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Management Principles and Applications

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Chapter 01:- Introduction to Management

Introduction

Management is essential for all organisations, big or small, profit or non-profit, manufacturing or service. Management consists of a series of inter-related and interdependent functions that are performed by all managers. Managers perform different functions at different levels in organisation. The importance of management has been increasing, particularly after Industrial Revolution due to change in methods of production, scale of operations, transport revolution, improvement in science and technology etc.

Meaning of Management:

Management is an art of getting things done with the help of others in order to achieve certain organisational goals.

Definition of Management:

According to **Harold Koontz and Heinz Weihrich** "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims".

Functions of Management –

Luther Gullick has given a keyword **"POSDCORB"** where '**P**' stands for Planning, '**O**' for Organizing, '**S**' for Staffing, '**D**' for Directing, '**Co**' for Coordination, '**R**' for Reporting and '**B**' for Budgeting.

There are various functions of management which are inseparable. They are as follows:

1. Planning: It is the basic function of management. It deals with deciding in advance the appropriate course of action for achievement of pre- determined goals or objectives.

2. Organizing: it is the process of bringing together physical, financial and human resources. It is the process of arranging the ways and means for executing the plan.

3. Staffing: this function is concerned with providing workforce to the organization, it is the manning of organization structure. The main purpose of staffing is to put right man on right job.

4. Directing: it actuates the organizational methods to work efficiently. It deals with influencing, guiding, supervising, motivating, subordinates for the achievement of organizational goals.

5. Controlling: it is concerned with measurement of actual performance against the standards set and correction of deviations, if any to achieve organizational goals.

Importance of Management:

1) **Management is a goal oriented process:** Every organisation is established to achieve certain goals. Each and every organisation has different set of goals depending upon the nature of organisation. These goals should be simple and clearly stated. Management unites the efforts of different individuals towards achieving organisational goals.

2) **Management is all pervasive:** Management activities are not only applicable to business units alone. They are universally applicable to all organisations, whether, it may be economic, social, charitable, religious or political. Therefore, management is all pervasive and a universal phenomenon.

3) **Management is a continuous process:** Management is a continuous process, consisting of series of functions like, planning, organising, staffing and controlling. All the managers perform these functions regularly. It does not stop anywhere. It continues till the organisation lasts. These are all ongoing series of functions of management.

4) **Management is a group activity:** Each and every organisation consists of number of persons with different needs. Every member of the group has different purpose to join the organisation. As members of the organisation, they have to initiate, communicate, coordinate and join their hands for attaining the common organisational goals. Hence it is a group activity.

5) **Management is a dynamic function:** Every organisation works in an environment, which keeps on changing. Management has to adapt itself to changing environment. Therefore, management is a dynamic function. It must change according to the change in needs.

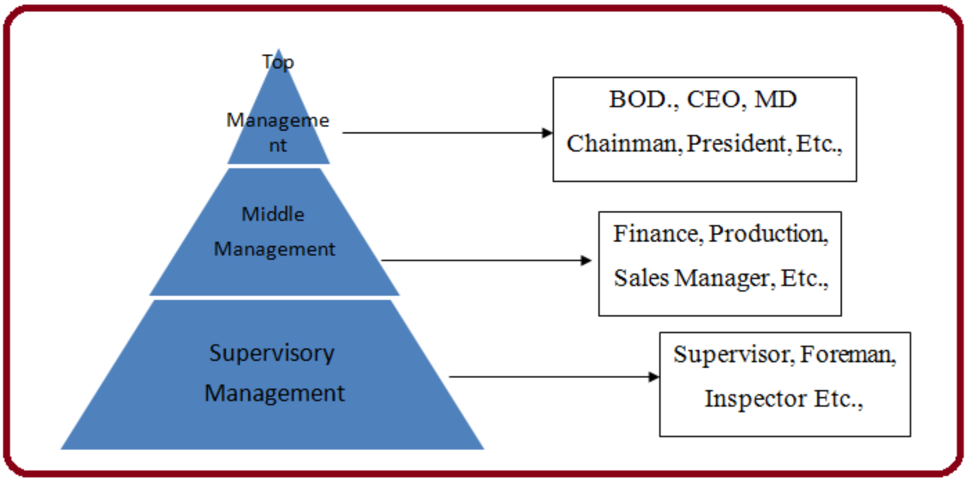
6) **Management is an intangible force:** Management cannot be seen but its presence can be felt in the operations of the organisation. Effects of management are noticeable in terms of attainment of production targets, employee's satisfaction etc. So management is an unseen force but reflects in the collective efforts of people.

7) **Management increases efficiency:** The main aim of every manager is to increase efficiency to maximize output with minimum cost. This can be done by better planning, organising, staffing, directing and controlling the activities of the organization.

8) **Management creates a dynamic organisation:** All Organisations are functioning in an environment which is constantly changing. It is generally observed that individuals in an organisation resist change. An effective management helps people to adopt the changes, so that an organisation is able to maintain its competitive edge.

9) **Management as Both Science and Art:** Management has the features of both art and science. The **practice** of management is an **art** Where the practice is based on the **principles** it is **Science**. So, Management as an art and science are not mutually exclusive but complementary to each other.

Levels of Management:



1. **Top Level Management:** The top management is the ultimate source of authority which formulates the goals and policies of the organisation. It consists of Board of Directors, Chief Executives and Managing Directors.

Functions Of Top level Management:

a)Determine objectives for the Organisation: Objectives may relate to profit, business growth, survival, prestige, competitive pricing, marketing method, widening the area of sales, relations with workers, customers, public etc.

b)Frame the policy: To frame the policies and chalk out the plans to carry out the objectives and policies. Policies may relate to different aspects of the organisation.

c)Assemble the resources: For the purpose of executing the plans, the resources of men, machines, materials and money have to be assembled. This again is the task of top management.

2. Middle Level Management: The Middle Level Management is responsible to the top level management for the functioning of their department. They devote more time to organisational and directional function. It consists of Branch Managers and Departmental Managers.

Functions of Middle Management:

a) To execute the various functions of organisation so that the top management gets enough time to look after their responsibilities.

b) To understand the interlocking of departments in major policies.

c) To achieve co-ordination between the different parts of the organisation.

d) To build company spirit where all are working to provide a product or service wanted by the public.

3. Lower Level Management: Lower level Management is concerned with direction and controlling function of management. It is also known as Supervisory/Operative level of Management/ First Line Managers. It consists of Supervisors, Foremen, section officers, Superintendents Etc.

Functions of Lower level Management :

a) To plan the activities of his section.

b) To classify and assign jobs to the workers.

c) To direct and guide the workers about work procedure.

d) To solve the problems of workers.

e) To maintain good human relations.

Responsibilities & Skills of Professional Manager:

1) **Providing direction to the firm:** The first task, envisioning goals, is one of the tasks that should never be delegated. This is the ability to define overarching goals that serve to unify people and focus energies. It’s about effectively declaring what’s possible for the team to achieve and compelling them to accomplish more than they ever thought possible.

2) **Managing survival and Growth:** Ensuring survival of the firm is a critical task of a manager. The manager must also seek growth. Two sets of factors impinge upon the firm's survival and growth. The first is the set of factors which are internal to the firm and are largely controllable.

3) **Maintaining firm's efficiency:** A manager has not only to perform and produce results, but to do so in the most efficient manner. The more output a manager can produce with the same input, the greater will be the profit.

4) **Meeting the competition challenge**: A manager must anticipate and prepare for the increasing competition. Competition is increasing in terms of more producers, products, better quality, etc.

5) **Innovation:** Innovation is finding new, different and better ways of doing existing tasks. To plan and manage for innovation is an on-going task of a manager. The manager must maintain close contact and relation with customers.

6) **Renewal:** Managers are responsible for fostering the process of renewal. Renewing has to do with providing new processes and resources. The practices and strategy that got you where you are today may be inadequate for the challenges and opportunities you face tomorrow.

7) **Building human organization:** Man is by far the most critical resource of an organisation. A good worker is a valuable asset to any company. Every manager must constantly look out for people with potential and attract them to join the company.

8) **Leadership:** Organizational success is determined by the quality of leadership that is exhibited.

Skills of Manager:

1) **Technical Skills:** It is the ability to use specific knowledge, techniques, and resources in performing tasks. Examples for technical skills are analyzing marketing statistics, drafting new designs, writing legal documents etc,. Technical skills are usually obtained through training

programs that an organization may offer its managers or employees or may be obtained by way of a college degree.

2) **Analytical skills:** These skills are the abilities to identify key factors and understand how they interrelate, and the roles they play in a situation. Analytical skills involve being able to think about how multiple complex variables interact, and to conceive of ways to make them act in desirable manner.

3) **Decisions making skills:** These skills are present in the planning process. A manager's effectiveness lies making good and timely decisions and is greatly influenced by his or her analytical skills.

4) **Digital skills:** These are important because using digital technology substantially increases a manager's productivity. Computers can perform in minute's tasks in financial analysis, HRP, and other areas that otherwise take hours, even days to complete.

5) **Human skills:** It involves the ability to interact effectively with people. Managers interact and cooperate with employees. Human skills, therefore, relate to the individual's expertise in interacting with others in a way that will enhance the successful completing of the task at hand.

6) **Communicating skills**: Effective communicating is vital for effective managerial performance. The skills is critical to success in every field. Communication skills involve the ability to communicate in ways that other people understand, and to seek and use feedback from employees to ensure that one is understood.

Henry Fayol`s Principles of Management: ***Henry Fayol, (1841-1925),*** a French management theorist, is considered as the ***"Father of General Management".*** His theories are universally applied in all the fields such as Social, Political and economic etc,.

1. **Division of work:** It is possible to divide any work into small jobs. Each job should be performed by a specialist. So, division of work leads to specialisation. The aim of this is to produce more and better work for the same effort. It is the efficient way to use human effort.

2. **Authority and responsibility:** According to Fayol, authority is the right to give orders and obtain obedience. Responsibility means accountability which is the result of authority. If authority is granted to a person he should also be made responsible.

3. **Discipline:** It means obedience to the organisational rules and employment agreements. One should have good relationship with others, following rules and regulations, performing of assigned tasks honestly with interest, all come under discipline.

4. **Unity of command:** There should be only one boss for every individual employee. If an employee gets orders from two or more superiors at a time, the principle of unity of command is violated. Each one should be commanded by one and responsible to that one only. This resembles military organization.

5. **Unity of directions:** Each group should be lead by one leader only. It ensures unity of action and co-ordination. It helps to conduct all the activities smoothly and resources can be utilised to the maximum extent effectively.

6. **Subordination of individual interest to general interest:** The interest of the organisation should take priority over the interest of any one individual employee. Every worker should show interest towards the achievement of organisational goals and the Individual interest of the workers should not disturb the organization`s interest.

7. **Remuneration of Employees:** The remuneration should be just and inequitable. This will ensure congenial atmosphere and good relationship between workers and management. It also helps for smooth working of the organization.

8. **Centralisation and Decentralization*:*** The concentration of decision-making power in the hands of one or few is called centralisation of authority or power. Dispersal of decision-making power among more persons is called decentralization. The degree of centralisation or decentralization will depend upon the circumstances in which the organisation is working

9. **Scalar Principle:** The formal lines of authority from highest to the lowest ranks are known as **scalar chain**. According to Fayol, "Organisation

should have a chain of authority and communication from top to bottom and should be followed by managers and subordinates”.

Gang Plank is a shorter route in a scalar chain which allows employees at the same level to communicate with each other directly. It is acceptable only in case of emergency and it should be ensured it does not become a normal practice.

10. **Order:** According to Fayol, "People and Materials must be in suitable places at appropriate time for maximum efficiency". This principle states that -

    "There is a place for everything and everything must be in its place". If there is a fixed place for everything and it is present there, there is no hindrance in the activities.

11. **Equity:** Fayol emphasizes kindliness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion. He also said the use of force sometime. All should be treated equally. There should not be any discrimination against any one on account of sex, religion, region, language, caste, belief or nationality etc.

12. **Stability of personnel:** "Employees turnover should be minimised to maintain organisational efficiency". So employees should be selected and appointed through various procedures. He should be kept at their post for a minimum fixed period. They should be given reasonable time to show their results. He should be paid attractive remuneration and incentives.

13. **Initiative:** According to Fayol, workers should be encouraged to develop and carry out their plans for improvement. Initiative refers to the steps taken by the employees towards their self-motivation. This principle states that employees at all levels should be given freedom to some extent, so that they can come forward and use their skills to achieve expected goals.

14. **Esprit de corps (Spirit of co-operation):** Management should take necessary steps to promote team spirit among the employees. It has to develop the mentality of members of one family. There should be a mutual confidence and understanding.

Administration v/s Management

Basis for Comparision	**Management**	**Administration**
Meaning	An organized way of managing people and things of a business organization is called the management.	The process of administering an organization by a group of people is known as the administration.
Authority	Middle and Lower Level	Top Level
Role	Executive	Decisive
Concerned With	Policy Implementation	Policy Formulation
Area of Operation	It works under administration	It has full control over the activities of the Organization.
Applicable to	Profit making organizations	Government offices, military, clubs etc.
Decides	Who will do the work? & How Will it be done?	What should be done? & when it should be done?
Work	Putting plans and policies into actions	Formulation of plans, framing policies & setting objectives.
Focus on	Managing work	Making nest possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.
Function	Executive and governing	Legislative and determinative

Evolution of Management Thoughts

The Industrial Revolution in the early 19th century brought monumental changes in the workplace. As factories were the primary source of employment, management theorists studied the operations and workforce present on the factory floors. There were times when the demand was high but the lack of productivity and efficiency held workplaces back. The Industrial Revolution gave birth to multiple management theories and concepts that developed over time and are still relevant today.

Management theories help you study an organization, its corporate designs, structures and behavior of individuals or groups. By studying the impact of internal and external business environments, these theories provide a lens to address critical questions about how a business works or operates. Management theories can be grouped under three categories—classical theory, neoclassical theory and modern management theory.

1. CLASSICAL THEORY OF MANAGEMENT

The classical management theory was introduced during the Industrial Revolution as a way to improve productivity within factories and other businesses. While less common in today's society, this type of management may still provide benefits for some organizations.

The classical management theory is a style of management that emphasizes hierarchy, specialized roles and single leadership for optimized efficiency in the workplace.

The classical management theory is based on the following principles:

- Scientific management should be used to determine the most efficient way to do a job.
- Employees are selected to perform tasks based on their skills and specializations.
- Operations should be streamlined as much as possible.
- Decisions are made by a single person or by a select few authority figures.
- Productivity is the primary goal.
- Increased profit is given priority.

Concepts of the classical management theory

1) **Centralized structure of leadership:-** The classical management theory holds that a workplace should be overseen by three levels of leadership. The first level is composed of the business owners and/or executives of the company. These individuals are given the highest level of authority and set the long-term goals of an organization. The second level of leadership consists of middle management. Individuals considered to be middle management are in charge of overseeing managers and setting department-level goals. The third level is composed of supervisors or managers who oversee the day-to-day operations of a company.

2) **Labor specialization:-** This concept focuses on an "assembly line" set up within an organization. This structure involves breaking down large tasks or projects into smaller tasks that are assigned to employees. Workers are typically responsible for only one specific task to prevent multitasking and increase productivity.

3) **Wage incentives:-** The classical management theory places emphasis not on employees' job satisfaction or social needs but rather on physical needs. This theory holds that these physical needs can be met through income and monetary incentives and uses the opportunity for wage increases to motivate employees.

Advantages of the classical management theory

1) **Clear organization hierarchy:-** The classical management theory includes three distinct levels of management within an organization. This provides a clear outline of responsibilities and objectives for each member of management and reduces any confusion as to what a particular manager should focus on.

2) **An easy-to-understand division of labour:-** Under the classical management theory, organizations establish clear divisions of labour that plainly outline the expectations and duties of an employee. Tasks are typically easier to understand and employees are given specific projects to complete that fall within their abilities and specializations. As a result, productivity is often increased and workers avoid having to multitask to fulfill their duties.

3) **Increased productivity through monetary rewards:-** The classical management theory believes that employees are strongly motivated by their physical needs and more specifically, monetary incentives. As such, organizations that implement this management style often incorporate regular opportunities for employees to be rewarded for their productivity with incentives. This can increase an employee's feeling of appreciation through recognition of their accomplishments as well as make it easier for managers to motivate workers.

4) **Single-leader decision making:-** A primary component of the classical management theory is that a single leader or select few leaders make decisions on behalf of a company. Organizations that use this method of management make decisions at the highest level and then communicate the decisions down the ladder of management. This can be beneficial for companies that regularly need decisions to be made quickly or for smaller businesses that rely on a single leader.

Disadvantages of the classical management theory

1) **Limited emphasis on employee job satisfaction and human relations:-** This theory focuses primarily on the physical needs of an employee and can overlook the employee's social needs which is a vital component for some in their overall job satisfaction.

2) **Increased levels of pressure placed on employees:-** The classical management theory is primarily concerned with an employee's productivity and output. As a result, employees can feel increased pressure to complete tasks in a certain period of time, which can lead to stress and discouragement.

3) **Restricts the implementation of new ideas and concepts:-** This management theory is based on the belief that there is one right way to complete tasks for maximum production. As a result, an organization's ability to grow and implement new ideas and concepts is often limited. In turn, employees may feel restricted in their ability to express their ideas and unique value.

2. NEOCLASSICAL THEORY OF MANAGEMENT

The **NeoClassical Theory** is the extended version of the classical theory wherein the behavioral sciences gets included into the management. According to this theory, the organization is the social system, and its performance does get affected by the human actions. The classical theory laid emphasis on the physiological and mechanical variables and considered these as the prime factors in determining the efficiency of the organization.

The NeoClassical theory posits that an organization is the combination of both the formal and informal forms of organization, which is ignored by the classical organizational theory. The informal structure of the organization formed due to the social interactions between the workers affects and gets affected by the formal structure of the organization. Usually, the conflicts between the organizational and individual interest exist, thus the need to integrate these arises.

The NeoClassical theory asserts that an individual is diversely motivated and wants to fulfill certain needs. The communication is an important yardstick to measure the efficiency of the information being transmitted from and to different levels of the organization. The teamwork is the prerequisite for the sound functioning of the organization, and this can be achieved only through a behavioral approach, i.e. how individual interact and respond to each other.

a) ***Human Relations Management:-*** Developed by Elton Mayo, an Australian psychologist, the Human Relations Theory of Management was proposed after a series of experiments, also known as Hawthorne Studies or Hawthorne Experiments. This theory emerged as a response to the criticism faced by the classical management theories, where social factors such as human behavior and attitudes weren't considered important.

b) **Behavioral Management:-** Behavioral approaches to management set the pace for how modern workplaces build an employee-friendly culture. Abraham Maslow, an American psychologist, proposed the hierarchy of need, where employee need and expectations were prioritized. The theory suggests that human relations and behavior are essential in driving efficiency in teams and managing the workforce successfully.

3. MODERN THEORY OF MANAGEMENT

The Modern Theory is the integration of valuable concepts of the classical models with the social and behavioral sciences. This theory posits that an organization is a system that changes with the change in its environment, both internal and external.

There are several features of the modern theory that make it distinct from other sets of organizational theories, these are:

1. The modern theory considers the organization as an open system. This means an organization consistently interacts with its environment, so as to sustain and grow in the market. Since, the organization adopts the open system several elements such as input, transformation, process, output, feedback and environment exists. Thus, this theory differs from the classical theory where the organization is considered as a closed system.
2. Since the organization is treated as an open system, whose survival and growth is determined by the changes in the environment, the organization is said to be adaptive in nature, which adjusts itself to the changing environment.
3. The modern theory considers the organization as a system which is dynamic.

4. The modern theory is probabilistic and not deterministic in nature. A deterministic model is one whose results are predetermined and whereas the results of the probabilistic models are uncertain and depends on the chance of occurrence.
5. This theory encompasses multilevel and multidimensional aspects of the organization. This means it covers both the micro and macro environment of the organization. The macro environment is external to the organization, while the micro environment is internal to the organization.
6. The modern theory is multi-variable, which means it considers multiple variables simultaneously. This shows that cause and effect are not simple phenomena. Instead, the event can be caused as a result of several variables which could either be interrelated or interdependent.

The theories that emerged with the modern evolution of management needs are:

1) **Systems Approach: -** The Systems Theory of organization has its roots in biology and systems science. This concept broke away from classical management theory that viewed organizations as machines and moved toward a more holistic view that sees them as networks of people, procedures and activities. Systems Theory allows for an understanding of the connections between various parts of the organization and how they interact with one another.

2) **Contingency Approach:-** The Contingency Management Theory suggests that there isn’t any perfect way to organize a business or corporation. The optimal solution lies in the situation that an organization operates in. A business is contingent (depends) upon internal or external environments.

Chapter 02:- Planning

Management in some form or another is an integral part of living and is essential wherever human effort are to be undertaken to achieve desired objective. There are basically 5 primary functions of Management. They are: Planning, Organising, Staffing, Directing, Controlling.

Planning Concept and Definition:

Planning is " thinking in advance what is to be done, when it is to be done, how it is be done by whom it should be done". In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.

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

Nature/ Characteristics/Features of Planning

a) **Planning is primary function of management:** The functions of management are broadly classified as planning, organising, direction and control. It is thus the first function of management at all levels. Since planning is involved at all managerial functions, it is rightly called as an essence of management.

b) **Planning focuses on objectives:** Planning is a process to determine the objectives or goals of an enterprise. It lays down the means to achieve these objectives. The purpose of every plan is to contribute in the achievement of objectives of an enterprise.

c) **Planning is a function of all managers**: Every manager must plan. A manager at a higher level has to devote more time to planning as compared to persons at the lower level. So the President or Managing director in a company devotes more time to planning than the supervisor.

d) **Planning as an intellectual process:** Planning is a mental work basically concerned with thinking before doing. It is an intellectual process and involves creative thinking and imagination.

e) **Planning as a continuous process:** Planning is a continuous and permanent process. A manager makes new plans and also modifies the old plans in the light of information received from the persons who are concerned with the execution of plans. It is a never ending process.

f) **Planning is dynamic (flexible):** Planning is a dynamic function in the sense that the changes and modifications are continuously done in the planned course of action on account of changes in business environment.

g) **Planning involves forecasting:** Planning largely depends upon accurate business forecasting. The scientific techniques of forecasting help in projecting the present trends into future.

h) **Planning and linking factors:** A plan should be formulated in the light of limiting factors which may be any one of five M's viz., men, money, machines, materials and management.

i) **Planning is realistic:** A plan always outlines the results to be attained and as such it is realistic in nature.

Advantages/Merits of Planning

1. Planning Provides Direction:

Planning provides direction for action by stating in advance how a work is to be done. Planning ensures that the goals or objectives be clearly stated so that the employees of the organization are aware of what the organisation has to do and what they must do to achieve those goal.

2. Planning reduces the risk of Uncertainty:

A business organisation has to-work in an environment which is uncertain and ever changing. Planning helps the organisation to assess the future uncertainties and enables the organisation to face these uncertainties in the best possible manner.

3. Planning reduces overlapping and wasteful activities:

Planning serves as the basis for co-ordinating the activities and the efforts of the different individuals and departments of the organisation. It helps in avoiding confusions and misunderstandings. Since planning evaluates best course of action, work is carried on smoothly without any interruptions.

4. Planning promotes innovative ideas:

Planning is basically the thinking function of management. It encourages the managers for innovative and creative thinking. Many new ideas come to the minds of the managers when they are planning. Planning helps to innovate new ideas to shape concrete plans to determine the new course of action to be adopted in future.

5. Planning facilitates decision making:

Decision making is a process of selecting the best course of action from various available alternatives after evaluating each one of them.

6. Planning establishes standards for controlling:

Planning facilitates control. It determines goals and standards for every individuals and departments of the organisation. This makes it easy to compare the actual performance of the individuals and departments with the standards fixed. In case, there are deviations, corrective measures are taken to remove them.

Limitations of Planning:-

1. **Planning leads to Rigidity:**
In organisations, a well-defined plan is drawn up with specific goals to be achieved with a time limit. This plan decides the future course of action and managers have to work on these pre-determined courses of action.

2. **Planning may not work in a Dynamic Environment**:
The business environment is dynamic in nature, nothing is constant. Planning anticipates future. It takes in to consideration the possible changes in economic, political, legal and social dimensions. But it becomes difficult to accurately assess the future trends. If any unexpected change takes place in technology of production, marketing, economic policy etc plans may become inactive.

3. **Planning Reduces Creativity:**
Planning is done by top management. But subordinates just implement the plans. As a consequence, the middle management and other decision makers are not allowed to deviate the plans and are not permitted to act on their own.

4. **Planning Involves Huge Cost:**
Planning is a costly process. Collection and analysis of information, determination and evaluation of best course of action involves huge expenses.

5. **Planning is time Consuming:**
Planning process is time consuming. Collection and analysis of facts and figures, determination and evaluation of various courses of action involves much time.

6. Planning does not guarantee success:
The success of an enterprise is possible only when the plans are properly drawn up and implemented. Any plan needs to be translated into action or else it becomes meaningless. Managers have the tendency to depend on the previously tested and successful plans. But it is not always true that the plans.

STEPS INVOLVED IN PLANNING PROCESS:-

1. **SETTING OBJECTIVES**:

Setting objectives is a first function in the process of planning. Objectives are the goals which determine what the organisation wants to achieve. They must be specific, realistic and measurable as far as possible.

2. **DEVELOPING PREMISES:**

Planning is essential for accomplishment of objectives in uncertain future. As such plans are formulated with certain assumptions. Planning premises are the assumptions about the future conditions and events like trends in population, changes in political and economic environment, variations in production cost and prices, government and legal regulations etc. Plans should be formulated by management within the framework of the planning premises.

3. **IDENTIFICATION OF ALTERNATIVE COURSES OF ACTION:**

Once objectives are set and assumptions are made then alternative courses of action are to be identified through which the organisation can achieve its objectives.

4. **EVALUATING ALTERNATIVE COURSES:**

The next step is to analyse the strengths and weakness of each alternative. All alternative courses of action have their own merits and limitations and there is a need to evaluate each and every course of action in the light of objectives to be achieved.

5. **SELECTING AN ALTERNATIVE:**

This is the real point of decision making. After examining each and every possible course of action, the best is to be selected for accomplishment of the objectives of the organisation.

6. **IMPLEMENTING THE PLAN:**

This step is concerned with putting the plan into action to achieve the objectives. Implementation of the plan requires the formulation of policies, procedures, budgets and programmes. It requires delegation of the requisite authority and responsibility to the subordinates. It also requires the co-operation, participation and commitment of the subordinates for efficient implementation of the plan.

7. **FOLLOW UP ACTION:**

To see whether plans are being implemented and activities are performed as per the plans adopted is also a part of planning process. Monitoring the plan is equally important to ensure the objectives are achieved.

Types of Planning

Planning is the activity of structuring and scheduling to meet the ultimate goal. For example, starting the production of a new product or settings up a new factory is considered plans. The plans may be classified according to origin, use, purpose, kind etc.

Types of planning.

1) Single use plan
2) Standing plans

1) **Single-Use Plans:** These plans are made for handling non-recurring problems. Single-use plans are also referred to as 'specific plans' since these are meant to solve a particular problem. These plans are formulated to handle non-repetitive and unique problem. These plans cannot be used again and again; these become obsolete after achieving their purpose. The examples of these plans are: **Projects, Budgets, and Programmes**.

1) **Programmes:** A programme means a single-use comprehensive plan laying down the 'what', 'how', 'who' and 'when' of accomplishing a specific job. Through programme the managers are informed in advance about various needs so that there is no problem in future.

The programmes can be of different types, e.g., production programme, training programme, sales promotion programme, management development programme, etc.

2) **Budget*:*** It refers to the quantitative expression of the plan of action. Budgets describe the desired results in numerical terms. A budget is that planning which provides details about estimated money, material, time and other resources for the achievement of pre-determined objectives of various departments.

For example, the sales department's budget gives estimated figures about the type of material that will be purchased, its quantity, the time of purchase and the amount to be spent on it. Similarly, budget of other departments are also prepared.

3) **Project:** Set of plans for attaining a one -time goal. Smaller in scope and complexity than a program, shorter in horizon. Example: Renovating office.

2) **Standing Plan:** Standing plans are made to be used time and again. These plans are formulated to guide managerial decisions and actions on problems which are recurring in nature. Standing plans are also called 'repeated use' plans because these provide guidelines for actions to be taken in future.

These plans provide unity and uniformity of efforts in meeting repetitive situations arising at various levels of the enterprise. These plans provide ready guidelines for tackling situations of recurring nature. These plans not only help in co-ordination but in effective management also.

1) **Objectives:** Objectives or goals are the ends towards which every activity is aimed-they are the results to be achieved. Objectives are a prerequisite for planning. No planning is possible without setting up of objectives. All other types of plans such as policies, strategies, procedures, rules, budgets etc. help in the attainment of stated enterprise objectives in an economical and efficient manner. Objectives are related to the future and are an essential part of the planning process.

For example, the objective of the enterprise may be to earn a certain amount of profit, while selling its products.

2) **Policies:** Policies are general statements or understandings which provide guidance in decision-making to various managers. Policies define boundaries within which decisions can be made and decisions are directed towards the achievement of objectives. Policies also help in deciding issues before they become problems. A policy should be flexible not rigid. For example: Human Resource Policies related to pay increase, hiring etc.

3) **Procedures:** Procedures are details of action or the guidelines for the achievement of business objectives. Procedures give details of how things are to be done. A procedure can be sometimes called as instructions. Procedures are established for many tasks such

as issue of material, purchase of material from stores etc.

Procedures should be distinguished from policies. A procedure is a guide to action whereas a policy is a guide to thinking.

4) **Methods:** A method describes how a particular step is done. It specifies one best way of performing task.

5) **Rule**: Rules are a plan that lay down a required course for action with respect to a given situation. Rules bring discipline in an organization by guiding people. Example: Smoking is prohibited inside the factory premises.

6) **Strategy:** Strategy is the determination of the basic long term goals and objectives of an enterprise and the adoption of course of action and allocation of resources to carry out these goals.

<u>Strategic Planning</u>

Strategic planning means planning for strategies and implementing them to achieve organisational goals. Strategic planning helps in knowing what we are and where we want to go so that environmental threats and opportunities can be exploited, given the strengths and weaknesses of the organisation.

Strategic planning is "a thorough self-examination regarding the goals and means of their accomplishment so that the enterprise is given both direction and cohesion." It is "a process through which managers formulate and implement strategies geared to optimizing strategic goal achievement, given available environmental and internal conditions."

<u>Definition of Strategic Planning</u>

Strategic planning can be defined as a managerial process of developing and maintaining a viable fit between organization's objectives, skills and resources and its changing environment.

Strategic planning is the process of determining a company's long-term goals and then identifying the best approach for achieving those goals.

Features of Strategic Planning

1. **Process of Questioning:** It answers questions like where we are and where we want to go, what we are and what we should be.

2. **Time Horizon:** It aims at long-term planning, keeping in view the present and future environmental opportunities. It helps organisations analyse their strengths and weaknesses and adapt to the environment. Managers should be farsighted to make strategic planning meaningful.

3. **Pervasive Process:** It is done for all organisations, at all levels; nevertheless, it involves top executives more than middle or lower-level managers since top executives envision the future better than others.

4. **Focus of Attention:** It focuses organisation's strengths and resources on important and high-priority activities rather than routine and day-to-day activities. It reallocates resources from non-priority to priority sectors.

5. **Continuous Process:** Strategic planning is a continuous process that enables organisations to adapt to the ever-changing, dynamic environment.

6. **Co-Ordination:** It coordinates organisations internal environment with the external environment, financial resources with non- financial resources and short-term plans with long- term plans.

Importance of Strategic Planning

1. Financial Benefits: Firms that make strategic plans have better sales, lower costs, higher EPS (earnings per share) and higher profits. Firms have financial benefits if they make strategic plans.

2. Guide to Organisational Activities: Strategic planning guides members towards organisational goals. It unifies organisational activities and efforts towards the long-terms goals. It guides members to become what they want to become and do what they want to do.

3. Competitive Advantage: In the world of globalisation, firms which have competitive advantage (capacity to deal with competitive forces) capture the market and excel in financial performance. This is possible if they foresee the future; future can be predicted through strategic planning. It enables managers to anticipate problems before they arise and solve them before they become worse.

4. Minimizes Risk: Strategic planning provides information to assess risk and frame strategies to minimise risk and invest in safe business opportunities. Chances of making mistakes and choosing wrong objectives and strategies, thus, get reduced.

5. Beneficial for Companies with Long Gestation Gap: The time gap between investment decisions and income generation from those investments is called gestation period. During this period, changes in technological or political forces can disrupt implementation of decisions and plans may, therefore, fail. Strategic planning discounts future and enables managers to face threats and opportunities.

6. Promotes Motivation and Innovation: Strategic planning involves managers at top levels. They are not only committed to objectives and strategies but also think of new ideas for implementation of strategies. This promotes motivation and innovation.

7. Optimum Utilization of Resources: Strategic planning makes best use of resources to achieve maximum output.

Limitations of Strategic Planning

(1) Problems of Change: The factor works more as limiting factor in the light of changes in future conditions. In a complex and rapidly changing environment, the succession of new problems is often magnified by implications that make planning most difficult. The problem of change is more complex in long-range planning.

(2) Failure of People: There are many reasons why people fail in planning, both at the formulation level as well as implementation level. Some of the major failures are lack of commitment to planning, failure to develop, sound strategies, lack of clear and meaningful objectives, tendency to overlook planning premises, failure to see the scope of the plan, failure to see planning as a rational approach, excessive reliance on the past experience, failure to use the principles of limiting factors, lack of top management support lack of delegation of authority, lack of adequate control techniques, and resistance to change.

(3) Lack of Accurate Information: The first basic limitation of strategic planning is the lack of accurate information and facts relating to future. Planning concerns future activity and its quality will be determined by the quality of forecast of future events. As no manager can predict completely and accurately the events of future, the planning may pose problems in operation. This problem is further, increased by lack of formulating accurate premises. Many times, managers may not be aware about the various conditions within which they have to formulate their planning activities.

(4) Inflexibilities: Manager while going through the strategic planning process have to work in a set of given variables. These variables may be more in terms of organisational or external. These often provide considerably less flexibility in planning action.

(5) Time and Cost: While going through the strategic planning process managers should also take into account both time and cost factors. The various steps of planning may go as far as possible because there is no limit of precision in planning tools. But planning suffers because of time and cost factors.

(6) Rigidity: Often people feel that planning provides rigidity in managerial action. Many types of internal inflexibilities, may be results of planning itself. The planning stifles employee initiative and forces managers into rigid or straitjacket mode of executing their work. In fact, rigidity may make managerial work more difficult than it need be. This may result in it delay in work performance, lack of initiative, and lack of adjustment with changing environment.

Environmental Analysis and Diagnosis

Environmental Analysis is described as the process which examines all the components, internal or external, that has an influence on the performance of the organization. The internal components indicate the strengths and weakness of the business entity whereas the external components represent the opportunities and threats outside the organization.

Steps Involved in Environmental Analysis

1. **Identifying**: First of all, the factors which influence the business entity are to be identified, to improve its position in the market. The identification is performed at various levels, i.e. company level, market level, national level and global level.

2. **Scanning**: Scanning implies the process of critically examining the factors that highly influence the business, as all the factors identified in the previous step effects the entity with the same intensity. Once the important factors are identified, strategies can be made for its improvement.

3. **Analysing**: In this step, a careful analysis of all the environmental factors is made to determine their effect on different business levels and on the business as a whole. Different tools available for the analysis include benchmarking, Delphi technique and scenario building.

4. **Forecasting**: After identification, examination and analysis, lastly the impact of the variables is to be forecasted.

Importance of Environmental Analysis

1. Identification of strength: Strength of the business firm means capacity of the firm to gain advantage over its competitors. Analysis of internal business environment helps to identify strength of the firm. After identifying the strength, the firm must try to consolidate or maximise its strength by further improvement in its existing plans, policies and resources.

2. Identification of weakness: Weakness of the firm means limitations of the firm. Monitoring internal environment helps to identify not only the strength but also the weakness of the firm. A firm may be strong in certain areas but may be weak in some other areas. For further growth and expansion, the weakness should be identified so as to correct them as soon as possible.

3. Identification of opportunities: Environmental analyses helps to identify the opportunities in the market. The firm should make every possible effort to grab the opportunities as and when they come.

4. Identification of threat: Business is subject to threat from competitors and various factors. Environmental analyses help them to identify threat from the external environment. Early identification of threat is always beneficial as it helps to diffuse off some threat.

5. Optimum use of resources: Proper environmental assessment helps to make optimum utilisation of scare human, natural and capital resources. Systematic analyses of business environment help the firm to reduce wastage and make optimum use of available resources, without understanding the internal and external environment resources cannot be used in an effective manner.

6. Survival and growth: Systematic analyses of business environment help the firm to maximise their strength, minimise the weakness, grab the opportunities and diffuse threats. This enables the firm to survive and grow in the competitive business world.

7. To plan long-term business strategy: A business organisation has short term and long-term objectives. Proper analyses of environmental factors help the business firm to frame plans and policies that could help in easy accomplishment of those organisational objectives. Without undertaking environmental scanning, the firm cannot develop a strategy for business success.

8. Environmental scanning aids decision-making: Decision-making is a process of selecting the best alternative from among various available alternatives. An environmental analysis is an extremely important tool in understanding and decision making in all situation of the business. Success of the firm depends upon the precise decision-making ability. Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

Techniques of Environmental Analysis

SWOT Analysis:

SWOT analysis is a tool for assessing the business and its environment that helps focus on key issues. It can help us focus limited resources and capabilities to the competitive environment. SWOT stands for strengths, weaknesses, opportunities, and threats.

Strengths and weaknesses are internal factors. Opportunities and threats are external factors. The point of the SWOT analysis is to ensure that we have a marketing plan that is consistent with the resources and capabilities of our company.

Strengths could be:

i. A specialist marketing expertise.

ii. A new, innovative product or service.

iii. Location of business.

iv. Quality processes and procedures.

v. Any other aspect of business that adds value to product or service.

Weaknesses could be:

i. Lack of marketing expertise.

ii. Undifferentiated products or services (i.e., in relation to competitors).

iii. Location of business.

iv. Poor quality goods or services.

v. Damaged credibility.

Opportunities could be:

i. A developing market or an emerging market.

ii. Mergers, joint ventures or strategic alliances.

iii. Moving into new market segments that offer improved profits.

iv. A new international market.

v. A takeover

Threats could be:

i. A new competitor in home market.

ii. Price wars with competitors.

iii. A competitor has a new, innovative product or service.

iv. Competitors have superior access to channels of distribution.

v. Taxation/Octroi/Service tax is introduced on product or service.

Decision- Making

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

According to Louis Allen Decision making is the work of a manager performs to arrive at conclusion and judgement.

Importance of decision-making

1. **Implementation of managerial function:** Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, he/she does the work through decision-making function. Therefore, decision is important element to implement the managerial function.

2. **Pervasiveness of Decision making:** The decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.

3. **Evaluation of managerial performance:** Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified/qualifiable and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision-making evaluate the managerial performance.

4. **Helpful in planning and policies:** Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.

5. **Selecting the best alternatives:** Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.

6. **Successful; operation of business**: Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business.

Decision-making process

1. Define the problem:

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

2. Analysing the problem:

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures.

3. Developing alternative solutions:

After defining and analysing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions, the manager comes across creative or original solutions to the problems.

4. Selecting the best type of alternative:

After developing various alternatives, the manager has to select the best alternative. It is not an easy task. The following are the four important points to be kept in mind in selecting the best from various alternatives:

(a) Risk element involved in each course of action against the expected gain.

(b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.

5. Implementation of the decision:

Under this step, a manager has to put the selected decision into action

(a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.

(b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.

(c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

6. Follow up:

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is indispensable so as to modify and improve upon the decisions at the earliest opportunity.

7. Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of "preventive maintenance", so that the problems can be prevented before they occur.

Committee Decision Making Process

Management committees are responsible for taking major strategic decisions and need to take decisions jointly with other members. Committee gives focus on equal participation of all members while taking decisions. All members can put their views and opinions while making major decisions. Committee can identify several possible alternatives to solve the problem because of the collective knowledge of highly qualified experts and specialists.

Advantages of Committee Decision Making Process

1) **Benefit of Specialization: -** Committee organization is a group of highly qualified and specialized people. Members are well educated and experienced in different fields. So, there is a benefit of specialization in this organizational structure.

2) **Better Solution:** **-** Because of specialization and collective knowledge of members, quality decision is possible. It helps to find out better solution for complex problem.

3) **Participative Management: -** Committee gives focus on equal participation of all members while taking decisions. All members can put their views and opinions while making major decisions.

4) **Several Alternatives: -** Committee can identify several possible alternatives to solve the problem because of the collective knowledge of highly qualified experts and specialists. It helps the management to select most appropriate alternative.

5) **Better Communication: -** It promotes better and proper communication among the members of the committee to minimize conflict and misunderstanding.

6) **Team Spirit: -** It promotes team spirit and sense of cooperation among the members which helps to motivate them towards the achievement of specific objective.

Demerits Or Disadvantages of Committee Decision Making

1. Delayed Decision: - There are several members of different qualification and backgrounds. So, their opinions and ideas may differ from each other's. Divided opinions may delay the decision-making process.

2. Lack of Secrecy: - Because of large number of members from different classes, it is not easy to maintain proper secrecy and privacy in this type of organizational structure.

3. Expensive Device: - It takes more time and cost to make a committee. Sometimes experts and specialists should be hired to get better result. So, it is an expensive form of organization.

4. Lack of Accountability: - Individual member cannot be blamed for wrong decision. It is very difficult to fix accountability in committee organization.

5. High Chance of Conflict: - There is a high chance of conflict between the members because of the ego and selfishness of the members.

Group Decision Making: -

Group decision-making is a situation faced when individuals collectively make a choice from the alternatives before them. The decision is then no longer attributable to any single individual who is a member of the group.

The Group Decision Making is the collective activity wherein several persons interact simultaneously to find out the solution to a given statement of a problem. In other words, group decision making is a participatory process wherein multiple individuals work together to analyze the problem and find out the optimum solution out of the available set of alternatives.

Strengths of Group Decision Making

- Groups generate more complete information and knowledge.
- By aggregating the resources of several individuals, groups bring more input into the decision process.
- In addition to more input, groups can bring heterogeneity to the decision process. They offer increased diversity of views.
- A group will almost always outperform even the best individual. So, groups generate higher quality decisions.
- Finally, groups lead to increase acceptance of solutions. Many decisions fail after the final choice is made because people don't accept the solution. Group members who participated in making a decision are likely to support the decision and encourage others to accept it enthusiastically.

Weaknesses of Group Decision Making

- Group decisions are time-consuming, and they typically take more time to reach a solution than making the decision alone.
- Group decisions have conformity pressures in groups. The desire by group members to be accepted and considered an asset to the group can result in squashing any overt disagreement.
- Group decision can be dominated by one or a few members. If this dominated coalition is composed of low and medium ability members, the group's overall effectiveness will suffer.
- Finally, group decisions suffer from ambiguous responsibility. In an individual decision, it's clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is watered down.

Chapter 03:- Organizing

Meaning of organising:

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

Definition of organising:

According to **Theo Haimman**, "Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them."

Importance of Organising:

Organisation helps in the smooth functioning of a business in accordance with the business environment. It helps in the survival and growth of an enterprise and enables it to meet various challenges.

1. **Benefits of Specialisation**: Organisation leads to systematic allocation of jobs among the workers. Right man is placed for the Right job. It increases the efficiency of workers. Repetitive performance of a specific job on a regular basis helps worker to gain experience and leads to specialisation.
2. **Clarity in working relationships**: organising helps in establishing working relationship and clearly defines the lines of communication and also specific who is report to whom. This further helps in fixation of responsibility and also specifies the dimensions of authority which an individual can exercise.
3. **Optimum utilisation of resources**: Organisation leads to proper use of material, financial and human resources. Proper allocation of jobs helps in avoiding, overlapping of work and ensures optimum use of resources without any wastage.
4. **Adaptation to change**: organising helps business enterprises to adjust to the environmental changes. It allows the organisation structure to be suitably modified and the revision of inter-relationships among managerial levels to pave the way for smoother transition.
5. **Effective administration**: Organising provides clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in the working

relationships enables proper execution of work. Thus, management of an enterprise becomes easy and brings effectiveness in administration.

6. **Developmental of personnel**: organising stimulates creativity among the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. This reduction in workload allows the manager to develop new methods and ways of performing tasks for the growth of an organisation.
7. **Expansion and growth**: Organising promotes growth and diversification of an enterprise. It enables the enterprise to take up new challenges, e.g. more job positions, departments, new product lines and also new geographical territories for increasing sales and profit.

Organising Process:-

Organising is concerned with arranging in a logical and orderly manner the activities of all the employees. It specifies how the duties are to be divided among the departments and the employees. It creates relationship of one job to another and lays down the scope or limits of authority and responsibility of each job.

I. ***Identification and division of work***: The process of organising starts with the identification and division of work. The whole work is to be divided into manageable activities so that duplication is avoided and work can be completed as per predetermined goals.

II. ***Departmentalisation***: It refers to the process of grouping the activities of similar nature under same departments. Following are the ways of Departmentalisation:

a) **On the basis of function** – The activities are grouped into different departments on the basis of various functions. E.g. purchase department for purchase activity, finance department for finance activities, etc.

b) **On the basis of type of product manufactured** - The activities are grouped into different departments on the basis of products manufactured. E.g. textile division, food division, etc.

c) **On the basis of territory** - The activities are grouped on the basis of different territory, e.g. north, south, East, West etc.

III. ***Assignment of duties***: It is necessary to assign the work to the employees according to their skill and competencies. In order to ensure effective performance in an organisation, it is essential that a balance is created between the natures of the job and the ability of the employee.

IV. ***Establishment of reporting relationships***: Mere allocation of work is not enough, each individual should know from whom he has to take orders and to whom he is accountable. The establishment of such clear relationship helps to create a hierarchal structure and helps in co-ordination among various departments.

Principles of organizing

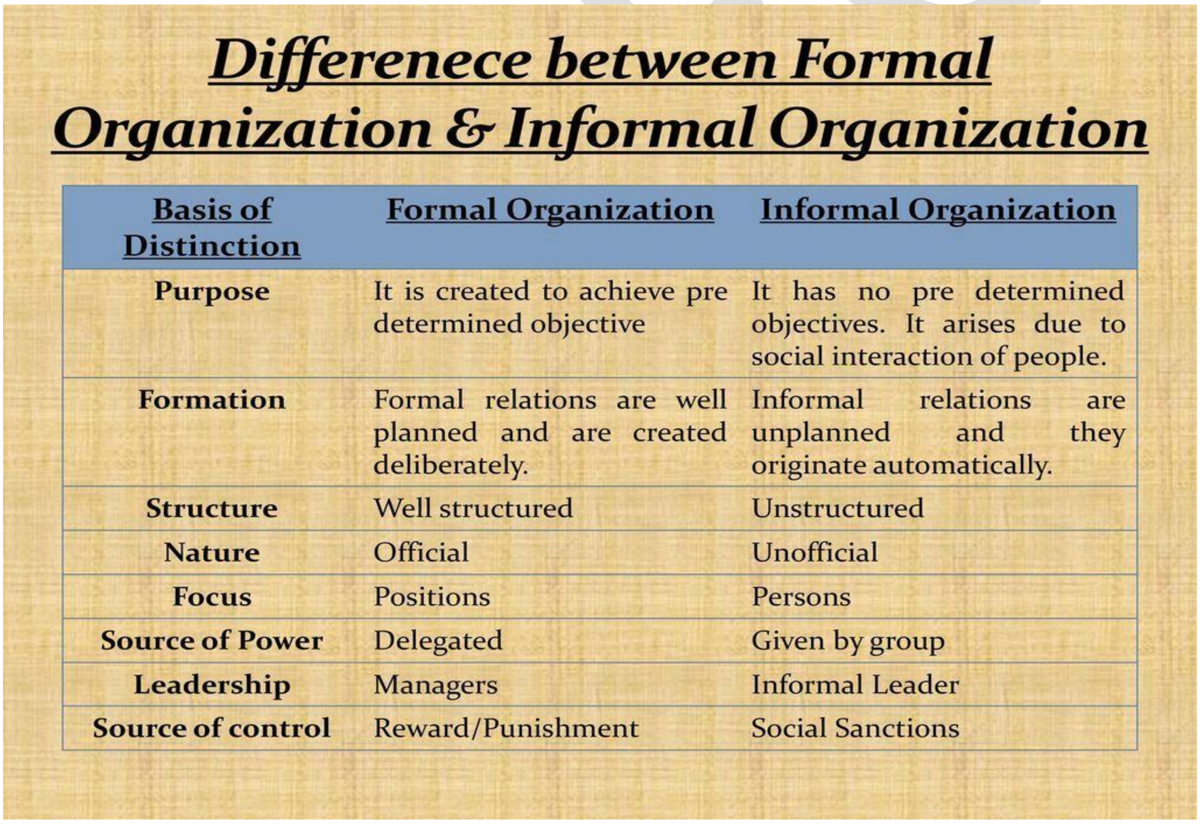
Principles are fundamental truth. They explain relationships and generalizations which are universally applicable and practiced in an organization:

1. **Principle of unity of goals:** Organizing function should be directed towards achieving the goal effectively.
2. **Principle of span of control:** There should be limited number of subordinates under a superior. Optimal span of control can create efficiency in goal achievement.
3. **Chain of command:** The line of authority from CEO to every subordinate position should be clearly defined and unbroken.
4. **Principle of Unity of Command:** Each subordinate should have only one boss. No person should report to more than one boss. Dual reporting could create confusion and conflict.
5. **Principle of Delegation of Authority:** Delegated authority should be adequate to accomplish expected results. Managers must themselves make decisions within their authority. Only exceptional matters should be referred to higher levels.
6. **Principle of Parity of Authority and Responsibility:** Authority should be equal to responsibility to an individual within an organization.
7. **Principle of Absoluteness of Responsibility:** Superior should take responsibility of their sub-ordinates positive and negative performance. Superiors cannot escape from the responsibility for the activities of subordinates.
8. **Principle of Departmentation:** Similar nature of work should be grouped and hand over. The activities, authorities and expected results from positions and people in departments should be clearly defined to effectively accomplish goals.
9. **Principle of Flexibility:** The organization structure should be flexible to adapt to changing environment.
10. **Principle of Separation**: Line and staff function should be separated.

Types of Organization

1) Formal Organization: Formal Organization means the intentional structure of roles in a formally organized enterprise. Formal Organization refers to the structure of well -defined jobs, each bearing a definite measure of authority, responsibility and accountability. In formal Organization, Each & every person is assigned the duties, authority, responsibilities & relationship as prescribed by the top management.

2) **Informal Organization**: Informal Organization means a network of interpersonal relationships that arise when people associate with each other. Informal Organization means natural grouping of people in the work situation. Informal Organization is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another.


Differenece between Formal Organization & Informal Organization

Basis of Distinction	Formal Organization	Informal Organization
Purpose	It is created to achieve pre determined objective	It has no pre determined objectives. It arises due to social interaction of people.
Formation	Formal relations are well planned and are created deliberately.	Informal relations are unplanned and they originate automatically.
Structure	Well structured	Unstructured
Nature	Official	Unofficial
Focus	Positions	Persons
Source of Power	Delegated	Given by group
Leadership	Managers	Informal Leader
Source of control	Reward/Punishment	Social Sanctions

ORGANIZATIONAL STRUCTURE/TYPES: Organizations are set up in specific ways to accomplish different goals. The main **types of organizational** structure are as follows:

1. Line organization
2. Functional or Staff Organization

1) Line Organization: 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.

Advantages/Merits

a. The line organization structure is very simple to understand and simple to operate.

b. Communication is fast and easy and feedback can be acted upon faster.

c. Responsibility is fixed and unified at each level and authority and accountability are clear-cut, hence each individual knows to whom he is responsible and who is or in truth responsible to him.

d. Since it is especially useful when the company is small in size, it provides for greater control and discipline in the organization.

e. It makes rapid decisions and effective coordination possible. So it is economic and effective.

f. The people in line type of organization get to know each other better and tend to feel close to each other.

g. The system is capable of adjusting itself to changing conditions for the simple reason that each executive has sole responsibility in his own sphere.

Disadvantages of Line Organization:

a) It is a rigid and inflexible form of organization.

b) There is a tendency for line authority to become dictatorial.

c) It overloads the executive with pressing activities so that long-range planning and policy formulation are often neglected.

d) There is no provision for specialists and specialization, which is essential for growth and optimisation.

e) Different departments may be much interested in their self-interests, rather than overall organizational interests and welfare.

2) **Line and staff organization structure:** This type of organization structure is in large enterprises. The functional specialists are added to the line in line and staff organization. Staffs are basically advisory in nature and usually do not possess any command authority over line managers. Allen has defined line and staff organization as follows. "Line functions are those which have direct responsibility for accomplishing the objectives of the enterprises and staffs refer to those elements of the organization that help the line to work most effectively in accomplishing the primary objectives of the enterprises."

Advantages of Line and Staff Organization

a. Line officers can concentrate mainly on the doing function as the work of planning and investigation is performed by the staff. Specialisation provides for experts advice and efficiency in management.

b. Since the organisation comprises line and staff functions, decisions can be taken easily.

c. The staff officers supply complete factual data to the line officers covering activity within and without their own units. This will help to greater co-ordination.

d. It provides an adequate opportunity for the advancement of workers.

e. The staff services provide a training ground for the different positions.

Disadvantages of Line and Staff Organisation:

a) Confusion and conflict may arise between line and staff. Because the allocation of authority and responsibility is not clear and members of the lower levels may be confused by various line orders and staff advices.

b) Staff generally advice to the lines, but line decides and acts. Therefore the staffs often feel powerless.

c) Too much reliance on staff officers may not be beneficial to the business because line officials may lose much of their judgment and imitative.

d) Normally, staff employees have specialised knowledge and expert. Line makes the final decisions, even though staffs give their suggestions.

e) Staff officers are much educated so their ideas may be more theoretical and academic rather than practical.

Decentralisation-

Meaning:

Decentralisation of authority means dispersal of authority to take decision to the lower level of organisation. Decentralisation implies reservation of some authority regarding planning, organising, directing and controlling is retained at the top-level management and other functions are delegated at lower levels.

Definition: According to **Louis Allen** Decentralisation refers to systematic effort to delegate to the lowest level, all authority except that which can be exercised at central points.

Importance of decentralisation

- ***Develop initiative among subordinates***: Passing of authority at middle and lower level shows the trust and faith of top level in their subordinates and this trust and faith motivate the employees working at different levels as they are allowed to take decisions without seeking the approval of superiors.

- ***Development of executives***: In the decentralisation managers working at lower and middle level also learn the art of making decisions. They get the experience of performing activities of top executives and learn to manage the authority given to them.

- ***Quick decision-making***: In the decentralisation process decision-making is not restricted in few hands only but decision-making power is entrusted to all the managers who are taking actions or performing the activities. This leads to faster decision because employees who have to perform the activities are allowed to take decision also.

- ***Relief to top level management:*** In the process of decentralisation top level managers are not overburdened with the responsibilities and authority as they systematically pass the authority and responsibilities at different levels and they become free to concentrate on core and important issues.

- ***Facilitates growth***: Decentralisation grants more autonomy or freedom to lower level. This helps the subordinates to do the work in the manner best suited for their department. When each department is doing to their best then productivity increases and it will generate more revenue which can be used for expansion.

- ***Reduces work load***: Decentralisation is the technique of distributing authority, responsibility and duty among managers. So, the work load of the manager is reduced and restricted to the job assigned to them.

Delegation:

Meaning: Delegation is the process of transferring authority from a superior to his subordinates. It is essential for smooth functioning of a business because any manager, no matter how capable he is, cannot perform all the functions on his own. Thus, authority has to flow from top to bottom that is from superior to his subordinates.

Definition: According to Theo Haimman Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.

Elements of Delegation:-

- **Responsibility:** Responsibility means the work assigned to an individual. It includes all the physical and mental activities to be performed by the employees at a particular job position. The process of delegation begins when manager passes on some of his responsibilities to his subordinates which means responsibility can be delegated.
- **Authority:** Authority means power to take decision. To carry on the responsibilities every employee need to have some authority. So, when managers are passing their responsibilities to the subordinates, they also pass some of the authority to the subordinates. The delegating authority is the second step of organizing process. While sharing the authority managers keep in mind that the authority matching to the

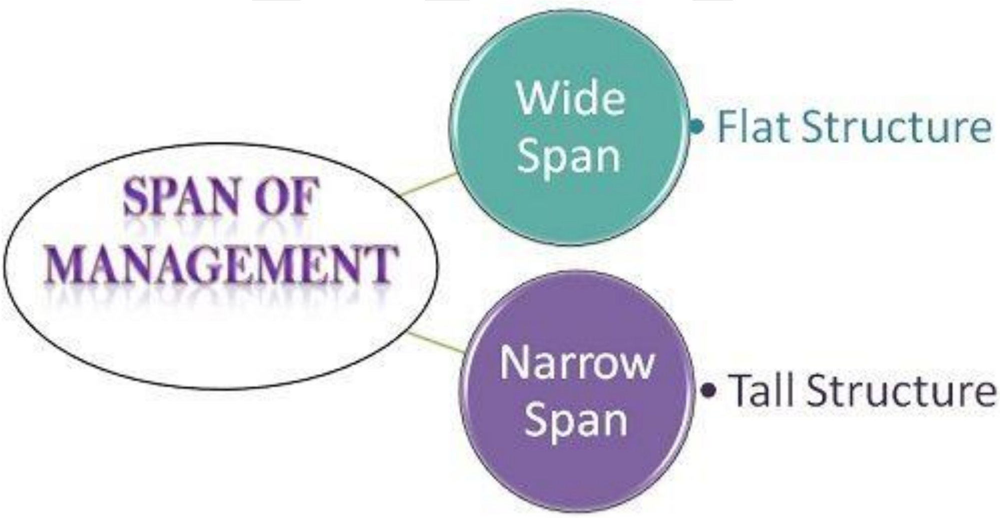
responsibility should only be delegated. They shall not pass all their authority to their subordinates.

- **Accountability:** To make sure that the employees or subordinates perform their responsibilities in their expected manner, the accountability is created. Accountability means subordinates will be answerable for the non-completion of the task; creating accountability is the third and final step of delegation process.

Span of Management

The **Span of Management** refers to the number of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called as the span of management.

The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management. With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter. Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.



Both these organizational structures have their advantages and the disadvantages. But however, the tall organizational structure imposes more challenges:

- Since the span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid to each senior.

- With more levels in the hierarchy, the communication suffers drastically. It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
- Lack of coordination and control because the operating staff is far away from the top management.

Factors Determining Span of Management

1. **Capacity of Superior:** Here the capacity means the ability of a superior to comprehend the problems quickly and gel up with the staff such that he gets respect from all. Also, the communication skills, decision-making ability, controlling power, leadership skills are important determinants of supervisory capacity. Thus, a superior possessing such capacity can manage more subordinates as compared to an individual who lack these abilities.
2. **Capacity of Subordinate:** If the subordinate is trained and efficient in discharging his functions without much help from the superior, the organization can have a wide span. This means a superior can manage a large number of subordinates as he will be required just to give the broad guidelines and devote less time on each.
3. **Nature of Work:** If the subordinates are required to do a routine job, with which they are well versed, then the manager can have a wider span. But, if the work is complex and the manager is required to give directions, then the span has to be narrower. Also, the change in the policies affects the span of management. If the policies change frequently, then the manager needs to devote more time and hence the span would be narrow whereas if the policies remain stable, then a manager can focus on a large number of subordinates. Likewise, policies technology also plays a crucial role in determining the span.
4. **Degree of Decentralization:** If the manager delegates authority to the subordinates then he is required to give less attention to them. Thus, higher the degree of decentralization, the wider is the span of management. But in case, subordinates do not have enough authority, then the manager is frequently consulted for the clarifications, and as a result superior spends a lot of time in this.
5. **Planning:** If the subordinates are well informed about their job roles, then they will do their work without consulting the manager again and again. This is possible only because of the standing plans that they follow in their repetitive decisions. Through a

proper plan, the burden of a manager reduces manifold and can have a wider span of management.

6. **Staff Assistance:** The use of staff assistance can help the manager in reducing his workload by performing certain managerial tasks such as collecting information, processing communications and issuing orders, on his behalf. By doing so, the managers can save their time and the degree of span can be increased

7. **Supervision from Others:** The classical approach to the span of management, i.e., each person should have a single supervisor is changing these days. Now the subordinates are being supervised by other managers in the organization such as staff personnel. This has helped the manager to have a large number of subordinates under him.

8. **Communication Techniques:** The mode of communication also determines the span of management. If in the manager is required to do a face to face communication with each subordinate, then more time will be consumed. As a result, the manager cannot have a wider span. But in case, the communication is in writing and is collected through a staff personnel; the manager can save a lot of time and can have many subordinates under him.

Delegation of Authority

The **Delegation of Authority** is an organizational process wherein, the manager divides his work among the subordinates and give them the responsibility to accomplish the respective tasks. Along with the responsibility, he also shares the authority, i.e. the power to take decisions with the subordinates, such that responsibilities can be completed efficiently.

Features of Delegation of Authority

1. Delegation means giving power to the subordinate to act independently but within the limits prescribed by the superior. Also, he must comply with the provisions of the organizational policy, rules, and regulations.

2. Delegation does not mean that manager give up his authority, but certainly he shares some authority with the subordinate essential to complete the responsibility entrusted to him.

3. Authority once delegated can be further expanded, or withdrawn by the superior depending on the situation.
4. The manager cannot delegate the authority which he himself does not possess. Also, he can not delegate his full authority to a subordinate.
5. The delegation of authority may be oral or written, and may be specific or general.
6. The delegation is an art and must comply with all the fundamental rules of an organization.

Chapter 04:- Staffing

Meaning of Staffing:-

Staffing is the process, through which competent employees are selected, properly trained, effectively developed, and suitably rewarded and their efforts harmoniously integrated towards achieving the objectives of the business.

Definition of Staffing:-

According to Mc Farland, "staffing is the function by which managers build an organisation through, the recruitment, selection and development of individuals as capable employees".

Importance of Staffing:-

The right people can take the business to the top and the wrong people can even break the business. The importance of staffing are:-

1. **For implementing managerial functions:** Staffing injects life into the organisation by managing right people for right jobs. The effectiveness and successful implementing of all managerial functions depend on the effectiveness of the staffing function.
2. **Higher job satisfaction:** the staffing function aids to building a sound human organisation in which the employee's job performance and job satisfaction are very high.
3. **Increased productivity and profitability**: training and development of employees are most important staffing functions which are helpful in increasing production, productivity and profitability of the organisation.
4. **Effective use of resources:** the right selection of employees for the right jobs, s instrumental in the effective utilisation of capital, materials, technology etc., in the organisation. This will ensure minimum wastage and improved quality in work and products.
5. **Right people for right jobs:** the staffing function helps the organisation in discovering and selecting competent personnel for various positions in the organisation. This will increase the organisational efficiency and strengthens the organisation to face the challenges of changes.

Staffing Process:

The main purpose of staffing is to obtain the most competent persons who suit the organisational requirements.

a) **Man power planning:** Staffing process begins with the estimation of manpower requirement which means finding out number and type of employees needed by the organisation in near future. Manpower requirement is not only to find out number of people needed but also the type of people. Type means what should be the qualification educational background of the people whom we need to appoint.

b) **Recruitment:** It refers to the process of inducing the people to apply for the job in the organisation. After assessing the number and type of employee required, the manager tries that more and more people should apply for the job so that the organisation can get more choice.

c) **Selection:** It refers to choosing the most suitable candidate to fill the vacant job position. The selection is done through a process, which involves test, interviews, etc.

The main objectives of selection are:

(i) To select the best among the available.

(ii) To make selected candidate realise that how seriously things are done in the organisation.

d) **Placement and Orientation:** Placement refers to occupying of post by the candidate for which he is selected. After selection the employee is given appointment letter and is asked to occupy the vacant job position.
Orientation refers to introduction of new employees to the existing employees large organisations organise orientation programmes to familiarize the new employees with the existing whereas in small organisations superior takes the new employees on round and introduces him to the existing employees.

e) **Training and development:** training is the process which is undertaken to increase the knowledge and skills of an employee to perform the present job accurately. It is the organised procedure by which knowledge, ability, competence, personality and productivity is increased.

The development refers to the process of not only building up the skill and abilities for specific purpose, but also the overall competence of managerial executives undertake more difficult and challenging tasks.

f) **Performance Appraisal:** After taking training and performing the job for sometimes there is need that employees' performance must be evaluated. Performance appraisal refers to evaluating the performance of employees against some standards. The standards are made known to employees in advance. Superiors prepare a feedback report on the basis of performance appraisal.

g) **Promotion and Career Planning:** Promotion refers to being placed at a higher job position with more pay, job satisfaction and responsibility. Generally on the basis of feedback report of employees', performance they are given promotion and opportunities for higher job positions.

h) **Compensation:** It refers to price of the job. It includes pays, reward and other incentives given to employees. It includes direct as well as indirect payments. Direct payments such as wages, salary, etc. Indirect payments such as medical facility, insurance, etc. The managers must fix the right compensation on the basis of qualification, type of job, etc.

MOTIVATION: Motivation means incitement or inducement to act or move. It means the process of making subordinates to act in a desired manner to achieve certain organisational goals.

Motivation is one more element of direction. It creates in men the desire and sense of belongingness to work for the organisation.

MOTIVE: a motive is an inner state that energises, activates or moves and directs behavior towards goals. Motivates arise out of the needs of individuals.

MOTIVATORS: Motivator is the technique used to motivate people in an organisation. Managers use diverse motivators like pay, bonus, promotion, recognition etc., in the organisation to influence people to contribute their best.

FEATURES OF MOTIVATION:

1. **MOTIVATION IS AN INTERNAL FEELING**: The urge, drives, desires, aspirations, striving or needs of human being, which are internal, influence human behaviour. For example, people may have the urge or desire for possessing a motorbike, comfortable house, reputation in the society. These urges are internal to an individual.
2. **MOTIVATION PRODUCES GOAL DIRECTED BEHAVIOR:** For example, the promotion in the job may be given to employee with the objective of improving his performance. If the employee is interested in promotion, it helps to produce a behaviour to improve performance.
3. **MOTIVATION CAN BE EITHER POSITIVE OR NEGATIVE:** Positive motivation provides positive rewards like increase in pay, promotion, recognition etc., Negative motivation uses negative means like punishment, stopping increments, threatening etc. which also may induce a person to act in the desired way.
4. **MOTIVATION IS A COMPLEX PROCESS:** as the individuals are heterogeneous in their expectations, perceptions and reactions. Any type of motivation may not have uniform effect on all the members.

MOTIVATION PROCESS: Motivation process is based on human needs. A simple model to explain motivation process is presented below. The following example explains the process of satisfaction of human needs.

Ramu is very hungry since he did not have breakfast in the morning. By1.00 P.M., he became restless and started walking on the road in search of a hotel for snacks or meals. After walking for 2 kms, he could find a hotel where roti and dal was available for Rs. 10. Since he had only Rs. 15 in his pocket, he paid Rs. 10 and had a satisfying meal. After taking a meal, he felt that he had regained energy. An unsatisfied need of an individual creates tension which stimulates his or her drives. These drives generate a search behaviour to satisfy such need. If such need is satisfied, the individual is relieved of tension.

IMPORTANCE OF MOTIVATION:

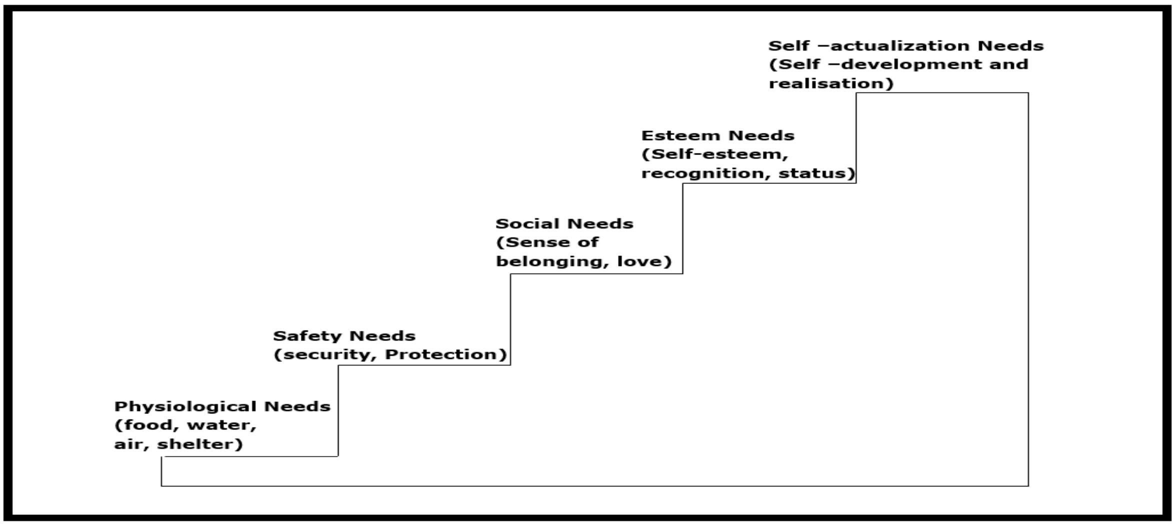
1. Motivation helps to improve performance levels of employees as well as the organisation. Since proper motivation satisfies the needs of employees, they in turn devote all their energies for optimum performance in their work. A satisfied employee can always turnout expected performance.
2. Motivation helps to change negative or indifferent attitudes of employee to positive attitudes so as to achieve organisational goals. For example, a worker may have indifferent or negative attitude towards his work, if he is not rewarded properly. If suitable rewards are given and supervisor gives positive encouragement and praise for the good work done, the worker may slowly develop positive attitude towards the work.
3. Motivation helps to reduce employee turnover and thereby saves the cost of new recruitment and training. The main reason for high rate of employee turnover is lack of motivation. If managers identify motivational needs of employees and provide suitable incentives, employees may not think of leaving the organisation.
4. Motivation helps to reduce absenteeism in the organisation. Some important reasons for absenteeism are–bad working conditions, inadequate rewards, lack of recognition, poor relations with supervisors and colleagues etc.
5. Motivation helps managers to introduce changes smoothly without much resistance from people. Normally, for any change introduced in the organisation, there may be resistance for changes. If manager can convince employees that proposed changes will bring additional rewards to employees, they may readily accept the change.

Extrinsic motivation:- It refers to behavior that is driven by external rewards. These rewards can be tangible, such as money or grades, or intangible, such as praise or fame.

Intrinsic motivation:- It arises from within the individual, extrinsic motivation is focused purely on outside rewards. Intrinsic motivation is defined as the doing of an activity for its inherent satisfaction rather than for some separable consequence. When intrinsically motivated, a person is moved to act for the fun or challenge entailed rather than because of external products, pressures, or rewards.

MASLOW'S NEED HIERARCHY THEORY OF MOTIVATION:

Maslow's Need Hierarchy Theory is considered fundamental to understanding of motivation. Abraham Maslow, a well-known Psychologist in a classic paper published in 1943, outlined the elements of an overall theory of motivation. His theory was based on human needs. He felt that within every human being, there exists a hierarchy of five needs.



1. **PHYSIOLOGICAL NEEDS:** They are food, clothing, shelter etc. These are the basic needs anyone would give the first preference to, once these needs are satisfied he thinks of the next level of needs.
2. **SAFETY NEEDS:** These needs are protection against danger, threat, deprivation and need for job security. For an individual these needs arise only when he is reasonably satisfied with the physiological needs.
3. **SOCIAL NEEDS:** These needs include belongingness, association, acceptance, friendship and love. They become important to an individual only after he is satisfied with physiological and safety needs.
4. **ESTEEM NEEDS:** These needs include self-esteem, recognition, status, achievement etc. They dominate an individual only when he is reasonably satisfied with safety needs.
5. **SELF-ACTUALIZATION NEEDS:** These needs arise only when an individual is reasonably satisfied with esteem needs. They include the need to realise one's capabilities and potentials by achieving specific goals. An individual accepts such work which is challenging and creative and also provide opportunities for self-development.

MASLOW'S THEORY IS BASED ON THE FOLLOWING ASSUMPTIONS:

(i) People's behaviour is based on their needs. Satisfaction of such needs influences their behaviour.

(ii) People's needs are in hierarchical order, starting from basic needs to other higher level needs.

(iii) A satisfied need can no longer motivate a person; only next higher level need can motivate him.

(iv) A person moves to the next higher level of the hierarchy only when the lower need is satisfied.

Hertzberg's Theory

In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

Hygiene factors- Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existant at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as **dissatisfiers or maintenance factors** as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:

- Pay - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.
- Company Policies and administrative policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.

- Fringe benefits - The employees should be offered health care plans (Mediclaim), benefits for the family members, employee help programmes, etc.
- Physical Working conditions - The working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained.
- Status - The employees' status within the organization should be familiar and retained.
- Interpersonal relations - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.
- Job Security - The organization must provide job security to the employees.

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

- **Recognition** - The employees should be praised and recognized for their accomplishments by the managers.
- **Sense of achievement** - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- **Growth and promotional opportunities** - There must be growth and advancement opportunities in an organization to motivate the employees to perform well.
- **Responsibility** - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.
- **Meaningfulness of the work** - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated

Limitations of Two-Factor Theory

The two factor theory is not free from limitations:

1. The two-factor theory overlooks situational variables.
2. Herzberg assumed a correlation between satisfaction and productivity. But the research conducted by Herzberg stressed upon satisfaction and ignored productivity.

3. The theory's reliability is uncertain. Analysis has to be made by the raters. The raters may spoil the findings by analyzing same response in different manner.
4. No comprehensive measure of satisfaction was used. An employee may find his job acceptable despite the fact that he may hate/object part of his job.
5. The two factor theory is not free from bias as it is based on the natural reaction of employees when they are enquired the sources of satisfaction and dissatisfaction at work. They will blame dissatisfaction on the external factors such as salary structure, company policies and peer relationship. Also, the employees will give credit to themselves for the satisfaction factor at work.

Vroom's Expectation Theory

The expectancy theory was proposed by **Victor Vroom** of Yale School of Management in 1964. Vroom stresses and focuses on outcomes, and not on needs unlike Maslow and Herzberg. The theory states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome to the individual.

The **Expectancy theory** states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality).

In short, **Valence** is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals.

Expectancy is the faith that better efforts will result in better performance. Expectancy is influenced by factors such as possession of appropriate skills for performing the job, availability of right resources, availability of crucial information and getting the required support for completing the job.

Instrumentality is the faith that if you perform well, then a valid outcome will be there. Instrumentality is affected by factors such as believe in the people who decide who receives what outcome, the simplicity of the process deciding who gets what outcome, and clarity of relationship between performance and outcomes. Thus, the expectancy theory concentrates on the following three relationships:

- Effort-performance relationship: What is the likelihood that the individual's effort be recognized in his performance appraisal?
- Performance-reward relationship: It talks about the extent to which the employee believes that getting a good performance appraisal leads to organizational rewards.
- Rewards-personal goals relationship: It is all about the attractiveness or appeal of the potential reward to the individual.

Vroom was of view that employees consciously decide whether to perform or not at the job. This decision solely depended on the employee's motivation level which in turn depends on three factors of expectancy, valence and instrumentality.

Advantages of the Expectancy Theory

- It is based on self-interest individual who want to achieve maximum satisfaction and who wants to minimize dissatisfaction.
- This theory stresses upon the expectations and perception; what is real and actual is immaterial.
- It emphasizes on rewards or pay-offs.
- It focuses on psychological extravagance where final objective of individual is to attain maximum pleasure and least pain.

Limitations of the Expectancy Theory

- The expectancy theory seems to be idealistic because quite a few individuals perceive high degree correlation between performance and rewards.
- The application of this theory is limited as reward is not directly correlated with performance in many organizations. It is related to other parameters also such as position, effort, responsibility, education, etc.

LEADERSHIP:

One of the important responsibilities of a supervisor is to provide proper and effective leadership to his sub-ordinates. It is essential for an organisation to have effective leadership as it helps in achieving organisational objectives.

DEFINITION

According to **Koontz and O'Donnell,** "leadership is the ability of a manager to induce sub-ordinates to work with confidence and goal"

According to **Allen**," A leader is one who guides and directs other people. He must give their efforts a direction and purpose".

IMPORTANCE OF LEADERSHIP:

1. Leadership influences the behaviour of people and makes them to positively contribute their energies for the benefit of the organisation.
2. A leader maintains personal relations and helps followers in fulfilling their needs. He provides needed confidence, support and encouragement and thereby creates congenial work environment.
3. Leader plays a key role in introducing required changes in the organisation. He persuades, clarifies and inspires people to accept changes whole-heartedly.
4. A leader handles conflicts effectively and does not allow adverse effects resulting from the conflicts. A good leader always allows his followers to ventilate their feelings and disagreement but persuades them by giving suitable clarifications.
5. Leader provides training to their subordinates. A good leader always builds up his successor and helps in smooth succession process.

Likert's System Management:

In the Participative system of leadership given by Likert, He states that the employees under this system are free to participate in the decision-making processes of the organization. The superiors have the utmost trust and confidence in their employees.

Blake-Mouton's Managerial Grid Theory

Managerial Grid Theory was developed by R.R. Blake and J.S. Mouton which helps managers in organizations to identify their leadership style. The grid consists of two dimensions, one is the Concern for People and the other one is Concern for Production.

The managerial grid model (1964) is a style leadership model developed by Robert R. Blake and Jane Mouton. This model originally identified five different leadership styles based on the concern for people and the concern for production.

The model is based on two behavioral dimensions:

Concern for People: this is the degree to which a leader considers team members' needs, interests and areas of personal development when deciding how best to accomplish a task.

Concern for Results: this is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task

House's Path Goal Theory: -

The theory was developed by Robert House and has its roots in the expectancy theory of motivation. The theory is based on the premise that an employee's perception of expectancies between his effort and performance is greatly affected by a leader's behavior. The leaders help group members in attaining rewards by clarifying the paths to goals and removing obstacles to performance. They do so by providing the information, support, and other resources which are required by employees to complete the task.

The theory has been subjected to empirical testing in several studies and has received considerable research support. This theory consistently reminds the leaders that their main role as a leader is to assist the subordinates in defining their goals and then to assist them in accomplishing those goals in the most efficient and effective manner. This theory gives a guide map to the leaders about how to increase subordinates' satisfaction and performance level.

Transformational Leadership

Creating high-performance workforce has become increasingly important and to do so business leaders must be able to inspire organizational members to go beyond their task requirements. As a result, new concepts of leadership have emerged - transformational leadership being one of them.

Transformational leadership may be found at all levels of the organization: teams, departments, divisions, and organization as a whole. Such leaders are visionary, inspiring, daring, risk-takers, and thoughtful thinkers. They have a charismatic appeal. But charisma alone is insufficient for changing the way an organization operates.

Transactional Leadership

Transactional leadership involves motivating and directing followers primarily through appealing to their own self-interest. The power of transactional leaders comes from their formal authority and responsibility in the organization. The main goal of the follower is to obey the instructions of the leader. The style can also be mentioned as a 'telling style'.

The leader believes in motivating through a system of rewards and punishment. If a subordinate does what is desired, a reward will follow, and if he does not go as per the wishes of the leader, a punishment will follow. Here, the exchange between leader and follower takes place to achieve routine performance goals.

COMMUNICATION

Communication is the art of transmitting information, ideas and attitudes from one person to another. Communication is the process of meaningful interaction among the human beings.

DEFINITION:

In the words of **George Terry,** "Communication is an exchange of fats, ideas, opinions or emotions by two or more persons".

ELEMENTS OF COMMUNICATION PROCESS

1. **SENDER:** Sender means person who conveys his thoughts or ideas to the receiver. The sender represents source of communication.
2. **MESSAGE:** It is the content of ideas, feelings, suggestions, order etc., intended to be communicated.
3. **ENCODING:** It is the process of converting the message into communication symbols such as words, pictures, gestures etc.,
4. **MEDIA:** It is the path through which encoded message is transmitted to receiver. The channel may be in written form, face to face, phone call, internet etc.,
5. **DECODING**: It is the process of converting encoded symbols of the sender.

6. **RECEIVER:** The person who receives communication of the sender.
7. **FEEDBACK:** It includes all those actions of receiver indicating that he has received and understood message of sender.
8. **NOISE:** Noise means some obstruction or hindrance to communication. This hindrance may be caused to sender, message or receiver. Some examples of noise are:
    a) Ambiguous symbols that lead to faulty encoding.
    b) A poor telephone connection.
    c) An inattentive receiver.
    d) Faulty decoding (attaching wrong meanings to message).
    e) Prejudices obstructing the poor understanding of message.

FORMAL COMMUNICATION AND INFORMAL COMMUNICATION

FORMAL COMMUNICATION: occurs when a person in the organisation communicates using formal channels of the organisation structure along the lines of authority established by the management. Matters under this communication are official and to the point.

INFORMAL COMMUNICATION : is an informal channel of business communication. It is called so, because it stretches throughout the organisation in all directions irrespective of authority levels

GRAPEVINE COMMUNICATION : may follow different types of network. In single strand network, each person communicates to the other in sequence. In gossip network, each person communicates with all on nonselective basis. In probability network, the individual communicates randomly with other individual. In cluster, the individual communicates with only those people whom he trusts. Of these four types of networks, cluster is the most popular in organisations.

BARRIERS TO EFFECTIVE COMMUNICATION

Communication is complete and perfect when the receiver understands the message in the same sense and spirit as the communicator intends to convey. But practically, it has been noted that such perfect and complete communication does not takes place many a times due to certain obstacles which are known as barriers to communication. Following are the barriers to effective communication.

1. **SEMANTIC BARRIERS:** Semantic barriers are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions. Normally, such barriers result on account of use of wrong words, faulty translations, different interpretations etc. These are discussed below:

a) **BADLY EXPRESSED MESSAGE:** Sometimes intended meaning may not be conveyed by a manager to his subordinates. These badly expressed messages may be an account of inadequate vocabulary, usage of wrong words, omission of needed words etc.

b) **SYMBOLS WITH DIFFERENT MEANINGS:** A word may have several meanings. Receiver has to perceive one such meaning for the word used by communicator. For example, consider these three sentences where the work 'value' is used:

(a) What is the value of this ring?

(b) I value our friendship.

(c) What is the value of learning computer skills? You will find that the 'value' gives different meaning in different contexts. Wrong perception leads to communication problems.

c) **FAULTY TRANSLATIONS**: Sometimes the communications originally drafted in one language (e.g., English) need to be translated to the language understandable to workers (e.g., Hindi). If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to the communication.

d) **UNCLARIFIED ASSUMPTIONS:** Some communications may have certain assumptions which are subject to different interpretations. For example, a boss may instruct his subordinate, "Take care of our guest". Boss may mean that subordinate should take care of transport, food, accommodation of the guest until he leaves the place.

e) **TECHNICAL JARGON:** It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field. Therefore, they may not understand the actual meaning of many such words.

f) **BODY LANGUAGE AND GESTURE DECODING:** Every movement of body communicates some meaning. The body movement and gestures of communicator matters so much in conveying the message. If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived.

2. **PSYCHOLOGICAL BARRIERS:** Emotional or psychological factors acts as barriers to communicators. For example, a worried person cannot communicate properly and an angry receiver cannot understand the real meaning of message. The state of mind of both sender and receiver of communication reflects in the effective communication. Some of the psychological barriers are:

a) **PREMATURE EVALUATION:** Some times people evaluate the meaning of message before the sender completes his message. Such premature evaluation may be due to pre-conceived notions or prejudices against the communication.

b) **LACK OF ATTENTION:** The preoccupied mind of receiver and the resultant non-listening of message acts as a major psychological barrier. For instance, an employee explains about his problems to the boss who is pre-occupied with an important file before him. The boss does not grasp the message and the employee is disappointed.

c) **LOSS BY TRANSMISSION AND POOR RETENTION:** When communication passes through various levels, successive transmissions of the message results in loss of, or transmission of inaccurate information. This is more so in case of oral communication. Poor retention is another problem. Usually people cannot retain the information for a long time if they are inattentive or not interested.

d) **DISTRUST:** Distrust between communicator and communicate acts as a barrier. If the parties do not believe each other, they can not understand each others message in its original sense.

3. **ORGANISATIONAL BARRIERS:** The factors related to organisation structure, authority relationships, rules and regulations may, sometimes, act as barriers to effective communication. Some of these barriers are:

a) **ORGANISATIONAL POLICY:** If the organisational policy, explicit or implicit, is not supportive to free flow of communication, it may hamper effectiveness of communications. For example, in an organisation with highly centralised pattern, people may not be encouraged to have free communication.

b) **RULES AND REGULATIONS**: Rigid rules and cumbersome procedures may be a hurdle to communication. Similarly, communications through prescribed channel may result in delays.

c) **STATUS:** Status of superior may create psychological distance between him and his subordinates. A status conscious manager also may not allow his subordinates to express their feelings freely.

d) **COMPLEXITY IN ORGANISATION STRUCTURE**: In an organisation where there are number of managerial levels, communication gets delayed and distorted as number of filtering points are more.

e) **ORGANISATIONAL FACILITIES:** If facilities for smooth, clear and timely communications are not provided communications may be hampered. Facilities like frequent meetings, suggestion box, complaint box, social and cultural gathering, transparency in operations etc., will encourage free flow of communication. Lack of these facilities may create communication problems.

4. **PERSONAL BARRIERS:** The personal factors of both sender and receiver may exert influence on effective communication. Some of the personal barriers of superiors and subordinates are mentioned below:

a) **FEAR OF CHALLENGE TO AUTHORITY:** If a superior perceives that a particular communication may adversely affect his authority, he or she may withhold or suppress such communication.

b) **LACK OF CONFIDENCE OF SUPERIOR ON HIS SUBORDINATES:** If superiors do not have confidence on the competency of their subordinates, they may not seek their advice or opinions.

c) **UNWILLINGNESS TO COMMUNICATE:** Sometimes, subordinates may not be prepared to communicate with their superiors, if they perceive that it may adversely affect their interests.

d) **LACK OF PROPER INCENTIVES:** If there is no motivation or incentive for communication, subordinates may not take initiative to communicate. For example, if there is no reward or appreciation for a good suggestion, the subordinates may not be willing to offer useful suggestions.

IMPROVING COMMUNICATION EFFECTIVENESS

The barriers to effective communication exists in all organisations to a greater or lesser degree. Organisations keen on developing effective communication should adopt suitable measures to overcome the barriers and improve communication effectiveness. Some such measures are indicated below:

(i) **CLARIFY THE IDEAS BEFORE COMMUNICATION:** The problem to be communicated to subordinates should be clear in all its perspective to the executive himself. The entire problem should be studied in depth, analysed and stated in such a manner that is clearly conveyed to subordinates.

(ii) **COMMUNICATE ACCORDING TO THE NEEDS OF RECEIVER**: The level of understanding of receiver should be crystal clear to the communicator. Manager should adjust his communication according to the education and understanding levels of subordinates.

(iii) **CONSULT OTHERS BEFORE COMMUNICATING**: Before actually communicating the message, it is better to involve others in developing a plan for communication. Participation and involvement of subordinates may help to gain ready acceptance and willing cooperation of subordinates.

(iv) BE AWARE OF LANGUAGES, TONE AND CONTENT OF MESSAGE: The contents of the message, tone, language used, manner in which the message is to be communicated are the important aspects of effective communication. The language used should be understandable to the receiver and should not offend the sentiments of listeners. The message should be stimulating to evoke response from the listeners.

(v) CONVEY THINGS OF HELP AND VALUE TO LISTENERS: While conveying message to others, it is better to know the interests and needs of the people with whom you are communicating. If the message relates directly or indirectly to such interests and needs it certainly evokes response from communicate.

(vi) ENSURE PROPER FEEDBACK: The communicator may ensure the success of communication by asking questions regarding the message conveyed. The receiver of communication may also be encouraged to respond to communication. The communication process may be improved by the feedback received to make it more responsive.

(vii) COMMUNICATE FOR PRESENT AS WELL AS FUTURE: Generally, communication is needed to meet the existing commitments to maintain consistency, the communication should aim at future goals of the enterprise also.

(viii) FOLLOW UP COMMUNICATIONS: There should be regular follow up and review on the instructions given to subordinates. Such follow up measures help in removing hurdles if any in implementing the instructions.

(ix) BE A GOOD LISTENER: Manager should be a good listener. Patient and attentive listening solves half of the problems. Managers should also give indications of their interest in listening to their subordinates.

Chapter 5:- Controlling and Co-ordination

Introduction:

All organizations face the necessity of control like other managerial functions. The need for control arises to maximize the use of scarce resources and to achieve the goals of the management. It enables to know whether resources are utilized in the same manner as planned. Controlling completes the whole sequence of managerial process.

Planning is the basis, action is the essence, delegation is the key and information is the guide for control. Management functions starts with planning and ends with controlling, therefore planning acts as the 'basis of controlling'.

Meaning of Controlling:

Controlling involves analyzing whether actions are being taken as planned and taking corrective actions to make these to conform as planned. Control means the power or authority to direct, order or restrain. Controlling is a dynamic process and action oriented process.

Definition of Controlling:

According to **Koontz and O'Donnell**, "Controlling is the measuring and correcting of activities of subordinates to ensure that events conform to plans".

Importance of Controlling:

Controlling is a fundamental management function that ensures work accomplishment according to plans. The importance of controlling are as follows;

1) Controlling helps for execution of plans: Controlling is an indispensable part of management. A manager cannot do a complete job of management without control. Control is the only means to ensure that the plans are being properly implemented. It regulates actual operations to ensure that the goals of the organization are being achieved.

2) Improves Employee's Efficiency: The performance of an individual is evaluated in the light of target set. A person is likely to put better performance if he is aware that his performance will be evaluated. The worker will be rewarded according to his performance. Thus, it improves his efficiency.

3) Organisational Efficiency and Effectiveness: Proper control ensures organisational efficiency and Effectiveness through minimizing wastages, reduction of costs and proper utilization of available resources.

4) Controlling is a basis for future action: Control provides feedback and reveals shortcomings in plans. Therefore, it helps in preparing better future plans. Control facilitates decision-making in future.

5) Means of Co-ordination: Controlling facilitates co-ordination among different departments and divisions by providing them unity of direction. It integrates the individual efforts and their activities in achieving the common objectives. Co-ordination is the essence of management and is achieved through proper performance of all managerial functions.

6) Simplifies Supervision: Control helps to simplify the task of the supervision by pointing out significant deviations from the standards of performance. It keeps the subordinates under check and brings discipline among them.

7) Managerial Responsibility: Managerial responsibility is created through assignment of activities to various individuals. This process starts at the top level and goes to the lower levels. It is quite natural that when a person is responsible for the performance of his subordinates, he must exercise some control over them.

Principles of Controlling:

1. Objectives: Controls must positively contribute to the achievement of group goals by promptly and accurately detecting deviations from plans with a view to making corrective action possible.

2. Interdependence of Plans and Controls: The principles of interdependence states that more the plans are clear, complete and integrated, and the more that controls are designed to reflect such plans, the more effectively controls will serve the need of managers.

3. Control Responsibility: According to this principle, the primary responsibility for the exercise of controls rests in the manager charged with the performance of the particular plans involved.

4. Principal of Controls being in Conformity to Organisation Pattern: Controls must be designed so as to reflect the character and structure of plans. If the organisation is clear and responsibility for work done is well defined, control becomes more effective and it is simple to isolated persons responsible for deviations.

5. Efficiency of Controls: Control techniques and approaches are effectively detect deviations from plans and make possible corrective actions with the minimum of unsought consequences.

6. Future-oriented Controls: It stresses that controls should be forward looking. Effective controls should be aimed at preventing present and future deviations from plans.

7. Individuality of Controls: Control should be designed to meet the individual requirements of managers in the organisation. Although some control techniques and information can be utilised in the same form by various types of enterprises and managers as a general rule controls should be tailored to meet the specific requirements.

8. Strategic Point Control: Effective and efficient control requires that attention to be given to those factors which are strategic to the appraisal of performance.

9. The Exception Principle: The exception principles whereby exceptions to the standards are notified, should be adopted. Note must be taken of the varying nature of exceptions, as "small" exceptions in certain areas may be of greater significance than 'larger' exceptions elsewhere.

10. Principal of Review: The control system should be reviewed periodically. The review exercise may take some or all the points emphasised in the above stated principles. Besides, flexibility and economical nature or controls, should not be lost sight of while reviewing controls.

LIMITATIONS OF CONTROLLING

1. **DIFFICULTY IN SETTING QUANTITATIVE STANDARDS**: Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task. Employee morale, job satisfaction and human behaviour are such areas where this problem might arise.

2. **LITTLE CONTROL ON EXTERNAL FACTORS:** Generally an enterprise cannot control external factors such as government policies, technological changes, competition etc.

3. **RESISTANCE FROM EMPLOYEES:** Control is often resisted by employees. They see it as a restriction on their freedom. For instance, employees might object when they are kept under a strict watch with the help of Closed Circuit Televisions (CCTVs).

4. **COSTLY AFFAIR**: Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system. It cannot justify the expenses involved.

Controlling process:

1) Setting performance standards: In this step standard is to be established. The standard is a yardstick consisting of a specific set of actions, relating to a particular job which the actual results are to be evaluated. Control standards are derived directly from the objectives, goals, expectation stated in the planning. The standards for control should satisfy the following requirements:

a) Standards should be simple and easily understandable.

b) Standards should be capable of achieving with reasonable effort and time.

c) Standards should be flexible and not rigid.

d) It should be consistent with the overall objectives of the organization.

e) It should be expressed in Quantitative terms.

2) Measurement of actual performance: Once the standards for desired performance are fixed, The next step is to measure the actual performance. Performance should be measured in the same terms in which standards have been established. Accurate and timely measurement of results requires effective systems of reporting. Therefore, Measurement must be clear, simple, rational, relevant, understandable, self-announcing without complication and interpretation.

3) Comparing actual performance with standards: The third step is control process is the comparison of actual performance with standard performance. It involves two steps:

i) Finding out the extent of deviations and

ii) Identifying the causes of such deviations.

When standards are developed and actual performance is measured accurately, any variation will be clearly revealed.

4) Analysing deviations: Deviation means variation from the standard. Deviation or variation may be negative, zero or positive. If the actual performance is less than the standard that leads to negative deviation. If the actual performance is equal to standard performance, it is treated as zero deviation. Finally, if the actual performance is more than the standard performance, it results in positive deviation. Every deviation is analysed to find out why it has occurred. This will help in finding out who are responsible for deviations.

5) Taking Corrective actions: The final step in the control process involves taking corrective action so that deviations may not occur again and the organisational objectives are achieved. After finding what has gone wrong. Where and why, management can initiate remedial action.

Major Techniques of Controlling

Modern techniques of controlling are those which are of recent origin and are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organisation can be controlled. These include:

(A) **RETURN ON INVESTMENT:** Return on Investment Return on Investment (RoI) is a useful technique which provides the basic yardstick for measuring whether or not invested capital has been used effectively for generating reasonable amount of return. RoI can be used to measure overall performance of an organisation or of its individual departments or divisions.

(B) **RATIO ANALYSIS:** Ratio Analysis refers to analysis of financial statements through computation of ratios.

1. LIQUIDITY RATIOS: Liquidity ratios are calculated to determine short-term solvency of business. Analysis of current position of liquid funds determines the ability of the business to pay the amount due to its stakeholders.

2. SOLVENCY RATIOS: Ratios which are calculated to determine the long-term solvency of business are known as solvency ratios. Thus, these ratios determine the ability of a business to service its indebtedness.

3. PROFITABILITY RATIOS: These ratios are calculated to analyse the profitability position of a business. Such ratios involve analysis of profits in relation to sales or funds or capital employed.

4. TURNOVER RATIOS: Turnover ratios are calculated to determine the efficiency of operations based on effective utilisation of resources. Higher turnover means better utilisation of resources.

(C) RESPONSIBILITY ACCOUNTING: Responsibility accounting is a system of accounting in which different sections, divisions and departments of an organisation are set up as 'Responsibility Centres'. The head of the centre is responsible for achieving the target set for his centre.

1. **COST CENTRE:** A cost or expense centre is a segment of an organisation in which managers are held responsible for the cost incurred in the centre but not for the revenues. For example, in a manufacturing organisation, production department is classified as cost centre.

2. **REVENUE CENTRE:** A revenue centre is a segment of an organisation which is primarily responsible for generating revenue. For example, marketing department of an organisation may be classified as a revenue center.

3. **PROFIT CENTRE:** A profit centre is a segment of an organisation whose manager is responsible for both revenues and costs. For example, repair and maintenance department of an organisation may be treated as a profit center if it is allowed to bill other production departments for the services provided to them.

4. **INVESTMENT CENTRE:** An investment centre is responsible not only for profits but also for investments made in the centre in the form of assets. The investment made in each centre is separately ascertained and return on investment is used as a basis for judging the performance of the centre.

(D) ECONOMIC VALUE ADDED :- It is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis. EVA can also be referred to as economic profit, as it attempts to capture the true economic profit of a company.

(E) PERT AND CPM: PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method) are important network techniques useful in planning and controlling. These techniques are especially useful for planning, scheduling and implementing time bound projects involving performance of a variety of complex, diverse and interrelated activities.

These techniques deals with time scheduling and resource allocation for these activities and aims at effective execution of projects within given time schedule and structure of costs.

1. The project is divided into a number of clearly identifiable activities which are then arranged in a logical sequence.

2. A network diagram is prepared to show the sequence of activities, the starting point and the termination point of the project.

3. Time estimates are prepared for each activity. PERT requires the preparation of three time estimates – optimistic (or shortest time), pessimistic (or longest time) and most likely time. In CPM only one time estimate is prepared. In addition, CPM also requires making cost estimates for completion of project.

4. The longest path in the network is identified as the critical path. It represents the sequence of those activities which are important for timely completion of the project and where no delays can be allowed without delaying the entire project.

5. If required, the plan is modified so that execution and timely completion of project is under control.

(F) MANAGEMENT INFORMATION SYSTEM: Management Information System (MIS) is a computer-based information system that provides information and support for effective managerial decision-making. A decision-maker requires up-to-date, accurate and timely information.

MIS offers the following **advantages** to the managers:

1. It facilitates collection, management and dissemination of information at different levels of management and across different departments of the organisation.
2. It supports planning, decision making and controlling at all levels.
3. It improves the quality of information with which a manager works.
4. It ensures cost effectiveness in managing information.
5. It reduces information overload on the managers as only relevant information is provided to them.

Meaning of co-ordination:-

The process by which a manager integrates and unites the activities of different departments is known as co-ordination. Co-ordination is the unification, integration, synchronization of the efforts of group members to provide unity of action in the pursuit of common goals.

Definition:

According to **Mooney and Reelay**, "Co-ordination is orderly arrangement of group efforts to provide unity of action in pursuit of common goals".

Features of Co-ordination:

1. It integrates group efforts: It unites diverse interests in group and gives common direction to ensure the work to be performed in accordance with the plans and schedules.

2. It ensures unity of action: The very purpose of co-ordination is to bind and secure unity in different departmental activities to achieve common organisational objectives.

3. It is a continuous process: It is a continuous ongoing process. It begins with planning and continues till controlling, in order to maintain efficiency within the organisation.

4. It is a pervasive function: It is required at all levels of management as there is interdependence among various activities performed by various departments. It integrates the efforts of different departments and at different levels.

5. It is the responsibility of all managers: It is the responsibility of every manager in the organisation to work in co-ordination. Top level managers need to co-ordinate with their subordinates and vice versa to ensure that overall policies of the organisation is duly carried out.

6. It is a deliberate function: All managers are required to co-ordinate deliberately, the efforts of different people to achieve common objectives of the organisation.

Importance of Co-ordination

1. Growth in size: - Growth is one of the basic objectives of an organisation. As organisations grow in size, the number of people employed by the organisation also increases. Co-ordination plays a vital role in management's growth. When there is co-ordination between employees among various departments it increases organisational efficiency and organisational goals can be achieved effectively.

2. Functional differentiation: - The organisation functions are classified based on their functions. In an organisation there will be departments of finance, production, marketing, human resource etc. All these departments have their own objectives, goals. The process of linking/combining the activities of various departments is accomplished by coordination.

3. Specialisation: - Organisations are characterized by high degree of specialisation. In order to carry their operations they need specialists. Specialists usually think that they only are qualified to evaluate, judge and decide according to their professional criteria, they do not take advice, suggestions from others in matters pertaining to their area of work. These leads to conflicts among different specialists in the organisation. Therefore coordination is required to reconcile the differences in approach, interest or opinion of the specialists.

Principles of Coordination:

1. Direct Contact: Co-ordination should be attained by direct contact with the parties concerned. Direct personal communications bring about agreement on methods, actions and ultimate achievement. It also eliminates red-tapeism and ensures prompt action. Direct contact is an effective means of co-ordination.

2. Early Beginning: Co-ordination can be achieved more readily at the initial stages of planning and policy-making. Therefore, direct contact must begin in the very early stages of the process. If an order for the supply of a particular goods has been booked and the raw materials to produce them are not available, there will be trouble. Contact among the purchasing manager, production manager and sales manager at art early Stage would have made it possible to know whether the order could be executed.

3. Continuity: Co-ordination must be maintained as a continuous process. It starts from planning and ends when the objective is accomplished. Whenever there is division and distribution of functions among the managers and departments, co-ordination is necessary. Every time a new situation arises, a fresh effort of co-ordination is needed. So, the manager must constantly work at it until the purpose is served.

4. Reciprocal Relationship: Co-ordination should be regarded as a reciprocal relating to all factors in a situation, viz. production, sales, finance, men, and management. For example, when ‘P’ works with ‘Q’ and ‘Q’ in turn, works with ‘R’ and ‘S’ each of the four finds himself influenced by the others.

5. Pervasiveness: Co-ordination is an all-embracing activity in every management function. It is required in all the activities at every level of the organisation. It is to be exercised both within and outside the organisation.

6. Leadership: Leadership is the most effective instrument of co-ordination. A leader in a group is the coordinator of the group activities. He harmonizes all efforts of persons in the group. A manager does not himself produce anything nor does he sell anything in the market.

7. Timing: Timing is an important element of co-ordination. This principle points out that all functions in the enterprise are to be done at the same time and at the same speed. If the purchase department purchases and supplies materials timely to the production department, and if the production is done timely, then the sales department can deliver the commodities to the customers within the scheduled time.

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Course Code: B.COM 1.2

Name of the Course: **Management Principles and Applications**

Duration: 2.00 Hours | Total Marks: 60

SECTION-A (Conceptual Questions)

I. Answer any Five of the following questions. Each question carries Two Marks. (5 x 2= 10)

1. a. Define Management.

b. What do you mean by Gang Plank?

c. What do you mean by Span of Management?

d. Give the meaning of Strategy?

e. Bring out any two difference between formal and informal organization.

f. What is Budgetary Control.

g. Mention any two principles of Controlling.

SECTION- B (Application Questions)

II. Answer any Four of the following question. Each question carries Five Marks. (4 x5= 20)

2. Management is Profession. Enumerate.

3. Write a note on Classical theory of Management.

4. Explain the importance of Decision-Making in Management.

5. Explain the various ways of improving communication effectiveness.

6. Discuss the need for delegation of Authority.

SECTION- C (Analyses and Understanding Questions)

III. Answer Any Two of the following question. Each question carries Twelve Marks. (2 x12= 24)

7. Explain in detail various barriers to communication. Explain the steps to overcome barriers.

8. Explain the advantages and disadvantages of Planning.

9. Explain the various techniques used to control management.

SECTION- D (Skill Development Questions)

V. Answer Any One of the following question, carries Six Marks. (1 x6= 06)

10) Draw a neat diagram to show the different levels of Management.

11) Mention the steps involved in Environmental Analysis.