between the two. A subordinate will be answerable for the authority delegated to him and not beyond that.

B. Main Differences Between Authority and Responsibility:

- Authority's primary role is to give orders while responsibility is to be held accountable.
- Authority refers to the legal right to relinquish command, influence or compel someone, while responsibility comes after authority.
- Authority can be obtained or delegated to anyone through charisma, tradition, and legality. At the same time, responsibility is assuming tasks delegated to be completed.
- An authority transcends downwards, while responsibility goes from bottom to top.
- The purpose of having someone to authorize is to make a decision and delegate someone to execute it. At the same time, responsibility assumes the task carried out and be accountable for it.

Meaning of Delegation of Authority:

It is an important managerial practice of getting things done through others by sharing authority with them.

In any typical organization, the policy and strategic decisions are taken by Board of Directors and actual implementation of these is entrusted to the Chief Executive. However, the chief executive alone cannot do the entire work. He cannot even supervise the work of all individuals working in different departments.

He can pass on some portions of his authority to different departmental managers and commit them to specific tasks of supervision and operation. This process is known as delegation of authority.

"Delegation means in brief the passing on the other of a share in the four elements of the management." —E. F. L. Brech

"Delegation means assigning work to others and giving them authority to do it." — F. G. Moore

"Delegation is an act of comparing authority by some higher source of authority."

"Delegation means conferring authority from one executive or organisational unit to another in order to accomplish particular assignment." —George R. Terry

Delegation has the following features:

a. **Delegation is a process** – Managers delegate tasks to subordinates in a sequential order of steps.
b. **On-going process** – Delegation is a continuous process. Managers continue to delegate tasks and get them delegated by their superiors to achieve the organisational goals.
c. **It is an art, not science** – When delegator delegates to subordinates, it does not necessarily mean that subordinates will perform those tasks well. There is no cause and effect relationship between the task assigned and their actual performance. Delegation is, thus, not a science. It is the art of how and what manager delegates to subordinates.
d. **Delegation of authority and not accountability** – Managers can only delegate work and authority to perform that work to subordinates. Delegation does not mean that managers are not accountable to their superiors for the task assigned to subordinates. They remain accountable for the tasks assigned to subordinates and are answerable to their superiors for its performance.
e. **Necessary organisational activity** – Managers cannot avoid delegation. They cannot perform all the tasks themselves. They have to master the art of delegation that is, how to delegate and what to delegate. Corporate performance is judged by how good the managers are in getting the work done through others by the process of delegation.
f. **It has different forms** – Delegation can take different forms. It can be downward, upward or lateral.

3.4.3 Process of Delegation of Authority:

Delegation process involves the following three steps:

STEP-I: Assignment of Work:

The first step in delegation is the assignment of work or duty to the subordinate i.e., delegation of authority. The superior asks his subordinate to perform a particular task in a given period of time. It is the description of role assigned to the subordinate. Duties in terms of functions or tasks to be performed constitute the basis of delegation process.

STEP-II: Granting of Authority:

The grant of authority is process of delegation the second element of the dele authority to the subordinate so that the assigned task is accomplished. The delegation of responsibility without authority is meaningless. The subordinate can only accomplish the work when he has authority required for completing that task. Authority is derived from responsibility.

STEP-III: Creation of Accountability:

Accountability is the obligation of a subordinate to perform the duty assigned to him. The delegation creates an obligation on the subordinate to accomplish the task assigned to him by the superior. When a work is assigned, and authority is delegated then the accountability is the by-product of this process.

The authority is transferred so that a work is completed as desired. This means that delegator has to ensure the completion of assigned work. Authority flows downward whereas accountability flows upward.

3.4.4 Principles of Delegation:

The following principles that serve as guidelines for effective delegation of authority are given below:

a. Functional Clarity:

The functions to be performed, the methods of operations and the results expected must be clearly defined. The authority delegated must be adequate to ensure that these functions are well performed.

b. Matching Authority with Responsibility:

Generally, authority and responsibility are highly interconnected. So, authority should be delegated as to be equal to responsibility, consigned to the worker.

Authority should be adequate and should not only match the duties to be performed but also the personal capabilities of the subordinate.

c. Unity of Command:

The **"Unity of Command"** means a subordinate should be commanded by one superior only. In this connection a subordinate should be assigned duties and delegated authority by only one superior and he should be accountable for the performance of the assigned duties and exercise of the delegated authority.

In other words, a subordinate should be responsible to only one superior who is delegating the authority to the subordinate.

d. Principle of Communication:

A misunderstood responsibility can be very dangerous. A general authority can be easily misused. Accordingly, both the responsibility and authority must be clearly specified, openly communication must be continuously kept open for issuing directions as well as for receiving feedback.

e. Responsibility not Delegatable:

Authority can be delegated, but responsibility cannot be delegated. A manager cannot turn a blind eye to how the assigned duties are performed, and how the delegated authority is exercised. The ultimate responsibility for the performance of duties and exercise of delegated authority remains with him.

f. Limits to Authority to be Well Defined:

A manager cannot properly delegate authority unless he fully knows what his own authority is. To avoid confusion in this respect, there should be written manuals and orders to indicate the limits of authority and area of operations of each manager.

7. Principle of Management by Exception:

Management should delegate the authority and responsibility for routing operations and decision making to subordinates but must retain such tasks for themselves for which they alone are uniquely qualified. On the other hand, the subordinates must make decisions and take actions wherever they can and should only refer matters of such nature to their superiors, which are unique, and outside their domain of authority. This practice saves valuable time of top management, which can be utilised, for more important policy matters. Also, by trying to solve most of the problems by themselves, the subordinates prepare themselves for higher challenges and responsibilities.

A. Advantages of Delegation:

The following are the advantages of delegation:

a. Facilitates smooth functioning:

Delegation helps the executive to apportion that part of his work to his subordinates. So, that he can devote his time to more important areas of his duties like leadership, organisation planning and coordination.

b. Facilitates quick decision making:

The process of delegation makes it possible to push decision. Making to the lowest level where information, competence and willingness to make decisions are available. Decisions can be made right away at or near the centre of operations as soon as a deviation occurs or the situation demands.

c. Reduction in Managerial Load:

Delegation relieves the manager of the need to attend to minor or routine types of duties. Thus, he is enabled to devote greater attention and effort towards broader and more important responsibilities.

d. Promotes specialised service:

Since the work is assigned to the persons who have specialised knowledge and expertise, it helps for specialised services. For example, sales may be delegated to the sales manager, marketing-to-marketing manager, finance-to-finance manager.

e. Motivating instrument:

Delegation may also be used as a device to motivate the subordinate. Subordinates usually respond to delegated authority with favourable attitude. They become more responsible and more dedicated to their work and they feel proud of being given such authority and responsibility, this in turn boosts their morale.

f. Stimulates employee development:

Delegation ensures the employees in the organisation to develop their capabilities to undertake new and more challenging jobs and also it promotes job satisfaction.

g. Assist in preparing future managers:

Subordinates, when given control over the problems they face are able to analyse the situation and make decisions accordingly. This continuous involvement prepares them for problem solving process when they reach a higher executive level.

This process will also screen out those from the executive level who have proved to be less successful in handling problems at the lower level.

B. Disadvantages of Delegation:

a. Central management is far removed from the actual operations where the decisions are made so that it becomes difficult to pinpoint major problems when they occur because decisions are made by many subordinates.

b. The second problem may lie in the area of coordination. If coordination among these many subordinates is not adequate, then confusion may result and it may become difficult to exercise control over procedures and policies.

c. It may be difficult to perfectly match the task with the capability of the subordinate.

3.4.5 Barriers to Delegation:

Even though there are several advantages on delegation of authority, most managers are reluctant to delegate authority and many subordinates are also reluctant to accept authority and responsibility for several reasons.

A. Disinclination of Managers or Executives:

The following reasons for managers are not willing to delegate authority are given below:

a. A manager may believe that he can do his work better than his subordinates.
b. ii. Sometimes, managers might believe that his subordinates are not capable enough.
c. iii. Delegation may require a lot of time in explaining the task and responsibility to the subordinates. Here, manager may not have the patience to explain, supervise and correct any mistakes.
d. iv. A manager may lack confidence and trust in his subordinates, since the managers is responsible for the actions of his subordinates, he may not be willing to take chances with the subordinates, in case the job is not done right.
e. v. Some managers lack the ability to direct their subordinates.
f. vi. Some managers feel very insecure in delegating authority especially when the subordinate is capable of doing the job better. The manager, in such a situation, may fear his loss of power and competition from the subordinate.
g. vii. An executive may be reluctant to delegate if he believes that the control system is not adequate in providing early warning of problems and difficulties that may arise in the delegated duties, thus delaying the corrective decisions and actions.

B. Disinclination of Subordinates:

Subordinates may reluctant to accept delegation of authority for the following reasons:

a. Subordinates may lack confidence in their ability to accept additional responsibility.
b. Subordinates may reluctant to accept authority and make decisions for fear that they would be criticised or dismissed for making wrong decisions.
c. Subordinates may not be motivated to accept additional responsibility and authority willingly in the absence of suitable incentives.
d. In case of adequate information and resources may not be available to the subordinates to carry out their decisions, they may hesitate to accept the delegation of authority.
e. They find it easier to ask their superiors than to try to solve the problem themselves.

Guidelines for a better and successful delegation:

The following guidelines should prove useful in making delegation better and effective:

a. The assignments should be clearly defined in terms of goals or results expected. Sufficient authority should be granted for doing the work.
b. There should be a two-way communication between the manager and the subordinates so that proper understanding could be established. Clear, unambiguous instructions, guidance should be given to the subordinates, when needed.
c. Outline of the job set must be clear and proper control limits and standards of performance should be prescribed.
d. Performance should be appraised periodically, and feedback of information encouraged to keep the subordinate in self-improvement.

e. Observance of principles of delegation like "parity of authority and responsibility", "unit of command" and "creation of accountability" should be strictly adhered to.
f. The subordinates must be trusted and, as far as possible, there should be little interference in their work. The trust factor is the key to a successful delegation.
g. Managers must develop proper attitudes favourable for an effective delegation, viz.,

- willingness to welcome ideas from subordinates.
- willingness to delegate authority whenever required.
- willingness to let others learn by mistakes/trial and error method; and
- willingness to establish and use broad controls.

3.5 Span of Control:

The larger an organisation, the more management layers it has. As a result, a hierarchy is born. Multiple people in a department deal with a single superior.

Some departments might only have ten people, while others consist of over a hundred employees. In both cases, span of control is present to properly manage all layers of the organisation.

The Span of Control is the number of employees a manager can supervise as effectively as possible. The addition of new hierarchical layers makes the organisational structure steeper.

A large Span of Control leads to a flatter organisational structure, which results in lower costs. A small span of control creates a steeper organisational structure, which requires more managers, and which will consequently be more expensive for the organisation. It is therefore useful for an organisation if its managers have a large span of control.

Definitions of Span of Control:

Lois Allen: - "Span of control refers to the number of people that a manager can supervise."

Haimann and Scott defined span of control as the number of subordinates who can be effectively supervised and managed.

Dimock: - "Span of control is the number and range of direct, habitual communication contacts between the chief executive of an enterprise and his principle fellow officers."

Longenecker simply defined span of control as the number of immediate subordinates reporting to a given manager.

Peterson and Plowman: - "Span of control refers to the maximum number of subordinates which may be placed under the jurisdiction of one executive immediately superior to them."

Elliott Jaques has the viewpoint that a manager may have up to as many immediate sub-ordinates that he can know personally in the sense that he can assess personal effectiveness.

Dimensions:

The Span of Control always involves two dimensions:

a. Horizontal Dimension:

This is the number of direct subordinates a manager actually supervises. This is also referred to as Span of Control.

b. Vertical Dimension:

This is the number of levels that are (in)directly managed. It refers to the extent to which the manager's wishes trickle down to the lowest levels of the organisation. This is also known as "**Depth of Control"**.

It is mainly aimed at the extent of communication between a manager and his subordinates in the levels he is responsible for. Without a good leader, downward communication can be impaired.

3.5.1 Factors Affecting Span of Control:

While early discussions of span of control often centered on pinpointing the optimal number of subordinates, a number of factors may influence the span of control most appropriate for a given management position. Assuming that all other aspects of a manager's job are the same, these factors would likely alter the span of management as follows:

- **a. Degree of complexity in job:** Subordinate jobs that are complex, ambiguous, dynamic or otherwise complicated will likely require more management involvement and a narrower span of management.
- **b. Routine subordinates' job:** The more similar and routine the tasks that subordinates are performing, the easier it is for a manager to supervise employees and the wider the span of management that will likely be effective.
- **c. Dispersion of the subordinates:** The more geographically dispersed a group of subordinates the more difficult it is for a manager to be in regular contact with them and the fewer employees a manager could reasonably oversee, resulting in a narrower span of management.
- **d. Competency of employees:** Managers who supervise employees that lack ability, motivation, or confidence will have to spend more time with each employee. The result will be that the manager cannot supervise as many employees and would be most effective with a narrower span of management.
- **e. Competency of the manager:** Some managers are better organized, better at explaining things to subordinates, and more efficient in performing their jobs. Such managers can function effectively with a wider span of management than a less skilled manager.
- **f. Use of technology:** Cell phones, email, and other forms of technology that facilitate communication and the exchange of information make it possible for managers to increase their spans of management over managers who do not have access to or who are unable to use the technology.

3.5.2 Narrow and Wide Span of Control:

Flat organizations have a 'wide' span of control and **Tall organizations** have a 'narrow' span of control. While there are pros and cons with both tall and flat structures, a company's structure must be designed to suit the business (the customer and markets) and in a way that fits with the workforce's capability.

Characteristics of a Flat Organizational Structure (Wide Span of Control):

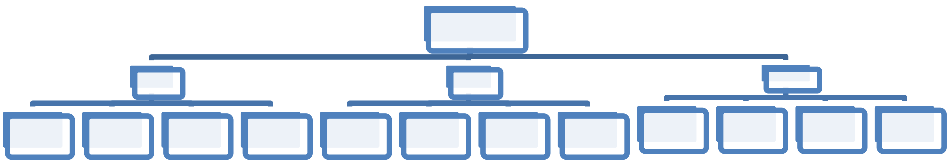

Figure 3.7: Flat Organizational Structure

Pros:

- Encourages delegation. Managers must better delegate to handle larger numbers of subordinates, and grant opportunities for subordinates to take on responsibilities.
- Agile. Improves communication speed and quality
- Reduces costs. More cost effective because of fewer levels, thus requiring fewer managers.
- Helps prevent the workforce from disengaging by focusing on empowerment, autonomy and self-direction.

Cons:

- High managerial workload comes with high Span of Control
- Role confusion more likely
- May cultivate distrust of management.

Characteristics of a Tall Organizational Structure (Narrow Span of Control)

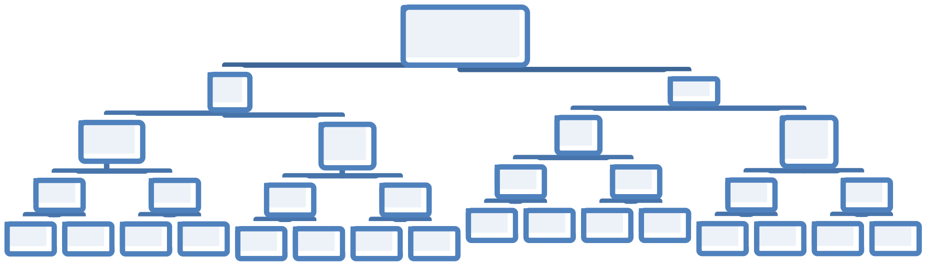

Figure 3.8: Tall Organizational Structure

Pros:

- More rapid communication between small teams
- Groups are smaller and easier to control/manage.
- There's a greater degree of specialization and division of labor.
- More and better opportunities for employee promotion

Cons:

- Communication can take too long, hampering decision-making.
- Silos may develop and prevent cross-functional problem solving.
- Employees may feel lost and powerless.

Formula of V.A Graicunas:

In 1933, a French Management consultant described the concept of „Span of Attention" which is related to the principle of span of control in public administration. His concept is based upon the hypothesis that there is a limit to the number of things one can attend to at the same time. He analyzed the possible number of relationships that can happen for a given span of control. According to Graicunas, "As the number of subordinates increases arithmetically, the number of relationships increases almost geometrically.

Graicemas has identified three specific kinds of superior-subordinate relationships in every organisation and leading to the question as to the number of subordinates which a superior can effectively manage.

They are:

a. Direct Single Relationship:

This refers to relationships that are easily and clearly recognized by the individuals who are his immediate subordinates. They are equal to the number of subordinates supervised. For example, if A has three subordinates, there would be three direct single relationships. This has been identified as Number of direct relationships = n.

b. Direct Group Relationships:

This means the group relationships between the superior and each possible combination of subordinates. A manager has occasions to consult, confer, advise, inform or discuss with every subordinate or any number of them or all of them in attendance. This type of relationship arises between the superior and his group of subordinates in all possible combinations.

Example: A manager having three subordinates would have three direct group relationships.

Formula = $n\,(2^{n-1} - 1)$ where n represents the number of subordinates

c. Cross Relationship:

Cross relationships are mutual relationships among subordinates necessary for working under the same superior. This result from the need of the subordinates of a common superior to consult with one another.

Resulting from the above analysis of the three kinds of relationships, Graicunas developed the following formula to give the total number of all the three kinds of relationships where n = number of subordinates.

$n(2^{n/2} + n + 1)$

The significance of Graicunas contribution is that he initiated the principle of restriction of the span of delegated authority on account of maximum limit to the potential burdens set up simply by innate limitations of the capacity of human mind. From this analysis he deduced a 'reasonable span' restricted to five or six subordinates.

Thus he stimulated thinking on this aspect of organisation structure which, later on, became the subject of much discussion in management literature.

3.6 Decentralisation of Authority:

At present, the nature of business enterprise has become very complex. Now-a-days business and trade have become an international affair. Under such circumstances it is not possible and practicable for the top management of an enterprise to look after all the activities of the enterprise. Therefore, it has become necessary that the top management of the enterprise must pay its attention only to the important problems of the enterprise.

Decisions must be taken on every level of management and the subordinates must get full powers and responsibilities. They must be empowered to take the decisions connected to their field of activities and they must be responsible for their fields. This arrangement in an enterprise is known as the decentralisation of authority. Under this arrangement, the authorities are delegated by the top management to the subordinates.

In other words, it can be said that decentralisation is opposite to centralisation where there is no concentration of authority instead diffusion is planned and executed.

E. F. L. Brech has rightly put decentralisation as "the pattern of responsibilities resulting from is delegation." Decentralisation emerges from the principles of delegation.

In the words of Satya Saran Chatterjee – "Decentralisation is the pushing down of authority and power of decision making to lower levels of organisation." Delegation plays the role of a pace-maker in decentralisation. Without which decentralisation might have been a distant possibility. Delegation makes the subordinate feel that he too is important for the organisation. His ego is satisfied. He is encouraged to take more and more interest in his job and to maximise his efforts.

Further, Henri Fayol has said – "everything that goes to increase the importance of the subordinate's role is decentralisation." He has obviously referred the division of authority which certainly is the essence of decentralisation.

Mc. Farland has defined it – "as a situation in which ultimate authority to command and ultimate responsibility for results in localised as far down in the organisation as efficient management of the organisation permits."

According to Louis A. Allen – "Decentralisation refers to the systematic effort to delegate to the lowest level all the authority except that which can be exercised only at central points.

Decentralisation is concerned with a placement of authority with reference to responsibilities."

Koontz and O'Donnell has said – "Decentralisation of authority is a fundamental phase to delegation. To the extent that authority is not delegated, it is centralised."

As postulated by E.F.L. Breach, decentralisation is the pattern of responsibilities resulting from delegation. Execution of this entrustment, a forerunner without which decentralisation might not be possible.

Giving due importance to the principle of decentralisation Henry Fayol made the statement that everything that goes to increase the importance of subordinates' role is decentralisation.

In a centralised organisational set up, decision making authority is concentrated in a few selected top executives, whereas in a decentralised organisation there is delegation of this authority to subordinates.

3.6.1 Essential Characteristics of Decentralization:

a. Decentralisation is not a delegation:

It is something more than delegation. Delegation means semi-transfer of responsibility and authority from one individual to another. But decentralization means scattering of authority throughout the organization.

It is the diffusion of authority within the entire enterprise. Delegation can take place from one person to another and be a complete process. But decentralization is completed only when the fullest possible delegation is made to all or most of the people.

Under delegation control rests entirely with the diligent, but under decentralization, the top management may exercise minimum control and delegate the authority of controlling to the departmental managers.

It should be noted that complete decentralization may not be possible or desirable, but it certainly involves more than one level in the organization.

b. Decentralization is different from Dispersion:

Decentralizing is often confused with the separation of physical facilities which is not correct. Dispersion occurs when plants and offices are located at different places with physical distance between them. Performance of work in dispersed plants and offices does not necessarily lead to decentralization.

Decentralization can proceed without separation of facilities and facilities can be separated without decentralization. A company may be highly decentralized even though all physical facilities and employees are located in a single building. Thus, decentralization can take place even without dispersion.

c. Decentralization does not depict type of Organization:

Some people believe that a company can decentralize by changing its organizational structure. This is not true. Decentralization may be achieved even without changing the organizational structure as it refers primarily to the systematic delegation authority throughout the organization industries in which markets are less uncertain, production processes technologically less dynamic and competitive relationships more stable, tend to become more centralized.

3.6.2 Degree of Decentralisation:

The important question that arises is not whether to centralise or decentralise but how much to centralise or decentralise. Some degree of decentralisation is essential. It is important to determinate what kind of authority to delegate and how far down the scalar chain it is to be delegated. John Child describes four factors that characterise movement of organisation from one end of the continuum to the other i.e. from centralisation to decentralisation.

These are:

a. Size of the organisation:

With increase in size of the organisation, managers cannot make all major decisions themselves and, therefore, move towards decentralisation.

b. Geographic diffusion:

If activities are spread over wide geographical areas, top executives cannot make decisions with respect to all the functional areas and, therefore, there is tendency to decentralise.

c. Complexity in the technology:

As a result of technological developments, top managers cannot make all decisions alone and, therefore, the movement towards decentralisation.

d. Ambiguity in business environment:

The fast-changing environment requires:

- Careful analysis of environmental factors that affect the organisation, and
- Most speedy and timely decisions by organisations to adapt to the changing environment. There is thus, need for decentralisation.

A. Importance/Advantages of Decentralisation:

The advantages of decentralisation may be listed as follows:

a. Escalating efficacy of Management:

Decentralisation reduces the burden of the top executives, relieves them of the anxiety of details, allows them to concentrate on other important tasks of planning, co-ordination and controlling etc. and increases overall efficiency of the management.

b. Stimulating diversifications of activities:

Decentralisation facilitates the growth and diversification of product lines. As one single product or a group of related products is made the basis for creating divisions, all important features like present position, future prospects and comparative efficiency of each product can be readily ascertained.

c. Mitigation of Risk:

Decentralisation not only spreads over decision-making authority among various executives of middle and lower level management but also facilitates the availability of the benefits of expert advice of the specialists and thus helps the business in minimising possibilities of loss.

d. Stimulates high pace of performance:

The close contact and consequent greater understanding between the managers and the managed can cope successfully with constant business changes.

Thus, it provides a dynamic character to the business and ensures quick decision and prompt action.

e. Assist in preparing future managers:

When authority is decentralised, the subordinates get the opportunity of exercising their own judgement. They learn how to decide and develop managerial skills. Thus, decentralisation provides a better means of developing future managers and executives.

This is probably the most important benefit, particularly in our country where shortage of competent managers is the major limiting factor of the rapid growth of our economy and principal industries.

f. Inculcate better performance in subordinates:

By consistent and adequate delegation of managerial work, the organisation structure promotes individual initiative and mutual understanding and motivates the subordinates for higher performance.

g. Enhances self-confidence:

Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority, they weld their people into well-knit groups.

With high degree of participation, constant effort to communicate, and continuous interest in the welfare of the members of the group, they are able to secure a high degree of morale among the subordinates.

B. Disadvantages of Decentralisation:

a. Too much strain on Top Management:

Due to overload of work, top level managers cannot concentrate on important functions and matters as they keep themselves engaged in day-to-day decision-making.

b. Disequilibrium in the Structure of Organization:

Top level loaded positions and empty lower levels may create an imbalance in the structure of an organization.

c. Hampers individual initiative:

Centralization evolves around few persons (top management) only. They take all the decisions and decide how to implement them. Others are not supposed to take any initiative and are to carry out whatever they have been told. This practice destroys individual initiatives and does not allow any second line of command to grow in the organization.

d. Slackens the Operations:

Since executives at the workplace are not free to take the decisions, in case of any contingency, by the time decision comes from the management, it may be too late to implement.

Moreover, unavailability of top management may leave the organization without any decision in case of need.

e. Inadequate specialised knowledge in decision:

Since top management may not be expert in all areas, decisions taken by them will lack perspective of a specialist. Even a specialist or employee under centralized set-up, does not have a free hand in his area. His job mainly will be convincing the top executives that his suggestion should be implemented.

3.6.3 Centralisation of Authority:

Centralisation of authority means systematic reservation of authority at central points in an organisation. Hence the majority of the decisions regarding the work are taken only at higher levels and not by those who actually performs the work.

A. Advantages of Centralization:

An effective centralization offers the following advantages:

a. A flawless chain of command:

A centralized organization benefits from a clear chain of command because every person within the organization knows who to report to. Junior employees know who to approach whenever they have concerns about the organization. On the other hand, senior executives follow a clear plan of delegating authority to employees who excel in specific functions.

The executives also gain the confidence that when they delegate responsibilities to mid-level managers and other employees, there will be no overlap. A clear chain of command is beneficial when the organization needs to execute decisions quickly and in a unified manner.

b. Focused vision:

When an organization follows a centralized management structure, it can focus on the fulfillment of its vision with ease. There are clear lines of communication, and the senior executive can communicate the organization's vision to employees and guide them toward the achievement of the vision.

In the absence of centralized management, there will be inconsistencies in relaying the message to employees because there are no clear lines of authority. Directing the organization's vision from the top allows for a smooth implementation of its visions and strategies. The organization's stakeholders such as customers, suppliers, and communities also receive a uniform message.

c. Mitigation of costs:

A centralized organization adheres to standard procedures and methods that guide the organization, which helps reduce office and administrative costs. The main decision-makers are housed at the company's head office or headquarters, and therefore, there is no need for deploying more departments and equipment to other branches. Also, the organization does not need to incur extra costs to hire specialists for its branches since critical decisions are made at the head office and then communicated to the branches.

The clear chain of command reduces duplication of responsibilities that may result in additional costs to the organization.

d. Quick decision making:

In a centralized organization, decisions are made by a small group of people and then communicated to the lower-level managers. The involvement of only a few people makes the decision-making process more efficient since they can discuss the details of each decision in one meeting.

The decisions are then communicated to the lower levels of the organization for implementation. If lower-level managers are involved in the decision-making process, the process will take longer and conflicts will arise. That will make the implementation process lengthy and complicated because some managers may object to the decisions if their input is ignored.

e. Better quality of work:

The standardized procedures and better supervision in a centralized organization result in improved quality of work. There are supervisors in each department who ensure that the outputs are uniform and of high quality. The use of advanced equipment reduces potential wastage from manual work and also helps guarantee high-quality work. Standardization of work also reduces the replication of tasks that may result in high labor costs.

B. Factors Determining Centralization of Authority:

The management of an undertaking may centralize decision-making for the following reasons:

a. Helps in accomplishing consistency in actions:

Uniformity of action is possible when decision-making authority is centralized. The decisions taken at the top will be implemented at every level. There may be more than one unit under the same management and it may be desired to have same types of policies and procedures. If the units take their independent decisions then uniformity of action will not be achieved. Under such situations centralized decision-making will enable unity of action.

b. Easing Integration:

There may be a need to integrate all operations of the enterprise for achieving common objectives. Centralized management will facilitate integration of activities by devising common policies and programmes.

c. Furthering Personal Leadership:

The small enterprises grow on the strength and capability of their manager. Even big concerns too depend upon the qualities of their managers during initial periods. The whole authority will be in the hands of the chief executive.

This will result in quick decisions and imaginative actions. The manager will acquire more and more skill and experience which will promote their personal leadership.

d. Controlling uncertain events:

Under uncertain business conditions there is a need to take emergency decisions. Sometimes the existence of small- scale units is endangered if timely actions are not taken. Centralized authority will enable quick and timely decisions from short-term as well long-term perspective.

C. Disadvantages of Centralization:

Centralization is not suitable for all type of business organizations. It suffers from various limitations which makes it unsuitable for its application in large business houses.

a. Lowers the pace of operations: The top management directs the day to day operations, and the subordinates have to report directly to the senior management. At times when there is no managerial staff, the subordinates are unable to take immediate decisions. Thus, resulting in slowing down of business operations.

b. Procrastination in Decision Making: In centralization, the decision-making process slows down since all the decisions are to be taken by the top management. It is not suitable for handling emergencies or unexpected circumstances.

c. Downgrades possibility for Specialization: A person cannot specialize in all the activities alone. Therefore, in a centralized structure where all decisions are taken by the top management, the organization lacks specialized supervision and management.

d. Discourage creativity: The subordinates are given instructions which they need to follow without questioning the decisions of the top management. In centralization, the subordinates are intimidated from giving their input or suggestions.

e. Inflexible: The centralized organization runs in a conventional manner where the top management is somewhat rigid with its policies, methods and techniques. Thus, it creates a barrier to adopting modern and improved practices for organizational growth.

f. Pressure on Top Management: All the planning and decision-making work is done at the topmost level of management, they control even the day to day operations. Due to this reason, management becomes overburdened and is unable to concentrate on business expansion and growth.

g. Technical Leadership: Centralization is seen as an instrument for dictatorship, where the top management plans every course of action and the subordinates follow the instructions. Problem-solving becomes quite difficult in such circumstances since the decision-maker, and the implementer is two different individuals.

h. Weak Upward Communication: The subordinates are supposed to follow instructions while the least attention is paid towards their suggestions and feedback. All this hinders the upward communication in the organization.

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Unit 4

Directing: Concept, Principles & Techniques of Directing and Coordination Concept of Leadership-Meaning, Importance, Styles, Supervision, Motivation Communication

4.1 What is Directing?

Directing is the managerial function encompassing the process of providing instruction, guidance, counselling, motivation, and leadership to individuals within an organization, with the ultimate aim of attaining` the organizational objectives. The act of directing encompasses more than just issuing orders and instructions from a superior to subordinates; it also involves providing guidance and inspiration to those individuals. The concept incorporated various components such as motivation, leadership, supervision, in addition to communication. The performance of this managerial role is continuous throughout the lifespan of a company. According to Ernest Dale, direction refers to the act of instructing others on what actions to take and ensuring that they execute these actions to the best of their capabilities. According to Theo Haimann, directing encompasses the procedural and technical aspects involved in delivering instructions and ensuring that operations are executed in accordance with the initial plan. Following the initial stages of strategic planning, organizational structuring, and the allocation of human resources, the subsequent crucial phase involves the process of directing. The purpose of directing is to align the efforts of all employees towards the achievement of organizational objectives. The concept being discussed serves as the intermediary that links the several activities of management, namely planning, organizing, staffing, and controlling.

4.1.1 Features or Characteristics of Directing:

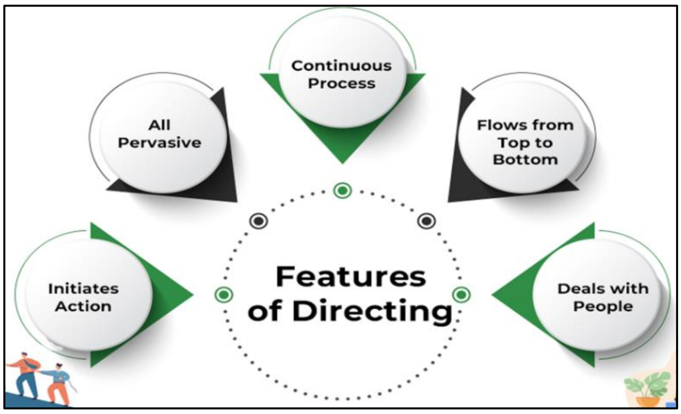

Figure 4.1: Features of Directing

The characteristics of Directing are as follows:

- **Directing Initiates Action:** The other functions of management, i.e., planning, organising, staffing, etc., create conditions for managers to take appropriate actions, whereas directing function initiates actions in an organisation. It converts plans into action. It is the key managerial function performed by the managers.
- **Directing Is Pervasive:** It is pervasive as it takes place at every level of management. It takes place wherever superior-subordinate relations exist. Every manager has a subordinate who works under him and is responsible for getting things done.
- **Directing Is a Continuous Process:** Directing is an ongoing activity. It takes place throughout the life of an organisation, irrespective of the people in the organisation. Managers give orders to their subordinates, motivate them, and guide them on a continuous basis.
- **Directing Flows from Top to Bottom:** It flows from top to bottom through the organisational hierarchy. In directing, every manager directs his subordinates and takes instructions from his immediate boss. It is a function of a superior, i.e., the superior motivates, guides, and supervises his subordinates to achieve the organisational goals.
- **Directing Deals with People:** It is concerned with the direction of human efforts towards organisational goals. It can be said that directing is a delicate function, as it deals with people, and human behaviour is complex and highly unpredictable.

4.2 Meaning of Motivation:

The term "motivation" is etymologically derived from the word "motive". The concept of motive can be delineated as the amalgamation of an individual's needs, wants, urges, and impulses. The initiation of the motivation process is contingent upon the motives or needs of an individual. It is oriented towards the attainment of specific objectives, which afterwards influence the conduct of individuals. Motivation is commonly characterized as the intricate amalgamation of forces that stimulate an individual in their professional endeavors, prompting them to enhance their readiness to utilize their abilities in order to attain specific objectives. Motivation is a psychological construct that serves as a driving force behind an individual's actions or behaviour.

According to J. Juicius (year), motivation can be defined as the process of inspiring an individual or oneself to pursue a desired course of action, akin to activating the appropriate stimuli to elicit a desired response. Motivation can be defined as the intrinsic drive or desire to engage in work-related activities.

Motivation can be defined as the inclination or readiness to exert effort in order to attain a desired objective. The force in question is the driving factor that instills a fervent desire for action within individuals belonging to an organization. Motivation, in fact, is an ongoing and perpetual phenomenon. The outcome can be either positive or negative. Job satisfaction and this concept are distinct from each other. Motivating subordinates to cultivate a strong work ethic is an essential component of the management process, necessitating the active engagement of every manager. Motivation is a psychological phenomenon that originates from within an individual. The concept in question pertains to human behaviour and its orientation towards specific objectives.

Motivation is widely regarded as the paramount determinant of organizational efficiency and effectiveness. Motivated employees exhibit enhanced performance, as motivation serves as a significant determinant of job satisfaction among workers. Consequently, there is a low incidence of labour absenteeism and turnover. Motivational strategies facilitate the alignment of individual interests with organizational goals. Talent attraction is the organizational process aimed at efficiently engaging skilled individuals to carry out work tasks. The aforementioned process refers to the means via which organizations are able to effectively attain their objectives.

Figure 4.1: Motivation

Motivation is the reason for people's actions, desires, and needs. Motivation is one of the essential aspects of HRM which is concerned with the process of inducing, inspiring, organizing, and stimulating employees to do the better job in the organization. The term is generally used for humans but, theoretically, it can also be used to describe the causes of animal behavior as well.

4.2.1 Techniques of Motivation:

The types and techniques of motivation refer to different methods of motivating employees. All such methods are based on an application of different motivation theories. Some of the important methods or types are as follows:

A. Participation:

Participation refers to an activity involving employees in management decision making and planning activities. Participation of employees in formulating corporate plans and policies provides the feeling of belonging, recognition, acceptance, accomplishment, and responsibility. As a result, employees will be motivated for a higher level of performance.

B. Behavioural Motivation:

This refers to the process of enhancing employee’s behaviour with the help of different tools and techniques. Because the changed behaviour of employees can motivate themselves towards the higher level of performance. This also increases their job responsibility.

C. Money and Financial Benefits:

Money and financial benefits are generated externally. They are provided in terms of pay, incentives, benefits, and other tangible services. This works as a ‘carrot’ for motivating employees.

D. Work Group:

Under it, employees are categorized into different work units to fulfil their different societal needs. Then the employees are allowed to work in the group, and they discuss the quality and productivity thereby finding out the causes of deficiencies. Hence, employees are self-motivated and self-directed towards the attainment of organizational jobs and responsibilities.

E. Profit Sharing Plans:

An alternative method of incentivizing employees involves granting them a specific proportion of the company's profits. The direct involvement of employees in the company's profit might serve as a motivating factor for them to strive for improved financial outcomes.

F. Skill-Based Pay:

This refers to the implementation of a compensation system or incentive scheme that is contingent upon the level of effort demonstrated by employees in their respective work environments. When individuals receive recognition for their efforts and endeavours, they are more likely to be motivated to perform at a greater level.

G. Flexible Return:

This refers to the implementation of a remuneration system or incentive scheme that is contingent upon the level of effort demonstrated by employees in their respective workstations. When individuals receive recognition for their efforts and endeavours, they are more likely to be motivated to perform at a greater level.

H. Representation:

This represents another significant approach to employee motivation. In this methodology, individuals are selected as employees to serve on the management committee and engage in decision-making endeavors.

When employees are provided with representation in management, they are afforded the opportunity to effectively articulate their opinions, emotions, concepts, and perspectives. Ultimately, this inclination guides individuals towards their dedication to their professional responsibilities.

4.3 What is Leadership?

An individual who possesses complete authority and exercises control over their team is usually known as an authoritarian leader. They faithfully stick to their thoughts and values without making any concessions for any individual. Additionally, the team does not possess the authority to make decisions regarding the organization. Moreover, it is expected that the team would conform to the prescribed course of action as directed by the leader.

The utilization of this outdated form of leadership is constrained by its inclination to impede innovation and adaptability. Contemporary leaders are actively redefining the notion of leadership through the implementation of innovative decisions, so fundamentally transforming its core principles.

4.3.1 What Are the Different Types of Leadership?

All leaders have a unique style that sets them apart from others. Hence, these different **types of leadership** styles will help you decide which type of leader you want to be. Accordingly, you would be able to hone your skills with the best leadership training programme. Read on.

A. Autocratic Leadership:

An individual who exercises absolute authority and control over their team is commonly referred to be an authoritarian leader. They consistently adhere to their views and principles without making exceptions for any individual. Furthermore, the team lacks decision-making authority in matters pertaining to the firm. Furthermore, it is anticipated that the team would adhere to the course of action prescribed by the leader. The adoption of this antiquated kind of leadership is limited due to its propensity to hinder innovation and adaptation. Contemporary leaders are actively reshaping the concept of leadership by introducing groundbreaking decisions, so reinventing its very essence.

B. Laissez-Faire Leadership:

The term "Laissez-Faire" originates from the French language, specifically from the phrase "laissez faire," which can be translated as "allow to do." According to dictionary.com, the concept of non-interference pertains to refraining from involvement in the affairs of others, particularly in relation to individual behaviour or the exercise of personal liberties. In this particular leadership style, team members are granted autonomy to execute their tasks in accordance with their own volition. Individuals are granted the autonomy to incorporate their unique viewpoints and cognitive abilities when executing commercial operations. By enrolling in a leadership course, one would have the opportunity to have a comprehensive understanding of the subject matter.

C. Democratic Leadership:

In this particular leadership style, both team members and leaders make equal contributions towards the achievement of corporate objectives.

Moreover, they collaborate and mutually inspire one another in the pursuit of their individual objectives as well. This particular style of leadership fosters a conducive and favorable working atmosphere.

D. Bureaucratic Leadership:

In this particular leadership style, executives demonstrate a strong commitment to adhering precisely to the established norms and policies of the business. They ensure that their team members adhere to the same standard.

Bureaucratic leaders typically exhibit traits of organization and self-motivation. The concept of leadership style does not adhere to a definitive right or wrong framework. Hence, the responsibility lies with you to determine the type of leader you aspire to be.

4.3.2 What Are the Qualities of a Good Leader?

a. **Honesty and Integrity:** Leaders value virtuousness and honesty. They have people who believe in them and their vision.
b. **Inspiration:** Leaders are self-motivating, and this makes them great influencers. They are a good inspiration to their followers. They help others to understand their roles in a bigger context.
c. **Communication skills:** Leaders exhibit exceptional communication abilities. The organization demonstrates transparency by openly communicating with their team, sharing both setbacks and triumphs.
d. **Vision:** Leaders possess visionary qualities. The individuals possess a well-defined understanding of their objectives and the strategies necessary to attain them. Leaders who possess effective communication skills are able to successfully convey their vision to their team members.
e. **Never give-up spirit:** Leaders actively question and seek to disrupt the prevailing norms and practices. Consequently, they exhibit a persistent and tenacious nature. In addition, they possess distinctive methodologies for resolving issues.
f. **Intuitive:** According to leadership coach Hortense le Gentile, it is imperative for leaders to depend on their intuition when confronted with challenging decisions. Particularly due to its dependence on an individual's pre-existing knowledge and experiential learning, intuition demonstrates more utility in intricate circumstances.
g. **Empathy:** A leader's emotional and sympathetic qualities are crucial as they facilitate the establishment of a robust rapport with their team. Moreover, possessing these attributes will enable a leader to effectively address the issues, grievances, and ambitions of their team members.
h. **Objective:** While it is crucial for a leader to possess empathy, it is not advisable to allow emotions to cloud one's judgement when making significant business decisions. Therefore, it is imperative for a competent leader to possess objectivity.

i. **Intelligence:** An essential quality of effective leadership is the possession of sufficient intellectual capacity to devise viable business strategies for challenging issues. Moreover, it is imperative for a leader to possess analytical skills and engage in a thorough evaluation of the advantages and disadvantages before to reaching a conclusion. The enhancement of this attribute can be refined through a comprehensive leadership training programme.

j. **Open-mindedness and creativity:** An effective leader is a somebody who demonstrates receptiveness towards novel concepts, potential opportunities, and diverse viewpoints. Being an effective leader entails recognizing that there is no universally correct approach to accomplishing tasks or making decisions. Hence, an effective leader demonstrates a readiness to actively engage in listening, observing, and displaying a willingness to adapt. Additionally, they possess a propensity for innovative thinking and actively promote such behaviour among their teams. Upon enrolling in a leadership training, the aforementioned components will be incorporated into the curriculum.

k. **Patient:** A proficient leader comprehends that the formulation and implementation of a business plan necessitate a considerable amount of time and effort before yielding tangible outcomes. Furthermore, it is also argued by proponents that the notion of "continuous improvement and patient" is a crucial factor contributing to achieving success.

l. **Flexible:** Leaders possess a comprehensive understanding of the principle of 'continuous improvement' and are cognizant of the fact that their ability to adapt is crucial for achieving success. The execution of plans does not always proceed as intended. Therefore, possessing adaptability and intuition enables a manager to maintain their position in intricate circumstances.

4.4 Communication:

Communication is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings from one place, person or group to another. Communication is the key to the Directing function of management.

A manager may be highly qualified and skilled but if he does not possess good communication skills, all his ability becomes irrelevant. A manager must communicate his directions effectively to the subordinates to get the work done from them properly.

The word Communication (derived from the Latin 'Communicate' it means 'to share') is the act of sharing ideas, emotions, and feelings between two or more people.

We are aware of the need for and importance of communication as it is a general phenomenon. Nowadays communication is playing a vital role in every walk of an individual. Wherever life exists, communication also exists.

There are many changes taking place in the corporate world; it has become an important tool in the management analysis and managerial process. While considering all these aspects, the success of any business/profession depends upon proper communication.

70–80 percent of working time is spent on some kind of communication. We are reading, writing, and listening to our co-workers, or having one-tone conversations with our supervisors.

To have mastery in communication that particular person should have knowledge about language skills namely Listening, Speaking, Reading, and Writing as it is a root of all kinds of effective communication which I mentioned in my first blog on English Language Skills.

4.4.1 Features of Communication:

- Communication is an unavoidable system.
- It is a two-way process.
- It is a social activity.
- It is a continuous process.
- It is universal.
- It may be formal or informal.

4.4.2 Process of Communication:

To have successful & effective communication it is very important to know about the communication process. It always guides us towards realizing effective communication. Every individual that follows the communication process will have the opportunity to succeed in every aspect of their profession.

The Communication Process Involves the Following Aspects:

- **Sender:** The sender is the person who sends the information to the receiver. This is why the communication process has started for the sender. It is also called an encoder because the sender always puts the message into words or images.
- **Message:** It is the second aspect of the communication process. It is a kind of information that the sender wants to convey to the receiver.
- **Channel:** It is the medium of sharing information from one person to another. It can be a language or any other. or it simply means various methods of sending the message e.g., telephone, television etc.
- **Receiver:** The receiver is the person or group who receives the message or information which is sent/given by the sender. It is also called a decoder because it decodes the information sent by the sender.
- **Feedback:** Feedback is the key to any effective/successful communication. It is one of the fundamental aspects in the process of communication, through which the sender can understand whether the message has been successfully received or not.

4.4.3 Importance of Communication:

Communication is the heart of any organization. Everything you do in the workplace from the results of communication. While developing your career you will get to know why communication is important.

A. In the Organization:

Effective communication is a critical component in the successful administration of any organization. As a means of facilitating the dissemination of thoughts, ideas, opinions, and plans within different sectors of an organization, it serves as a valuable tool.

Effective communication is essential not just for fostering interpersonal connections but also for achieving commercial success. Hence, communication holds significant value within organizational contexts. Effective communication plays a pivotal role in enhancing workplace efficiency.

B. Importance for Individuals:

The facilitation of self-expression is significantly enhanced by the implementation of effective communication strategies. Moreover, it satisfies the specific needs of an individual. The importance of effective communication cannot be overstated in terms of professional advancement. The acquisition and utilization of effective communication skills are of paramount importance in an individual's everyday life, as they serve to foster the development of harmonious interpersonal connections and promote a deeper level of mutual comprehension among individuals.

C. To Secure an Interview:

To secure yourself in the interview you should communicate confidently and clearly. Good communication skills would help you to get selected for the job.

D. For Motivation:

Communication is a basic tool for motivation. This can improve the morale of the people.

E. To Increase Productivity:

With effective communication, you can maintain relationships. It helps to increase productivity.

F. To Develop Professionalism in Students:

In the forthcoming years, it is anticipated that students would choose careers in medicine, hence necessitating the cultivation of proficient communication skills to effectively engage with their patients.

In order to effectively engage with patients, individuals in the healthcare industry must possess qualities such as empathy and warmth. In the forthcoming era, students are poised to assume roles as political, business, and entrepreneurial figures, necessitating the cultivation of excellent communication skills across various domains.

4.4.4 Barriers to Effective Communication:

Communication can be defined as the systematic transmission of information between persons, facilitated via the use of signs and symbols. The fundamental notion of communication encompasses three essential components: a sender, a message, and a recipient. The act of communication involves a sender who transmits a message, while the recipient assumes the role of the receiver who receives the message. The communication process is often hindered by several hurdles, resulting in a lack of smoothness. The presence of obstacles in the process of communication can give rise to a state of perplexity, ultimately resulting in the dissemination of inaccurate information or the occurrence of miscommunication, which in turn can have detrimental effects on corporate operations.

Following are some of the barriers to effective communication:

A. Semantic barriers
B. Psychological barriers
C. Organisational barriers
D. Cultural barriers
E. Physical barriers
F. Physiological barriers

Let us study in detail about the various types of barriers to effective communication.

A. Semantic Barriers:

Semantic barriers, alternatively referred to as language barriers, are a recognised phenomenon in communication. The existence of these obstacles can be attributed to ineffective communication between the sender and the receiver. Semantic barriers can be observed in various situations of communication. Poor quality of message: Effective communication requires the delivery of concise and comprehensible messages, enabling the recipient to readily comprehend the transmitted information. Semantic barriers may arise when the sender fails to provide information in a clear or complex manner.

For example, a manager is engaging in English conversation with a group of workers who possess comprehension and fluency in the Bengali language. The lack of clarity in the manager's communication may lead to a state of perplexity among the employees, impeding their comprehension of the intended message. Technical language: Language barriers might manifest when the communicator uses technical terminology that the recipient is unfamiliar with. The presence of language barriers hinders efficient communication, leading to confusion and misunderstandings between the sender and recipient.

B. Psychological Barriers:

Psychological obstacles significantly impact interpersonal communication, since the cognitive and emotional states of both the sender and recipient can hinder the comprehension of transmitted information, frequently resulting in misinterpretation. Here are some instances where psychological barriers to communication can be seen.

- The premature assessment of information by the recipient prior to its transmission might impede effective communication by prematurely forming conclusions about the message, so inhibiting the accurate reception of the intended content.
- Insufficient recipient attention during communication can result in communication hurdles, since the sender's transmitted information is not effectively absorbed by the recipient.
- When information is transmitted through numerous sources, the resulting information becomes distorted due to the receivers' inability to recall the entirety of the imparted message. The presence of communication barriers can arise as a consequence.

C. Organisational Barriers:

Organisational barriers refer to obstacles that arise as a result of the structure, rules, and laws within an organization. There exist several sorts of barriers that may arise as a result of superior-subordinate relationships, impeding the unrestricted exchange of communication. Sometimes the complexity of organizational structure and multiple managers make it difficult to convey information properly, and the information gets distorted leading to miscommunication.

D. Cultural Barriers:

Cultural barriers manifest as a result of the absence of shared characteristics among diverse civilizations worldwide. The interpretation of a particular term as innocuous within one cultural context may be perceived as colloquial or informal within another cultural one. Furthermore, it is important to note that there can be variations in views across different cultures.

E. Physical Barriers:

Physical barriers to communication refer to obstacles that hinder the effective transmission of information between a sender and recipient. These barriers can occur from several circumstances, such as malfunctioning technology, excessive noise, and physical barriers like locked doors or cabins. Consequently, these variables can distort the information being conveyed, leading to ineffective communication.

F. Physiological Barriers:

Physiological barriers manifest when either the sender or the receiver of communication encounters difficulties in effectively expressing or comprehending the message owing to physiological factors, such as dyslexia or neurological abnormalities that impede speech or hearing abilities.

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Unit 5

Staffing, Manpower planning, Recruitment & Selection, Controlling: Concept, Principles, Process and Techniques of Controlling, Relationship between Planning and Controlling

5.1 What is Staffing?

Staffing is the process of hiring eligible candidates in the organization or company for specific positions. In management, the meaning of staffing is an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

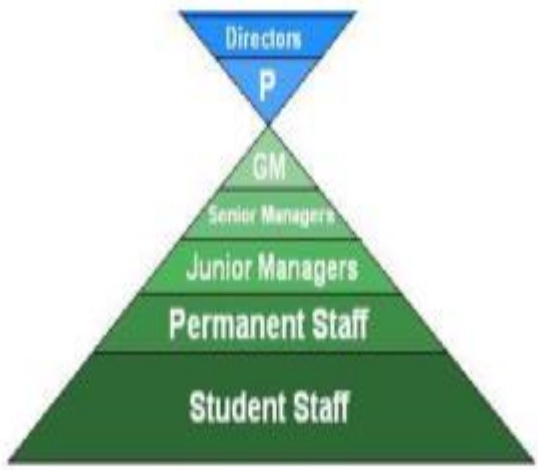

Figure 5.1: Staffing

Definition: Staffing is widely regarded as a critical managerial function within organisations. The process entails the selection and placement of suitable individuals in vacant positions, ensuring that they possess the necessary qualifications and are matched appropriately to the job requirements, all within a timely manner. Consequently, all events will transpire in the appropriate fashion.

Human resource is widely acknowledged as a crucial asset for every organisation, since it plays a pivotal role in effectively and efficiently utilising other resources such as money, material, and machinery.

Hence, it is imperative that individuals are assigned appropriate positions within an organisation that align with their abilities, talents, aptitudes, and specialisations. This strategic alignment facilitates the organization's attainment of predetermined objectives through the optimal utilisation of human resources. Therefore, it can be asserted that staffing is a fundamental and indispensable aspect of all corporate organisations. From this, we can gain an understanding of the concept of staffing.

5.2 Importance of Staffing:

Efficient Performance of Other Functions:

For the efficient performance of other functions of management, staffing is its key. Since, if an organization does not have the competent personnel, then it cannot perform the functions of management like planning, organizing and control functions properly.

Effective Use of Technology and Other Resources:

What is staffing and technology's connection? Well, it is the human factor that is instrumental in the effective utilization of the latest technology, capital, material, etc. the management can ensure the right kinds of personnel by performing the staffing function.

Optimum Utilization of Human Resources:

The wage bill of big concerns is quite high. Also, a huge amount is spent on recruitment, selection, training, and development of employees. To get the optimum output, the staffing function should be performed in an efficient manner.

Development of Human Capital:

Another function of staffing is concerned with human capital requirements. Since the management is required to determine in advance the manpower requirements. Therefore, it has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in the future.

The Motivation of Human Resources:

In an organization, the behaviour of individuals is influenced by various factors which are involved such as education level, needs, socio-cultural factors, etc.

Therefore, the human aspects of the organization have become very important and so that the workers can also be motivated by financial and non-financial incentives in order to perform their functions properly in achieving the objectives.

Building Higher Morale:

The right type of climate should be created for the workers to contribute to the achievement of the organizational objectives. Therefore, by performing the staffing function effectively and efficiently, the management is able to describe the significance and importance which it attaches to the personnel working in the enterprise.

5.2.1 Functions of Staffing:

- The first and foremost function of staffing is to obtain qualified personnel for different jobs position in the organization.
- In staffing, the right person is recruited for the right jobs, therefore it leads to maximum productivity and higher performance.
- It helps in promoting the optimum utilization of human resource through various aspects.
- Job satisfaction and morale of the workers increases through the recruitment of the right person.
- Staffing helps to ensure better utilization of human resources.
- It ensures the continuity and growth of the organization, through development managers.

What is Manpower Planning?

While the concept of organising individuals to achieve a common goal has been practised for centuries, the field of management is still considered to be in its early developmental phase.

The availability of manpower is a fundamental resource that is needed for the effective utilisation of other resources such as financial capital and materials. Even a completely automated system, such as an unmanned satellite, necessitates human intervention for its execution and the formulation of future enhancements or operations. This is the reason why humans acquired the knowledge and use of human labour prior to their acquisition and utilisation of other resources.

To successfully accomplish an objective, it is essential to evaluate, identify, and utilise the necessary human resources. Effective manpower planning includes more than just a rudimentary evaluation of the quantity of personnel needed. It also entails considering their respective classifications, proficiencies, and equitable distribution. Inadequate planning has the potential to result in either excessive staffing or insufficient staffing, both of which should be circumvented. The presence of excess employees not only leads to an increase in direct costs, such as salaries, but also has a negative impact on expenses related to training, living amenities, and production costs. Insufficient staffing levels also have an impact on the morale of production personnel, thus influencing industrial relations.

Manpower planning primarily involves the coordination, motivation, and control of numerous operations inside an organisation.

Undoubtedly, planning is a critical aspect for all firms. The fulfilment of an organization's goals is contingent upon the presence of effective planning. Human Resource planning, commonly referred to as manpower planning, is a fundamental aspect of organisational management.

Manpower planning refers to the formulation of plans aimed at aligning the available workforce with the existing job opportunities within an organisation, region, or nation.

labour planning include the evaluation of existing labour resources, the projection of future demands and availability, and the implementation of measures to guarantee that the supply of individuals and their capabilities aligns with the prevailing demand.

According to Stainer, manpower planning refers to the strategic process of acquiring, utilising, enhancing, and retaining human resources within an organisation. The objective of this initiative is to effectively synchronise the demands for and the accessibility of several categories of personnel.

Manpower Planning is the development of strategies to match the supply of manpower to the availability of jobs at organizational, regional or national level. Manpower planning involves reviewing current manpower resources, forecasting future requirements and availability, and taking steps to ensure that the supply of people and skills meets demand.

What is Manpower Planning – 9 Important Processes: Manpower Plan and Objectives of the Organisation, Assessment of the Manpower Situation and a Few Others

Process # 1. Manpower Plan and Objectives of the Organisation:

In the organisation, Human Resource Planning plays a significant role. The objectives of the organisation have to be started with personnel requirements and efficiency should be measured by specific norms. Within the broad parameter of objectives, priorities have to be ordered and performance indicators specified in quantifiable or measurable terms.

Process # 2. Assessment of the Manpower Situation:

Human Resource Planning deals with collecting all possible information which is basically regarding educational qualifications, experience, abilities, aptitudes performance, date of joining, date of birth and date of retirement etc. of individual employees. It mainly based on skills of employees and also the resource base of the organization.

Organisational effectiveness over a period of time can be assessed by statistics prepared. It also help for the future in terms of how efficiency levels can be enhanced, what qualifications need to be prescribed at what level, what training to institute, etc. in order to raise efficiency to desired.

Process # 3. Projection of Manpower Requirements:

A manpower plan has two components:

a. Manpower Demand Plan, and
b. Manpower Supply Plan.

The supply plan deals with the source of proposed manpower. A manpower plan should spell out the manpower requirements of an organisation in totality. The process of manpower planning involves use of techniques such as quantitative analysis, multi-variate skills analysis, operations research, PERT and CMP, orthogonal polynomials, etc.

Process # 4. Classification and Interpretation of Information:

Information collected must be classified to facilitate analysis. Data have to be ready properly and inferences drawn accurately to derive correct conclusion and formulate objective policy based up such conclusions. Therefore, the information collected a data, which is essential for the organisation to be classified and interpreted.

Process # 5. Developing Work Standards and Performance Norms:

Human Resource Planning deals with a lot of developing work standard and also performance the norms of the organisation. For the improvement, work norms need to be developed and should be framed realistically in that the limitations or constraints of 'bounded rationality' should be provided for. Standards must be developed in the light of all available information at specific levels.

Objectives should be laid down clearly in that they should be intelligible to the ordinary worker and should not in any way result in ambiguity or lack of role specify. Therefore, standard should be (1) realistic, (2) provisional, (3) appropriate, (4) flexible and (5) clearly defined.

Hence, the Human Resource (manpower) planning is to set up hierarchy of objectives, stipulate qualifications for each level, set up a manpower plan, assign weights to performance indicators, work-out plan, judge efficiency by performance indicators, review plan, etc.

Process # 6. Anticipating Manpower Problems:

There is a gap between the qualitative and quantitative in the performance of personnel manpower needs. All types of information is useful in writing job descriptions and specifications and also plugging "gaps" to reduce the efficiency 'lag' by discovering requirements at different levels and making provision for the same.

Process # 7. Costing Inventory:

For the Human Resource Planning, information is also needed regarding:

(a) Materials available in the organisation

(b) Building in use

(c) Availability of computers.

Process # 8. Supply of Personnel:

Policy planners need to work in close co-operation with educational and training institutes to ensure adequate supply of personnel. Policy should be sustainable in that organisation must have sufficient funds to pay for new and added services. One way could be to avoid employing highly trained personnel for tasks that can be accomplished by less qualified staff.

The ministry of public health, for example, employed trained midwives in family planning programmes to reduce costs and free doctors who were in short supply for more skilled tasks. The measure reduced costs and pilot studies revealed that performance of nurse, midwives was a good as qualified doctors.

Process # 9. Research Studies:

Basically, Research Studies is based on the evaluation of manpower planning in the organisation. It also deals with the empirical studies, which advised for future changes. Policy has to be fact based and as objective as possible to maximise rationality and avoid satisfying solutions or a priori judgement in decision-making. It mainly focus on the economic dimension on policy-making and implementation.

So, research is effectiveness of training programmes by application of tools like post training surveys. Sophisticated analysis is needed to examine discrimination claims and complaints.

5.3 What is Recruitment?

Recruitment is the process of actively seeking out, finding and hiring candidates for a specific position or job. The recruitment definition includes the entire hiring process, from inception to the individual recruit’s integration into the company.

Recruitment means searching finding and recruiting the best talent for an open job vacancy within the organization in specific time and cost.

Recruitment in the field of Human Resource Management (HRM) is a methodical and structured procedure aimed at acquiring and selecting individuals with exceptional skills and abilities. The process commences with the identification, attraction, screening, shortlisting, interviewing, selection, and ultimately, the employment of the most promising individual to fulfil the available job positions within an organisation.

Within the context of corporate organisations, people are consistently regarded as their most valuable resource, with the management of personnel being the foremost role overseen by the Human Resource Management (HRM) Department. The major responsibility of the Human Resource Management (HRM) team is to continuously develop and expand the organization's pool of Human Capital, with the ultimate goal of effectively matching suitable candidates with appropriate employment positions.

The objective of recruitment is to select and employ individuals who possess the appropriate qualifications and skills for a certain position, in a timely manner. The Human Resource Management Department frequently takes into account two primary sources of recruitment, specifically internal and external sources of recruitment. The primary objective of the recruiting process is to efficiently collect pertinent information regarding skilled and capable individuals who may express interest in employment with the organisation.

Recruitment Meaning:

Recruitment Definition:

Recruitment is defined as a process of discovering reliable sources of contacting desirable employees which meets the staffing requirements of the organization. Through recruitment process the organization can attract the adequate number of manpower to facilitate the effective selection process and joining of efficient work force.

Recruitment Definition by eminent Authors

Here are some popular definition of recruitment given by eminent authors:

Edwin Flippo - Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

DeCenzo and Robbins - It is the process to discover potential candidates for future actual or anticipated job vacancies. Another perspective is that it is a linking activity which brings together organizations those with jobs to fill and people those are seeking jobs.

Plumbley - It is a process to match the capacities of candidates with the demands of the organization. The inclination of qualified candidates should also match with the rewards and benefits the organizations are willing to provide in the job.

Dale Yoder - Recruitment is a process to discover the sources of manpower to meet the requirement of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.

Kempner - Recruitment is identified as a first step of the process which persists with selection and ends with the joining of the suitable candidate in the organization.

William B. Werther & Keith Davis –Recruitment is a discovering of potential applicants for actual or anticipated organizational vacancies. Or from other perspective, it can be looked at the linking activity bringing together those with jobs and those seeking jobs

Joseph J. Famularo - However, the act of hiring a man carries with it the presumption that he will stay with the company-that sooner or later his ability to perform his work, his capacity for job growth, and his ability to get along in the group in which he works will become matters of first importance.

5.3.1 What are the Types of Recruitment?

There are majorly two types of recruitment adopted and often used by the organizations in their recruitment process i.e., internal and external recruitment.

A. Internal Recruitment:

This type of recruitment refers to hiring the employees within the organization internally. Various internal sources of recruitment are:

- Promotion
- Transfer
- Recruiting former employees
- Job posting / job advertisement
- Employee referrals
- Previous applicants

B. External Recruitment:

External recruitment refers to hiring employees outside the organization. Various types of external recruitment are:

- Direct recruitment
- Employment exchange
- Employment agencies
- Advertisements
- Professional association
- Campus hiring
- Advertisement through word of mouth

5.3.2 Steps of Recruitment:

The process of recruitment consists of three Major Steps or phases -

a. Before posting job advertisement
b. Selection process
c. Formalities after selection of the candidate.

Here are the common steps of recruiting followed by the Human Resource department of various organizations:

A. Preparation: It is step in which the HRM department prepare a frame of ideal candidate for the vacant position. The skills and competencies required to perform the job are identified, also a qualification and level of experience required execute the job responsibilities is determined. Once the framework is ready, the HR identifies the proper communication channel through which the information about job vacancy can be conveyed to the suitable candidates.

B. Receive applications: Once the advertisement about the job vacancy is posted through internal and external source of recruitment, the HR department starts receiving the applications for the job opening. Most of the time the HR department confirms the candidate that their application is received by the organization and the further sorting process is going on.

Many companies used application tracking system (ATS) which helps to automatically communicate with the applicant that their job application is received and is in process.

C. Selection stage 1: Cancel out unqualified applicants

Here the selection process begins- In this stage the application which are not suitable for the job are cancel out by the HRM department. The application can be weed out based on the un-matching qualification or experience of the candidate.

D. Selection stage 2: Arrangement of candidates

The applicants who are matching to the requirement of the job vacancy are then rated based on their on-paper experience and qualification.

The ratings convey how well the applicant is fit of the vacant job profile. It is time consuming process and many times excel sheets are used to sort out the application and rank them based on their suitability to the job profile.

E. Selection stage 3: Interview rounds

The ranked and selected candidates can called for the interview round. There are several interview rounds which can vary from 2-6 based on the selection process adopted by the organization.

Mostly the HR round includes the background verification, personality check and behavioral suitability of the candidate. The manager interview round is often used to check the actual work suitability of the candidate.

F. Selection stage 4: Future work situation

This is considered as a last round of selection in which a simulated work exercise is given to the candidate. It includes the question or tasks related to the area of expertise of the candidate. It provides actual result about the ability of the candidate to perform as a future employee of the organization.

G. Offer and Joining formalities

Generally 2-3 top selected candidates gets joining offer from the organization. The joining formalities include the submission of relevant papers and signing the work contract with the organization. After the documentation formalities the joining date of the employee is decided and a new recruit joins the organization.

5.3.3 Importance of Recruitment:

The following points will help to understand the importance of Recruiting:

- The process is important to encourage and attract candidates and get ample amount of application for the job vacancies.
- It is an effective way to create information pool about the prospective candidates who are suitable for the talent needs of the organization.
- It is very important step of planning and analysis about the present and future manpower requirement of the organization.
- It bridges the gap between employers and their future employee.
- It is a less expensive way of gathering information about the talented manpower in the industry.
- It helps to improve the selection process by proper sorting of suitable candidate for the job.

5.4 What is Selection?

Selection refers to the systematic procedure of discerning and electing the optimal applicant who possesses the requisite qualifications and attributes to fill a vacant position within an organisation.

In alternative terms, the concept of selection may be elucidated as the systematic procedure of conducting interviews with candidates and assessing their qualifications and attributes that are deemed necessary for a particular employment opportunity, ultimately culminating in the identification and appointment of the most fitting individual for the post.

The careful selection of a suitable candidate for a vacant post can greatly benefit an organisation, facilitating the achievement of its objectives.

Various authors present diverse definitions of Selection. Presented below is a compilation of several definitions.

Employee selection refers to the systematic procedure of placing a suitable candidate in an appropriate position inside an organisation.

The employee selection process involves the careful evaluation and assessment of applicants who possess the necessary qualifications to effectively fulfil a vacant position within an organisation.

Selection is a systematic procedure employed by organisations to discern and recruit suitable candidates for the purpose of occupying vacant positions.

Employee selection is a systematic procedure that involves aligning the specific requirements of an organisation with the talents and qualifications possessed by employees.

The major differences between Recruitment and Selection are as follows:

Table 5.1: Difference between Recruitment and Selection

Recruitment	Selection
Recruitment is defined as the process of identifying and making the potential candidates to apply for the jobs.	Selection is defined as the process of choosing the right candidates for the vacant positions.
Recruitment is called as a positive process with its approach of attracting as many candidates as possible for the vacant jobs	Selection is called as a negative process with its elimination or rejection of as many candidates as possible for identifying the right candidate for the position.

Both recruitment and selection work hand in hand and both play a vital role in the overall growth of an organization.

A. Advantages of Selection:

A well-designed selection procedure provides several advantages−

- The utilisation of this method proves to be economically efficient and significantly decreases the expenditure of time and energy.
- This approach aids in circumventing any potential biases that may arise throughout the process of selecting the most suitable candidate.

This process aids in the identification and exclusion of applicants who demonstrate deficiencies in their knowledge, skills, and expertise.

The aforementioned process offers a framework for assessing candidates in further depth by means of rigorous verification and reference-checking procedures.

This process facilitates the comparison of various applicants based on their capabilities, knowledge, skills, experience, and work attitude, among other factors.

An effective selection process facilitates the identification and recruitment of the most suitable candidate to fulfil the staffing needs of an organisation.

The process of selection and its associated steps

As previously noted, the process of selection holds significant importance for organisations as it serves to mitigate losses and optimise earnings.

Therefore, it is imperative that the choosing approach be flawless. An effective selection process should encompass the following steps:

Figure 5.2: Advantages of Selection

- **Employment Interview** − Employment interview is a process in which one-on-one session in conducted with the applicant to know a candidate better. It helps the interviewer to discover the inner qualities of the applicant and helps in taking a right decision.
- **Checking References** − Reference checking is a process of verifying the applicant's qualifications and experiences with the references provided by him. These reference checks help the interviewer understand the conduct, the attitude, and the behavior of the candidate as an individual and also as a professional.
- **Medical Examination** − Medical examination is a process, in which the physical and the mental fitness of the applicants are checked to ensure that the candidates are capable of performing a job or not. This examination helps the organization in choosing the right candidates who are physically and mentally fit.
- **Final Selection** − The final selection is the final process which proves that the applicant has qualified in all the rounds of the selection process and will be issued an appointment letter.

5.5 Training & Development:

Training and development include educational initiatives implemented within an organisation with the aim of augmenting the competencies and expertise of its workforce, while offering guidance and instruction on optimising performance in designated responsibilities.

Training is a brief and responsive procedure intended for operators and processes, whereas development is a continual and proactive process created for executives. The primary objective of employee training is to cultivate supplementary skills, while employee development endeavours to foster holistic personal growth.

In the context of employee development, the responsibility for initiating training programmes lies with the management, who aim to address the immediate requirements of their staff members. In the context of professional growth, individuals proactively undertake initiatives aimed at fulfilling future employee requirements.

Training and Development refers to an ongoing process aimed at enhancing abilities, acquiring knowledge, clarifying concepts, and modifying attitudes through systematic and deliberate instruction. Its objective is to improve the productivity and performance of personnel.

Training and development initiatives prioritise the enhancement of individual and group performance inside an organisation through the implementation of a structured system. This system is designed to address the necessary skills, methodologies, and content required to effectively achieve organisational objectives.

Effective and efficient employee training plays a crucial role in fostering the development of their skills and knowledge, hence contributing to enhanced productivity and overall growth of an organisation.

Training and Development Definition by the Eminent Authors

Here below are the definitions given by the expert and eminent authors:

Armstrong:

“Training is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience. Development is improving individual performance in their present Roles and preparing them for greater responsibilities in the future”.

Katz & Kahn:

“Training and development is described as a maintenance subsystem, intended to improve organizational efficiency by increasing routinization and predictability of behavior”.

5.5.1 Training and Development Process:

Training and development is a continuous process as the skills, knowledge and quality of work needs constant improvement. Since businesses are changing rapidly, it is critical that companies focus on training their employees after constantly monitoring them & developing their overall personality.

Steps for training and development processes are:

a. Determine the need of training and development for individuals or teams:

First of all the need has to be seen for training and development.

it has to align with the company's goals and objectives. If a company is trying to start a new department or strengthen existing sales team in new products, then an appropriate training is needed.

b. Establish specific objectives & goals which need to be achieved:

The goals and objectives of the training and development have to be established. Whether the goal is awareness about new products or even installation is required to be learnt.

c. Select the methods of training:

Next, methods have to be defined. The training can be done as a:

- Classroom Training
- Online Self paced courses
- Course with certification
- Instructor led online training

d. Conduct and implement the programs for employees:

After the plan and methods are finalized, the training and development programs have to be executed where courses, instructions are taught to the employees, partners or vendors.

e. Evaluate the output and performance post the training and development sessions:

Training and Development is incomplete without proper monitoring. Monitoring can be done through evaluation of the instructor as well as attendees. Instructor evaluation can be done through feedback or ratings but attendees can be evaluated through internal or external certifications or scores.

f. Keep monitoring and evaluating the performances and again see if more training is required:

Based on the evaluation results in the previous step, management needs to ascertain that if the training and development program was sufficient for now or more training and enablement would be required. Also, if future trainings are to be planned.

5.6 What is a Performance Appraisal?

A performance evaluation refers to a methodical and recurring procedure that evaluates an individual's job performance in relation to the predetermined employment criteria. The assessment involves a subjective analysis of the employee's skills and limitations, their perceived value to the organisation, and their potential for future development. Performance appraisals, alternatively referred to as performance evaluations, performance reviews, development dialogues, or employee appraisals, encompass a range of assessment methods used to evaluate an individual's job performance. By conducting an effective performance appraisal, one can gain a comprehensive understanding of an employee's strengths and weaknesses, so enabling the identification of areas for growth. Appraisals are also useful for determining the most suitable candidates among existing employees to fill new roles within the company's organisational framework.

Performance appraisal is a methodical assessment of employee performance aimed at comprehending an individual's capabilities for future advancement and enhancement. Performance appraisal is typically conducted using systematic methods, which can be outlined as follows:

The supervisors assess the remuneration of employees and do a comparative analysis with predetermined aims and plans.

The supervisor conducts an analysis of the elements influencing the work performance of employees.

Employers possess the capability to provide guidance to employees in order to enhance their performance.

A. Objectives of Performance Appraisal:

Performance appraisal can be conducted with the following objectives in consideration:

In order to ascertain appropriate pay packages, wage structures, salary increases, and related matters, it is necessary to maintain comprehensive records.

In order to effectively allocate people to suitable positions, it is necessary to assess their individual strengths and shortcomings.

In order to cultivate and evaluate an individual's capacity for advancement and progress.

To deliver an evaluation of employees' performance and their corresponding status. It functions as a foundational element for exerting influence over the work habits of employees. In order to assess and maintain the effectiveness of promotional and other training initiatives, it is necessary to conduct a thorough evaluation and ensure their continued relevance and value.

Figure 5.3: Performance Appraisal

B. Advantages of Performance Appraisal:

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

- **a. Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
- **b. Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
- **c. Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
- **d. Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
- **e. Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

  - Through performance appraisal, the employers can understand and accept skills of subordinates.
  - The subordinates can also understand and create a trust and confidence in superiors.
  - It also helps in maintaining cordial and congenial labour management relationship.
  - It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

f. Motivation: Performance appraisal serves as a motivation tool.

Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

5.7 What is Controlling?

Controlling is a vital managerial job that involves setting benchmarks to evaluate, track, and address deviations in employees' actual performance. Recognising variances in the actual task and taking appropriate adjustments to achieve desired results is facilitated. Controlling enables a company to effectively monitor and track the progress of processes and tasks in order to achieve organisational objectives. Managers must implement corrective measures when there are deviations from established standards or plans.

Controlling is a methodical practice that involves comparing the actual performance to predetermined criteria or plans in order to assure satisfactory progress. It also involves documenting the knowledge obtained from this experience to potentially address future requirements.

Control is a crucial management function that allows an organisation to assess and correct any deviations in its performance. Controlling enables management to mitigate errors in work.

Additionally, it guarantees the implementation of uniform procedures while minimising or eliminating the inefficient use of resources and individual exertion.

5.7.1 Attributes of Control:

Controlling is an essential and ubiquitous activity that is necessary in nearly every profession, as it facilitates the optimal allocation of an organization's resources. It is required in educational institutions, the hospitality sector, armed forces, corporate organisations, and other similar contexts.

The diagram illustrates the attributes of control:

Now, let's get into a comprehensive analysis of the attributes of controlling:

- It is a function performed by managers.
- It is completed without interruption.
- It is an omnipresent function.
- It is focused on achieving specific objectives.

The method is highly adaptable.

It is future-oriented.

It is a function related to management.

Control is not solely exercised by top-level executives, but also by managers, supervisors, division heads, and leaders who oversee their subordinates. Managers have the responsibility to supervise and manage subordinates and team members in order to achieve goals. Managers should promptly address any deviations from the anticipated objectives by taking appropriate measures.

It is completed without interruption.

Controlling is a recurring procedure. The leaders and managers must consistently monitor the progress and completion of tasks and processes. It is a continuous process that involves consistently revising and evaluating standards in response to changes in the business environment.

It is an omnipresent function.

Managers at all levels of the organisational hierarchy employ various strategies of control. The nature of control varies across the top, medium, and lowest levels. Individuals in high-ranking positions necessitate control in order to formulate policies and establish organisational goals.

Managers at the middle and lower echelons exert authority to execute policies and plans at the subordinate level. Operational control is exerted at a subordinate level. Workplace surveillance refers to the systematic monitoring and supervision of employees to ensure consistent and regular performance of their duties.

It is focused on achieving specific objectives.

The primary rationale for exerting control over every action and process is to attain the desired objective. The primary objective of implementing control measures at every level of management is to attain organisational goals.

Hence, controlling is a procedure that is directed towards achieving specific objectives. Control is essential for ensuring that all functions remain on the correct trajectory. Controlling enables businesses to promptly implement corrective measures in the event of any unforeseen circumstances.

The method is highly adaptable.

Controlling entails modifying plans or standards in response to shifts in the corporate environment. It is a flexible technique that facilitates the coordination of other management responsibilities. It is a fluid process that necessitates adjustments to plans or standards due to uncertainties in the corporate environment.

It is future-oriented.

Control is inherently future-oriented. Controlling enables managers to seek alternatives by leveraging insights gained from past mistakes or experiences. The work completed in the past is irrevocable and hence beyond our control. Only measures can be implemented to regulate future activity.

Previous performance can serve as the foundation for managing future outcomes. Managers must analyse prior performance to ascertain the underlying causes of a specific outcome. It is necessary to implement corrective measures to prevent any negative impact on current and future activities.

5.7.2 Importance of Controlling:

Control is a vital aspect of management that necessitates the execution of plans and consistent monitoring.

Let us comprehend the significance of exerting control:

Measuring and monitoring the progress of tasks helps to identify and track variances.

Managers can utilise it to identify the causes of deviations and seek solutions to achieve the desired objectives.

It improves work productivity and quality by effectively managing costs.

It allows a company to effectively utilise its human and non-human resources.

It enables senior executives and managers to oversee the performance of employees.

It enables an organisation to uphold discipline and hierarchy.

Assessing the precision of standards and plans enables an organisation to evaluate their accuracy and implement modifications if needed.

It allows an organisation to adjust to the evolving environment.

It incentivizes employees to enhance their performance in exchange for rewards in the form of monetary or non-monetary benefits.

Additionally, it aids in minimising errors and superfluous disruptions by offering appropriate counsel and instructions from higher-ranking individuals to lower-ranking individuals.

It diminishes the necessity for oversight.

It enhances the synchronisation and collaboration across employees, divisions, and departments.

It facilitates efficient planning by ensuring that the operations are executed in accordance with the established plans.

It assists a company in efficiently identifying the areas that necessitate change.

5.7.3 Process of Controlling:

Control relies on strategic planning as its foundation for quantifying the task accomplished. Within an organisation, planning and controlling occur concurrently.

After obtaining the necessary resources (such as materials, funds, machinery, personnel, and methodologies), an organisation aims to utilise these resources efficiently by implementing standards.

The control process commences with the establishment of standards or plans, followed by comparing these standards with the actual work performed and implementing remedial measures if any divergence is detected.

Let us comprehensively grasp the sequential stages involved in the process of control:

Setting benchmarks

Evaluating efficiency

Evaluating the current performance in relation to the established benchmarks

Implementing remedial measures

Setting benchmarks

Standards are the predetermined plans or targets set by an organisation to guide their actions towards the desired outcome. These standards are also regarded as the benchmarks for evaluating employees' performance.

Standards can be set in several forms such as profitability standards, market position standards, product leadership requirements, social responsibility standards, and so on.

Standards can be classified into two categories:

Measurable or tangible standards refer to standards that may be quantified and expressed in terms of cost, output, spending, time, profit, and other measurable factors.

Immeasurable or intangible criteria: These benchmarks, such as manager's performance, changes in workers, and employees' attitudes, are not quantifiable.

Evaluating performance

The subsequent phase in the process of managing is to assess the tangible performance of individuals and machinery. Controlling enables managers to assess and evaluate performance through the utilisation of tools like as statistical data, audits, specialised reports, and analysis.

Managers must consistently oversee, assess, and monitor the work and activities of their subordinates in order to implement necessary corrective actions, if necessary.

Evaluating the current performance in relation to the established benchmarks

Managers are tasked with the job of assessing the actual performance of workers in relation to predetermined targets in order to detect any deviations. The deviation found refers to the discrepancy between the actual performance and the established norms.

The manager is accountable for identifying the magnitude and cause of the discrepancies. Managers must assess if the current performance aligns with the predetermined plans. If the variances in performance are significant and substantial, it is imperative to take appropriate procedures to identify the underlying reason of the divergence. If the variances are insignificant, organisations can disregard them. The potential causes for variances are as follows:

Flawed strategic organisation

Poor coordination

Communication that does not achieve the desired outcome or provide the intended effect.

Incorrect execution of strategies

Implementing remedial measures

After identifying the disparities between real performances and predetermined objectives, it becomes imperative to implement remedial actions. Managers must implement corrective actions by altering or adjusting methods or strategies.

Timely implementation of corrective measures can effectively mitigate losses, errors, and deterioration in quality. Procedural guidelines for setting new standards should also be adhered to when implementing corrective measures.

5.7.4 Techniques of Controlling:

Controlling techniques refer to methodologies that enable managers to oversee and govern the operations and processes of an organisation. It furnishes managers with the data necessary to compare the actual performance with the predetermined standards anticipated from the various operational units or divisions. Organisations utilise customary standardised procedures for obtaining frequent and consistent information through financial, budgetary, and project reports.

Each domain within the organisation employs distinct control strategies that enable superiors to effectively manage the operations of individual units. The managerial technique facilitates the gathering of information by managers, which is subsequently utilised for performance evaluation.

Donnell suggests that a business management should regularly assess their firm to ensure it is progressing in the intended direction, similar to how a navigator constantly checks their position compared to a planned course of action.

The manager of the company should possess knowledge of various controlling strategies and understand the specific circumstances in which they should be applied. The primary purpose of employing the method of control is to verify whether the actions are being executed in accordance with the established plans.

Therefore, the management must establish the necessary criteria for implementing corrective measures. There exist numerous techniques for controlling that can be classified into two categories.

The traditional and modern techniques of controlling in detail.

- Traditional Techniques
- Modern Techniques

A. Conventional Methods:

Conventional methods encompass direct observation, statistical data, break-even analysis, and budgetary control. Now, let's get into a comprehensive analysis of these conventional methods of control.

a. Subjective observation
b. Statistical reports
c. Break-even analysis
d. Financial management

a. Subjective Observation:

The practice of personal observation and direction is a time-honored form of control. It is a conventional method in which managers assess the performance of their subordinates. Supervisors maintain direct communication with employees, enabling them to possess firsthand understanding of work methodologies. For example, Ritvik is under the supervision of his manager as he operates the 'Aluminium Foil Container Making Machine'. The purpose is to avoid any wastage and provide rapid guidance in case he makes any errors.

If any issues arise, supervisors or managers has the ability to address and resolve them. Employees are also wary of their performance due to the scrutiny and surveillance of their supervisor or management. This form of regulation is prevalent in smaller business enterprises.

b. Statistical Reports:

The statistical approach is employed to conduct a comprehensive study of the data and reports, utilising measures such as averages, ratios, percentages, means, medians, and other statistical indicators. For example, sales managers gather data on sales from the past five years and analyse it to determine the sales trend. They then make steps to mitigate any decreasing trend that may be observed.

It facilitates the provision of valuable and measurable data to management regarding the organization's performance. Managers gather and assess all the data prior to determining the outcomes. The data and information presented in statistical reports enable managers to comprehend issues and identify suitable strategies to address them.

c. Break-Even Analysis:

The break-even analysis serves as a managerial tool employed to assess the efficiency of an organisation. The scenario is one of equilibrium, where there is neither profit nor loss. The break-even analysis is a method that involves evaluating the relationship between sales output, production volume, and product prices. It is used to determine the point at which a business neither makes a profit nor incurs a loss, based on the selling price, volume of goods, and various ratios. Additionally, it assesses the performance and quantifies the influence on the generated income.

The break-even analysis shows a direct correlation between the volume of commodities produced and sold, as well as the associated costs. For instance, a car company went into the manufacturing of electric vehicles. The break-even analysis is conducted to determine the minimal number of vehicles that must be sold annually in order to achieve profitability.

This study helps establish the threshold at which neither profit nor loss is incurred, serving as a reference for setting the annual sales target. If sales fall below the anticipated figures, appropriate actions will be implemented according to the control system.

d. Financial Management:

Budgetary control is a crucial managerial strategy employed to regulate various tasks and operations in accordance with a predetermined budget for a specific plan. It is a crucial approach of management that enables an organisation to determine the extent of expenditures and assess income.

For example, the material budget created by the production department is also useful for monitoring the improper or excessive usage of materials during the production process. The management must strategize the budget to prevent superfluous expenditures. If the expenditure exceeds the allocated budget, both employees and supervisors are held accountable by the management, which aids in the regulation of departmental spending.

A budget provides a clear, focused, and purposeful framework for the actions of different departments within the business. The supervisor utilises budget control to monitor and regulate expenses. Financial management is the practice of regulating and monitoring expenses to maintain cost control.

B. Modern Techniques:

Modern techniques refer to the sophisticated methods employed by organisations for the purpose of control. Several contemporary methods of control include:

a. Return on Investment (ROI)
b. Analysis of Ratios
c. Responsibility Accounting
d. Organisational Assessment

a. Project Evaluation and Review Technique (PERT) and Critical Path Method (CPM):

Return on Investment (ROI) is a crucial technique utilised for controlling purposes. This technique allows an organisation to assess the return on investment and quantify the overall profits generated in relation to the invested capital. A high return on investment (ROI) indicates strong financial performance for a business.

Return on investment (ROI) is a very efficient method for evaluating both the performance and financial standing of a business. It is a technique for evaluating the performance of the current year in relation to previous years. Departmental return on investments (ROIs) are calculated to assess and evaluate the performance of various departments and implement appropriate management measures.

b. Analysis of Ratios:

The practice of ratio analysis provides a comprehensive comprehension of the organization's performance, efficiency, liquidity, and profits. It is the predominant method of control employed by businesses. For example, turnover ratios such as debtors turnover ratio, inventory turnover ratio, fixed assets turnover ratio, etc. provide valuable insights into the efficient utilisation of resources in a business's operations. A higher turnover signifies more efficient utilisation of resources. If the turnover ratio is low, appropriate control measures are implemented to enhance the efficient utilisation of existing resources.

c. Responsibility Accounting:

Responsibility accounting is an accounting method that transforms various departments inside a business into responsibility centres. For example, the production department of an organisation can be categorised as a cost centre in order to maintain control over the expenses generated during the production process.

A production budget serves as a tool for determining whether the expenses are being managed effectively. Every unit has the responsibility of overseeing the regions that have been allotted to it. A responsibility centre refers to a distinct organisational unit, such as a division, department, or section, that is led by a manager who bears the responsibility for meeting specific objectives.

The concept behind establishing distinct units is to enhance profitability in terms of return on investment (ROI) and minimise production costs. Individual budgets are created for each unit. A unit is considered to be performing well if its expenditure per unit is lower than the projected cost.

The process of responsibility accounting encompasses:

- Establishing accountable units or departments with consideration for the overarching goal of the organisation.
- Assessing real performance through the application of methodical accounting.

- Conducting comparisons, computations, and examinations of discrepancies.
- Notifying the upper echelon of management about discrepancies

d. Organisational Examination:

Management audit is a method used to conduct a thorough and constructive evaluation of the overall performance of a business. During a management audit, managers engage in a methodical examination of the efficacy and efficiency of the management.

Auditors scrutinise the comprehensive performance of management with regard to the daily operations of systems and functions. During a management audit, the auditor methodically assesses the operational procedures and several management functions. Auditors conduct comprehensive examinations of the entire management system.

For example, an organisation conducts a monthly internal audit of the buying department to ensure that materials for the production process are available on schedule and that the acquired resources are being used properly.

PERT and CPM are important approaches utilised for project control and management. The CPM and PERT methodologies are employed to minimise the expenses and duration of specific tasks. It facilitates the implementation of required measures to accomplish tasks within the designated timeframe.

Industries such as construction, aircraft manufacturing, and shipbuilding utilise PERT and CPM techniques to calculate the overall anticipated duration required to finish a project. These approaches also help identify bottleneck activities that could potentially jeopardise the project's scheduled completion date.

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