



**DR. BABASAHEB AMBEDKAR  
OPEN UNIVERSITY**

# BBA

**BACHELOR OF BUSSINESS ADMINISTRATION**



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**BBAR-101**

**Principles of Management**

# **PRINCIPLES OF MANAGEMENT**



ISBN 978-81-947108-3-7

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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self- instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual- skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self- instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect. All the best for your studies from our team!



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# **PRINCIPLES OF MANAGEMENT**

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## **BLOCK-1 INTRODUCTION TO MANAGEMENT**

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### **UNIT 1**

NATURE AND FUNCTIONS OF MANAGEMENT

### **UNIT 2**

MORE ON MANAGEMENT

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HISTORY OF MANAGEMENT

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## **BLOCK 1 : INTRODUCTION TO MANAGEMENT**

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### **Block Introduction**

Any organization needs proper management to run it smoothly. This term management means a manager has to manage the people, i.e. – manager has to take work from other people and other resources. This word resources covers – money, material, machines, methods and market. If these resources are used properly, an organization can get results and achieve its goals.

To know this management and its different resources, a student of management has to understand main functions of managers. These important manager's functions are: Planning, Organizing, Directing and Controlling. This Principles of Management study material mainly focuses on this four important functions. Apart from this functions it has also covered the areas like how different management practioners have developed different theories and various principles given by them in different time, which is termed in this material as “School of Management Thought”. Two more topics are also explained – social responsibility of business and strategic management – to give additional knowledge for future management students.

After going through this block 1, you will understand very basic area of management, namely – understanding of management term and its functions and process, how management is an art, science and profession, difference between management and administration. Apart from these basic topics you will also come to know about different ideologies of different time of management, which is known as school of management thought.

### **Block Objectives**

After learning this block, you will be able to understand:

- Basics about management
- Different school of management thought

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### **Block Structure**

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Unit 1: Nature and Functions of Management

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## NATURE AND FUNCTIONS OF MANAGEMENT

### : UNIT STRUCTURE :

- 1.1 Learning Objectives
- 1.2 Introduction
- 1.3 Definition of Management
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#### 1.0 Learning Objectives

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After learning this unit, you will be able to understand:

- Nature and Functions of Management
- Management and Administration

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#### 1.1 Introduction

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Organizations have variety of goals for which they usually directs their energies and resources to achieve these goals. Organizations possess human as well as non-human resources, i.e. – plan, equipment, land, money etc. They are put to use in the fulfilment of goals. Management is the force that unifies these resources in the service of organizational goals. It is a process of with and through people.

Management is needed wherever people work together in an organization. The managerial functions which includes planning, organizing, directing and controlling by a person who is capable of managing organizing efforts, whether it is a business organization, religious organization, military organization or a social. These functions are performed at all levels in an organization, regardless of its type or size. The service of management are essential in all types of endeavours.

In this unit, you will learn various definitions of management, its features, functions and process of management and difference between management and administration.

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## 1.2 Definitions of Management

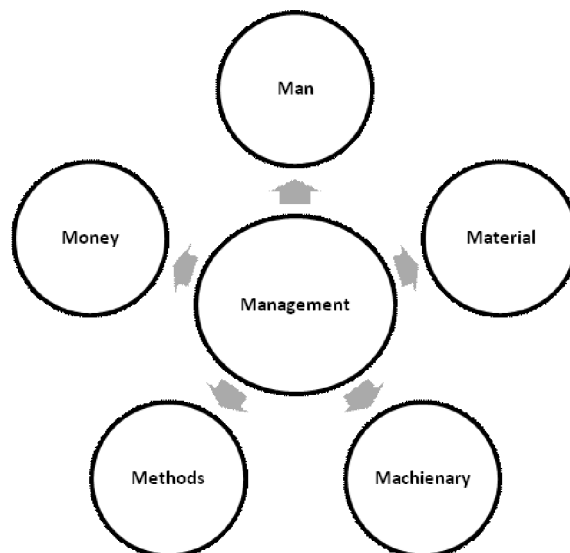
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To know the foundation of management, it is very important to know the definition of management. Definition of any concept will give you proper understanding of that concept or term.

There are many definitions of management, because of many reasons, they are as under:

- Management is a very vast and extensive subject. Therefore, it is not possible to cover different aspects or angles of the term management in one definition.
- Management is concerned with human beings, who is highly unpredictable in terms of behaviour.
- Management is a very young developing discipline, where whose concepts are very dynamic.

So, now we have few definitions of management from different management experts with its simple explanations.



*Figure 1.1 – Resources of Management*

Let us understand various definitions of management.

1. Management is the accomplishment of results through the efforts of other people. – Lawrence A. Appley  
This definition has focused on two aspects. One is that, when you do management, it must reach to its results and second, should also be done with the help of other people.
2. Management is the art of getting things through and with the people in formally organized groups. – Koontz Harold  
Here, Koonts has shown two features. They are: management is an art and people must be organized in a group.
3. Management is a process of planning, organizing, actuating and controlling to determine and accomplish the objectives by the people and resources. - George Terry. Terry has mentioned about different functions, i.e. – planning, organizing, actuating and controlling and through these functions of management, one can achieve its organizational goals.

4. Management is the process by which managers create, direct, maintain and operate purposive organizations through systematic, coordinated and cooperative human efforts. – McFarland

This definition conveys that the role of manager is to create, direct and operate the organization – which always have some purpose/s and it should be achieved in a systematic manner.

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

Coordination is one of the main activity in the management is pinpointed here, in the definition of Sisk.

Apart from these, some authorities have stated that management is decision-making, rule-making and rule-enforcing body. According to Moore, management is decision-making. Appley said management is the development of people, not the direction of things.

In essence, it can be concluded that management is nothing but an art of getting work from other people for its different functions like planning, organizing, directing and controlling. Here it is said that decision-making, coordination and systematic way of working will make the path of success more easy for the organization.

### Check Your Progress 1

1. Management is the accomplishment of results through the efforts of other people.
 

a. Lawrence A. Appley	c. George Terry
b. Koontz Harold	d. Peter Drucker
2. Management is a process of planning, organizing, actuating and controlling to determine and accomplish the objectives by the people and resources.
 

a. George Terry	c. Peter Drucker
b. Koontz Harold	d. Lawrence A. Appley
3. Management is decision-making.
 

a. Koontz Harold	c. Peter Drucker
b. Moore	d. George Terry

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### 1.3 Nature - Features of Management

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Management is related to getting human and physical resources in order to achieve organizational goals.

This nature of management can be explained by the following features based on early discussion of management definitions, which can also be called as characteristics of management, mentioned below:

#### 1. Management is goal oriented:

The purpose of management in any organization is to achieve the desired goals. These goals should also be achieved through efficiency, i.e. -

using best resources, minimum time and wastage of material. If a sales executive in a company is told to sell 200 units of laptop in each month, at the end of the year, his sell must reach to 2400 units. If he can not achieve, he has to identify the reasons not to achieve his targets/goals.



*Figure 1.2 Management is Goal Oriented.*

**2. Management integrates human, physical and financial resources:**

Any organization need different type of resources to achieve its goal. These resources are in different forms. It can be people – who is the foundation of any organization, finance – life blood of any business or physical resources means technology and other machineries. At present, information and computer technology are also very important resources for any organization. So combination of all these resources can be helpful to make the organization successful in practice.

**3. Management is a continuous activity:**

Management is continuous or on going activity. All functions of management – planning, organizing, directing or controlling are performed on continuous basis. One activity of management will stop, other will start, but it never happens that everything will stop at one time. A manager is doing planning for its production for next season and on other side an advertising department might be working for new advertisement of that product. So, in essence, it can be said that different activities of management continuously goes on.

**4. Management is all pervasive:**

Management is a universal phenomenon. Management is required in financial planning for personal life and in doing job also. Management is required in business and non-business activity also. It is required in India as well as in other countries like Japan, New Zealand or United Kingdom also. Understanding of Fundamentals of Management is required to run an educational organization or even to run a hospital also, so management is inevitable in the world.

**5. Management is a group activity:**

Management is never done by an individual. To have management, any organization needs more people, that is group. People work as an individual for the job what they are assigned to, but to achieve organizational goals, it needs team or group of people. Group work or activity can make the organization goals accomplished.

**6. Management is a dynamic function:**

George Bernad Show has said “Those who cannot change their minds, can not change anything.” This quotation is very much applicable in business life. There are two types of environment, one is internal – people, machinery etc. and another is external – it includes – government policy, competitors etc.. People of Management has to do continuously keep a watch on both the environment and do changes for the success of their organizational success. Here, if organization would do changes, it would grow or else, it would die.

**7. Management principles are relative, not absolute:**

This feature indicate that management principles should be applied according to the need of the organization. Each organization is different from the other one. The difference may exist because of time, place, socio-cultural factors etc. However, individuals working within the same organization may also differ. Thus, a particular management principle has different strengths in different conditions. Therefore, principles of management should be applied in the light of prevailing conditions of both internal and external environment of the organization.

**8. Management is a science, art and profession:**

There is a controversy whether management is a science or an art. However, management is both a science and an art, because it has many principles like science and it needs skill like an art. Management is also called profession by many management practitioners, while many have suggested that it has not achieved the status of a profession.

**9. Management is decision-making:**

Management process needs decision-making at every levels. Decision-making basically involves selecting the most appropriate alternative out of the several alternatives available. If there is only one alternative, the question of decision making does not arise. The quality of the alternative that a manager selects determines the organization’s performance and journey of success. So being a manager, one has to take quality decisions, by taking various factors in mind and give better future to the organization.

In essence, nature of management suggests that:

- Management is goal oriented activity;
- It is multidisciplinary and pervasive function;
- It is a dynamic activity;
- It is a combination of science, art and profession;
- It is a dynamic activity, where its principles are relative, not absolute;
- And organization with good management has to achieve its goals with the best use of available resources and quality decisions.



### Check Your Progress 2

True or False:

1. Management is not connected with decision-making:
  - a. True;
  - b. False
2. Management is a goal oriented:
  - a. True;
  - b. False
3. Management is a group activity:
  - a. True;
  - b. False
4. Management is not a continuous activity:
  - a. True;
  - b. False
5. Management is a science, an art and a profession:
  - a. True;
  - b. False

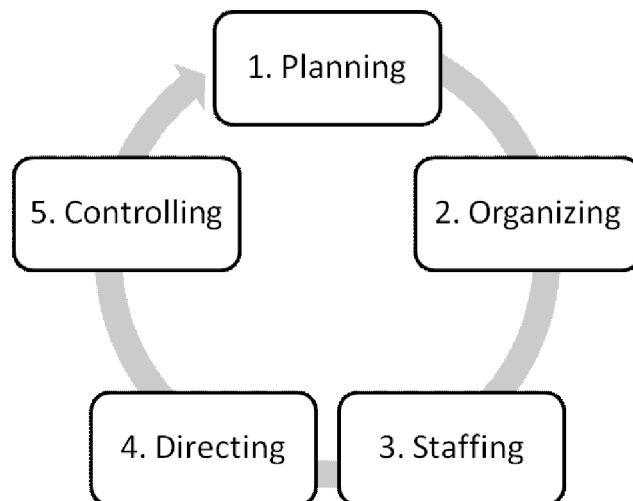
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#### 1.4 Functions of Management

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Function is nothing but the activity of a person in the work. When we connect the word function with management, it becomes management functions. In any organization, there are various departments, like – production, finance, marketing, human resource and in all these departments, which management functions are performed by managers? That is discussed here.

Luther Gulick, an American political scientist, was an expert on public administration, has given the functions of chief executive in the acronym POSDCORB. In POSDCORB, each letter stands for Planning, Organizing, Staffing, Directing, Co-ordinating, Reporting and Budgeting. Koontz and O'donnel have given five functions of management, they are Planning, Organizing, Staffing, Directing and Controlling. Here, functions of management are discussed based on the functions given by Koontz and O'donnel.



*Figure 1.3 Functions of Management*

1. **Planning:** Planning is the first activity in the area of functions of management. Planning is nothing but deciding how the entire work will be done. It is first function, because a manager has to be clear in the beginning of the work, that how the entire project or activity or task will be done in future. This clarity will help to managers as well as his subordinates or junior how to proceed in the entire work process. According to Koontz, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". So planning is a systematic thinking about ways and means for future goals and objectives of the organization.  

Planning is required in every type of organization and in every type of work. It needs good use of intellectual capacity and it is a primary or main function of management.
2. **Organizing:** Organizing is deciding where different types of decisions will be made, who will do what work or task and who will work under whom. Organizing not only related with people, but also related with the distribution of physical, financial, information and other resources of the organization. Organizing process covers the following tasks :
  - List of activities
  - Grouping of activities
  - Assignment of duties and responsibilities
  - Delegating authority and creation of responsibility
  - Coordinating authority and responsibility relationship
3. **Staffing:** Staffing is process of hiring best people for the organization and allotting a specific work based on their skill to perform it. It covers procurement, development. Compensation, integration and maintenance of people in the organization to achieve individual, organizational and social goals. Staffing function is also known as human resources management. Staffing function includes:
  - Good manpower planning
  - Recruitment, Selection and Placement processes
  - Training and Development activities
  - Compensation planning
  - Performance Appraisal
  - Promotions and Transfer
4. **Directing:** Next logical step after planning, organizing and staffing is directing. The willing and effective cooperation of employees for the attainment of organizational goals is possible through direction. Directing is dealing with relationship or communication between people to influence, supervise, motivate subordinates to achieve the organizational goals. Direction has mainly four elements:
  - **Supervision:** It is the overseeing the work of subordinates by their supervisor to check that whether work is done in a proper way or

## INTRODUCTION TO MANAGEMENT

not to achieve the objectives of the organization.

- Motivation: Motivation is inspiring the employees to do the work with great enthusiasm. Here different types of monetary or non-monetary rewards like promotion or company car is offered as a part of motivation.
  - Leadership: It is the function to guide, direct and influencing the employees by a manager to achieve the desired goals.
  - Communication: It is the process of exchanging different types of information, ideas, instructions, opinions among members of the organization, which creates a better understanding between different levels of people in the organization.
5. Controlling: Controlling is observing and checking the progress of goal achievement and taking necessary action, when goal is not achieved. This function is used to check the progress of organizational goals and all type of resources – human, finance, machineries etc. Koontz and O'donell explained that “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. This controlling function needs to follow these steps:
1. Establishing the standards
  2. Measuring the actual performance
  3. Comparison of actual performance with standards and identify the deviations
  4. Taking corrective action for deviations

### Check Your Progress 3

1. \_\_\_\_\_ is deciding in advance, what to do, when to do and how to do.
  - a. Planning
  - b. Organizing
  - c. Directing
  - d. Controlling
2. \_\_\_\_\_ is inspiring the employees to do the work with great enthusiasm.
  - a. Directing
  - b. Motivating
  - c. Leading
  - d. Communicating

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### 1.5 Process of Management

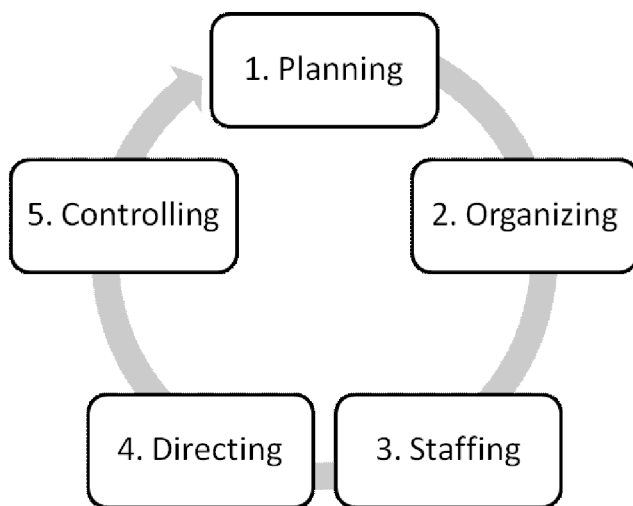
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As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and cooperative efforts. According to George R. Terry, “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by use of people and resources.” As a process, management consists of three aspects:

1. Management as a social process: Since the human resource is a most

key resource among the other resources, so management is concerned with developing better relationship among people. It is the very important responsibility of a manager to develop productive and useful interaction among employees for achieving desired goals.

2. Management is an integrated process: Management needs to work with all resources – human, physical, financial and information and functions to be linked. To work in practice, all four functions do not work in a sequence or in isolation, but they are interrelated to each other – planning, organizing, staffing, directing and controlling, so it can be said management is an integrated process.
3. Management is a continuous process: It is a never ending process. Management is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process, never stops.



*Figure 1. 4 – Process of Management*

#### Check Your Progress 4

1. With reference to a statement – “Management is a continuous process.” Management refers to a series of –
  - a. Inter-related functions
  - b. Related functions
  - c. Independent functions
  - d. None of the above
2. “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by use of people and resources.” – definition is given by -
  - a. George Terry
  - b. Peter Drucker
  - c. Koontz
  - d. None of the above

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## 1.6 Importance of Management

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Why management matters ? There are many reasons which indicate why management is very important in study and practice. They are explained here:

1. **Optimum utilization of resources:** Management always tries to do best use of their resources – i.e. – human, financial, physical, information and information technology. This activity would help and contribute in three ways:
  1. It is very helpful in the situation of scarcity of resources
  2. It reduces the waste of time, money, energy and other resources, when it will be planned and executed properly.
  3. It contributes in achieving individual, group and organizational goals.

In addition to that, those organization who have expert and professional people, can make lot of differences in their resource utilization because of their talent. So good management plays a vital role in best use of limited resources for a company to achieve its goals.

2. **Establishes Sound Organization** – Good management produces no overlapping of efforts (smooth and coordinated functions). To establish a sound organizational structure, there is a need to allot the work according to the ability of a person. In a planned organization structure, people become clear for - who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone, all these efforts ultimately results into a sound organization.
3. **Development of Resources:** Management develops various resources. This is true with human as well as non-human factors. Lawrence Appley has emphasized that, effective management does development of people. However, most of the researchers for resource development are carried out in an organized way and management is involved in these organized activities. Thus, through the development of resources, management improves the quality of lives of people in the society.
4. **Integrating various Interest Groups:** In the direction of organized efforts, there are various groups – like – shareholders, employees, suppliers, customers, government etc. – all these put pressure on each other to bring better output and quality performance. As a result of these combined efforts, all groups are able to get better reward in their respective area and it gives better satisfaction to them and multiplies the activity with better efforts for future.
5. **It Incorporate Innovations:** Today, changes are taking place at very high speed in technology, structure and even in society. These all changes pushes to all organizations to become more active and efficient. Business organizations have become primitive to modern and modern to ultra-modern. Therefore they require high degree of specialization, high

level of competence and complex technology. All these require efficient management so that organizations work in the most efficient way.

- 6. Stability in the Society:** Management provides stability in the society by changing and modifying the resources in accordance with the changing environment of the society. In the modern era, more emphasis is on new inventions for the betterment of human beings. These inventions make old systems and factors obsolete and inefficient. Management provides integration between traditions and new inventories and safeguards society from the unfavourable impact of these inventions, so that continuity with quality and need base development in social process is maintained.

### Check Your Progress 5

1. Management tries to make effective utilization of various \_\_\_\_\_.
  - a. Resources
  - b. Materials
  - c. Men
  - d. Method
2. \_\_\_\_\_ emphasized that, effective management does the development of people.
  - a. Peter Drucker
  - b. Lawrence Appley
  - c. George Terry
  - d. Koontz H.

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### 1.7 Management and Administration

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Different writers and thinkers of management have given different views about the concepts of management and administration. In total, there are three different views, which are explained here.

According to first view of management thinkers:

Points of Differentiation	Administration	Management
1. Meaning	It involves policy making, formulation of vision, mission, objectives and strategies.	It involves executing the plans and strategies and carrying out various activities determined by the administration.
2. Who are the role player ?	Administration is the function of top management.	Management is the work of lower level of management.
3. Activity	It decides the organizational structure and prepares the plan.	It directs and controls the subordinates.

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Second view is advocated by E. F. L. Brech, who says that Management is a comprehensive and integrated term. It includes planning, organizing, directing and controlling. It can be classified further into two categories: 1. Administrative Management 2. Operative Management.

<b>Points of Differentiation</b>	<b>Administrative Management</b>	<b>Operative Management</b>
1. Levels of organization	Administrative management represents the top level management.	Operative management represents the lower level management.
2. Perform	Administrative management performs the functions of formulation of vision, mission and strategies.	It performs the functions of execution, directing and controlling.
3. Who are involved ?	It includes board of directors, managing director, general managers and chief managers.	It involves the people of middle level and lower level managers.

Third view about management and administration is given by Peter F. Drucker:

<b>Points of differentiation</b>	<b>Administration</b>	<b>Management</b>
Example	It is applicable to non-profit organization like government organizations, hospitals, educational organization, church, military, temple – who are basically service oriented.	Management is concerned with business and profit making organizations, e.g. – any business organization.
Measurement	Administration is measured by efficiency in rendering services.	Management is measured by the efficiency in profit-sharing.
Definition	Governance of non-profit organization is called administration.	Governance of business organization is termed as management.

### Check Your Progress 6

1. According to \_\_\_\_\_, management is divided into two categories: Administrative and operative management.
  - a. Peter Drucker
  - b. Brech
  - c. Fayol
  - d. None of these.
2. According to Peter Drucker, management is measured by the \_\_\_\_\_.
  - a. Efficiency in profit sharing
  - b. Rendering services
  - c. Cost reduction
  - d. Combination of all the three alternates.

### 1.8 Let Us Sum Up

In this unit, you have learned about the concept of management through its various definitions, functions of management, importance of management and difference between management and administration.

According to Sisk, “Management is the coordination of all resources through the process of planning, organizing, directing and controlling in order to attain stated objectives.” So, management is a process, where different resources are used to achieve its desired objectives.

There are mainly four functions of management, namely – Planning, Organizing, Directing and Controlling. Luther Gulik has given an acronym of “POSDCORB”. All these functions are interrelated to each other and work as a process.

In this unit, importance of management is also explained and difference between management and administration is discussed. There are three different viewpoints for management and administration differences.

### 1.9 Answers to Check Your Progress

Check Your Progress 1

1 – a, 2 – c, 3 - b

Check Your Progress 2

1 –b, 2 – a, 3 – a

Check Your Progress 3

1 – a, 2 – b

Check Your Progress 4

1 – b, 2 – b

Check Your Progress 5

1 – a, 2 – a

Check Your Progress 6

1 – b, 2 – a



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### 1.10 Glossary

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**Management :** It is a process of planning, organizing, actuating and controlling to determine and accomplish the objectives by the people and resources.

- *George Terry*

**Administration :** Governance of non-profit organization is called administration.

- *Peter Drucker*

Administration involves policy making, formulation of vision, mission, objectives and strategies.

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### 1.11 Assignment

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What do you understand by the term management ? Which are three different views about the difference between management and administration ?

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### 1.12 Activities

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Visit the organization and try to observe which type of functions are performed by different managers and make a note of it.

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### 1.13 Case Study

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Visit a business organization of your choice and study the nature- features of that organization. List out minimum 10 features based on your study.

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### 1.14 Further Readings

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill



## MORE ON MANAGEMENT

### : UNIT STRUCTURE :

#### **2.0 Learning Objectives**

##### **2.1 Introduction**

##### **2.2 Functional Areas of Management**

##### **2.3 Managerial Skills**

##### **2.4 Roles of a Manager**

##### **2.5 Levels of Management**

##### **2.6 Management as a Science and an Art**

###### **2.6.1 Management as a Science**

###### **2.6.2 Management as an Art**

###### **2.6.3 Management as a Profession**

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#### **2.0 Learning Objectives**

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After learning this unit, you will be able to understand:

- Functional Areas of Management
- Managerial Skills
- Roles of a Manager
- Levels of Management
- Management as a Science, an Art and a Profession

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#### **2.1 Introduction**

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In previous unit 1, you learnt about management functions like – planning, organizing, staffing, directing and controlling. Apart from that you have learnt management from process angle and importance of management. You have also learnt the differences of management and administration from three different viewpoints.

Further, in this unit 2, you will learn about which are the functional areas of management. You will learn about skills required for a manager and different roles performed by a manager in the organization. This unit will teach you the levels of management and idea about how management is an art, science and profession.

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#### **2.2 Functional Areas of Management**

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Functional areas of management mean the sum total of all those activities which are performed in an organisation to achieve the objectives of the organisation. Here the employees who work, they have similar skills and expertise. This people normally are able to look the company from their functional area's angle, not able to see the total picture of the company.

Any organization has mainly four functional areas: Finance, Human Resource, Production (Also known as Operations) and Marketing. Somewhere strategy and technology-equipment, research-development are also considered as functional areas of management. As said earlier, these managers usually look after the area from they belong. As against this, there is a word called “General Manager” view the total company in integrated and comprehensive way. They are able to see the company in totality as well as in the form of functional perspective.

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### 2.3 Managerial Skills

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Skill is an ability to do something. To achieve the results of an organization, employees need various types of skills - i.e. – they need ability to perform a particular task. Management skills are certain qualities or abilities that a manager should possess in order to complete a particular task or work in an organization.

Skills are of different types, a broad idea for type of skills is given below:

**Category 1:** Hard skill and Soft skill

**Category 2:** Technical, Human and Conceptual skill

**Category 3:** Leadership, Communication, Problem Solving and Decision-Making

Now, let us have a brief understanding about these various skills one by one:

1. **Hard Skill:** Hard skills are very specific abilities required in a job, which can be demonstrated and measured. It can be developed through education, practice and repetition. It refers to a person’s knowledge and occupational skills, which is always required in any job to perform successfully. E.g. – Proficiency in any language, tally software, machine operation, typing speed, a degree or certificate
2. **Soft Skill:** Soft skills are those non job-specific personality traits and behaviour of people, which are difficult to measure. It is not an area of knowledge, but the behaviour, a manager displays in a specific situation. E.g. – communication, creativity, positivity, emotional maturity, adaptability and interpersonal skills.
3. **Technical Skill:** Technical skill is the knowledge and proficiency in a specific field. Technical skills are not restricted upto machines, production tools or other equipment, but they will also be required to increase sales, design different types of products and services, market the products and services, etc. It is connected more with first line managers or the employees who work at lower level in management. This skill falls in the category of hard skill.
4. **Human Skill:** It is also known as people skill or interpersonal skill. Human skill is the area of knowledge of people and ability to work with different types of people. Among many resources of an organization, people is the most important element for achieving organizational goals, but it is very difficult to understand and predict people. Hence, people skill is very critical and also important skill of management. It is required at all levels of management. This is one type of soft skill.

5. **Conceptual Skill:** Conceptual skills is the ability to visualize for future, work on abstract concepts and transform them in workable idea and execute it constructively. With the help of conceptual skill a manager can bring changes in the organization, can design strategies and innovative planning. It is more required at higher levels in management. This is again one type of soft skill.
6. **Leadership Skill:** Leadership skill is organizing and motivating people to reach the desired goals. It includes visionary thinking, innovative ideas, mature and fast decision making, powerful communication, and many such other qualities. Any manager must have these type of skill set, because whatever is the level of management, he is a leader.
7. **Communication Skill:** In the words of William Scott: “It is a process which involves the transmission and accurate replication of ideas ensured by feedback for the purpose of eliciting actions which will accomplish organisational goals”. So, here communication skill of a manager means he must be able to express his ideas properly, so employees can understand with clarity, so motivated and it results into action in time.
8. **Problem-solving Skill:** It means to identify the problem and solving it with the balance of creative and logical efforts to make the situation normal. Proper listening, analysis, research and creativity can play a very important role for becoming better in problem solving skill.

Apart from these above mentioned skills, there are many other skills like Selecting and developing the right people, motivating people, managing discipline and dealing with conflicts and many more also considered as important managerial skills in present era.

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## **2.4 Roles of a Manager**

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All of us play different type of roles in our life. At home you might be a brother or a sister, a son or a daughter, with someone you might be a friend, and in a school or college, you are a student, so we play many roles during our life.

Here, it's a talk about the role in a job or in an organization, which means that what is expected from an individual in a specific job. In 1989, a book was written by Henry Mintzberg, titled as “Mintzberg on Management: Inside our Strange World of Organizations” have mentioned 10 different roles of a successful manager. These ten roles are explained here in brief, which are divided into three categories, they are:

- 1) Interpersonal Role
- 2) Informational Role
- 3) Decisional Role

Now, you will have an overview of all the three categories, with its sub-categories:

1) **Interpersonal Role**

Interpersonal roles means a manager is involved with people within and outside the organization in dealing of work. These roles are of three types: Figurehead, Leader and Liaison.

- a. **Figurehead Role :** In this type of role, manager becomes symbolic head and performs a number of routine duties of a social or legal in nature. E.g. – Greeting visitors, taking an important customer to a lunch and signing legal documents.
- b. **Leader Role :** As a leader, he has to select and train best employees, motivate them and doing their performance appraisal. E.g. – Announcing awards in sales department for best performance in his territory.
- c. **Liaison Role :** In liaising role, manager has to develop and maintain network with outside people for information. E.g. – Meeting formally or informally CEO of other company.

2) **Information Role:**

Informational role means receiving, collecting and disseminating information for the organization, which has three sub-types within it: Monitor, Disseminator and Spokesman.

- a. **Monitor Role :** In monitor role, manager has to try to find out and receive variety of internal and external information for thorough understanding of business environment. E.g. – Reading annual reports of other company or read research journals for market update.
- b. **Disseminator Role :** As a disseminator role player, a manager has to provide collected information of outside world to employees of the organization, which is useful to them. E.g. – Sending an email of necessary information to staff members or conducting a staff information meeting
- c. **Spokesman Role :** In a spokesman role, a manager provides important information is provided to the outside world. E.g. – Launching of a new product announcement in media, Inform to Chamber of Commerce or government bodies for the necessary information.

- 3) **Decisional Role:** Exchange of information from different sources is required for quality decisions in the organization, but better performance and goal achievement will be based on, timely and qualitative decisions taken by managers. This decisional roles have four sub-categories: Entrepreneur, Disturbance handler, Resource allocator and Negotiator.

- a. **Entrepreneur Role :** In this role, manager has to be in search of new initiatives and innovative projects and develop it for bringing changes and development in the organization for future. E.g. – Review sessions to develop a new project
- b. **Disturbance Hander Role :** Manager has to face and solve any critical situation or unexpected disturbances of the organization in the role of a disturbance handler. E.g. – Managing a strike of a workers for their demand of salary increment.

- c. **Resource Allocator Role :** As a resource allocator, manager has to decide who will get resources and how many resources they will get. E. g. – Budgeting, Time scheduling etc.
- d. **Negotiator Role :** Negotiator role is the responsibility for representing the organization for the work of negotiation. E.g. –Deal in the negotiation for taking a big project loan from private bank.

### Check Your Progress 1

1. There are mainly four functional areas of management.
  - a. True
  - b. False
2. Soft skills are very specific abilities required in a job, which can be demonstrated and measured.
  - a. True
  - b. False
3. Problem Solving skill means to identify the problem and solving it with the balance of creative and logical efforts to make the situation normal.
  - a. True
  - b. False
4. In a negotiator role, manager has to decide who will get resources and how many resources they get.
  - a. True
  - b. False

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## 2.5 Levels of Management

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Management includes all the levels of an organization or a company. Management is classified by managers at different levels, i.e. – top level, middle level and lower level managers.

Here, manager is a new term and we have also used this term even before in this material, so it is now right time to study the term manager. A manager is someone who works with and through other people by coordinating their work activities in order to achieve organizational goals. It is not that managers work for their personal achievement, but they help other people and achieve the goals of organization.

Now, let us talk about different levels of management, which is performed by managers in the organization:

### 1) Top Level Managers:

Titles like managing director, president, vice president, general managers of the company fall in this category of top level of management.

Top level managers are responsible to bring change, by showing a long term vision and mission for the companies. They are responsible to develop a sense of commitment among the employees of the organization. Top level manag-

ers have to develop a positive organizational culture through values, beliefs, tradition, language and action. This managers have to do continuous study of their business environment, i.e. – customer demand, competitor’s plan, economic, social and political changes etc.

On the basis of regular watch on internal and external environment of the business, they design policies and strategies of corporate level in the company and they also lead, motivate and coordinate activities of the middle level managers.

### **2) Middle Level Managers:**

Titles like plant manager, project leader, regional manager, divisional manager and functional department head – like, production manager, marketing manager, finance manager, human resource manager and research and development manager come in this middle level management category.

Middle level managers plans and execute the goals, objectives and strategies of their departments consistent with top management’s goal’s and planning. To achieve departmental goals, they are also responsible for allocation of resources. They should also monitor and manage the performance of the department and managers who report to them. Middle level managers implement changes and strategies generated by top managers and in addition to this, middle level managers lead, motivate and coordinate with lower level managers.

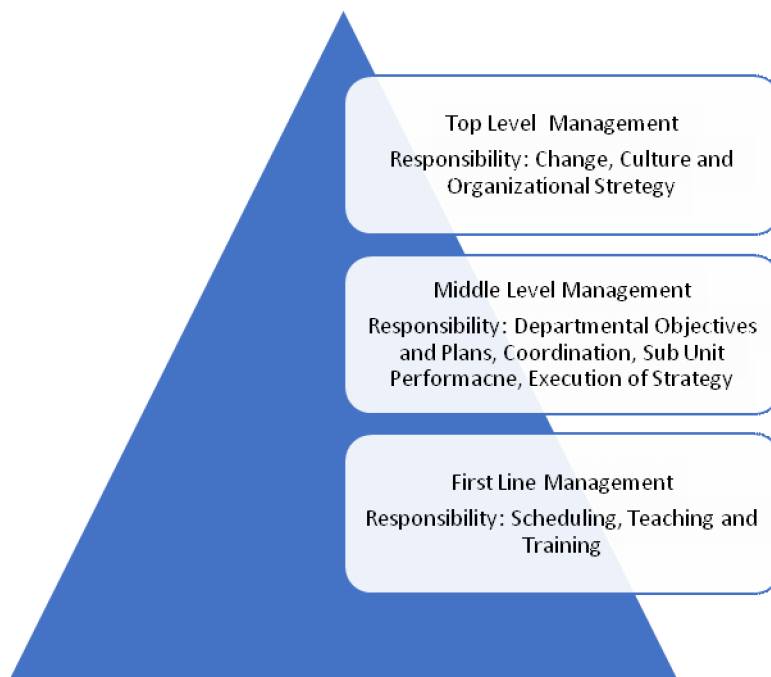
### **3) First line managers:**

This level is known as lower level managers or first level or junior level managers or shift managers or This people are also called “supervisors”.

First job of first line manager is to manage the performance of entry level employees. They are responsible to teach and train entry level employees about how to do their jobs. First line managers have to prepare detailed schedule and operating plans based on middle level management plans. They also lead, direct and motivate the activities of operating employees.

### **Pyramid of Level of Management :**

All these three levels of management can also be shown in pictorial form. In traditionally structured organization, levels of management is shown in a pyramid form, which is shown in figure 1.3. On the top of pyramid – top management level comes, which is always minimum in number. After top level, on second position in hierarchy, middle level management is there and at the bottom, first line managers come in the hierarchy. Normally number of employees at first line level are maximum and below that non-managerial employees are shown, who are workers or floor people in any organization.



**Figure 1.5 Levels of Management**

### Check Your Progress 2

1. Titles like managing director, president, vice president, general managers are used for which level of manager ?
  - a. Top Level
  - b. Middle Level
  - c. First Line Level
  - d. None of the above
2. First line managers are also known as...
  - a. Junior Level Managers
  - b. Higher Authority
  - c. Senior Level Managers
  - d. Second Line Managers

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## 2.6 Management as a Science, an Art and a Profession

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### 2.6.1 Management as a Science

To know whether management is a science or not, one has to study the features of science and then it should be checked with management, so a conclusion can be made that management is a science or not.

Science is characterized by the following features:

1. Universally acceptable principles: Synonym for universal is worldwide, it means science principles are applicable to all situations, all time and all places. Similarly management also consists of many theories, principles and models, which can be applied universally.

E.g. – Principle of Unity of Direction – It means there should be one leader and one plan, so all members of the department should work for the common goal, with the same plan to achieve shared objective. This principle is applicable to all organizations – business or non-business.
2. Experimentation and observation: Scientific principles are resulted from scientific investigation and research, it means they are based on logic.



## INTRODUCTION TO MANAGEMENT

Similarly management principles are also based on scientific inquiry and observation. They are developed on the basis of experiments and practical experience with a large number of people.

E.g. – It is observed that fair remuneration to employees helps in creating an environment of job satisfaction in the organization.

3. Cause and effect relationship: Principle of science lay down cause and effect relationship between various variables, for e.g. when metals are heated, they expand. The same is correct in management.

E.g. – It is a general observation that when employees are treated and paid well, it improves their work efficiency, which increases the productivity of the organization. As against that, if employees are not treated and paid well, it would reduce efficiency and productivity. Thus, both the situations shows cause and effect relationship in management.

4. Test of Validity and Predictability: Validity of scientific principles can be tested at any time or any number of time. Likewise, future events can be tested with reasonable accuracy by using scientific principles.

In the same manner, principles of management can be tested for their validity.

E. g. – Principle of unity of command can be tested for its validity. In one case, a manager should get order from one boss only and in other case, he can get order from more than one boss.

Thus, different principles of science – namely:

1. Universally acceptable principles;
2. Experimentation and observation;
3. Cause and effect relationship; and
4. Test of Validity and Predictability

are true in case of management also. However, management ultimately deals with human being, which are always difficult to predict, so it can be concluded that management is an inexact science and not exact like science.

### **2.6.2 Management as an Art**

Art is characterized by following features:

1. Practical Knowledge: Every art requires practical knowledge, therefore it is very important to know practical applications of theoretical principles. For example, to become a good actor, a person should have a knowledge of the art and various types of acting etc. to use them in theatre.

Similarly a manager should also know how to apply various principles and theories in real situations in his capacity as a manager, instead of just relying on his educational qualifications.

2. Personal skill: All the theoretical base may be the same for each artist, each one has his own style and mode of interpretation. For example,

there are several actors, but Amitabh Bachan is known for his style and image, because of his personal skill.

Similarly, management as an art is also personalized. Every manager has his own way of managing the things, based on his knowledge, experience and personality. That is why some managers are highly effective and some are not.

3. Creativity: Every artist has an element of creativity. That is why they aim to produce something, that has never existed before. This requires a combination of intelligence and imagination.

Management is also creative in nature, since it combines human and non-human resources in a useful way to achieve desired results.

4. Perfection through practice: Every artists gets perfection through more and more practice.

Similarly managers learn through an art of trial and error initially, but application of management principles over the years makes them perfect in the job of managing.

5. Goal oriented: Every art is result oriented, as it seeks to achieve concrete results. Management is also directed towards its predetermined goals. Managers use different resources like man, material, machinery, money to promote growth in the organization.

So, management can be said as an art because it has features like an art – i.e. - it needs practical knowledge, demands creativity, gets perfection through practice and it's a goal oriented.

### **2.6.3 Management as a Profession**

Now to understand whether management is a profession or not, let us check the attributes of profession:

1. Specialized knowledge: A profession must have systematic body of knowledge that can be used for the development of professionals. Every professional must make necessary efforts to get expertise in the principles and techniques. Similarly, a manager should have devotion and involvement to acquire expertise in the field of management.
2. Formal education and training: There are many institutions and bodies to impart formal education and training. For e.g. – ICAI, ICSI etc. but a degree of management is not mandatory by law, though it is always an added advantage.
3. Social obligation: Profession is a source of livelihood, but professionals are primarily motivated by the desire to serve the society. Work of professionals are influenced by social norms and values. Similarly, a manager is not responsible to his reporting authority but also to society. Therefore he is expected to offer quality service at a reasonable price to the society.
4. Code of Conduct: Members of the association have to follow the code of conduct. Code of conduct means what is acceptable and what is not

## INTRODUCTION TO MANAGEMENT

acceptable behaviour. This code of conduct is designed by the concerned body for self-disciplined habit among its members. The people who do not follow these code of conduct are punished and their membership can be withdrawn. The All India Management Association has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violets it.

5. Representative Association: For the regulation of any profession, the exist stance of a representative body is must. For e.g., The Institute of Chartered Accountants of India establishes and administers standards of competence for auditors.

However, AIMA does not have any legal power to regulate the activities managers.

### **Here is the list of code of conduct mentioned by AIMA:**

- Formal education to degree level;
- Existence and strengthening of professional organization;
- Development of professional literature;
- Increase research activity to support the discipline;
- New knowledge to deal with issues of technical development

After referring the write up on management as a profession, it can be said that management fulfils several essentials of profession, but management is not a complete profession, it is a developing profession because...

- It does not restrict the entry in management jobs;
- No minimum qualifications are prescribed for managers;
- No management association has right to grant a certificate of practice to managers;
- Competent education and training facilities do bot exist.

### **Check Your Progress 3**

1. Cause and effect relationship is a characteristic of management as a science.
  - a. True
  - b. False
2. Creativity is a feature of management is an science.
  - a. True
  - b. False
3. Every art requires practical knowledge, therefore it is very important to know practical applications of theoretical principles.
  - a. True
  - b. False
4. Management is a perfect profession.
  - a. True
  - b. False

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## 2.7 Let Us Sum Up

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In this unit, we started with functional areas of management, they are: Human Resource, Finance, Production and Marketing. They are the major areas of activities in any type organization.

It is the skill – ability to perform a particular task is required to a make any organization very successful. There are many type of skills – like, soft skill, hard skull, conceptual skill, interpersonal skill, technical skill etc.

Every manager has to play different types roles in the organization. Mintzberg has identified mainly three types of role. They are interpersonal, informational and decisional roles, which are sub divided in 10 sub-categories.

Any organization has three types of levels – top, middle and first line. Top level management deals to create culture, bring change and design strategy. Middle level management prepares departmental plans and execute organizational strategy. First line or junior management does scheduling and teaching-training of entry level employees of the organization.

Management is the combination of art, science and profession, but in case of science it is inexact science, because it deals with human beings. Management is also a profession, but it is in developing stage or in other words, it is emerging as a developing profession.

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## 2.8 Answers to Check Your Progress

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Check Your Progress 1

1 – a, 2 – b, 3 –a, 4 - b

Check Your Progress 2

1 – a, 2 – a

Check Your Progress 3

1 – a, 2 – b, 3 – a, 4 - b

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## 2.9 Glossary

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**Skills :** Skill is an ability to do something.

**Role :** Role means what is expected from an individual in a job.

**Manager :** A manager is someone who works with and through other people by coordinating their work activities in order to achieve organizational goals.

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## 2.10 Assignment

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What are the different type of levels ? Differentiate the responsibility of people at different levels.

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## 2.11 Activities

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1. What do you mean skill ? Explain various type of skills.
2. How management is art, science and profession? Discuss.

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## 2.12 Case Study

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Meet different people who are working in business organization and ask them what are various types of roles s performed by them? List out such type of 10 different roles performed by them.

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**2.13 Further Readings**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill



## HISTORY OF MANAGEMENT

### : UNIT STRUCTURE :

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 History of Management**
- 3.3 Classical Approaches**
  - 3.3.1 Systematic Management**
  - 3.3.2 Scientific Management**
  - 3.3.3 Administrative Management**
  - 3.3.4 Human Relations Movement**
- 3.4 Contemporary Approaches**
  - 3.4.1 Quantitative Management**
  - 3.4.1 Organizational Behaviour**
  - 3.4.2 Systems Theory**
  - 3.4.3 Contingency Theory**
- 3.5 Let Us Sum Up**
- 3.6 Answers to Check Your Progress**
- 3.7 Glossary**
- 3.8 Assignment**
- 3.9 Activities**
- 3.10 Case Study**

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### **3.0 Learning Objectives**

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After learning this unit 3, you will be able to understand:

- History of Management
- The Classical School
- Behavioural School
- Management School
- Contingency and System Approach

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### **3.1 Introduction**

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In the previous unit 2, you have learnt about skills of manager, roles of manager, levels of management and how management is an art, a science and a profession.

In this unit, you will study about history of management. You will get the idea about different thinkers of management. It will know what is classical school and about scientific management and administration theory. After this background, you will know behavioural school and management science. At

last in two significant contemporary approaches are explained, i.e. – system theory and contemporary theory.

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### 3.2 History of Management

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Simple meaning of the word History - it is a record of significant past events in sequence. Here also we will try to study history, but about management history. Reasons behind the study of management history are:

- To get the idea about how today's organizations are evolved;
- To learn about the mistakes done in past and do necessary correction in future;
- To understand how different theories are developed.

In case of study of management history here, most important reason is third one, i.e. – to understand how different management theories are developed. This history of management is also known as Evolution of Management Thought or Bateman and Snell have called it “Revolution of Management.”

If we look back in the history, around 1100 B.C. the Chinese practiced the four management functions – planning, organizing, leading and controlling. Between 350 B.C. and 400 B.C., the Greeks recognized management as a separate art and advocated a scientific approach to work. Before the birth of Christ, the romans decentralized the management of their huge empire and many such development had taken place in those days.

Two historical management concepts

There are two important concepts required to be understood as a part of early management concepts in history. They are: Division of labour and Economies of scale.

Division of labour means divide the jobs into small part and do it as a repetitive activity. This can give lots of economic advantage for the organization. This concept was argued by Adam Smith in his book *The Wealth of Nations* in 1776.

Economies of scale means when total volume of production increases, average cost of a product reduces. This concept came in picture at the time of industrial revolution, where industrial revolution means - advent of machine power, mass production and efficient transportation.

#### Check Your Progress 1

##### True or False

1. Division of labour means divide the jobs into small part and do it as a repetitive activity.
2. Economies of scale means when total volume of production increases, average cost of a product reduces.
3. The concept of division of labour, was mentioned in the book titles as “*The Wealth of Nations*” in 1776 by Adam Smith.

After understanding two important concepts of early management, let us know the evolution of management thought. This historical viewpoint of manage-

ment is divided into two parts: 1. Classical Approaches 2. Contemporary Approaches, now let us understand both one by one.

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### 3.3 Classical Approach

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In classical approach, major contribution has come from systematic approach, scientific management, administrative management, human relations, and bureaucracy. In contingency approach, quantitative management, organizational behaviour, systems theory and contingency theory and theory Z are the part of it.

Now first let us discuss classical approaches:

#### 3.3.1 Systematic Management

In 19<sup>th</sup> century, most of the business in manufacturing industry were suffering from poor coordination among subordinates and different level management problems disturbing to manufacturing process. In this situation, systematic management mainly focused on internal operations, like - economical operations, adequate staffing, maintenance of inventories to meet consumer demand and organizational control. These goals were achieved through:

- Clear definition of duties and responsibilities;
- Standardized techniques for performing these duties;
- Specific means for gathering, handling, transmitting and analysing information;
- Cost accounting, wage and production control systems to facilitate internal coordination and communication.

#### 3.3.2 Scientific Management

Systematic management failed to lead to widespread production efficiency. To work in this direction, a second approach was introduced by an engineer named Frederick W. Taylor, also known as father of scientific management. This scientific approach has focused on scientific way to analyse work and determine how to complete production tasks efficiently.

Taylor identified four principles of scientific management:

1. Analyse the work using scientific methods to determine 'one best way' to complete production tasks;
2. Management should scientifically select, train, teach and develop each worker so the right person has the right job;
3. Heartily cooperate with the workers and assure that all work is in harmony with principles of science;
4. Divide the work and responsibility equally between workers and management and management should take that work, which is more suitable to them than workers.

To implement these four principles, he used time and motion study and differential piece rate system to make his principles successful.

Here time and motion study means observe various motions at the workplace, identify the necessary and unnecessary movement to carry out the



work; eliminate unnecessary movements; observe the time required for the necessary work with stop watch; develop shorter and few movements and standardize the motion and time, whereas differential pay rate system means those employees who produce less than the standard production receive low piece rate and those who produce above the standard production receive higher piece rate.

Apart from F. W. Taylor, four more people have contributed in the era of scientific management, that is presented in brief:

- 1) Robert Owen: He was a manager of different cotton textile mills and he was the first person to pay attention to labour welfare. He suggested a change in the attitude of industrialists towards workers.
- 2) Charles Babbage: Hewas amathematician from Cambridge University. He advocated for maths and machines for the solution for factory problems. He said good management which guides workers and direct and control machines – is very crucial for success. In fact, Babbage prepared the foundation for scientific management.
- 3) Henry Gantt: He has worked with F. W. Taylor on many projects. He had modified Taylor’s incentive plan. He also introduced bonus for supervisors with certain conditions. He is also known for his Gantt Chart - it provides a graphic schedule for the planning and controlling of work, and recording progress towards stages of a project.
- 4) The Gilbreths: Frank and Lillian Gilbreth – a team of husband and wife have jointly work for fatigue and motion study. According to them, a worker should do present job, prepare for his/her next highest job and train a successor, all at the same time.

### **3.3.3 Administrative Management**

Limitations of scientific management has led to thedevelopment of administrative management. Henry Fayol is the major contributor for administrative management. When Taylor wrote a book, he also wrote but focused areas were different. Taylor has more focused on first line managers and scientific method, whereas Fayol has wrote about all management. Fayol wrote from his personal experience, because he was a director of a large French coal-mining firm.

Fayol said that management practice is very different from other accounting, finance, production, distribution and other typical business functions. He believed that management activity is required in all human efforts, like – business, government, and even in home and he has given 14 fundamental rules as a fundamental rules of management. They are:

- 1) Division of work: A person with specialization in work, can perform more efficiently.
- 2) Authority: To get the work done from others. Managers need authority, it means they must have right to take decision and give order.
- 3) Discipline: Employees must obey and respect rules of the organization, or else should punish violations.

- 4) Unity of Command: Every employee must receive order from one superior only, otherwise it can create confusion and conflict among people.
- 5) Unity of Direction: Organization should have a single plan of action to guide managers and workers to achieve organizational objectives.
- 6) Subordination of Individual Interest to General Interest: Interest of the organization should have dominance and priority, not interest of an individual or a group.
- 7) Remuneration: There should be a systematic and fair remuneration pattern for employees and employers.
- 8) Centralization: Decreasing the role of subordinates in decision making is centralization and increasing their role is decentralization. Fayol said that determine relative importance of superior and subordinates roles – needs to balance the authority between them.
- 9) Scalar Chain: The line of authority from top management to the lowest ranks is the scalar chain, which must be followed in communication and work.
- 10) Order: People and material should be at the right place and right time for smooth functioning and wastage of material in the organization.
- 11) Equity: Managers should be kind and fair to their subordinates.
- 12) Stability of tenure of personnel: An organization must take steps to obtain as much stability in its management and workforce as possible.
- 13) Initiative: Employees should be encouraged to contribute new ideas and experiences in work assigned to them.
- 14) Esprit de corps: Promoting team spirit will build harmony and unity within the organizations.

Other than Henry Fayol, Max Weber has also contributed for administrative management, specifically for the area known as “bureaucracy – which emphasizes on a strictly defined hierarchy governed by clearly defined regulations and line of authority.

### **Check Your Progress 2**

1. Who is known for Gantt Chart ?
 

a. Henry Fayol	c. Henry Gantt
b. F. W. Taylor	d. Frank Gilbreath
2. Analyse the work using scientific methods to determine ‘one best way’ to complete production tasks – This principle is given by –
 

a. Robert Owen	c. Charles Babbage
b. F. W. Taylor	d. William Ouchi
3. Who is known as father of scientific management ?
 

a. Robert Owen	c. Charles Babbage
b. F. W. Taylor	d. William Ouchi

4. A person with specialization in work, can perform more efficiently. – this principle given by Henry Fayol is called –
  - a. Initiative
  - b. Division of Work
  - c. Order
  - d. Authority
5. The line of authority from top management to the lowest ranks is –
  - a. Discipline
  - b. Scalar Chain
  - c. Remuneration
  - d. Equity

### 3.3.4 Human Relations Movement

Mary Parker Follet and Chester Barnard developed the theories on the basic framework of classical school and introduced new ideas to human relations and organization structure.

Mary Parker Follet: Mary believed that distinction between superiors and subordinates hindered natural partnership. She developed a model of behavioural model of organizational control. She advocated for power with rather than power over and said that group power should be valued over individual power and workers of all levels should integrate to reach organizational goals.

Like Mary, Chester Barnard also initiated for human relations movement. He said people work together to achieve organizational goals, as an individual he can not accomplish it and at the same time he must satisfy his personal goals. He also stressed the use of informal groups effectively.

#### Human Relations Movement

Base of human relations approach is that workers should be treated as human beings, not like other factor of production. According to Elton Mayo and his colleagues pointed out that the methods of scientific management are not adequate and do not contribute to individual and organizational goals, who were the major contributors for this movement. He is considered as father of human relations approach.

Hawthorne Experiments: Hawthorne experiments were done in four phases to do the systematic analysis of human factor at Hawthorne Plant of Western Electric Company USA, so based on the name of the company, it is called Hawthorne experiments.

At the end of four experiments at Hawthorne, Elton Mayo concluded:

- Behaviour and attitudes are closely related;
- Group influences significantly affect individual behaviour;
- Group standards establishes standard for individual output;
- Money is a less important factor in deciding output, but group standards, group attitudes and security makes significant difference.

Earlier we have discussed various classical approaches, now it is an area of contingency approaches – which include, quantitative management, organizational behaviour, system theory and the contingency theory.

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### 3.4 Contingency Approaches

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#### 3.4.1 Quantitative Management

Quantitative management emphasizes on the application of quantitative analysis to management decisions and problems. This approach can be helpful to management by developing formal mathematical models of the problem. Techniques like statistical decision theory, linear programming, forecasting, break-even analysis, network modelling is the contribution of quantitative management. They are applied in different functional areas of management like production, quality control, distribution, finance, research and development etc.

#### 3.4.2 Organizational Behaviour

During 1950's a transition took place in human relations approach. People have felt that some other factors than satisfaction of economic and social needs matter. In that time organizational behaviour perspective has emerged, which was a study of management activities that promote employee effectiveness through an understanding of the complex nature of individual, group and organizational processes.

Here a significant contribution is known of Douglas McGregor of Theory X and Theory Y. According to McGregor, theory X managers assume that workers are very lazy and irresponsible and require constant supervision and external motivation to achieve organizational goals and theory Y managers assume that employees want to work and can direct and control themselves. He advocated theory Y perspective, suggesting that managers who encourage participation and allow opportunities for individual challenge and initiative would achieve better performance.

#### 3.4.3 Systems Theory

Basically, an organization is a managed system, that changes inputs (raw materials, people and other resources) into outputs (the goods and services that comprise its products). Here, the word system is a connection of its interdependent elements or factors that work together to achieve the aim of system. This system is made up of many sub-systems, like its functions like marketing, finance, production, HR etc.

Apart from these functional areas, there are many other factors - individuals, groups, attitudes, motives, formal structure, interactions, goals, status, and authority also affect the system. The term interdependent is very important here, because if purchase department will not purchase sufficient quantity, than production department will not be able to produce as per plan, Hence, it can be said that different activity of organization system is interlinked and interdependent. A change in one sub-system can affect total system. Therefore sub-systems work together towards synergy (a harmony of forces) in order to accomplish organisational goals that couldn't have been accomplished by any one sub-system alone, which is also presented in the form of  $A + B = C$ , here, A and B are sub-systems and alone they are less than the sum of them. i.e.  $< C$ .

So, management thinkers have understood the value of every individual part

of organization, including its sub-system through this system theory. In system, impact of one part on another should also be predicted, before putting it into action. In system approach, organization must take into consideration its external environment, because it also affects in many ways to the organization work and decisions. So if manager will coordinate the work activities of the various parts of the organization and see that all the interdependent parts of the organization are working together, organizational goal can be achieved properly. Some important terms connected with system theory are:

1. Open v/s Close System: An open systems interacts with other systems through the free passing of information, whereas closed systems operate on their own with little or no influence from the outside world.
2. Entropy: Entropy can be defined as the measure of disorder, uncertainty and consumed energy in a system or in the Universe.
3. Synergy: Synergy means that the whole is greater the sum of its parts. For e.g.  $A + B = C$ , where sum of C is always greater than A and B. According to system theory, it is the advantage of joining two sub-systems and get more outcome.
4. Subsystem: Each part of a bigger system is a sub-system.

#### **3.4.4 Contingency Theory**

Building on system theory ideas, the contingency perspective disapprove universal principles of management by stating that a variety of factors, both internal and external may affect the organization. Thus, there is no “one best way” to manage and organize, because circumstances vary.

E.g. – a universal strategy to offer a low cost product can not be successful in the market, where customers are not cost conscious.

Situational characteristics are called contingencies. These contingencies include:

1. External environment;
2. Internal strength and weaknesses of the organization;
3. The values, goals, skills and attitudes of managers and workers;
4. Type of tasks, resources, and technologies the organization uses.

With an eye of these contingencies, a manager may categorise the situation and then choose the proper competitive strategy, organization structure, or management process for the circumstances.

#### **Check Your Progress 3**

1. In which work, experiments were done in four phases to do the systematic analysis of human factor at one Plant of Western Electric Company USA?
  - a. Regular Experiments
  - b. Hawthorne Experiments
  - c. Crucial Experiments
  - d. Gantt Experiments

2. In organizational behaviour, theory X and Y is developed by whom?
  - a. Douglas McGregor
  - b. Abraham Maslow
  - c. Elton Mayo
  - d. F. W. Parker

### 3.5 Let Us Sum Up

In this unit 3, you have learnt history of management or in other words, school of management thought. Mainly there are two approaches in schools of management: Classical Approaches and 2. Contemporary Approaches.

Main focus in case of scientific management is on identifying one best way, selecting and training people in a scientific way and sharing of work among both workers and management, i.e. work which can not be done by workers should be done by management.

Henry Fayol has given 14 different principles for general administration of the organization. These principles are suggested for the betterment of the whole organization, where scientific management more focuses on scientific work, mainly from manufacturing angle only.

Behavioural school has come out with idea to consider people as human beings rather than machine. Hawthorne experiments in four phases have shown significant insight and concluded that other than money, some other factors play the role for higher performance. Informal groups and group dynamics can influence a lot on the employee's performance.

At last two contemporary approaches – system and contingency theory are explained. System approach focuses on different sub-systems of the organization, because all sub-system in total make one system, which are interdependent. Contingency theory disapprove the one best approach and says that what is best fitted in a particular situation is the right approach, so manager should identify the correct approach based on situation rather than one best way always.

### 3.6 Answers to Check Your Progress

Check Your Progress 1

1 – True, 2 – True, 3 – True

Check Your Progress 2

1 – c, 2 – b, 3 – b, 4. – b, 5 - b

Check Your Progress 3

1 – b, 2 – a

### 3.7 Glossary

1. **Economies of scale** : It means when total volume of production increases, average cost of a product reduces.
2. **Discipline** : Employees must obey and respect rules of the organization.
3. **Initiative**: Employees should be encouraged to contribute new ideas and experiences in work assigned to them.

4. **Open System** : An open systems interacts with other systems through the free passing of information.
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**3.8 Assignment**

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Identify various schools of management thought. Explain scientific approach of management.

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**3.9 Activities**

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List out 14 different principles given by Henry Fayol and visit managers of two different companies and ask them, how many of 14 principles are practiced in their organization.

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**3.10 Case Study**

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Meet two or three company executives and ask them what school of thought, they apply in their organization.

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**3.11 Further Readings**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hill
5. Management – Competing in the New Era, Bateman and Snell, Tata McGraw Hill 5<sup>th</sup> Edition.

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## **BLOCK SUMMARY**

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In this block, there are 3 units in total. Unit 1 is totally focusing on meaning and functions of management. Other than management functions, it has also shown features, process of management, importance and difference between management and administration.

Unit 2 is covering other related areas of management. These areas are skills of management, roles of a manager, levels of management, and how management is an art, science and profession.

Unit 3 is focusing on history of management. This history mainly divided into two parts: Classical School and Contemporary School. Under these two heads, different management schools with its contribution are explained.

All the units are explained in student centric language, necessary pictures and examples to help and make the subject interesting for students.



**BLOCK ASSIGNMENT**

**Short Answer Questions**

1. Features of Management.
2. Management Process
3. Levels of Management.
4. Information Roles
5. Taylor’s scientific management
6. System Approach

**Long Answer Questions**

1. Define management and discuss various functions of management.
2. How management is an art and science ? Explain.
3. Write a detailed note on 14 principles of general administration given by Henry Fayol.

**Enrolment No.:**

1. How many hours did you need for studying the unitse

Unit No.	1	2	3
Nos of Hrs			

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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**Dr. Babasaheb  
Ambedkar  
Open University**

**BBAR-101/DBAR-101**

# **PRINCIPLES OF MANAGEMENT**

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## **BLOCK-2 PLANNING, DECISION-MAKING, ORGANIZING AND STAFFING**

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### **UNIT 1**

PLANNING

### **UNIT 2**

DECISION MAKING

### **UNIT 3**

ORGANIZING AND ORGANIZATION STRUCTURE

### **UNIT 4**

STAFFING

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**BLOCK 2 : PLANNING, DECISION-MAKING, ORGANIZING AND STAFFING**

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**Block Introduction**

Planning has number of characteristics such as goal-oriented, futuristic, intellectual process, choice and decision making and serves as the main function of the management. Organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals. Managerial function of staffing involves manning the organisation structure by proper and effective selection, appraisal and development of personnel to fill the roles assigned to employers/workforce.

In this block student will be explained with basic of plan and its action in planning with more on single use plan and standing plan. The idea about organising and planning with certain principles along with various functions of an organisation are highlighted. The block will give knowledge about nature, role and importance of staffing with process and rules associated with manpower recruitment and planning are well explained.

After this block, students of management will be able to know and gather knowledge about how the staffing is important for progress of a company and what measures should be taken to increase productivity with similar staff.

**Block Objectives**

**After learning this block, you will be able to understand:**

- Different types of planning.
- The Principles of organising and planning.
- The Process of staffing and its importance.
- About manpower recruitment and planning.
- The characteristics of planning.
- The Principles of Organising.
- About organisation structure.
- The Basic of functional structure.
- Features of Divisional Organisation Structure.
- Necessity of Matrix Organisation Structure.
- Knowledge of Staffing and Recruitment.
- Basic of Manpower Planning.
- Need of Placement and Orientation.
- Variation in Remuneration.
- Basic about Promotion.

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**Block Structure**

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Unit 1: Planning

Unit 2: Decision Making

Unit 3: Organizing and Organization Structure

Unit 4: Staffing



**: UNIT STRUCTURE :**

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Strategic Planning**
  - 1.2.1 Meaning and Definitions of Planning**
  - 1.2.2 Features of Planning**
  - 1.2.3 Steps of Planning Process**
  - 1.2.4 Importance of Planning**
  - 1.2.5 Advantages and Disadvantages of Planning**
  - 1.2.6 Principles of Planning**
  - 1.2.7 Approaches to Planning**
  - 1.2.8 Types of Plans**
  - 1.2.9 Management by Objectives**
- 1.3 Let Us Sum Up**
- 1.4 Answers to Check Your Progress**
- 1.5 Glossary**
- 1.6 Assignment**
- 1.7 Activities**
- 1.8 Case Study**
- 1.9 Further Readings**

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**1.0 Learning Objectives**

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After learning this unit, you will be able to understand:

- Strategic Planning
- Features of Planning
- Steps in Planning Process
- Importance of Planning
- Advantages and Disadvantages of Planning
- Principles of Planning
- Approaches to Planning
- Types of Plans
- Management by Objective

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**1.1 Introduction**

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In the previous block 1, you studied about basics of management, like – meaning and functions of management, importance of management, skills

of manager, roles of manager etc. In history of management, you learnt different school of management thought. In history, you learnt, classical approaches, namely Taylor's scientific management, Fayol's principles of management etc. Contemporary approaches covered system and contingency approach.

In this unit, you will learn about planning. Planning is a very primary activity among different functions of management. You will learn features, process, importance and advantages of planning. You will also come to know principles, approaches and types of planning also.

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## 1.2 STRATEGIC PLANNING

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**Fig 1.1 Planning**

In 1983, a chemistry student Ranganathan set out to sell shampoos with Rs 15,000 in his pocket. It was a market with 200 odd companies, dominated by the „big daddy? Hindustan Lever Ltd.

From the beginning, Ranganathan knew that many people outside the great Indian middle-class could not afford to spend sixty rupees on shampoo, but they could definitely afford a Re.1 sachet. After clearly visualising this gap, he treated the „Chik? sachet and began selling the same on bicycle. To boost up the sales, he came out with another brilliant idea: „Return five shampoo sachets and get one Chik sachet free.’ The idea clicked in frugal rural households of Tamil Nadu. Volumes tripled, the revenues took care of distribution and the brand name stuck.

The liberalisation measures of 1990s helped him grab every opportunity to expand his market to every nook and corner of India. He began advertising first on regional satellite channels and consolidated his brands - Chik, Nyle (herbal shampoo), and the ever popular Fairever fairness cream - in the southern markets before launching them nationally.

Now, CavinKare Group (a synonym of beauty and grace in Tamil literature) has crossed a turnover of 8819 million INR in 2009-2010 with employee strength of 1520, on an all India network of 1300 Stockists catering to about 25 lakh outlets nationally.



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A plan is a forecast for accomplishment. It is a predetermined course of action. It is today's projection for tomorrow's activity. In other words, to plan is to produce a scheme for future action, to bring about specified results at a specified cost in a specified period. Management thinkers have defined the term in two ways:

**Based on futurity:**

- Planning is a trap laid down to capture the future. (Allen)
- Planning is deciding in advance what is to be done in future. (Koontz).
- Planning is informed anticipation of future. (Haimann)
- Planning is „anticipatory? decision-making. (R.L, Ackoff)

**Based on thinking:**

- Planning is a thinking process, an organised foresight, a vision based on fact and experience that is required for intelligent action. (Alford and Beatt)
- Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. (Koontz and O'Donnell)

A plan is a specific, documented intention consisting of an objective and an action statement. The objective portion is the end and the action statements represent means to that end. Stated another way, objectives give management targets to shoot at, whereas action statements provide the arrows for hitting the targets. Properly conceived plans tell what, where and how something is to be done.

**1.2.2 Features of Planning**

Planning has a number of characteristics:

• **Planning is goal-oriented.**

- Planning is made to achieve the desired objective of business.
- Goals established should be generally accepted.
- Planning locates action which leads to goals quickly and economically.
- Planning shows a sense of direction to various activities.

• **Planning is looking ahead.**

- It is done for future.
- It requires peeping in future, analyzing it and predicting it.
- It is based on forecasting.
- It is a synthesis of forecast.
- It is a mental predisposition for things to happen in future.

• **Planning is an intellectual process.**

- It is a mental exercise which includes lucrative thinking, judgment and imagination.
- It involves not mere guesswork but rotational thinking.
- It depends on goals, facts and considered estimates.

- **Planning involves choice and informed decision-making.**

- It basically involves selecting from various alternatives.
- It is not applicable in single course of action as it attains no choice.
- The decision-making involves an integral part of planning.
- It gives more options to managers to select the best as per needs.
- It basically involves selecting from various alternatives.
- It is not applicable in single course of action as it attains no choice.
- The decision-making involves an integral part of planning.
- It gives more options to managers to select the best as per needs.

**Planning is the primary function of management. / Primacy of Planning**

- It lays the foundation for other functions of management.
- It serves as guide for organizing, staffing, directing and controlling.
- It carries complete functions of management inside a framework.
- It is the main function of management.

- **Planning is a continuous process.**

- It serves as never-ending process due to dynamic business environment.
- It is prepared for particular time and is subject to revaluation and review.
- It will remain continuous till enterprise issues get completed.

- **Planning is all-pervasive.**

- It is needed at every level of management and everywhere in enterprise.
- It varies with scope of work.
- Top level involves in planning, middle level involves in departmental plans while lower level will implement the same plan.

- **Planning is designed for efficiency.**

- It leads to complete objectives at lowest cost.
- It avoids wastage of resources and ensures good use of resources.
- It is worth or useless till it results in value of cost which occurs.
- It results in saving time, effort and money.
- It leads to correct use of men, money, materials, methods and machines .

**Planning is Flexible.**

- It should give enough room to cope with changes occurs with customer demand, competition, government policies, etc.
- The original plan should keep on updating if any circumstance for change occurs.

### 1.2.3 Steps in Planning Process

#### Steps in Planning Function

Planning function of management involves the following steps:



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- **Establishment of objectives**

- The objective of planning is basically a straight approach.
- Planning should begin with setting up of goals and objectives.
- The objectives should carry a base for doing various activities with certain direction of efforts.
- An objective will stress on managers attention on particular result to get executed.
- Another idea of objectives is to show clear, precise and straight meaning.
- Objectives should be explained with clear quantitative terms.
- The goals of objectives should be explained clearly in qualitative terms.
- Objective should be practical, clear, adaptable, workable and achievable.

- **Establishment of Planning Premises**

- It is an assumption of events which could happen in future.
- It is the start of planning process.
- It relates to finding a trend which deflects from real plans.
- It locates the hindrances which appear in business at particular course of operations.
- It concerns with taking particular steps which broadly avoids hindrances.
- It can be internal or external which covers capital investment policy, management labour relations and socio- economic and economical changes.
- In this you can control internal premises where as external premises cannot be controlled.

**Choice of alternative course of action**

- In case of forecasts and premises, various alternative actions can be considered.
- It can be calculated based on pros and cons under light of resources present and need of organisation.
- It examines merits, demerits and consequences of every alternative before making any selection.
- Once objective and scientific evaluation is done, then the correct option is selected.
- Planners with the help of quantitative techniques will be able to verify the stability of such alternative.

**Formulation of derivative plans**

- It is the secondary plans that are responsible for giving any help to achievement of main plan.

- This plan moves from the main plan which will support and speed up the success of the main plans.
- It covers policies, procedures, rules, programme, budgets, schedules, etc.
- It shows time schedule as well as series of achieving different tasks.

### **Securing Co-operation**

- Once the plan has designed, then it is advisable to take people into confidence who are linked with it.

The idea of taking subordinates into confidence as get motivation and the organisation receives valuable suggestions with the idea to enhance it further.

### **Follow up/Appraisal of plans**

- Once the action is decided, now it will be put into practice.
- After implementation of particular plan, it is advisable to judge its performance.
- The judgment is based on feedback or information from various departments or concerned people.
- With this, the management can take correct deviations or can modify the plan.
- All these make a link among planning and controlling function.

### **1.2.4 Importance of Planning**

- **Planning facilitates management by objectives.**
  - Planning starts with finding of an objective.
  - It shows the reason for starting different activities.
  - With this, the objective becomes clear and particular.
  - With planning, an employee will be more focused towards objectives and goals.
  - There will be no path, if there is no planning.

### **Planning minimizes uncertainties.**

- In business, there occur lots of uncertainties.
- Because of such uncertainties, there occurs risk factor in every business.
- With planning, the uncertainties can be lowered as it anticipates any future occurrences.
- Since future cannot be predicted 100%, so with the help of planning, the management will come to know about future activities.

### **Planning facilitates co-ordination.**

- It is seen that planning moves around organisational goals.
- In this, all activities are aimed at common goals.

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- There is a combined effort all the way in an enterprise in departments and groups.
- It keeps away from replication of efforts which results in good co-ordination.
- It solves the problems related to work performance which aims at altering the same.

**Planning improves employee's morale.**

- With planning, an atmosphere of order and discipline originates that takes it as a serious aspect.
- Through planning employees will come to know what is required from them which results in obtaining conformity.
- **Planning helps in achieving economy.**
- Good planning results in safer economy as it leads to allocation of resources.
- It makes admissible for correct use of resources for economic operations.
- There will be no wastage of resources if choosing correct use will add to objectives of an enterprise.

**Planning facilitates controlling.**

- With planning it is possible to go ahead with fixed planned goals and standards of presentation.
- The basic of controlling is provided.
- An effective system of controlling is impossible without presence of good thought plans.
- **Planning provides competitive edge.**
- Planning uses change in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
- The forecasting will secure the future of an enterprise and at the same time calculate the future motives of competitors.
- **Planning encourages innovations.**
- With planning process, managers will be able to suggest ways and different means in order to improve performance.
- It is a decision making function which caters creative thinking and imagination which shows innovative methods and growth operations of an enterprise.

**Check Your Progress 1**

**True or False:**

1. Planning is the primary function of management.
  - a. True
  - b. False

2. Planning does not facilitate controlling.
  - a. True
  - b. False
3. Establishment of objectives is the first step of planning process.
  - a. True
  - b. False

### 1.2.5 Advantages and Disadvantages of Planning

#### Advantages

- Planning forces the manager to generate a blueprint of line of action for doing objectives.
- With planning, there exists order and reasonableness in an organisation.
- It encourages the employees to deliver best which led to earning of reward.
- This will develop healthy attitude in work, which further boost the morale and efficiency of employees.
- It lead to pre-determined goals that will helped to compare actual performance.
- It is seen that planning and controlling are opposite sides of a coin.
- With planning, best use of resources, good quality production and aggressive strength of enterprise can be enhanced.

#### Disadvantages

- With planning the administration becomes inflexible.
- It requires advance policies, procedures and programmes.
- It is restricted to individual freedom.
- It is restricted to individual interests not for an enterprise.
- Due to collection of information, it is a time consuming process.

It does not work at time of emergency or crisis when faster decisions are needed.

- Planning depends on thought which is not accurate as a result of future stability.
- Planning is not cost effective as lot of time and money spends on collection, analysis and evaluation of information.

### 1.2.6 Principles of Planning

To be useful, planning should try to incorporate some of the time-tested and inter-related principles, beautifully summed up by Koontz thus:

1. **Principle of contribution to objectives:** Every plan should help in the achievement of organisational objectives.
2. **Principle of primacy of planning:** Planning precedes all other managerial functions. It is the first and the foremost function to be followed in the process of management.

3. **Principle of pervasiveness of planning:** Planning is an all-pervasive function. It is important to all managers regardless of their level in the organisation.
4. **Principle of flexibility:** By flexibility of a plan, we need to highlight its ability to switch gears, change direction to adapt to changing situations without unnecessary cost (ability to vary product mix, shift marketing effort geographically, raise additional funds on favorable terms, reshuffle and relocate personnel quickly, change organisation structure etc. are all included in this exercise).
5. **Principle of periodicity:** Plans should be integrated and interconnected in such a way as to achieve the stated objectives economically and efficiently. A manager should review events and expectations regularly, refine and redraw the plan and keep it on track.
6. **Principle of planning premises:** Every plan is based on carefully considered assumptions, known as planning premises. “The more the individuals charged with planning, understand and agree “to utilize consistent planning premises, the more coordinated enterprise planning will be.
7. **Principle of limiting factor:** While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower, machinery, materials, management) should be recognized and given due weightage. When ignored, the critical factor would seriously affect the process of planning and make it impossible to achieve goals.

### 1.2.7 Approaches of Planning

Managers follow various approaches to planning based on the extent of participation, authority, delegation and competency level of managers working at various levels, namely:

1. **Top-down approach:** In most family-owned enterprises, authority and responsibility for planning is centralized at the top. The top management defines the mission, lays down strategies, and specific action plans to achieve the stated goals and then pass on to the people working at lower level.
2. **Bottom-up approach:** Thinking and doing aspects in the planning process are two sides of the same coin. Hence, if lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically.
3. **Composite approach:** In this approach, a middle path is chosen to facilitate the smooth implementation of the plans. Here the top management offers guidelines, sets boundaries and encourage the middle and lower level executives to come out with tentative plan.
4. **Team approach:** In this, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into

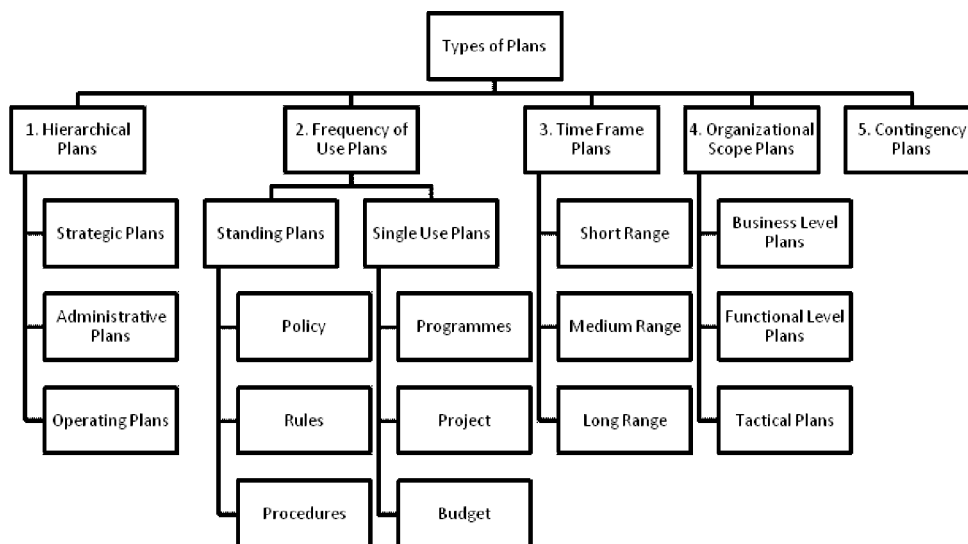
account. The tentative plans are forwarded to the top management for approval.

**Check Your Progress 2**

1. The top management defines the mission, lays down strategies, and specific plans to achieve the stated goals and then pass on to the people working at lower level is known as \_\_\_\_\_.
  - a. Top-down approach      c. Composite approach
  - b. Bottom-up approach      d. Team approach
2. Every plan is based on carefully considered assumptions, is known as the principle of \_\_\_\_\_.
  - a. Limiting Factor              c. Primacy of planning
  - b. Planning Premises          d. Periodicity
3. Planning forces the manager to generate a \_\_\_\_\_ of line of action for achieving objectives.
  - a. Scale                              c. Blueprint
  - b. Attitude                          d. None of these

**1.2.8 Types of Plans**

In block 1, you have studied functions of management, in which planning was the primary activity or function. This planning types can be understood from many perspectives. They are five such type of plans, they are shown below:



*Figure 1.3 Types of Plans*

**Types of Plans:**

**1. Hierarchical Plans:**

Here, the word hierarchy means different levels of management, so in organization three levels plan are there. There are: Strategic, Administrative and Operational Plans. All these levels are interdependent and support each other to achieve organizational goals.

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- Strategic Plans: At the top, strategic plans are there, it define and design the long term vision, mission and value statement for the organization. In strategic plans, it is planned that how this vision and mission will be integrated in its general and task environment.
  - Administrative Plans: After strategic plans, administrative layer is at middle level. In this level, various resources are distributed to internal units and functional areas of management. They also coordinate with all subdivisions of the organization. They become a link between vision development and vision implementation.
  - Operational Plans: Operational plans is at bottom in hierarchical plans. This is also known as technical core. It plans for day today operation, actual execution of vision, mission and divisional level work is done at this level.
2. **Frequency of Use Plans:** These plans are based on its usage rate, it means whether they are repetitive in nature or used for only single time.
- A. **Standing Plans:** This plans are concerned with those activities which are repetitive in nature. Standing plans include mission, strategies, policies, rules and procedure.
- Mission – Unique aim which is created to achieve the vision of the organization;
  - Policy – General guideline or statement which is formulated by the organization for the guidance of its personnel;
  - Rules – It is a statement about what is permissible and what is not permissible in the organization;
  - Procedure – It is an instruction about how to complete a particular task.
- B. **Single Use Plans:** These plans have single use in practice. In such plan, organization develops a very specific – SOP, is known as Standard Operating Procedure. They are:
- Objective: A specific result that an organization has to achieve within a time frame and with available resources;
  - Strategy: A plan of action designed to achieve a long term goal by relating strengths and weaknesses of an organization with opportunities and threats out of the changing environment;
  - Programme: A programme is a collection of organizational resources that is geared to accomplish a certain major goal or set of goals;
  - Project: A complex set of policies, procedures, rules and budgets designed to meet specific situations and all other needful actions required for implementing a given course of action;
  - Budget: A budget is a formal statement of estimated income and expenses based on future plans and objectives in numerical terms.
3. **Time Frame Plans:** These type of plans are mainly linked with time line of completion in the organization.

- Short range plans: They are for several hours to a year. They are more specific and with detail in nature.
  - Medium range plans: They are normally from one to five years.
  - Long range plans: They are normally for more than five years. They are more directional, less with details and more informal in nature.
4. **Organizational Scope Plans:** These type of plans are basically connected with the scope of it, broad to very narrow plans. Business plan are normally very broad, whereas tactical plans are very narrow in scope. They are as under:
- Business Plan: Focus on company's business and its competitive market;
  - Functional / Unit Level Plans: Here, focus is on the day-to-day operations of lower-level organization units; like - marketing, human resources, accounting, and operations plans (production);
  - Tactical Plan: Division-level or unit-level plans designed to help an organization accomplish its strategic plans.
5. **Contingency Plan:** Contingency plan is alternative courses of action that are to be implemented if events disrupt a planned course of action. This type plan is called Plan B. it is more in use, when natural disaster, terrorist attack, boycotts or mahamari like coronavirus of 2020 at a Global level takes place in the society or country.

### 1.2.9 Management by Objectives

The concept of Management by Objectives was introduced by management guru Peter Drucker in his book *The Practice of Management* in 1954. This concept is used as strategic management model and somewhere it is known as a performance management approach. It is an approach to improve the performance by clearly defining objectives that are agreed to both management and its employees.

MBO develops motivation, commitment and communication among employees, because individual objectives are decided after their consultation. Success of MBO is based on the support of top management, clarity of objectives and trained managers who can execute it.

There are total 5 steps in MBO process, they are:

- 1) Determine or revise the organizational objectives of the entire company;
- 2) Translate the organizational objectives to employees;
- 3) Stimulating participation of employees in deciding individual objectives;
- 4) Monitoring the progress of employees;
- 5) Evaluate and reward employee progress.



### Check Your Progress 3

#### True or False:

1. Strategic plans are always at the bottom in the Hierarchical plans.
  - a. True
  - b. False
2. Rule is a statement about what is permissible and what is not permissible in the organization.
  - a. True
  - b. False
3. Medium level plans are from hours to a year.
  - a. True
  - b. False
4. In the book titled as “The Practice of Management” in 1954, Peter Drucker has introduced the concept of Management by Objectives.
  - a. True
  - b. False

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### 1.3 Let Us Sum Up

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In this unit we have learnt, that a plan is a forecast for accomplishment which is a predetermined course of action which produces a scheme for future action in order to bring specified results at particular cost in a period.

It is seen that planning has a number of characteristics such as goal-oriented, futuristic, intellectual process, choice and decision making and serves as the main function of the management.

It is analysed that planning is a continuous all pervasive, flexible and designed for efficiency process which involves different steps in establishing objectives. In these managers have certain approaches such as Top-down, Bottom-up, Composite and Team approach.

It is studied that there exists two types of Plans which is Single Use Plans having Objective, Strategy, Programme, Budget and second is Standing Plans having Policies, Procedure, Method and Rules.

Planning helps an organisation to give it a direction, provide a unifying framework, economic and reduces uncertainty. It facilitates decision making, encourages innovation, and improves work morale and facilities control.

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### 1.4 Answers to Check Your Progress

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#### Check Your Progress 1

1 – a, 2 – b, 3 - a

#### Check Your Progress 2

1 – a, 2 – b, 3 – c

#### Check Your Progress 3

1 – b, 2 – a, 3 – b , 4 – a.

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## 1.5 Glossary

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1. **Planning** : Planning is deciding in advance what to do, when to do, and how to do it. It bridges the gap from where we are and where we want to be.
- Peter Drucker*
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## 1.6 Assignment

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Define planning. What are the steps involved in planning?

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## 1.7 Activities

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Explain approaches to planning. What are the principles of planning?

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## 1.8 Case Study

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Are you a good planner? Planning is an important skill for manager using a hypothetical situation and the information given below analyse yourself as a good planner. **Prepare a brief report for the same.**

### Planning and Forecasting

Banks plan loan rate freeze to cash in on festival demand

**MUMBAI** : Several banks, which were earlier planning to raise their home loan rates in October, were considering deferring such plans, keeping in mind the holiday season ahead when demand for such loans is expected to soar.

After the Reserve Bank of India revised its policy rates in mid-September, several banks said they would consider increasing their lending rates in October when the base rate, on which loans are priced, came up for review.

However, on festivals most banks see a huge demand in personal, car and home loans, as it is considered as an auspicious time for purchasing homes or other assets. Discounts are offered in the form of a waiver in processing fees and lower rates for a limited period.

“Banks may not hike home rates immediately since sales are expected to pick up soon after the PitrPakshais over,” said Oriental Bank of Commerce CMD T.Y. Prabhu. During PitrPaksha, which is related to post-death rites performed by Hindus, many people consider it inauspicious and choose not to take any major investment decisions.

Although the festival season was close, banks were under pressure to raise lending rates in October as their cost of funds have gone up by 50 to 100 basis points during the last quarter. Interest rates on bulk deposits and certificate of deposits had crossed 8% for one year compared with 7% a few months ago. Mr. Prabhu said if banks are under pressure to raise lending rates, they may raise the base rate but simultaneously narrow the spread between the base rate and home loan rates. Banks have pegged their base rate in the range of 7.50% to 8%.

The special home loan scheme of India’s largest bank, State Bank of India, is due to close on September 30, but its officials say the bank is most likely to extend the scheme for another quarter to woo customers in the festive season. SBI offers a fixed rate of interest of 8% in the first year, 9% in the second and third year, after which the loan is priced on a floating rate basis.

Punjab National Bank, the second-largest bank, too has come out with a festive offer on home loans marked by a fixed rate of interest of 8.5% for the first three years and subsequently linked to prevailing floating rates.

Last week, Corporation Bank introduced a special home loan and vehicle loan scheme, known as grand festival offer, wherein for loans up to ₹30 lakh, the lender will offer it at base rate of 7.75% in the first year and 50 bps above the base rate for second and 8.25% in the third year. The bank will charge 0.25% more if the loan is above ₹30 lakh. "So far, demand for home loan has not been very encouraging, although we are better than the peers. But with this offer, we expect to deploy ₹1,000 crore," said S.M. Swati, General Manager-In-Charge of Retail Lending at Corporation Bank.

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### **1.9 Further Readings**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill
5. Management Theory and Practice (Text and Cases), P. Subba Rao, 2<sup>nd</sup> Revised Edition, Himalaya Publishing House



## DECISION MAKING

### : UNIT STRUCTURE :

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Decision Making - Pepsi – Cola’s Dilemma**
  - 2.2.1 Meaning of Decision Making**
  - 2.2.2 Characteristics of Decision-Making**
  - 2.2.3 The Decision-Making Process**
  - 2.2.4 Guidelines for Making Effective Decision**
  - 2.2.5 Types of Decision**
- 2.3 Let Us Sum Up**
- 2.4 Answers to Check Your Progress**
- 2.5 Glossary**
- 2.6 Assignments**
- 2.7 Activities**
- 2.8 Case Study**
- 2.9 Further Readings**

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### **2.0 Learning Objectives**

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After learning this unit, you will be able to understand:

- Decision Making Meaning and Characteristics
- Decision Making Process
- Guideline for Effective Decision Making
- Types of Decisions

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### **2.1 Introduction**

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In the previous Unit 1, you have studied different areas connected with planning. Features of planning, planning process, importance of planning, advantages and disadvantages of planning, principles of planning, and types of plans. Apart from these topics one performance base planning method – MBO – Management by Objectives also you have learnt.

In this Unit 2, you will learn about decision making. Decision making is one of the very important aspect of any organization. It will cover the topics of decision making meaning and characteristics, decision making process, guidelines of decision making and types of decision making.

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### **2.2 Decision Making - Pepsi – Cola’s Dilemma**

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Many years ago, several reports surfaced stating that syringes and hypodermic needles had been found in Pepsi cans. It was a difficult problem for

Pepsi-Cola's executives. Could needles have been put in Pepsi at the canning plants or were the reports a hoax?

The information was unclear and fast changing, time was running out and the executives had to find a solution quickly. Recalling the product meant danger for the company. However, there was no evidence produced against the company as yet. A recall would have been very costly and the company would have lost the trust of customers. The executives, after carefully analyzing the facts, believed syringes could not go into un-opened cans of Pepsi. Instead of going for a recall, the executives went on a massive public relations and education campaign.

Nationwide ad campaigns explained, "How implausible it was that syringes could have been put into Pepsi cans at the plants." They also assured consumers that there had been no injuries and not a single confirmed case of a needle found in an unopened can of Pepsi had been reported. By responding quickly and openly to public fears, Pepsi weathered the syringe-scare crisis with little damage.

Pepsi managers made the right decision, believing, based on careful internal analysis, that needle could not possibly have been put into can of Pepsi at the plants. However, it was a decision that could have backfired, if the company would have been unable to convince consumers that Pepsi products were truly safe.

### 2.2.1 Meaning of Decision Making

Decision-making can be regarded as the mental process (cognitive process) resulting in the selection of a course of action among several available alternatives. It is found that all decision making process will generate a final choice where the output can be seen as an opinion.

Precisely, decision making relates to the study of finding and selecting various alternatives which depends on values and choice of a decision maker. Further, decision making shows an option that is taken care where the manager should not simply locate many such options whereas can also select:

- Highest possibility of success
- Excellent match of goals, desires, lifestyle with values.

In the decision making process, an uncertainty will be lower and doubt related to alternatives will make a good choice.



Fig 1.4 Decision Making

The above explanation focuses on the information gathering functions which results in making decision. In such cases, the uncertainty will be lowered instead of eliminated. Under such circumstances, less decision are made with complete confirmation as entire knowledge of all alternatives is rarely feasible. So all decision uses certain level of risk. If there is no uncertainty, you do not have a decision; you have an algorithm- a set of steps or a recipe that is followed to bring about a fixed result.

### 2.2.2 Characteristics of Decision-Making

The important characteristics of decision-making may be listed thus:

- **Goal-oriented:** Decision-making is a goal-oriented process. Decisions are usually made to achieve some purpose or goal. The intention is to move towards some desired state.
- **Alternative:** A decision should be viewed as „a point reached in a stream of action.? It is characterized by two activities- search and choice. The manager searches for opportunities, to arrive at decisions and for alternative solutions, so that action may take place. Selecting an alternative and abiding by it leads to decision making. Thus, an alternative is found fit to solve a particular problem. When no alternatives exist, the manager does not need to arrive at a decision. When uncertainty concerning a particular outcome is confronted, the manager has no choice but to put on his decision making hat.

**Analytical-Intellectual:** Decision-making is not only an intellectual process but also an intuitive one. It involves conscious and unconscious aspects. Part of it can be learned, but part of it depends upon the personal characteristics of the decision maker.

**Dynamic Process:** Decision-making is characterized as a process, rather than as one static entity. It is a process of using inputs effectively in the solution of selected problems and the creation of outputs that have utility. Moreover, it is a process concerned with „identifying worthwhile things to do? in a dynamic setting.

**Pervasive Function:** Decision-making permeates all management and covers every part of an enterprise. Decision-making is the crux of a manager's job. Everything that the manager does is backed by the power of decision – making.

**Continuous Activity:** The life of a manager is a perpetual choice-making activity. He decides things on a continual and regular basis. It is not a one shot deal.

**Commitment of Time, Effort and Money:** Decision-making implies commitment of time, effort and money. The commitment may be short term or long-term, depending on the type of decision (e.g. strategic, tactical or operating). Once a decision is made, the organisation moves in a specific direction in order to achieve the goals.

**Human and Social Process:** Decision-making is a human and social process involving intellectual abilities, intuition and judgment. The human as

well as social impacts of a decision are usually taken into account while making the choice from several alternatives.

For example, in a labor-surplus, capital-hungry country like India, managers cannot suddenly shut down plants, lop off divisions and decide to lay off thousands of workers in the face of intense competition.

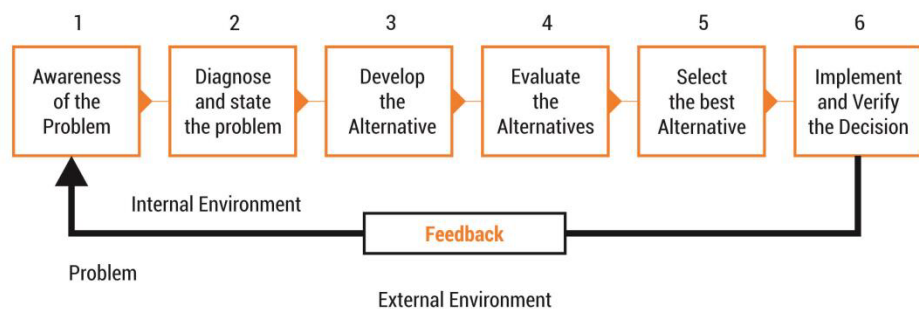
**Integral Part of Planning:** As Koontz indicated, „decision making is the core of planning.? Both are intellectual processes, demanding discretion and judgment. Both aim at achieving goals. Both are situational in nature. Both involve choice among-alternative courses of action. Both are based on forecasts and assumptions and about future risk and uncertainty.

**Check Your Progress 1 -**

1. Decision making can be regarded as the mental process resulting in the selection of a course of an action among several available alternatives.
  - a. True
  - b. False
2. Decision making is characterized as a dynamic process, rather than as a static entity.
  - a. True
  - b. False

**2.2.3 The Decision-Making Process**

Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps as shown in this figure.



**Fig 1.5 Decision making process**

**1. Awareness of the problem**

The first step in the decision-making process is recognizing the problem. The manager must become aware that a problem exists and that it is important enough for managerial action. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, managers should look for problems that need solving. They must look for opportunities to make decisions. The existence of a problem thus steps up the need for decision making.

In order to recognize problems, a manager is expected to monitor the decision-making environment, understand the possible causes and try to define the real problem carefully.

## 2. Diagnose and state the problem

A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not just note down the symptoms. Quite often, managers waste time developing solutions to the wrong problem. This is because opportunities and problems in the environment do not surface so easily.

Some questions that you need to ask include:

- What is the problem? What is the difference between what is and what should be?
- Which problems should be solved?
- What is the real cause of the problem?

To avoid the danger of prescribing a wrong medicine for the organisation, the manager should consider the decision environment properly. For example, a high employee turnover in an organisation may be due to low salaries, poor working conditions, tight supervision, poor scheduling, dissatisfaction with the jobs etc. The manager should analyse all these causes thoroughly before defining the real problem, an attitude survey may be undertaken to find out why employees are leaving the organisation.

## 3. Develop the alternative

Quite often, executives try to take up the first feasible option. The statement of the problem in clear, measurable terms enables executives to develop alternatives.

The ability to develop alternatives is as important as making a right decision among alternatives. Ingenuity, research and creative imagination are required to make sure that the best alternatives are considered before a course of action is selected.

## 4. Evaluate the alternatives

In this step, the decision maker tries to outline the advantages and disadvantages of each alternative. The consequences of each alternative would also be considered. Sometimes, the alternatives developed may meet internal demands but may fail to meet environmental conditions. In such cases, a manager may be forced to make a „less than optimal-decision“.

The primary objective of evaluation is not to find out one magic solution but to find out a workable solution that would help to eliminate the problem for good. The attempt is made chiefly to limit the alternatives to a manageable and economically feasible number.

## 5. Select the best alternative

In this step, the decision maker selects the alternative that will maximise the results in terms of existing objectives.

Fortunately, Peter Drucker has offered the following criteria for making the right choice among available alternatives:



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- **The risk:** The manager has to weigh the risks of each course of action against the expected gains.  
**Economy of effort:** The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one.
- **Timing:** If the situation has great urgency, the best alternative is the one that the decision maker finds fit.
- **Limitation of resources:** Physical, financial and human resources impose a limit on the choice of selection. If adequate resources are not currently available, the decision should be deferred.

#### 6. Implement and verify the decision

After making a decision, the manager must implement it. He must see whether it has worked out or not in practicality. In other words, he must seek feedback regarding the effectiveness of the implemented solutions.

#### 2.2.4 Guidelines for Making Effective Decision

This can be done if following factors are taken into consideration:

- **Categorical Interpretation:** At the very outset, it may be emphasized that logical decisions can be made if the real problem is interpreted and identified with in depth study and observation.
- **Application of Limiting Factor:** In choosing from among alternatives, the more a manager recognizes and solves for those factors, which are limiting and critical to the attainment of desired objectives, the more clearly and accurately he can select the most desirable alternative.
- **Adequate Information:** Information is the lifeblood of an organisation because all decisions are based on this. The more the quantity of reliable information, higher is the validity of decision.
- **Considering Others' Views:** While making a decision, it is desirable that all alternatives are considered before arriving at a decision.
- **Timeliness:** A decision, to be effective, must be made at proper time. A delay in decision-making may result into loss of opportunities in this fast-changing environment.

#### Check Your Progress 2

1. First step in the decision making process is \_\_\_\_\_ .
  - a. Awareness of the problem
  - b. Diagnose and State the Problem
  - c. Develop the alternatives
  - d. Evaluate the alternatives
2. \_\_\_\_\_ is the lifeblood of an organization because all decisions are based on this.
  - a. Alternatives
  - b. Information

- c. Finance
  - d. Efforts
3. A decision, to be effective, must be made at proper \_\_\_\_\_ .
- a. Place
  - b. Fund
  - c. Time
  - d. None of the above

### 2.2.5 Types of Decision

There are different type of decisions – strategic, tactical and operational; major and minor decisions, programmed and non-programmed decisions, simple and complex decisions, long run and short run decisions and individual and group decisions.

#### 1. Strategic, Tactical and Operational decisions

**Strategic decisions** are important which affect objectives, organisational goals and other important policy matters. These decisions affect the whole organization or major part of it. Any strategic decisions are non-repetitive in nature and needs careful analysis and evaluation of many alternatives. They are often complex and multidimensional. Strategic decisions involve large sums of money, has long term impact and usually taken by senior management.

**Tactical decisions** are about how to manage performance to achieve strategy. They are in clear boundaries. They may involve significant resources, have medium-term implications and taken by middle level managers.

**Operational decisions** are decisions related to routine activities follow rules of the organization. These decisions are supportive in nature and needs less analysis and concentration. They do not change or guide the direction of the organization. Operational decisions needs less resources, short term applications and taken by first line managers.

#### 2. Major and Minor decisions

Other name of major decisions is important decisions. They affect the whole organization and all various departments of the organization and are not repetitive in nature.

Minor decisions are unimportant decisions. Normally affect concerned departments only and taken by lower level of management.

#### 3. Programmed and Non-programmed decisions

Decisions based on company's budget or policy etc. are programmed decisions. They are made in response to repetitive or routine problems and situations. E.g. – Pay money back for wrong delivery – procedure and policy will decide – it is a programmed decision.

Non-repetitive, peculiar, complex, most important and unstructured problem decisions are non-programmed decisions. Downsizing the organization or shut down one office or branch are non-programmed decisions. They do not occur again and again in organization.

#### 4. Simple and Complex decisions

When very less number of factors are going to affect the decision, it is called simple decision. E.g. - sanctioning a leave to an employee for long time with family, may consider how much work is there in that time and who will manage it, - will be a simple decision.

When many variables affect the decisions, like growth of population, cost of living, market growth – is known as complex decision. Like company is planning to increase wages of workers, it will be affected by employee productivity, trade union influence, government policy etc.... than it's a complex decision.

#### 5. Long run decisions and short run decisions

Decisions affect long term plans and activities are called long term decisions. E.g. – New product launch, New retail outlet, joint venture

Decisions affect short term plans and activities are called short term decisions. E.g. – Discount Sale, sources of finance for working capital.

#### 6. Individual Vs. Group decisions

When an individual manager or employee take decision is called individual decisions. These decisions are routine, simple, repetitive and programmed decisions.

When a group take a decision, it is called group decision. E. g. team or committee decisions, non-programmed decisions, complex and strategic decisions.

#### Check Your Progress 3

1. Tactical decisions are important which affect objectives, organisational goals and other important policy matters.
  - a. True
  - b. False
2. Operational decisions are decisions related to routine activities follow rules of the organization.
  - a. True
  - b. False
3. Other name for minor decisions is important decisions.
  - a. True
  - b. False
4. When very less number of factors are going to affect the decision, it is called simple decision.
  - a. True
  - b. False
5. New product launch is an example of short term decision.
  - a. True
  - b. False

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## 2.4 Let Us Sum Up

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In this unit, you have learnt that decision-making is a mental process resulting in the selection of a course of action among several available alternatives. In decision making uncertainty will give lower choice and doubt related to objectives will make a good choice.

Decision-making has various characteristics connected like – goal, alternative, analysis, dynamic process, pervasiveness, continuity, demands time, efforts and money, integral part of planning and it human and social process.

Decision-making process has six different steps in its process: Awareness of the problem, dispose and state the problem, developing the alternatives, evaluate the alternatives, select the best alternative and lastly implement and verify the decision.

There are some important guidelines, which should also kept in mind for taking effective decisions. Unit has also covered different type of decisions, like - – strategic, tactical and operational; major and minor decisions, programmed and non-programmed decisions, simple and complex decisions, long run and short run decisions and individual and group decisions.

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## 2.5 Answers to Check Your Progress

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### Check Your Progress 1

1 – a , 2 – a

### Check Your Progress 2

1 – a, 2 – b, 3 – c

### Check Your Progress 3

1 – b, 2 – a, 3 – b , 4 – a, 5 – b

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## 2.6 Glossary

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**Decision-making :** It is a mental process resulting in the selection of a course of action among several available alternatives.

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## 2.7 Assignment

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Define decision-making. What are the steps involved in it? Discuss.

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## 2.8 Activities

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Meet two different type of managers or owners of business and ask them 1 or 2 examples of decisions connected with different type of decisions.

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## 2.9 Case Study

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In a small factory, the workers are very lazy and do not do their allotted jobs in the given time. The manager calls the supervisor and questions about weak performance of workers. The supervisor says the workers are bored with their jobs and salary dissatisfaction is another reason. Manager is disturbed, not able to decide what he should do?

This is what type of decision and here, what decision a manager should take? Think and answer.

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**2.10 Further Readings**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill
5. Management Theory and Practice (Text and Cases), P. Subba Rao, 2<sup>nd</sup> Revised Edition, Himalaya Publishing House

**: UNIT STRUCTURE :**

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#### 1.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- The Organising Process
  - Need and importance of Organising Structure
  - Principles of organising
  - Organisational Chart and factors affecting it
  - Classification of organisational structure
- 

#### 3.1 Introduction

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In the previous unit, you studied planning and forecasting, features, steps and approaches for planning process, importance and principles of planning. Further, you studied the types of plans, decision-making, its characteristics, steps and guidelines for effective decision-making with adequate examples. Both the cases employed effective and timely planning and decision-making.

In this unit, you are going to study organisation as a process of management. You will study organisational principles organisational chart and organisational structures, namely line, line and staff, functional, divisional, project, matrix and virtual organisational structures.

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#### 3.2 Organising Process

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Organising is the management function where in organisational resources are allocated and responsibilities are delegated in order to accomplish long-term organisational goals. It ensures efficient use of organisational resources. It is related with building up of a framework or structure of various interrelated parts. We can say that organising is a process consisting of a series of steps by which managers create a network of authority responsibility relationship. It helps people to work together (relate to one another) for a common objective.

##### 3.2.1 Meaning and Definition of Organising

Where two or more persons work together for achieving a common goal, their activities have to be organised. Organising is a process of integrating, coordinating and mobilising the activities of members of a group for seeking common goals. It implies establishment of working relationships, which is done by assigning activities and delegating authority.

A few definitions of organisation are given below:

“Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives”.-Alien

“As a process of combining the work which individuals or a group have to perform with the facilities necessary for its execution, that the duties so performed provides the best channel for the efficient, systematic, positive and coordinated application of available efforts.”-Oliver

“Organising involves the establishment of an internal structure of roles, by identifying and listing the activities required to achieve the purpose of a enterprise, the grouping of these activities, the assignment of such group of activities to manager, the delegation of authority to carry out and provision for coordination of authority relationship horizontally and vertically in the organisation structure.”-Koontz and O'Donnell

It is evident that the term organisation has been used as a process and as a structure. Organising a process involves many stages. When the stages are completed, a formal structure comes into existence, known as organisational structure.

### 3.2.2 Characteristics of Organising

- Organising is one of the basic and important elements or functions of management. To get things done by others, a manager has to organise their activities
- It is a goal-oriented process. It is only to achieve certain goals that the process of organising is conducted. The structure of an organisation is designed so as to facilitate performance of large number of activities.
- The organising process primarily deals with group efforts, which are made to achieve common goals.
- Organising is based on the principle of division of work and specialisation.
- It involves the processes of differentiation or division of activities and integration of activities by grouping them.
- The process of organising aims at interrelating, mobilising and coordinating the activities of employees.
- It establishes authority relationship of superior and subordinate among the employees by assigning the activities and delegating adequate authority to them.
- It has two basic components or dimensions, namely authority structure, which is created by delegation of authority from top to lower level and the activity structure, which is created by dividing activities into jobs and tasks, grouping them and then assigning them to the various department or individuals.

### 3.2.3 Process of Organising

Organising as a process can be described as follows:

- **Identification of Activities:** At the first stage of organising, the manager identifies those activities, which are necessary for achieving common goals. The common goals of organisation provide the basis for determining and identifying the activities.



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- **Division of Activities:** Once the activities have been identified, they are divided and subdivided into jobs and small tasks known as elements of activities.
- **Grouping of Activities:** After division into small elements known as tasks, the closely related ones having similarity may be grouped to form a department.
- **Assignment of Group Activities:** Once activities are classified into groups, they are assigned to the specific department or an individual.
- **Granting Necessary Authority:** Groups of activities are assigned to various departments and individual employee's demands to grant adequate authority to them are considered.
- **Coordinating the Functioning of Various Departments:** In the process of organising, attempts are made to coordinate each small element or task with departmental activities. Further, the functioning of each department is coordinated to achieve common goals.

After completing the above-mentioned stages involved in the process of organising, it results in the creation of a structure known as organisational structure.

### 3.2.4 Need and Importance of Organising

The need and importance of organising and organisational structure can be understood on the basis of following points:

- Sound organisational structure facilitates effective management.
- The whole process of organising helps in co-ordinating various jobs in the department or division and by relating them to departmental work.
- Logical and clear-cut division of work and delegation of authority among the various members leads to many benefits.
- The sub-processes, differentiation and integration may directly affect operating results of the enterprise. If both the processes are conducted in a proper manner, overall organisational efficiency tends to increase.
- Creation of organisational structure also necessitates delegation of authority among various managerial positions. Decentralised organisational structure encourages prompt decision-making and efficient control.
- The organisational structure provides the basis and framework to the manager, which enables him to cope with the changing environment.
- The structure of an organisation facilitates formal communication through line of authority, established from top to lower levels.
- Creation of staff units in the activity structure of the organisation broaden the span of control of the manager and help him in discharging his responsibility in a more efficient manner.
- Organising virtually means order and discipline both in respect of working behaviour of the employees and their role and relationship.
- Highly de-centralised structure of an organisation may have a strong influence on development of managers as delegation of authority to

lower level managers provides opportunity to them for making decisions and exercising administrative authority.

### 3.2.5 Principles of Organising

Introduction of organisation refers to those well-established and accepted general statements, which are used in the process of organising to prepare a sound organisational structure. These principles serve as general guidelines for managers for evolving sound and more effective pattern of relationship in designing the organisation. Most of these principles have classical flavour; early management writers, including F. W. Taylor, Henri Fayol, Lyndall, Urwick and others have developed them. With the passage of time, these principles have been refined and extended by many modern management scientists to make them more efficacious and relevant in the modern context. Some of these principles are outlined below.

1. **Principle of Division of Labour:** This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.
2. **Principle of Functional Definition:** In order to discharge assumed responsibility by completing the job assigned to the employee, he has to perform many functions. According to this principle, the functions to be performed by an individual employee or by a department must be well-defined.
3. **Principle of Scalar Chain:** This principle is known as scalar chain or line of authority or chain of command. It states that there exists an unbroken line of authority or scalar chain from the top to the lowest level.
4. **Principle of Span of Control:** This principle refers to the number of subordinates to be placed under the command of the manager so that he can manage their work efficiently.
5. **Principle of Unity of Command:** The principle of unity of command implies oneness of command and single source of authority over a subordinate.
6. **Principle of Objective:** The organisation and each of its components or sub-systems should be directed towards the accomplishment of pre-determined objectives.
7. **Principle of Balance:** According to this principle, all techniques and principles applied to particular structure of the organisation must be properly balanced to ensure that one principle does not contradict with another or benefits of one are not countered by the benefits of the other.
8. **Principle of Flexibility:** It suggests that the structure of an organisation should be designed to permit growth and diversification.
9. **Principle of Absoluteness of Responsibility:** According to this principle, responsibility once assumed by the manager cannot be shifted to subordinates.

10. **Principle of Delegation by Result Expected:** For creating the structure of an organisation, authority should be delegated in such a way as to clarify performance expectations in terms of cost, volume, time and efforts.
11. **Principle of Parity between Authority and Responsibility:** The principle suggests that there should be complete balance or parity between authority and responsibility; only that much authority should be delegated which is needed for carrying out the assigned job.
12. **Principle of Efficiency:** According to this principle, the organisational structure should be designed in such a way as to facilitate efficient accomplishment of objectives.
13. **Principle of Continuity:** The principle of continuity states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.
14. **Principle of Cooperation:** According-to this principle, an organisation is considered as teamwork aimed at achieving objectives. Therefore, all members should perform the assigned work in co-operation with each other.

### 3.2.6 Span of Management

Span of management is a way in which many people in an organisation are controlled and managed by single officer. It can be further called as:

- span of management
- span of authority
- span of supervision
- span of authority
- span of responsibility
- levels of organisation

Such principle depends upon principle of relationship. In this number of members can be more or less as per nature of work done by subordinate or ability of supervision. In working domain with one head, nearly about four to five subordinates tends to work.

#### Check your progress 1

1. This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.
  - a. Principle of division of labour.
  - b. Principle of Efficiency.
  - c. Principle of Cooperation.
  - d. Principle of Continuity.
2. This principle states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.

- a. Principle of Continuity.
- b. Principle of Efficiency.
- c. Principle of Cooperation.
- d. Principle of direction.

### 3.3 Organisational Chart

An organisational chart (often called organisation chart/ org chart/ organigram/ organogram) is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs. The term is also used for similar diagrams, for example ones showing the different elements of a field of knowledge or a group of languages.

An organisational chart of a company usually shows the managers and sub-workers who make up an organisation. It also shows the relationships between directors: managing director, chief executive officer and various departments. In many large companies, the organisation chart can be large and incredibly complicated and is therefore sometimes dissected into smaller charts for each individual department within the organisation.

The following is an example of a simple hierarchical organisational chart. In this chart, a ‘line relationship’ (or line of command in military relationships) exists between the Manager and the two Supervisors. These two colonels are directly responsible to the General. Similarly, a ‘lateral relationship’ in this chart exists between “Private A” and “Private B”, who both work on level and both report to the “Sergeant B”.

Various shapes such as rectangles, squares, triangles, circles, etc. can be used to indicate different roles. Colour can be used for shaping the borders and connection lines to indicate differences in authority and responsibility and formal, advisory and informal links between people. A department or position yet to be created or currently vacant might be shown as a shape with a dotted outline. Importance of the position may be shown both with a change in size of the shape in addition to its vertical placement on the chart.

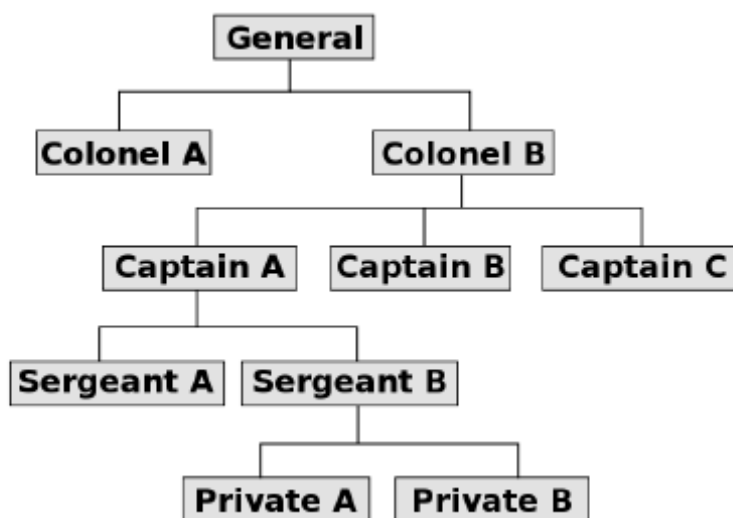


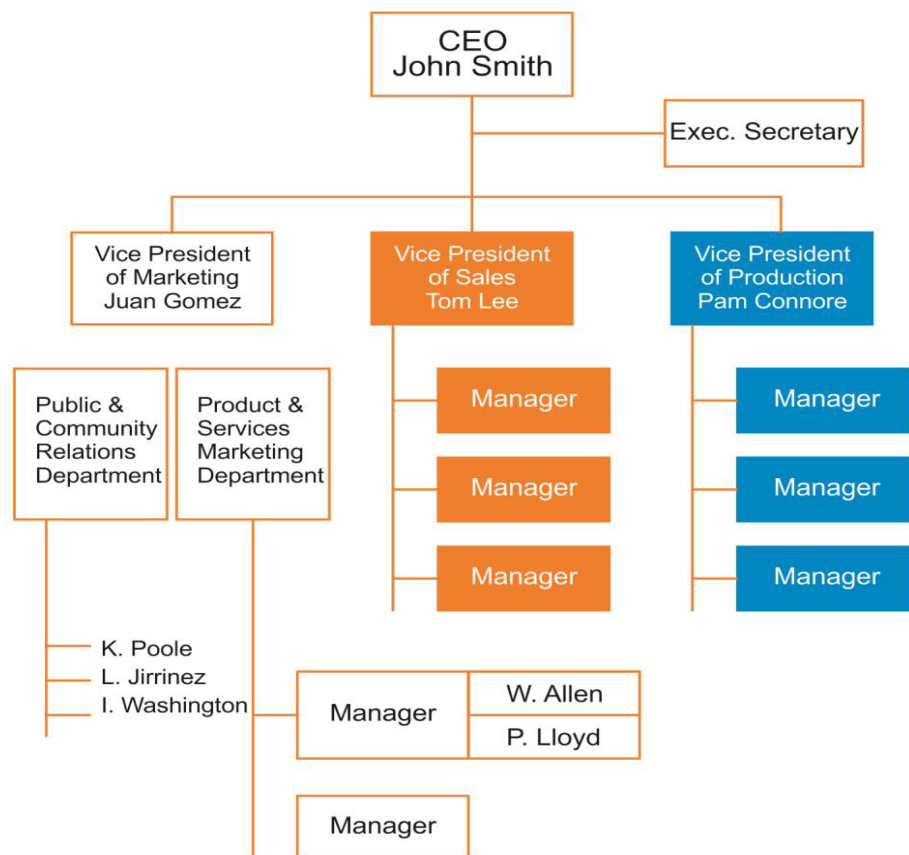
Fig 3.1 A sample Organisational Chart

Dale has considered organisational chart “as a diagram of formal authority structure.” But this definition virtually ignores the horizontal dimension of an organisation. Terry has forwarded a more suitable definition of organisational charts. In his words, “organisational chart is a diagrammatical form which shows important sets of an organisation, including the major functions and their respective relationship and the relative authority of each employee, who is in charge of each respective function.”

### 3.3.1 Types of Organisational Charts

The structure of an organisation can be graphically presented in the following manner:

- **Vertical chart:**

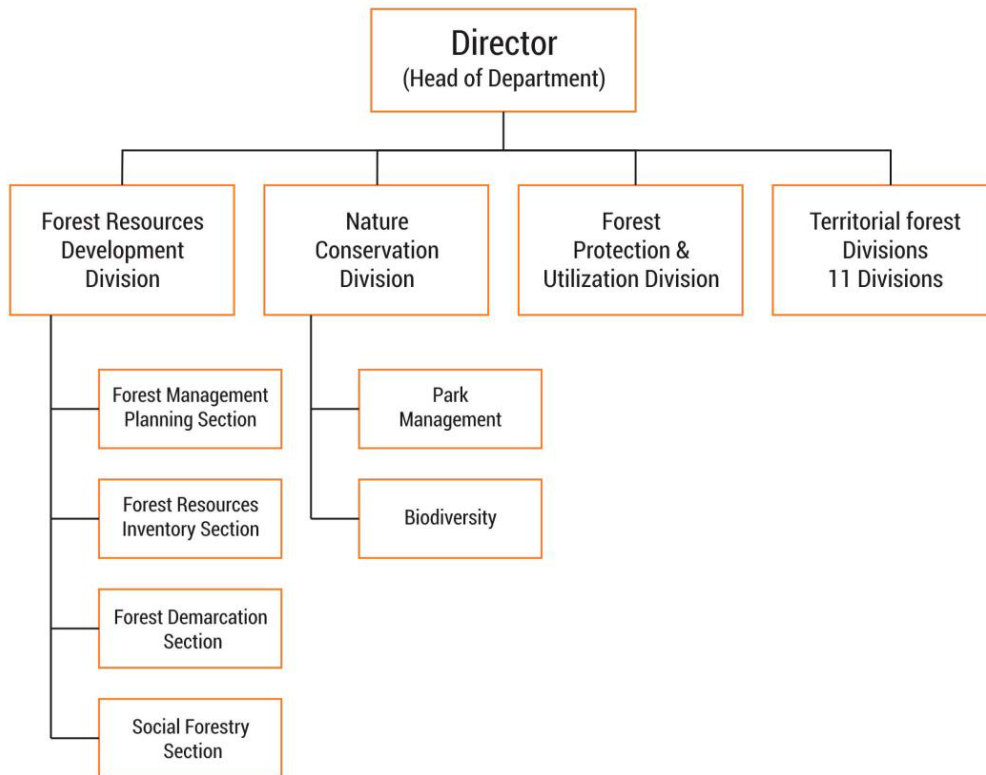


**Fig. 3.2 A Vertical organisation chart**

This is the conservative way of preparing the organisational chart. It indicates the position of chief executive on the top, to which succeeding managerial positions are attached. As the chain of command action goes down, at every following stage, contents of authority tend to decrease. Vertical charts take the shape of a pyramid with fewer managerial positions on the higher side and more positions on the lower sides.

➤ **Horizontal chart:**  
**Organisation of Forest Department**

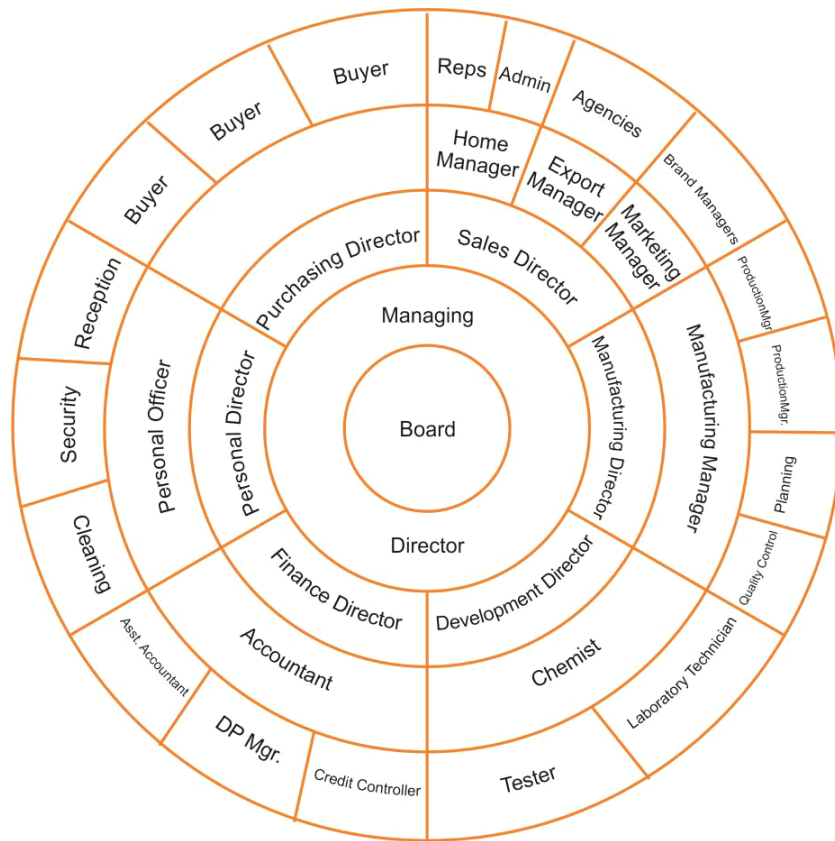
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**Fig 3.3 Horizontal organisational chart**

There is just a slight distinction between vertical and horizontal charts. Firstly, the pyramid line remains in horizontal position in place of the vertical position. Second, the line of authority begins from left to right in the horizontal chart. The position of chief executive lies on acute left side and as it moves to right side, it represents lower level of managerial chain of command. Since horizontal charts do not serve any extra purpose except complicating the diagram, they are less common in practice.

➤ **Circular chart:**



**Fig 3.4 Circular organisational chart**

The circular chart or concentric chart indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles. As beside top position, the lowest managerial position lies on the outermost circle. Circular charts plainly show scope of each manager's responsibility and authority and remove status implications which are inbuilt from top to lower levels. It takes less space for presenting different managerial positions. But it is plagued with a weakness; it is very difficult to draw it and it officially creates a lot of confusion regarding managerial positions.

**3.3.2 Contents of Chart**

The detail of content present in organisational chart includes:

- Governance
- Operating Rules of an organisation
- Distribution of work

**Governance**

It is the basic element in an organisational structure where initially some person or group takes decisions in it

**Operation rules of an organisation**

It carries certain rule by which an organisation works. There are certain rules which are open while others are implied and understood.

### Distribution of work

In an organisation, the distribution of work can be formal or informal, temporary or enduring with certain division of labor. There are four tasks which is main for any group:

- Envisioning desired changes.
- Transforming the community.
- Planning for integration.
- Supporting efforts of working so to promote change.

### 3.3.3 Uses

Organisation charts can be of use to an organisation in:

- Building and designing organisation structure to fulfill business objectives.
- Guiding employees about the knowledge related to their rights and responsibilities.
- Dividing the functions of a company, enterprise or department.
- Show relationships which appear among organisation staff members.
- Judging the officers workload.
- Locating unrelated persons having no relationship.
- Determining employee position based on competency.
- Clarity inside an organisation.
- Improving employee performance.
- Understanding and coordinating of organisation.
- Determining promotion channels.

### 3.3.3 Limitations

The organisational chart has certain limitations such as:

In this not every communication channel is formal.

It is difficult to keep track of changes which are responsible in maintaining an organisational chart.

### 3.3.4 Factors Affecting Organisational Chart

Various factors determine the effectiveness of an organisation structure. These are organisation's environment, strategy, technology, size and people.

- **Environment:** An organisation is a system, which works within a broader framework of an environment. Though the boundary between the organisation and its environment cannot be exact and definite, for all practical purposes, such boundary can be identified. The organisation interacts continuously with its environment. It is affected by environment and it affects the environment. In this interaction, the environment determines the various organisational processes including its structure. The environmental system concept regards the organisation as a part of the environment- the environmental system.



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- **Strategy:** There is a close relationship between an organisation's strategy and its structure. The understanding of this relationship is important so that in implementing the strategy, the organisation structure is designed according to the needs of the strategy. The relationship between strategy and structure can be thought in terms of utilising structure for strategy implementation because structure is a means to an end and not an end in itself.
- **Technology:** Technology is another factor affecting organisation structure. Though technology is one of the components of organisational environment, it should be studied separately because technology directly affects the task structure. Before analysing the impact of technology on the organisational functioning, it is imperative to understand the nature of technology as relevant to the organisations.
- **Size:** The issue of organisational size has been a compelling one in organisational analysis, though most organisation theorists have hardly visualised size as an important factor. This is so because of diverse research findings on the relationship between an organisation's size and its structure.
- Theoretical proposition suggests that size of an organisation influences its coordination, direction, control and reporting systems and, hence, the organisation structure. When an organisation is small, interaction is confined to a relatively small group, communication is simpler, less information is required for decision-making and there is less need for formal structure.
- **People:** The organisational structure is the result of conscious actions on the part of people engaged in the organisation. As such, the form of organisation structure is expected to reflect the thinking and way of working of its framers and participants. The form of organisation is a major source of satisfaction or dissatisfaction for the people. Moreover, the structure is the result of the personality of its framers.

Thus to arrive at appropriate structure, the forces in people may be analysed. Such analysis may be in two ways: people in superior capacity and people in subordinate capacity.

**Check your progress 2**

1. A \_\_\_\_\_ is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs.
  - a. Organisational Chart.
  - b. Chart.
  - c. Diagram.
  - d. Organisational Diagram

2. \_\_\_\_\_ indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles.
- Circular Chart.
  - Vertical Chart.
  - Horizontal Chart.
  - None of the above.

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### 3.4 Organisation Structure

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The structure of an organisation is a network of authority and responsibility assumed by and delegated to the employees. Organisational structure defines the pattern of formal relationship between superiors and subordinates. It may also be regarded as a network of role, relationship, assigned work and delegated authority to employees. It provides the basis on which the managers and non-managerial employees perform the job assigned to them.

The structure of the organisation has two components or dimensions, namely authority structure, which comes into existence by delegating authority from top to lower levels and activity structure, which is created by dividing activities, grouping them and assigning them to the various departments or individuals. It has a pyramid shape.

#### 3.4.1 Classification of Organisational Structure

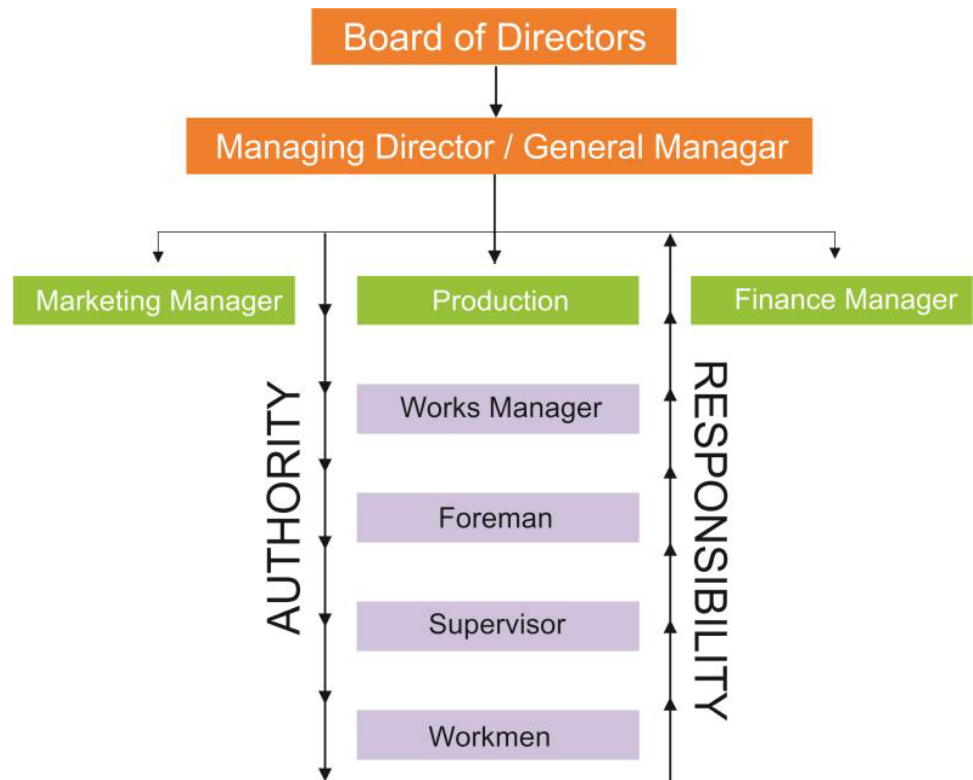
Various activities are grouped together to create departments and units and their relationships in the organisation is thus prescribed. On the basis of this, the organisational structure is classified. Thus, there are seven types of organisation structure:

- Line
- Line and staff
- Functional
- Divisional
- Project
- Matrix
- Free-form (virtual organisation)

Each of these emphasises different arrangements of organisational activities. Some of these are designed on mechanistic pattern, for example, line, line and staff structures; some are designed on organic or dynamic pattern, for example, matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for example, functional, divisional, etc. some emerge because of overlays denoting superimposition of one element over another, for example, matrix structure. Besides the basic organisation structure organisations may create committees taking personnel from different departments where the processes are quite different as compared to a department.

### 3.4.2 Line Organisation Structure

It is the oldest organisational structure which is commonly related as scalar, military or vertical structure. With this concept, it is narrated that in any organisation or hierarchy which is obtained from scalar process, there exists one top head that will run and command the structure. Moreover it is clear that executives in an organisation will also have power to delegate work and holds responsible for output.



**Fig 3.5 Line Organisation Structure**

It is found that a line organisation can be arranged as:

1. **Pure Line Organisation:** In this, similar work is carried out at particular level. Here every group of activities is an independent unit which works for an allocated activity without the help of others.
2. **Departmental Line Organisation:** In this, complete work is shared among various departments as per the commonness of activities. Here each department is kept under individual departmental head. The idea of this is to get specific control, power and liability.

#### **Characteristics of Line Organisation:**

Line organisation structure has following characteristics:

- Lines of influence and instructions are vertical, i.e. they flow from the top to the bottom.
- The unity of command is maintained in a straight and constant line. It implies that each junior receives instructions from his immediate superior alone and is responsible to him only.
- All people at the same level of organisation are self-governing. It im-

plies that all the departmental heads are highest in their respective areas and self-regulating and are responsible to the chief executive. This applies to all other positions also.

- This structure specifies responsibility and authority for all the positions limiting the area of action by a particular position holder.

### Merits of Line Organisation

Line organisation structure has following merits or advantages.

1. **Simplicity:** This organisation is quite simple in both understanding and implementation.
2. **Discipline:** Since each position is subject to control by its immediate superior position, often the maintenance of discipline is easy.
3. **Prompt Decision:** Most of the decisions in such organisations are taken by the superiors concerned. This makes the decision-making process easier and less time-consuming.
4. **Orderly Communication:** Line organisation follows scalar chain method of communication.
5. **Easy Supervision and Control:** The line organisation provides for easy supervision and control because each subordinate is controlled by a single superior.
6. **Economical:** The line organisation is quite economical because it does not use staff specialists whose appointment is a costly affair specially for small organisations.
7. **Overall Development of the Managers:** Various functions of managers lead to the overall development of the managers concerned.

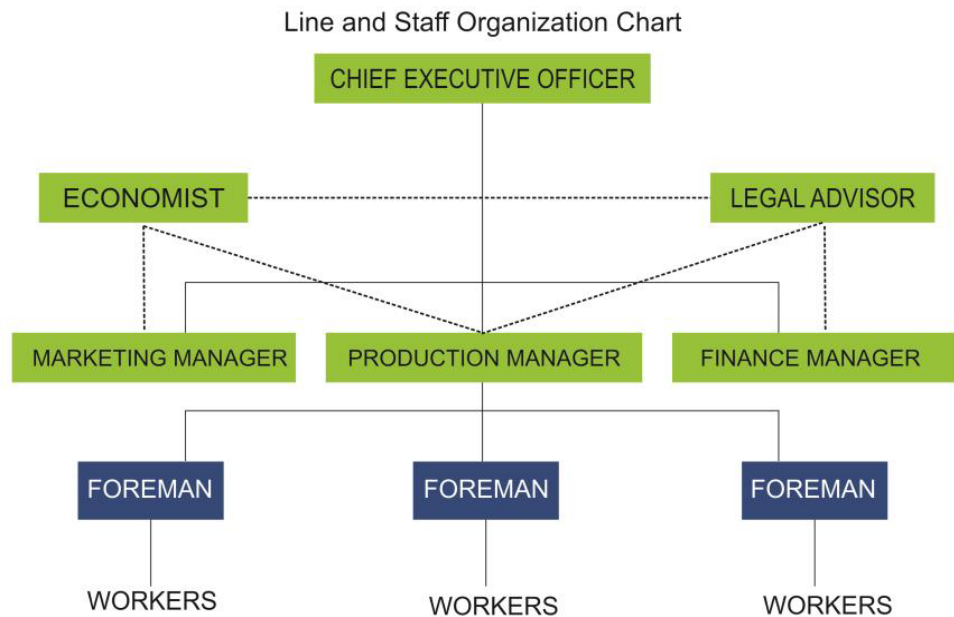
### Demerits of Line Organisation

Line organisations offer many problems and limitations, which are as follows:

1. **Lack of Specialisation:** The line organisation does not offer scope for specialisation. A manager has to perform a variety of functions, which may not necessarily be closely interrelated.
2. **Absence of Conceptual Thinking:** The managers in this system do not find time for conceptual thinking so essential for organisational growth and development because they remain quite busy in their day-to-day managerial problems.
3. **Autocratic Approach:** The line organisation is based upon autocratic approach of authority being direct, demands high level of obedience on the part of the subordinates.
4. **Problems of Coordination:** Coordination among various activities and the departments is achieved through horizontal relationship, whereas the line organisation stresses only on vertical relationship. Thus, there is acute problem of coordination, particularly in a large organisation.

### 3.4.3 Line and Staff Organisation Structure

This structure relates to certain arrangement where staff experts advise their line managers to carry out particular task. On increasing work of an executive, its performance will effect and service of specialists cannot able to give as of restricted capabilities. This type of advice is required to deliver to line managers by staffs personal which are normally specialists in their own fields. The staffpositions or departments are of purely advisory nature. They have the right to rec-ommend, but have no authority to enforce their preference on other departments.



**Fig 3.6 Line and Staff Organisation Structure**

#### Merits of Line and Staff Organisation

As against line organisation structure, line and staff structure offers the following advantages:

1. **Planned Specialisation:** The line and staff structure is based upon the principle of specialisation. The line managers are responsible for operations contributing directly to the achievement of organisational objectives whereas staff people are there to provide expert advice on the matters of their concerns.
2. **Quality Decisions:** The quality of the decision derived is superior as the decision is the product of careful thought and systematic analysis.
3. **Prospect for Personal Growth:** The system of organising offers ample prospect for efficient personnel to grow in the organisation.

#### Demerits of Line and Staff Organisation

The line and staff structure suffers from some limitations, which particularly become acute when it is not implemented properly. Following are some basic problems and limitations:

1. **Lack of Well-defined Authority:** It becomes difficult to differentiate clearly between line and staff because, in actual practice, the authority is often diffused.
2. **Line and Staff Conflicts:** The main problem of line and staff structure is the conflicts between line and staff managers. Such conflicts may be because of various reasons and sometimes the organisational conflicts may be taken as personal conflicts resulting in interpersonal problems.

#### 3.4.4 Functional Organisation Structure

Functional organisation structure is the most widely used in the medium and large organisations having a limited number of products. This structure emerges from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is created by grouping the activities on the basis of functions required for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The basic or major functions are essential for the organisation.

For example, in a manufacturing organisation, production and marketing are basic functions. When departments are created based on basic functions and a manager feels that his span of management is too wide to manage effectively, which invariably happens in large organisations, several departments are created on the basis of dividing a basic function into sub-functions.

Marketing may be subdivided into marketing research, advertising, sales and so on.

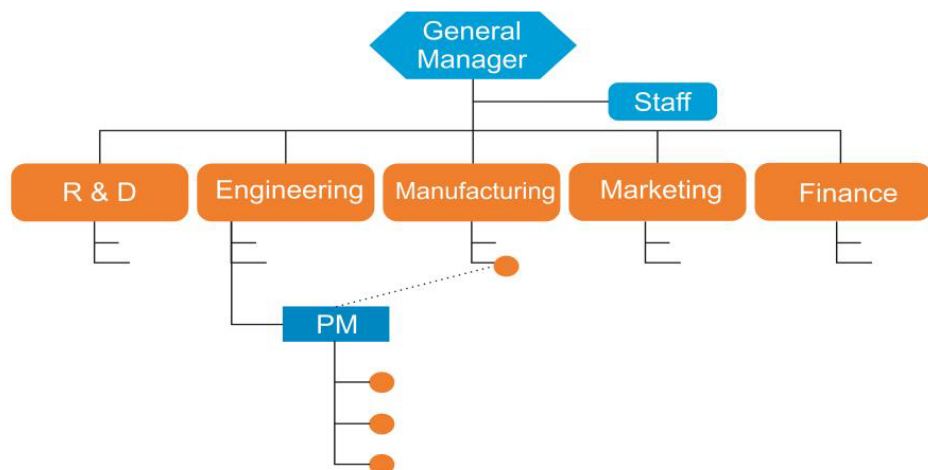
#### Characteristics of Functional Organisation

Authority relationships in functional structure may be in the form of line/staff and functional. In fact, the concept of functional authority is very appropriate for functional structure. Thus, functional structure is characterised by the following:

- Specialisation by functions
- Emphasis on sub-goals
- Pyramidal growth of the organisation
- Line and staff division
- Functional authority relationships among various departments
- Limited span of management and tall structure

The organisation chart of functional structure is presented in Figure 2.7:

## Functional Organization Structure



**Fig 3.7 Functional Organisation Structure**

### Problems in Functional Structure

The functional structure is not suitable to an organisation, which takes up diversification. New activity may be quite different from the activities being performed by the organisation.

Thus, diversification cannot be managed properly within the context of functional structure. At least at some level, there may be violation of functional structure.

In such a situation, functional structure presents following problems:

- Responsibility for ultimate performance cannot be fixed in the functional structure because no one is responsible for product cost and profit. Each department focuses on its contribution to the product, but not the entire product.
- Functional structure essentially generates slow decision-making process because the problem requiring a decision has to go to various departments as all of them have something to say on the matter.
- Functional structure lacks responsiveness necessary to cope up with new and rapidly changing work requirements.
- Functional structure offers usually line and staff conflict and interdepartmental conflict. The heightened degree of such a conflict becomes detrimental to organisational efficiency.

### 3.4.5 Divisional Organisation Structure

The second basic structural form employed by organisations is the divisional structure. In India, many companies have diversified into unrelated businesses and have found functional structure quite unsuitable for them. For example, companies like D.C.M. Limited, Voltas Limited, Century Spinning Mills, Gwalior Rayon, etc., have adopted the divisional structure.

Divisional structure, also called profit decentralization by Newman and oth-

ers is built around business units. In this form, the organisation is divided into several autonomous units. Each unit is headed by a manager who is responsible for the organisation's investment in facilities, capital and people as well as for unit's development and performance.

Divisional structure is similar to dividing an organisation into several smaller organisations but it is not quite the same, since each smaller organisation is not completely independent. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

### **Basis of Divisional Organisation**

There are different bases on which various divisions in an organisation can be created. The two traditional bases are product and territory.

**Product Divisional Organisation:** In this form, each major product or product line is organised as a separate unit. Each unit has its own functional structure for various activities necessary for the product. Multi-product organisations use this as basis for divisional organisation. This is appropriate specially when each product is relatively complex and large amount of capital is required for each product. The product requires different type of efforts as compared to others in terms of marketing and/or production.

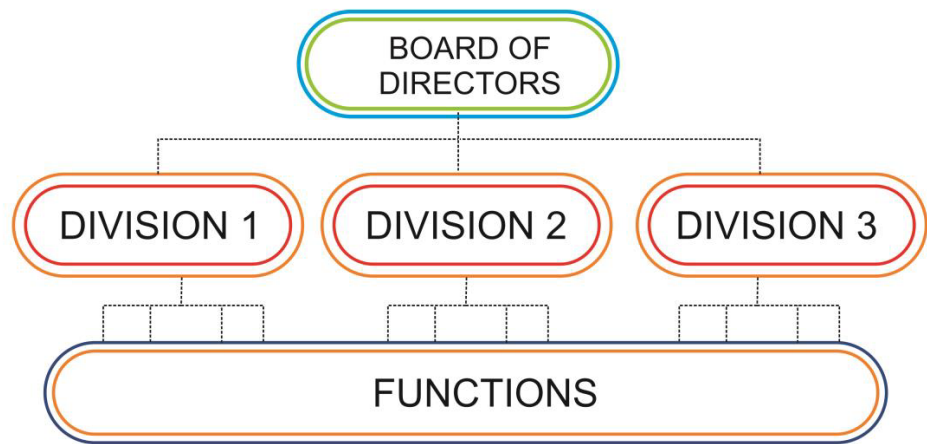
For example, Century Mills has separate divisions for textiles, cement and shipping. Reliance Industries Limited has six product divisions: textiles, polyester, fibre intermediates, polymers, chemical and oil and gas. Each division caters to different customers and has different types of competition.

**Territorial Divisional Organisation:** Under this form, location of regional offices is standalone units having its own functional departments which work under certain policies and guidelines given by corporate management. This is useful for those organisations whose activities are geographically spread such as banking, transport, insurance, etc.

For example, Life Insurance Corporation of India runs its life insurance business on the basis of territorial divisional organisation in which the entire geographical area of the country has been divided into five zones- eastern, central, northern, southern and western. Each zone has further been divided into appropriate number of divisions, e.g. north-zone into four divisions located at Jalandhar, Chandigarh, New Delhi and Ajmer.

Each division has a number of branches at different places covered by the division concerned.





**Fig 3.8 Divisional Organisation Structure**

### **Problems in Division Structure**

There are certain disadvantages and problems of divisional structure. Some of these problems are inherent in the system while others emerge because of wrong approach of management. Following are the major shortcomings of divisional structure.

- Divisional structure is quite costly because all the facilities have to be arranged for each division.

Since there is lack of emphasis of functional specialisation, many professionals do not feel satisfied with this structure.

- Often there is a lack of managerial personnel when a new division is opened because managers working within a division cannot work with same efficiency in other division, as they must have acquired the technical competence of that division.
- Control system is a major problem of the divisional organisation.

Many of these problems can be overcome through sharp focus on tasks and responsibilities of corporate and divisional management, measurement of performance of divisions, long-term policy for performance and incentives, creating more autonomy and decentralization of authority and the explicit strategies for both the organisations as a whole and its various divisions.

### **3.4.6 Project Organisation Structure**

Major reforms in the traditional functional structure have come from a group of related structures such as project management. The basic idea behind this structure is that since environment changes very rapidly, the organisation must take up various activities on project basis, i.e. adding the required ones and deleting the unnecessary ones. Thus, the organisation can be organic-adaptive one.

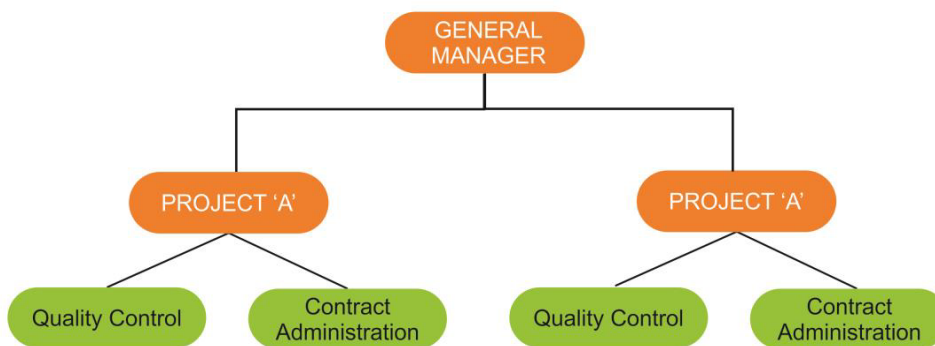
The project work can be managed in two forms of organisation: pure project organisation and matrix organisation.

The pure project organisation is suitable for taking small number of larger projects with long duration so that a separate division can be created for each project.

Project organisation appears like divisional structure except that in the latter, various divisions are created on permanent basis while in the former, they are created only for the lifetime of a project. When a particular project is completed, the concerned division may disappear. However, since a project may continue for quite long time, a project may become a sort of permanent.

For example, Middleton observes, “A project organisation can also be the beginning of an organisation cycle. The project may become a long term or permanent effort that eventually becomes a programme or branch organisation. The latter, in turn, may become separated from the parent organisation and be established as a full-fledged division, functionally organised.”

The establishment of project organisation calls for appointment of a project manager who is responsible for the completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done and how much resources are required. The functional personnel are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, project manager is a unifying and focal point for the project activities.



**Fig 3.9 Project Organisation Structure**

A project manager really does not have vertical authority on the personnel drawn from various functional departments unlike a divisional manager who has line authority over the people working in various functional departments assigned to his division. In the absence of any vertical authority, the project manager must convince the functional people so that they help him to complete the project within time.

**Problems in Project Organisation**

In fact, many of the flexibilities of project organisation may turn into problems if arrangement is not made for overcoming these problems. A project manager has to face unusual problems resulting from the project management. Following problems are usually experienced in project organisation.

- Project organisation creates feelings of insecurity and uncertainty among people in the organisation.

People are not able to identify themselves with any particular department in the organisation because they do not have permanent tenure with any project.

- There is lack of clarity among members about their role in the organisation.
- Often project manager faces numerous problems because he has to carry responsibility without authority.

These problems are real and a challenge lies before the project manager. If he believes in traditional system of organisation, he may not be able to work. He has to change the total philosophy of managing.

### **3.4.7 Matrix Organisation Structure**

Matrix organisation structure is essentially a violation of unity of command and therefore, all the classical concepts related to the principle of unity of command are violated. Matrix structure is the realisation of two-dimensional structure, which emanates directly from two dimensions of authority. Two complementary structures- pure project structure and functional structure- are merged to create the matrix structure.

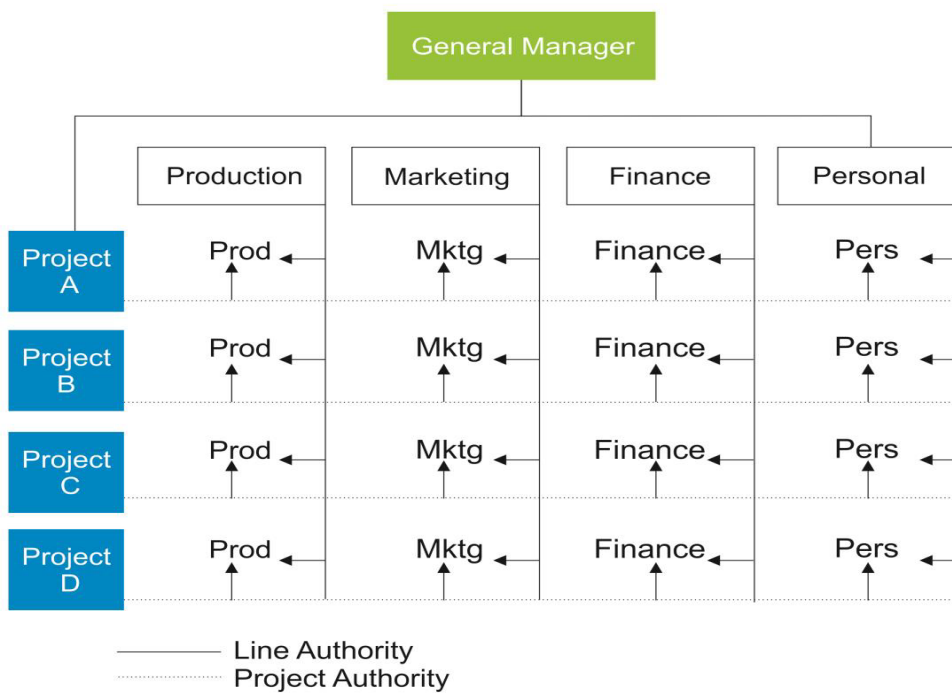
Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour. Thus, it shows many organisational overlaps, not only in terms of command system but also in terms of complete organisational processes and behaviour.

#### **Design of Matrix Structure**

In the matrix organisation structure, a project manager is appointed to coordinate the activities of the project. Personnel are drawn from their respective functional departments. Upon completion of the project, these people may return to their original departments for further assignment.

Thus, each functional staff has two bosses- his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project. Thus, a subordinate in matrix structure may receive instructions from two bosses.

Therefore, he must coordinate the instructions received from two or even more bosses. Similarly, matrix superior has to share the facilities with others. He reports in a direct line to the up, but does not have a complete line of command below.



**Fig 3.10 Matrix Organisation Structure**

### Problems in Matrix Structure

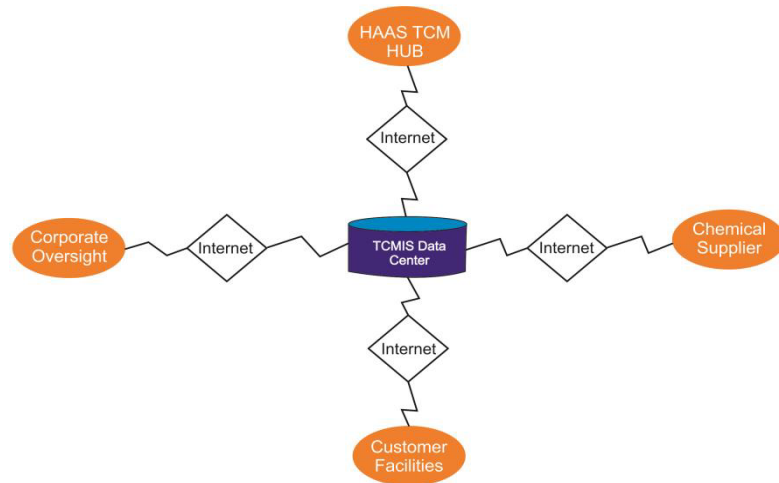
The matrix structure has many problems in practice because of its flexibility. The major problems of matrix structure are as follows and managers should take adequate precautions to overcome these.

- There is always power struggle in matrix structure.
- Matrix structure can develop anarchy if not managed properly.
- This structure may not work very well when there is economic crunch. If matrix organisation is not followed properly, there is delay in decision-making.
- At the initial level, matrix structure becomes quite costly because of top heavy management.

A perusal of the various problems suggests that many of these problems arise because of faulty implementation of matrix structure. If it is implemented with proper perspective, many problems will disappear. As it has been pointed out in the beginning, the matrix is not merely a structure but it includes systems, culture and behaviour, which must be in accordance with matrix philosophy.

### 3.4.8 Virtual Organisation

The concept of virtual organisation or corporation along with virtual team and office has entered management field very recently. The literal meaning of virtual organisation is having the efficacy without the material part, unreal but capable of being considered as real for the purpose. Based on this concept, virtual corporation has been defined as “a temporary alliance between two or more organisations that band together to undertake a specified venture.” Recently, in telecommunication sector in India, many virtual organisations have been created to provide different services.



## Virtual organization through IT Integration

**Fig 3.11 Virtual Organisation**

### **Characteristics of Virtual Organisation**

Business Week has identified five basic features of a virtual organisation, which are as follows:

1. **Technology:** Informational networks will provide far-flung companies and entrepreneurs to link up work together from start to finish. The partnerships will be based on electronic contracts to keep the lawyers away and speed the linkups.
2. **Opportunism:** Partnerships will be less permanent, less formal and more opportunistic. Companies will bond together to meet a specific market opportunity and, more often than not, fall apart once the need evaporates.
3. **Excellence:** Because each partner brings its core competence to the effort, it may be possible to create a best-of-everything organisation. Every function and process could be world class- something that no single company could achieve.
4. **Trust:** These relationships make companies far more reliant on each other and require far more trust than even before. They will share a sense of co-destiny, meaning that the fate of each partner is dependent on other.
5. **No Borders:** The new corporate model redefines the traditional boundaries of the company. More cooperation among competitors, suppliers and customers makes it harder to determine where one company ends and another begins.

### **Reasons for Virtual Organisation**

The basic reason behind creating a virtual organisation is to generate synergy through temporary alliances. Creating synergy is the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This effect can be described as  $2 + 2 = 5$  ef-

fect. The synergistic effect is generated in virtual organisation because of the complementarity of competences of different partners. Some companies can do something very well but struggle with most others. Other companies can do very well in those areas in which the first group of companies feels handicapped. If both these types of companies put their efforts jointly to undertake any project, their combined strengths could lead much better results than what individual companies could have achieved separately.

### Check your progress 3

1. Identify the organisation structure
  - a. Matrix
  - b. Rectangle
  - c. Triangle
  - d. square
2. Simplicity is the part of merits of the line organisation.
  - a. True
  - b. False

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## 3.5 Informal Organisation

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### 3.5.1 Meaning

Informal organisation endures as a relationship which survives between people in an organisation as per their attitudes, emotions, prejudices, likes and dislikes etc. Such type of relation does not exist as per the standards and processing rules which occurs in a formal organisation. Normally, it is seen that a large formal groups will give rise to small informal groups that are not planned earlier but will originate automatically in an organisation.

### 3.5.2 Characteristics

The characteristics of an informal organisation are:

- An informal organisation is flexible and unplanned depending on its structure.
- It carries no defined relationship.
- It carries two or more than two people.
- There exists a natural relationship.
- It carries volunteerised membership.
- In this, there is no compulsion of groups as people have right to join any numbers of groups at the same time.

### 3.5.3 Importance

The importance of informal organisation in terms of Employees is:

- Sense of Belonging
- Safety valve for emotional problems
- Aid on the Job
- Innovation and Originality

- Important Channel of Communication
- Social Control

### 3.5.4 Limitations

- In an informal organisation, people sometimes conveyed wrong things to other person that result in horrible results.
- In such type of organisation, the changes are resisted and stress occurs when olden procedures are adopted.
- With negative thinking of leaders, the personal interest satisfies group interests then such organisation tends to function against formal organisational goals that could be dangerous.
- In this, when role in a group differs from formal goals then under such members conflict occurs in formal and informal roles.

### 3.5.5 Difference between Formal and Informal Organisation

Formal organisation	Informal organisation
It has defined objective that will save organisation and make it stable.	It does not have objectives but inspires of friendship, fame, respect, unity.
It is established with particular process.	It appears spontaneously.
In this the members are bound together with authority relation.	In this the member has duty, authority and responsibility.
It can be shown in an organisational chart.	It cannot be shown in an organisational chart.
In this the work for achieving organisational goal are identified.	In this the work for achieving organisational goal are not identified.

### Check your progress 4

1. \_\_\_\_\_ is an example of informal communication in an organisation?
  - a. Organisation chart
  - b. Matrix structure
  - c. Gossip
  - d. Company circulars

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### 3.6 Let Us Sum Up

In this unit we have learnt, that organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals.

It is studied that with organising, you can create formal organisational structure of role, relationship, position and authority. The good organisational structure will contribute more on survival and success of an enterprise. It can be viewed as mechanism, device or indispensable means to achieve objectives.

There are several Principles of Organising such as Principle of Division of Labour, Principle of Functional Definition, Principle of Sealer Chain, Principle of Span of Control, Principle of Unity of Command, Principle of Objective, Principle of Balance, Principle of Flexibility, Principle of Absoluteness of Responsibility, Principle of Delegation by Result Expected, Principle of

Parity between Authority and Responsibility, Principle of Efficiency, Principle of Continuity and Principle of Cooperation.

It is studied that an organisational chart is a diagram of official positions of an organisation and formal line of authority. It is a graphic and systematic description of formal structure of an organisation. The structure of an organisation carries vertical chart, horizontal chart and circular chart.

An organisational structure is a pattern of formal relationship between superiors and subordinates which is also regarded as network of role, relationship, assigned work and delegated authority to employees. Design of organisation structure is considered a matter of choice among a large number of alternatives.

It is seen that a line organisation structure is a scalar, military or vertical organisation which is an oldest form that believes on ruling with single head who commands it.

As seen, a line and staff organisation is a pattern where staff specialists advise line managers to perform their duties. In case of execution work increases, the performance needs services of specialists which himself cannot be done.

In a functional structure, a grouping activities takes places on basis of functions required for achieving organisational objectives. The idea of this is the functions are classified as basic, secondary and supporting functions as per nature and importance.

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### 3.7 Answers for Check Your Progress

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#### Check your progress 1

Answers: (1-a), (2-a)

#### Check your progress 2

Answers: (1-a), (2-a)

#### Check your progress 3

Answers: (1-a), (2-a)

#### Check your progress 4

Answers: (1-c)

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### 3.8 Glossary

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1. **Organisation** - Two more persons engaged in a systematic effort to produce goods or services.
2. **Organisation chart** - A graphic representation of organisational structure.

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### 3.9 Assignment

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What is Organising? What do you understand by Organisational Structure?



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**3.10 Activities**

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1. Explain characteristics, need and importance of organisational structure.
2. Organisational structure provides the framework for undertaking managerial functions. Discuss.
3. What are organisational Charts? Explain their types and factors affecting organisational charts

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**3.11 Case Study**

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Visit an organization and inquire about what type of organization structure do they have and draw a chart and explain it.

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**3.12 Further Readings**

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hil.



**: UNIT STRUCTURE :**

- 4.0 Learning Objectives**
- 4.1 Introduction**
- 4.2 Staffing**
  - 4.2.1 Meaning of Staffing**
  - 4.2.2 Nature of Staffing**
  - 4.2.3 Importance of Staffing**
  - 4.2.4 Staffing Process-Steps involved in Staffing**
- 4.3 Manpower Planning**
- 4.4 Recruitment**
- 4.5 Selection**
- 4.6 Orientation and Placement**
- 4.7 Training**
- 4.8 Remuneration of Employees**
- 4.9 Performance Appraisal**
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- 4.13 Glossary**
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- 4.15 Activities**
- 4.16 Case Study**
- 4.17 Further Readings**

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**4.0 Learning Objectives**

**After learning this unit, you will be able to understand:**

- The Meaning, nature, importance and steps involved in Staffing.
- Manpower Planning.
- Selection and Recruitment.
- Orientation and Placement.
- Remuneration of Employees.
- Performance Appraisal.
- Promotion and Transfer.

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**4.1 Introduction**

In the previous unit, you studied about organising and organisational struc-

ture. You also studied about organisational principles organisational chart and various organisational structures, namely, Line, Line and Staff, Functional, Divisional, Project, Matrix and Virtual organisational structures.

Further, you will learn about another important function of Management; Staffing. Staffing includes managing Manpower in an organisation. It involves identification of requirement of personnel, their recruitment, selection, training, development, appraisal, promotion, transfer, compensation, etc. in an organisation.

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## 4.2 Staffing

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Staffing includes a broad scope of activities. The word “hiring” is sometimes used interchangeably with “staffing”. However, staffing is much broader in scope than hiring. Hiring might be thought more specifically as the selection phase of the overall process of staffing. Similarly, “recruiting” is sometimes used for “staffing”. Again, many people believe that “recruiting” refers more specifically to the sourcing and advertising phases of the overall process of staffing. Let us see what staffing exactly entails.

### 4.2.1 Meaning of Staffing

The term staffing may be defined as the managerial function of hiring and developing the required personnel to fill in various positions in an organisation. This function involves the determination of the size and categories of staff requirement. It is also concerned with employing the right type of people and developing their skills through training. The staffing function focuses on maintaining and improving the manpower in an organisation.



**Fig 4.1 Managerial aspects**

According to Theo Haimann, “Staffing pertains to recruitment, selection, development and compensation of subordinates.”

The managerial function of staffing involves manning the organisation structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

### 4.2.2 Nature of Staffing

The managerial function of staffing is of a continuous nature. The managers have to give attention to the staffing needs of the organisation. The staffing policy of the organisation has to be developed on the basis of long term requirements of the organisation.



**Fig 4.2 Staffing**

Nature of Staffing can be explained by the following characteristics:

- **Staffing is an important managerial function:** Staffing function is the most important managerial act along with planning, organising, directing and controlling. The operations of these four functions depend upon the manpower, which is available through staffing function.
- **Staffing is a pervasive activity:** As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.
- **Staffing is a continuous activity:** This is because staffing function continues throughout the life of an organisation due to the transfers and promotions that take place.
- **The basis of staffing function is efficient management of personnel:** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
- **Staffing helps in placing right men at the right job:** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

Staffing is performed by all managers depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small-scale enterprise, it is performed especially by the personnel department of that concern.

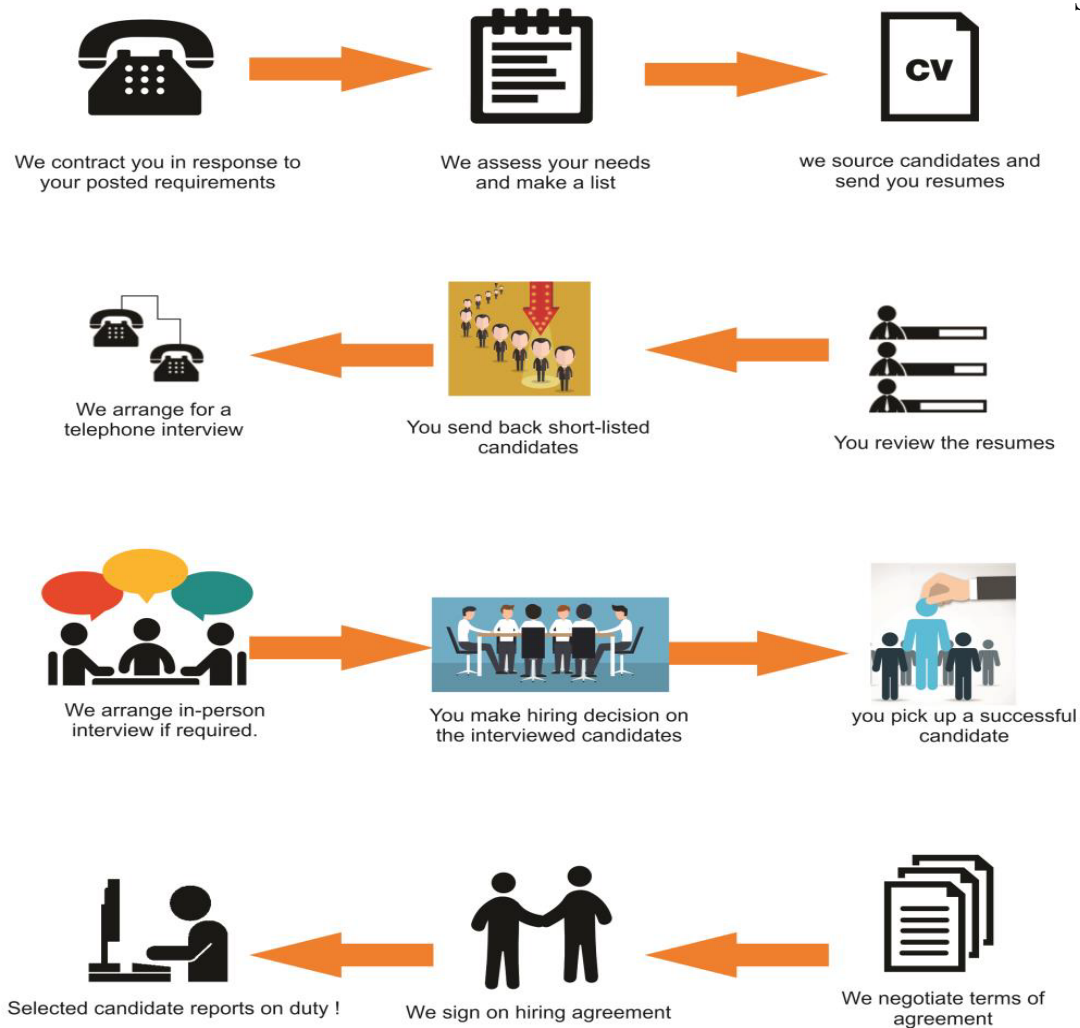


**Fig 4.3 Concept of Staffing**

#### **4.2.3 Importance of Staffing**

Importance of staffing can be explained with the help of the followings:

- **Key to other managerial functions:** It is seen that function of staffing is closely related to managerial business areas which influences direction and control in organisation.
- **Building healthy human relationships:** It builds required man-power relationships in an organisation. With smooth human relation, excellent coordination and communication takes place.
- **Human resources development:** For any business establishment, hardworking and skilled man-power is always welcomed which serves as an asset of business concern.
- **Long Term effect:** The performance of the company depends upon the effective decision making quality. It is noted that skilled, laborious and well-motivated people becomes an asset to an organisation.
- **Potential contribution:** The idea about staff selection depends upon the ability of effective employees which can manage future challenges which is needed by an organisation.



**Fig 4.4 Staffing Process of a firm**

#### 4.2.4 Staffing Process-Steps involved in Staffing

Following are the steps involved in staffing:

- **Manpower requirements:** It is seen that the first step towards staffing is planning of good manpower which will match the need of particular work.
- **Recruitment:** As per the demand from the organisation, the applications of concerned workers are entertained as per invitations by company to the desired candidate.
- **Selection:** After receiving applications from candidates, they are scanned as per suitability of position and candidature.
- **Orientation and Placement:** After offering the job to the candidate, the initial work is to made the candidate familiar with working style and environment.
- **Training and Development:** Training is part of incentives which is given to worker so as to frame and grow as per the concern. It involves working capability and scope.



**Steps in Manpower Planning:**

Following are the steps for manpower planning:

**Analysing the current manpower inventory:** Before a manager makes forecast of future manpower, the current manpower status has to be analysed.

For this, the following things have to be noted:

- Type of organisation
- Number of departments
- Number and quantity of such departments
- Employees in these work units

Based on this information, the manager analyses the needs of each department and then moves on to future forecasting.

- **Making future manpower forecasts:** Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

The Manpower forecasting techniques commonly employed by the organisations are as follows:

- **Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.
- **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis) and statistical analysis (central tendency measure).
- **Workload Analysis:** It is dependent upon the nature of workload in a department, in a branch or in a division.
- **Work Force Analysis:** Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.
- **Other methods:** Several Mathematical models, with the aid of computers, are used to forecast manpower needs, like budget and planning analysis, regression and new venture analysis.
- **Developing employment programmes:** Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.
- **Design training programmes:** These will be based upon extent of diversification, expansion plans, development programmes, etc. Training programmes depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities and knowledge of the workers.



### Check your progress 2

1. Man Power Planning is also called
  - a. Human Resource Planning.
  - b. Resource Planning.
  - c. Human Planning.
  - d. Personnel Planning.
2. It is dependent upon the nature of workload in a department, in a branch or in a division
  - a. Workload analysis.
  - b. Workforce analysis.
  - c. Trend analysis.
  - d. None of the above.

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#### 4.4 Recruitment

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“Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation.” Recruitment is the activity that links the employers and the job seekers.

According to Dale Yoder of Stanford University, recruitment can be defined as:

“It is the process to discover sources of manpower to meet the requirement of staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force”.



**Fig 4.6 Recruitment**

“Recruitment of candidates is the function preceding the selection which helps to create a pool of perspective employees for the organisation so that the management can select the right candidate for the right job from this pool. The main objective of the recruitment process is to expedite the selection process”.

- **Recruitment Process**

Recruitment process is the first step towards creating the competitive strength and the strategic advantage for the organisations. Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time.

- Identify vacancy.
- Prepare job description and person specification.
- Advertise the vacancy.
- Manage the response.
- Short-list candidates.
- Arrange interviews.
- Conduct interview and decision-making analysis activities.

- **Factors Affecting Recruitment**

The internal forces or factors are the factors that can be controlled by the organisation. In addition, the external factors are those factors, which cannot be controlled by the organisation implementing recruitment programmes and procedures by filling up vacancies with best qualified people.

**Internal Factors Affecting Recruitment**

The internal forces i.e. the factors that can be controlled by the organisation are:

- Recruitment Policy
- Human Resource Planning
- Size of the firm
- Cost
- Growth and Expansion

**External Factors Affecting Recruitment**

The external forces are the forces, which cannot be controlled by the organisation. The major external forces are:

- Supply and Demand
- Labour Market
- Unemployment rate
- Competitors

**Types and Sources of Recruitment**

Recruitment is of two types:

**1. Internal Recruitment**

It is a recruitment, which takes place within the concern or organisation. Internal sources of recruitment are readily available to an organisation.

Internal recruitment may lead to increase in employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it restricts the organisation from inviting

new blood. In addition, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

There are primarily three internal sources for recruitment:

- Transfers
- Promotions
- Re-employment of ex-employees

## **2. External Recruitment**

External sources of recruitment have to be solicited from outside the organisation. External sources are external to a concern. However, it involves lot of time and money. The external sources of recruitment include:

- Employment at Factory Level
- Advertisement
- Employment Exchanges
- Employment Agencies
- Educational Institutions
- Recommendations
- Labour Contractors

### **Check your progress 3**

1. It is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation
  - a. Recruitment.
  - b. Selection.
  - c. Training.
  - d. Development.
2. It is type of recruitment which has to be solicited from outside the organisation.
  - a. External Recruitment.
  - b. Internal Recruitment.
  - c. Inside Recruitment.
  - d. None of the above.

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## **4.5 Selection**

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Selection is the process of putting right men on right job. It is a procedure of matching organisational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching.

On selecting appropriate candidate for particular job, the organisation will receive quality performance and more output. It saves time and increases productivity with less wastage. While selecting a good candidature, a screening of candidate is done at the time of selection procedure.



**Fig 4.7 Selection**

It is seen that a selection is different from recruitment since both are related with employment process. With recruitment, the motivation exists with several candidates applying for particular job profile. On the other hand, selection exists as reverse process which is not correct as it detained candidates.

#### **Distinction between Recruitment and Selection**

- Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

#### **Table Distinction between Recruitment and Selection**

<b>Sr. No.</b>	<b>Basis</b>	<b>Recruitment</b>	<b>Selection</b>
1.	Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
2.	Objective	It encourages large number of candidates for a job.	It attempts at rejecting unsuitable candidates.
3.	Process	It is a simple process.	It is a complicated process.
4.	Hurdles	The candidates do not have to cross many hurdles.	Many hurdles have to be crossed.
5.	Approach	It is a positive approach.	It is a negative approach.
6.	Sequence	It precedes selection.	It follows recruitment.
7.	Economy	It is an economical method.	It is an expensive method.
8.	Time Consuming	Less time is required.	More time is required.

### **Employee Selection Process**

The employee selection process takes place in the following order:

- Preliminary Interviews
- Application blanks
- Written Tests
- Employment Interviews
- Medical examination
- Appointment Letter

#### **Check your progress 4**

1. It is the process of putting right men on right job.
  - a. Selection.
  - b. Recruitment.
  - c. Training.
  - d. Development.
2. It is an activity of establishing contact between employers and applicants.
  - a. Recruitment.
  - b. Selection.
  - c. Training.
  - d. Development

---

#### **4.6 Orientation and Placement**

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Once the candidates are selected for the required job, they have to be fitted as per the qualifications. Placement is said to be the process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes. Once he is selected for the job, he is given the activities he has to perform and told about his duties. The freshly appointed candidates are then given orientation in order to familiarize and introduce the company to him. Generally, the information given during the orientation programme includes:

- Employee's layout
- Type of organisational structure
- Departmental goals
- Organisational layout
- General rules and regulations
- Standing Orders
- Grievance system or procedure

In short, during orientation, employees are made aware about the mission and vision of the organisation, the nature of operation of the organisation, policies and programmes of the organisation.

The main aim of conducting orientation is to build up confidence, the morale and trust of the employee in the new organisation, so that he becomes a productive and an efficient employee of the organisation and contributes to the organisational success.



**Fig 4.8 Orientation**

The nature of the orientation program varies with the organisational size, i.e., smaller the organisation the more informal is the orientation and larger the organisation more formalized is the orientation programme.

Proper placement of employees will lower the chances of employee's absenteeism. The employees will be more satisfied and contented with their work.

#### **Check your progress 5**

1. \_\_\_\_\_ is the process of adjusting selected person at correct job.
  - a. Placement.
  - b. Selection.
  - c. Training.
  - d. Development.

---

#### **4.7 Training**

Training of employees takes place after orientation takes place. Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training process moulds the thinking of employees and leads to quality performance of employees. It is a continuous and never ending in nature.

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**Fig 4.9 Training**

**Importance of Training**

Training is crucial for organisational development and success. It is fruitful to both employers and employees of an organisation. An employee will become more efficient and productive if he is trained well. Training is given on four basic grounds:

- New candidates who join an organisation are given training. This training familiarizes them with the organisational mission, vision, rules and regulations and the working conditions.
- The existing employees are trained to refresh and enhance their knowledge.
- If any updating and amendments take place in technology, training is given to cope up with those changes, e.g. purchasing new equipment, changes in technique of production, computer impartment. The employees are trained about use of new equipment and work methods.
- When promotion and career growth becomes important, training is given so that employees are prepared to share the responsibilities of the higher level job.

**Benefits of Training**

The benefits of training can be summed up as:

- Improves morale of employees
- Less supervision is required
- Fewer accidents occur
- Chances of promotion
- Increased productivity

**Ways/Methods of Training**

Training is generally imparted in two ways:

**1. On job training:**

On the job training methods are those which are given to the employees within the everyday working of a concern. It is a simple and cost-effective training method. The in proficient as well as semi- proficient employees can be well trained by using such training method. The employees are trained in actual working scenario. The motto of such training is “learning by doing.” Instances of such on-job training methods are job-rotation, coaching, temporary promotions



**Fig 4.10 On job Training**

**2. Off job training**

Off the job training methods are those in which training is provided away from the actual working condition. It is generally used in case of new employees. Instances of off the job training methods are workshops, seminars, conferences, etc. Such method is costly and is effective if and only if large number of employees have to be trained within a short time period. Off the Job training is also called as vestibule training, i.e. the employees are trained in a separate area (may be a hall, entrance, reception area, etc., known as a vestibule) where the actual working conditions are duplicated.





**Fig 4.11 Off the job training**

**Check your progress 6**

1. Training in which training is provided away from the actual working condition.
  - a. Off the job training.
  - b. On the job training.
  - c. Internal training.
  - d. External training.

---

**4.8 Remuneration of Employees**

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In job, remuneration refers to as reward or compensation which is distributed to an employee based on their working capability and performance. It shows basic attraction to an employee in order to work professionally and successfully.

In job, a salary serves as an important source of income for employees with which the standard of their living depends. Different salaries are there for different levels in an organisation.



**Fig 4.12 Remuneration**

So it is seen that the amount and remuneration serves as an important aspect for both management and employees.

### **Methods of Employee Remuneration**

#### **1. Time Rate Method**

In this, remuneration is linked directly with amount of time devoted by employee on particular work. The amount of payment can be hourly, daily, weekly or monthly irrespective of their output. This of course is the simplest method of remuneration where there appears minimum wastage of resources and low accidental charges.

It is the best way to generate quality output and is favourable for new employees. It gives motivation to employee's unity as employees of a particular group/cadre get equal salaries.

#### **2. Piece Rate Method**

This method relates with method of compensation where remuneration is paid on basis of pieces generated or produced by an employee. In this, the determination of employee cost/unit is not hard as their salary varies with output. Since the salary here depends on employee output, so this method helps in improving the morale of employees. With this type of method, the work efficiency increases.

### **Check your progress 7**

1. Under \_\_\_\_\_, remuneration is linked with time devoted by employee on particular work.
  - a. Time Rate System.
  - b. Piece Rate System.
  - c. Volume Rate System.
  - d. None of the above.

2. \_\_\_\_\_ is a method of compensation where remuneration is paid on basis of units produced.
- Piece vs Rate System.
  - Time Rate System.
  - Volume Rate System.
  - None of the above.

---

#### 4.9 Performance Appraisal

---

A performance appraisal, employee appraisal, performance review or career development discussion is an approach where a job performance of an employee is calculated by its immediate manager or supervisor.



**Fig 4.13 Performance Appraisal**

A performance appraisal is a part of building and managing career development. It is the process of obtaining, analyzing and recording information about the relative worth of an employee to the organisation.

Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses and suitability for promotion or further training. It is also the judgment of an employee's performance in a job based on considerations other than productivity alone.

#### **Aims of Performance Appraisal**

Generally, the idea of performance appraisal is to:

- show employees feedback based on their workability
- find the employee training requirements
- layout the criteria applied in order to give organisational rewards
- design the ground for personnel issues such as salary increases, promotions, disciplinary actions, bonuses, etc.
- give an opportunity for organisational diagnosis and development

- make possible communication among employee and administration
- confirm the techniques involved in selection and human resource policies to match federal requirements
- enhance performance by way of counseling, coaching and working

### **Advantages of Performance Appraisal**

The performance appraisal has following advantages:

- **Promotion:** It will help supervisors to think about promotions for particular employee based on his/her capability.
- **Compensation:** It helps in listed out compensation packages for employees based on their performance result.
- **Employees' development:** It will find out the strengths and weaknesses of employees for correct types of training.
- **Selection validation:** It helps an employer to know about the efficiency and importance of selection process by knowing its strengths and weaknesses.
- **Communication:** It helps to build an effective communication model among employees and employers.
- **Motivation:** In this, the performance appraisal will work as motivation tool.

### **Check your progress 8**

1. It is a part of building and managing career development.
  - a. Performance Appraisal.
  - b. Promotion.
  - c. Transfer.
  - d. Compensation.

---

### **4.10 Promotion and Transfer**

---

Promotion is said to be an incentive in which the worker is shifted to a higher job with higher salary and demanding bigger responsibilities.

Transfer is a case of shifting the workers and transferring them to different work units and branches of the same organisation.



**Fig 4.14 Promotion**

### **Promotion**

A few companies do have a clear-cut policy while certain organisations issue circulars as and when they need. Many companies develop policies over a period through settlements and agreements with the workers/unions. In promoting employees, consideration should be given for establishment of the horizontal or vertical promotion. The desirability of securing assistants who complement rather than supplement their superiors is the major point in a successive plan, which is an integral part of manpower planning.

According to Dale Yoder, it is a “movement to a position in which responsibilities and presumably the prestige are increased. Promotion involves an increase in rank ordinarily; promotion is regarded as a change that results in higher earnings, but increased earnings are essential in a promotion.” This definition talks of both vertical and horizontal promotions.

According to Scott and Clothier, “A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status.”

Therefore, a promotion may be defined as: “an upward advancement of an employee in an organisation to another job, which commands better pay/wages, better status/prestige and higher opportunities/challenges, responsibility and authority, better working environment, hours of work and facilities and a higher rank.”

### **Purposes of Promotion**

- To motivate employees to higher productivity.
- To attract and retain the services of qualified and competent people.
- To recognize and reward the efficiency of an employee.
- To increase the effectiveness of the employee and of the organisation.
- To fill up higher vacancies from within the organisation.

- To build loyalty, morale and a sense of belongingness in the employee.
- To impress upon others that opportunities are available to them also in the organisation, if they perform well.

### Types of Promotion

- **Horizontal Promotion:** Promotion involves an increase in responsibilities and pay and a change in designation. However, the employee concerned does not transgress the job classification, e.g. a lower division clerk is promoted as an upper division clerk. This type of promotion is referred to an upgrading of the position of an employee.
- **Vertical Promotion:** A promotion is vertical when a canteen employee is promoted to an unskilled job. The concerned employee naturally transgresses the job classification.
- **Dry Promotions:** Dry promotion refers to increase in responsibilities and status only.

### Transfer



**Fig 4.15 Transfer**

Pigors and Meyers: Consider transfer as “the movement of an employee from one job to another on the same occupational level and at about the same level of wages or salary” No appreciable change in task or responsibility is expected.

Scott and others define transfer as “the movement of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another.”

A transfer may be defined as a change in job within the organisation where the new job is equal to the old in terms of pay, status and responsibilities:  
T.N. Chhabra

A lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills needed or compensation: C.B.Gupta

### **Need and Purpose of Transfer**

- **To meet organisation needs:** Companies may transfer employees due to:

- Change in volume of production
- Change in technology
- Change in production schedule
- Change in product line
- Change in organisation structure

**To satisfy the employee needs:** Employees may request their transfer due to:

- Dislike of boss or fellow workers
- Lack of opportunities for future advancement
- Personal problems

- **To better utilize employees:**

- The employee maybe transferred because the management feels that his capabilities would be better utilized elsewhere.
- An employee who is not performing satisfactorily may be more suitable in another job.

- **To make the employee more versatile:** The employees may be transferred to different jobs to:

- Widen their knowledge and skills
- Reduce monotony and as a method of training

- **To adjust the workforce:** Workers are transferred from the surplus department or plant where there is shortage of staff.

- **To provide relief:** It gives relief to the employees who are overburdened or doing risk work for long period.

- **To punish employees:**

- Employees indulging in undesirable activities may be transferred to remote places or to some other jobs.
- It is in the form of disciplinary action.
- Transfers are made because permanent stay may cause frauds, bribery, etc.

### **Types of Transfers**

Transfers may be classified into five types:

1. Production transfer
2. Shift transfer
3. Replacement transfer
4. Remedial transfer
5. Versatility transfer

1. **Production transfer:** Such transfers are made when there is a need of manpower in one department and surplus manpower in the other. Such transfers help to stabilise employment.
2. **Shift transfer:** Employees may be shifted from one shift to another for personal reasons, e.g. marriage, infant care, old parents.
3. **Replacement Transfer:** It is used when all operations are declining and to retain long-service employees as long as possible. The long-standing employee replaces a new employee and thereby gets relief from the heavy pressure of work.
4. **Remedial Transfer:** Such transfers are made to rectify mistakes in selection and placement. These transfers are affected at the request of the employees and are, therefore, called personal transfer.
5. **Versatility Transfer:** It is affected to make employees versatile and competent in more than one skill. It helps to reduce boredom and monotony.

#### **Benefits of Promotion and Transfer**

- Useful in productivity and effectiveness of the organisation
- Greater job satisfaction to employees
- Stabilisation of fluctuating work needs
- Improved employee skills
- Remedy for faulty placement
- Improved labor relations

#### **Check your progress 9**

1. It is used when all operations are declining and to retain long-service employees as long as possible. The long-standing employee replaces a new employee and thereby gets relief from the heavy pressure of work.
  - a. Replacement Transfer.
  - b. Shift Transfer.
  - c. Production Transfer.
  - d. Remedial Transfer.
2. It is affected to make employees versatile and competent in more than one skill. It helps to reduce boredom and monotony.
  - a. Versatility Transfer.
  - b. Remedial Transfer.
  - c. Production Transfer.
  - d. Shift Transfer.

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#### **4.11 Let Us Sum Up**

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In this unit we have learnt that the managerial function of staffing involves manning the organisation structure by proper and effective selection, appraisal and development of personnel to fill the roles assigned to employers/ workforce.



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It is seen that the nature of staffing carries certain characteristics such as it serves as an important managerial function, pervasive activity, continuous activity, basis of staffing function relates to efficient management of personnel and helping to place right men at right job.

It is studied that importance of staffing relates to basic managerial functions, building healthy human relationships, human resources development, long term effect and potential contribution.

It is studied that manpower planning is a Human Resource Planning having involved in placing right number and right kind of people at right place at right time, to do right things as per their caliber.

In companies, recruitment serves as a process of searching candidates for employment and stimulating them to apply for jobs in an organisation. It is an activity that links the employers and the job seekers.

As seen, placement is said to be process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes. Once he is fitted into the job, he is given the activities he has to perform and told about his duties. The freshly appointed candidates are then given orientation in order to familiarize and introduce the company to him.

Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training process moulds the thinking of employees and leads to quality performance of employees. It is continuous and never ending in nature.

Employee Remuneration refers to the reward or compensation given to the employees for their work performances. Remuneration provides basic attraction to an employee to perform job efficiently and effectively. Remuneration leads to employee motivation.

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#### **4.12 Answers for Check Your Progress**

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##### **Check your progress 1**

**Answers:** (1-a), (2-a)

##### **Check your progress 2**

**Answers:** (1-a), (2-a)

##### **Check your progress 3**

**Answers:** (1-a),

##### **Check your progress 4**

**Answers:** (1-a), (2-a)

##### **Check your progress 5**

**Answers:** (1-a), (2-a)

##### **Check your progress 6**

**Answers:** (1-a)

##### **Check your progress 7**

**Answers:** (1-a), (2-a)

## Check your progress 8

Answers: (1-a), (2-a)

## Check your progress 9

Answers: (1-a)

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### 4.13 Glossary

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1. **Staffing** - The process by which organisations meet their human resource needs, including forecasting future requirements, recruiting and selecting candidates and orienting new employees.

---

### 4.14 Assignment

---

What is staffing? What are the characteristics and steps involved in staffing process?

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### 4.15 Activities

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1. Differentiate between recruitment and selection. What is the difference between promotion and transfer?
2. Why is manpower planning required in an organisation?
3. Distinguish between training and orientation. Elaborate on the ways/methods of training.

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### 4.16 Case Study

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What innovative ideas can you implement for avoiding absenteeism in your firm?

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### 4.17 Further Readings

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

PLANNING,  
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ORGANIZING AND  
STAFFING

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**BLOCK SUMMARY**

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In this block, students will be given with an idea about Planning and Decision Making with necessary features involved in organising and organisational structure with emphasize on various recruitment and staffing processes. These are important in areas of principles of management where every effort was made to provide proper and accurate knowledge that is required for student or any user with simple and concise explanation.

The block detailed about basic of plan and planning with use of different plans. The information about organising and planning with certain principles along with various functions are shown with illustrations. The block gives complete information about nature, role and importance of staffing along with manpower recruitment and planning process which can be required by the students in an organisation.

After this block, students of management will able to know and gather knowledge about how the staffing which is nowadays an important tool to work in an organisation. Various process and procedures are highlighted for students interest which could of help to them in near future.

**Short Answer Questions**

1. Decision-making process.
2. Guidelines for making effective decisions.
3. Types and sources of recruitment.
4. Types of transfers.
5. Importance of staffing.
6. Performance appraisal.

**Long Answer Questions**

1. What is Decision-Making? Give its characteristics.
2. What is “on the job” and “off the job training”?
3. Explain types of promotions and types of transfers.

PLANNING,  
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Enrolment No.:

1. How many hours did you need for studying the unitse

<b>Unit No.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Nos of Hrs</b>				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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**BBAR-101/DBAR-101**

# **PRINCIPLES OF MANAGEMENT**

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## **BLOCK-3 DIRECTION, SUPERVISION CONTROL- LING AND CO-ORDINATION**

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### **UNIT 1**

DIRECTION AND SUPERVISION

### **UNIT 2**

CONTROLLING

### **UNIT 3**

CO-ORDINATION

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**BLOCK 3 : DIRECTION, SUPERVISION, CONTROLLING AND CO-ORDINATING**

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**Block Introduction**

Directions, supervision, Co-ordination and controlling are considered to be one of the most important functions of management. A management aims in getting things done through others. Therefore directions have to be given to the workforce and once the direction has been given to the work force the next comes the supervision i.e. whether the workforce is working as per the directions or not. Lastly the controlling function comes. It is the responsibility of the management to measure the level of achievement of desired goals and if deviations are there then to find out the reasons for that and take necessary steps so that such deviations may not arise again in future.

In this block we will learn and study about the concept of directing and its features and principles. The basic of supervisor and his duties along with knowledge of supervision is also explained. The idea about process controlling and its features along with merits and demerits will be explained. The understanding about Co-ordination and its process will be detailed.

After students able to read this block, will find themselves suitable to handle situation if arises in case of supervision and Co-ordination activities between workers and management. The features of Co-ordination and control will help them to get knowledge about related concept that appears in day to day life.

**Block Objective****After learning this block, you will be able to understand:**

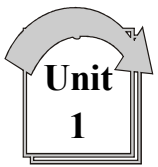
- The Concept about managerial functions.
- The Features involved in directing.
- Basic about supervision.
- Principles involved in Co-ordination.
- Features about directing and its necessity.
- Role of supervisor.
- Knowledge about controlling.
- Qualities of good system.
- Purpose and need of Co-ordination.

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**Block Structure**

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**UNIT 1: DIRECTION AND SUPERVISION****UNIT 2: CONTROLLING****UNIT 3: CO-ORDINATION**



## DIRECTION AND SUPERVISION

### : UNIT STRUCTURE :

#### 1.0 Learning Objectives

#### 1.1 Introduction

#### 1.2 Direction

1.2.1 Definition of Directing

1.2.2 Nature of Directing

1.2.3 Need and Importance of Directing

1.2.4 Principles of Directing

#### 1.3 Supervision

1.3.1 Role of a Supervisor

1.3.2 Functions of a Supervisor

1.3.3 Effective Supervision

#### 1.4 Direction and Supervision

#### 1.5 Let Us Sum Up

#### 1.6 Answers for Check Your Progress

#### 1.7 Glossary

#### 1.8 Assignment

#### 1.9 Activities

#### 1.10 Case Study

#### 1.11 Further Readings

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#### 1.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- Nature and need of Directing.
- Importance and principles of Directing.
- Supervision.
- Role and functions of a Supervisor.

---

#### 1.1 Introduction

---

In the previous unit, you learned about Staffing. It is one of the most important functions of management. It includes managing manpower in an organisation involving the identification of requirement of personnel, their recruitment, selection, training, development, appraisal, promotion, transfer, compensation, etc. in an organisation.



DIRECTION,  
SUPERVISION,  
CONTROLLING AND  
CO-ORDINATING



**Fig 1.1 Introductions**

In this unit, you will learn about direction. Every manager, to get things done by subordinates, has to direct them. The directing is considered as an initiating function. Here you will study about direction and supervision. Motivation, Leadership and Communication are discussed in the next chapter.

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### **1.2 Direction**

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In the process of management, the planning organising and staffing are not enough. These are to be supported by effective directing and efficient controlling. Every manager must direct his subordinates, to get things done. The directing is considered as an initiating function.

Organisation is the sum-total of human and non-human resources. These resources should be handled in a certain way to get the desired results. Through direction, the management conveys and motivates individuals in the organisation to function in the desired way to get organisational objectives. Without direction, other managerial activities like planning, organising, and staffing become ineffective.



**Fig 1.2 Directing and Supervising**

Here the manager will direct, instruct, guide and oversee the presentation of every workers so as to obtain already defined goals. It is the main part of the management process which is responsible for planning, organising, staffing. Direction carries human factors that explain guidance to workers in order to

do work. In case of management direction refers to activities that are created to uplift subordinates in order to work efficiently and professionally.

### 1.2.1 Definition of Directing

In the words of Urwick and Brech, “directing is the guidance, the inspiration, the leadership of those men and women that constitutes the real core of the responsibility of management.”

Thus directing involves, issuing orders and instructions, overseeing of the subordinates and supervising the work being performed by them.

According to Haiman, “Directing consists of a process or technique by which instruction can be issued and operations can be carried out as originally planned.” Broadly, the process of directing involves the following elements:

- Issuing orders and instructions to the subordinates regarding the work being performed by them.
- Guiding, counselling and educating the subordinates and telling them the way of doing the given job.
- Supervising the work being performed by them on the regular basis to ensure that they have been working according to the plan.
- Maintaining and inspiring the subordinates for following given orders and instructions and working in the given direction.

### 1.2.2 Nature of Directing

There are certain characteristics related to directing which are:

1. **Pervasive Function:** As directing is essential at every levels in an organisation, so it is the duty of the manager to give related guidance and to boost his subordinates.
2. **Continuous Activity:** In an organisation, direction serves as continuous activity throughout life in an organisation.
3. **Human Factor:** It is seen that directing is associated with subordinates and as human factor. As both are complex and unpredictable, hence direction serves as an important part.
4. **Creative Activity:** With direction, you can alter any plans into performance as in the absence of this; people will become stationary and physical resources results in no meaning.
5. **Executive Function:** As seen, direction is done with all managers and executives at certain levels without working of an enterprise.
6. **Delegate Function:** It is a function which is related to direction that deals with human beings.

### 1.2.3 Need and Importance of Directing

Directing may be considered as a core of managing process. The performances of various activities in organisation revolve around it. In spite of sound planning, a suitable organisational structure, effective staffing and efficient controlling, the desired results may not be obtained without proper directing. It is only through directing process, the organisational actions are initiated for achieving its objectives.

In detail, the importance of directing can be understood on the basis of the

DIRECTION,  
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following factors.

1. **Directing helps in achieving Co-ordination:** The Co-ordination is considered as a by-product of effective directing. In the process of directing, every manager integrates the activities of subordinates through supervision, guidance and counselling for achieving organisational goals.
2. **It is a means of motivation:** To accomplish the-objectives of organisation, it is necessary to motivate the employees working there. They are motivated to work willingly and efficiently, through the process of directing. The superior who directs the activities of subordinates inspires them to follow given orders and instructions wholeheartedly.
3. **Directing supplements other managerial functions:** In the process of managing, the manager has to perform many management functions such as planning organising, staffing and controlling etc. To produce desired results from all these functions, the directing function is crucial. Through directing, other managerial functions are initiated and actuated. Moreover, without effective directing, the managerial functions remain less effective.
4. **Directing helps in coping with changing environment:** The changing environment of business may force organisation to initiate change in its functioning, structure or goals. Such changes can be introduced and managed effectively with the help of directing. Through directing, the manager provides dynamic leadership and free and frank communication with subordinates as to convince them regarding the positive side of change. They may be taken into confidence and persuaded for accepting the change and giving their full cooperation for implementing it.
5. **Directing facilitates order and discipline among employees:** Disciplined human force is needed for the smooth functioning and the success of the organisation. Through the process of directing orders and instructions are given to the subordinates and they are inspired and motivated to follow them. The main purpose of directing is to get things done by subordinates. By supervising, guiding, educating and overseeing the activities of subordinates, they are made to work in a disciplined manner.

#### 1.2.4 Principles of Directing

In order to make directing more effective and meaningful, certain principles are followed. Some important principles of directing are as follows:

1. **Harmony of objectives:** The organisation is a collective entity of the people. It involves the interest of various groups of the people such as owners, employees, customers, financiers, society, etc.

According to this principle, to secure maximum prosperity for the organisation and to serve the interest of other groups in a better way, these conflicting objectives must be synchronized so that they strengthen

and promote each other. In this regard, P.W.Taylor has painted out that an effective direction depends on the harmony of objectives.

Interestingly enough, Henri Fayol has also stated that the employees of organisation should sacrifice their personal interest for achieving the objectives of organisation, because their personal interest may be served better only if common goal of organisation are achieved efficiently.

2. **Unity of command:** According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior. An application of this principle implies unified direction of subordinates' activities by one superior. In doing so, discipline can be maintained among them their activities can be controlled effectively and dual command is avoided.
3. **Direct supervision:** Directing becomes more effective if it is accompanied by personal interest and personal touch of the superior. The superior maintains direct contact with subordinates, looks into their needs and requirement, helps them in performing their job and solve their difficulties promptly. The subordinates feel happy and satisfied and contribute more for the accomplishment of organisational goals.
4. **Participative leadership:** It is interesting to observe that participative leadership on the part of superior helps in making directing more effective. If the superior respects and listens to the views of subordinates, they become more loyal and sincere and give more cooperation to him. According to this principle to encourage the performance levels, subordinates should be taken into confidence and must be consulted at least on the matters that are related to them before making decision by the superior.
5. **Follow up:** Issuing orders and instructions is the chief task of direction. In order to make directing, more effective it is necessary to take up some follow up actions by the superior. He should motivate subordinates to follow given directives and work accordingly. He must oversee the working of subordinates, check their performance and guide them to follow suitable course of action for doing the Job.
6. **Unity of direction:** To make the whole process of directing more meaningful it is necessary to follow the principle of unity of direction.

According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective. For example, all activities related to production should have one plan i.e. the production plan and this plan should be implemented under the command of production manager. By adopting this principle, duplication and repetition of activities will be reduced and benefits of specialization may be secured.

### Check your progress 1

1. According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective.
  - a. Unity of direction.
  - b. Unity of command.
  - c. Direct Supervision.
  - d. Participative Leadership.
2. According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior.
  - a. Unity of Command.
  - b. Unity of direction.
  - c. Direct Supervision.
  - d. Participative Leadership.

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### 1.3 Supervision

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Supervision means the act of watching over the work or tasks of another who may lack full knowledge of the concept at hand. Supervision does not mean control of another but guidance in a work, professional or personal context.

There are several interpretations of the term “supervision,” but typically, supervision is the activity carried out by supervisors to oversee the productivity and progress of employees who report directly to the supervisors. For example, first-level supervisors supervise entry-level employees. Depending on the size of the organization, middle managers supervise first-level supervisors; chief executives supervise middle-managers, etc. Supervision is a management activity and supervisors have a management role in the organisation.

Occasionally, writers will interchange “leadership” and “supervision.” Both activities are closely related. Supervision requires leadership. Leadership does not necessarily have to involve supervision.

#### 1.3.1 Role of a Supervisor

Supervisor serves as an important role in an organisation. In an organisation, the role of supervisor is to monitor the employees working. The work of supervision is carried out at companies, factories where supervisor will monitor products. It is found that a supervisor is part of management team which will serve as position of first line managers. First line manager is a person who will work for many functions that will help in meeting the productivity. With this reason, a supervisor is only called as manager that has important role at execution level.

#### A supervisor plays multiple roles at one time:

1. **As a Planner:** A supervisor serves as a planner as he/she has to plan for daily working schedules in an establishment. In planning, he bifurcates the work among different workers as per their abilities.

2. **As a Manager:** Since supervisor is part of management team, so ultimately to operate the working he was called as operative manager.
3. **As a Guide and Leader:** A supervisor guides the people working under him with necessary plan to be performed daily.
4. **As a Mediator:** A supervisor is a person who will communicate and work in between the management and workers. He serves as a coordinator among management as well as workers.
5. **As an Inspector:** An important function of supervisor is to monitor, regulate rules for workers, time scheduling and carried out performance for workers on daily basis. In the other way it serves as an inspector by inspecting rule, work, production and worker progress.
6. **As a Counsellor:** A supervisor sometimes plays the role of a counsellor when he/she involves in workers problems. At that time he has to really become a person that can make the worker satisfied with responses.

### 1.3.2 Functions of a Supervisor

To manage the function related to workers and progress, supervisor plays an important role. Being the part of management team, the supervisor works closely with concerned manager to do various functions involved. The idea behind performance of certain functions is to take care about stability and soundness to an organisation with the idea of achieving profits with more productivity. With this, supervisor concerns with following functions:

1. **Planning and Organising:** Supervisor's plans for day-to-day work and performs schedule for workers by showing and helping them about the nature of work.
2. **Provision of working conditions:** As seen, supervisor serves as an important function by doing physical settings in an organisation by arranging physical resources at correct place.
3. **Leadership and Guidance:** As studied, supervisor is a sort of leaders for workers who handle all workers problems. He guides workers through target and production scheduling through instructions and guidelines.
4. **Motivation:** A supervisor is important management personnel that link him with workers to pursue any work and to provide incentives to workers at various levels.
5. **Controlling:** The main aspect of supervisor is to:
  - Takes care about the performance of workers against certain time schedule
  - Ensure and check the work progress
  - Locate for any deflection in making solutions
  - Involved in self-problem solving solution thereby reporting it to top management

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6. **Linking Pin:** It is work of supervisor to handle and take care of every solution that exists among management and workers. The work of communicating and passing of relevant information to workers with the demand of management is the core concept which supervisor handles.
7. **Grievance Handling:** The supervisor can handle the grievances of the workers effectively. For this, he has to do the following things :
  - He must be in direct touch with workers.
  - He should win the confidence of the workers by solving their problems.
  - He should tackle worker problems on humanitarian grounds.
  - If he cannot tackle them independently, he can take the help and advice of the management to solve it.
8. **Reporting:** A supervisor has an important role to report about the cost, quality and any such output, which can be responsible for increasing productivity.
9. **Introducing new work methods:** The supervisor needs to be updated and conscious related to new development and amendments regarding the production and market trends. So, the work of supervisor is to invent latest technique which saves production time and involves less workers wastage which could result in:
  - Higher productivity
  - High morale of workers
  - Satisfying working condition
  - Improving human relations
  - Higher profits
  - High stability
10. **Enforcing Discipline:** A supervisor can undertake many steps to maintain discipline in the concern by continuous checking and necessary measures such as strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the indiscipline workers. All these above steps help in improving the overall discipline of the factory.

### 1.3.3 Effective Supervision

Effectiveness of a supervisor is judged on the basis of how he is contributing to his organisation by his work. Thus, he and his effectiveness can be measured in terms of his qualities, his supervisory process and the result of his actions. All these are to be related to the contributions to the achievement of organisational objectives. Following are some of the elements of effective supervisory practices:

1. **Leadership:** It is an act influencing activities related to individual or groups so as to attain goals in a particular manner. With this, an individual or group be able to share willingly to achieve goals.

2. **Closeness of Supervision:** It is the degree of closeness where the supervision varies from close-supervision to free-supervision. The quality of good supervisors is to monitor and supervise with less close supervision. It is seen that a close supervision will result in low morale and motivation as it stops the satisfaction as per the strongly feelings of subordinates.
3. **Employee-orientation or Human Relations:** It is studied that both employees and work are taken care with the help of two styles such as employee-oriented and production-oriented. It is seen that in employee oriented style, there exists great stress in interaction of employee's jobs where as in production oriented style, the production and technical aspects depends on jobs and employees.  
  
Thus, effective supervision is employee-oriented which creates a feeling in the minds of subordinates that their interests are taken into consideration in organisational practices. High producing workers are also of this opinion that they prefer employee-oriented technique because supervisors take personal interest in them, which motivates the workers. In this atmosphere, the various problems being faced by workers can be discussed with the supervisors concerned in order to find out their optimal solution.
4. **Group Cohesiveness:** the belongingness to high-producing group enhances the members' regard for dignity of their own job. The amount of dignity assigned by group members to their own jobs is highly associated with group cohesiveness. An effective supervisor attempts for maintaining group cohesiveness by infusing confidence and trust in employees.
5. **Delegation:** Appropriate delegation leads to high productivity, in the organisation. Effective supervision implies adequate delegation. A supervisor should not make any decision, which his subordinates can make. This not only develops confidence in the subordinates but also motivates them for better performance, besides saving a superior's time to concentrate for other work.
6. **Other Factors: It is found that there are certain** factors apart from discussed above where supervision serves as an effective trend. In this, the subordinates will feel that the supervisor which can set superiors and satisfy their needs in terms of promotion, recognition and work-centred will get more benefits.

### Check your progress 2

1. A supervisor's multiple roles at one time is \_\_\_\_\_.  
  - a. As a Planner
  - b. As a Guide and Leader
  - c. As a Mediator
  - d. All of the above



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2. \_\_\_\_\_ are the elements of effective supervisory practices.
  - a. Closeness of Supervision
  - b. Employee-orientation or Human Relations
  - c. Group Cohesiveness
  - d. All of the above

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#### 1.4 Direction and Supervision

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Sometimes, confusion arises between direction and supervision. The basic reason for such confusion is the context in which the term supervision is used. Therefore, two terms- direction and supervision- differ in terms of context and content. The term supervision is used in two ways.

First, it is used as an element of direction and, therefore, every manager in the organisation performs the function of supervision irrespective of his level in managerial hierarchy. In this context, supervision involves guiding the efforts of others to achieve the stated objectives.

For example, Terry and Franklin have defined supervision as, “guiding and directing efforts of employees and other resources to accomplish stated work outputs.” Thus, the scope of supervision is much more limited as compared to that of direction, which includes motivating and leading employees and communicating with them, besides guiding them.

Second, the term supervision is used to denote the functions performed by supervisors- a class of personnel between management and operatives. When supervision is used in this context, it includes all supervisory functions, which include planning organising, staffing, directing and controlling with varying emphasis on different functions. In this context, Newman and Warren have defined supervision as the day-to-day relationship between an executive and his immediate assistant and covers training, direction, motivation, Co-ordination, maintenance of discipline, etc.

Thus, it becomes much wider than directing particularly at supervisory level.

#### Check your progress 3

1. Which among the following explained supervision as, guiding and directing efforts of employees with several different resources to complete stated work outputs?
  - a. Terry and Franklin.
  - b. Peter.F.Drucker.
  - c. George.R.Terry.
  - d. None of the above
2. \_\_\_\_\_ defined supervision as daily interaction among executive and immediate assistant in terms of training, direction, motivation, Co-ordination, maintenance of discipline.
  - a. Newman and Warren.
  - b. George.R.Terry.
  - c. Peter.F.Drucker.
  - d. Terry and Franklin

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**1.5 Let us Sum Up**

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In this unit we have learnt that directing serves as managerial function that is mainly related with influencing, guiding, supervising and inspiring of subordinates in a will planned manner.

It is studied that the process of directing will cover issuing of orders and instructions along with guidance, counselling, adequate knowledge to subordinates, work supervision and thereby maintaining and inspiring subordinates.

It is found that there are several important principles of directing which will include harmony of objective, unity of command, direct supervision, participative leadership, follow up and unity of direction.

The broad meaning of supervision is the style of watching over the work or tasks of another who lacks in knowledge of concept at hand. It does not effect on the control of another but will able to guide in work, professional or personal.

The scope of supervision is limited to that of direction having motivating and leading employees along with communication among them in spite of giving guidance to them.

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**1.6 Answers for Check Your Progress**

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**Check your progress 1**

**Answers:** (1-a), (2-a)

**Check your progress 2**

**Answers:** (1-d), (2-d)

**Check your progress 3**

**Answers:** (1-a), (2-a)

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**1.7 Glossary**

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1. **Directing :** It is the guidance, the inspiration, the leadership of those men and women that constitutes the real core of the responsibility of management. *- Urwich and Brech*
2. **Supervision :** It means the art of watching over the work or tasks of another ho may lack full knowledge of the concept at hand.

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**1.8 Assignment**

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Discuss the role of supervisor in making the company production double. What steps are taken by him to do so?

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**1.9 Activities**

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What do you understand by Supervision? How is it different from Direction?

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**1.10 Case Study**

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Based on your observations at workplace or at any organization, explain the difference between Direction and Supervision in your own words.

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**1.11 Further Readings**

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hill.



**UNIT STRUCTURE :**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Controlling**
  - 2.2.1 Meaning of Controlling**
  - 2.2.2 Features of Controlling**
  - 2.2.3 Importance of Control**
  - 2.2.4 The Control Process**
  - 2.2.5 Characteristics of an Effective Control System**
  - 2.2.6 Types of Control**
- 2.3 Planning and Controlling**
- 2.4 Let Us Sum Up**
- 2.5 Answers to Check Your Progress**
- 2.6 Glossary**
- 2.7 Assignment**
- 2.8 Case Study**
- 2.9 Further Readings**

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## **2.0 Learning Objectives**

After learning this unit 3, you will be able to understand:

- Meaning, Features, Importance and Process of Controlling;
- Characteristics of Effective Control System;
- Types of Plan

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## **2.1 Introduction**

In this unit, you are going to study and learn about the basic of controlling and its necessary factors. Controlling basically is employed as measurement of success that is against the standards as well as correction of variation if exist, in order to make sure about success of an organizational goals. The basic of controlling appears as to make sure about all occurring in conformities along with certain standards and principles. A well-organized system of control will rather help in predicting variations which come just before when it actually takes place.

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## **2.2 Controlling**

Controlling is the process of comparing actual performance with standards and taking necessary corrective action. The focus of the control system may include feed forward-control to prevent problems; concurrent control to

monitor on-going activities and feedback control to evaluate last-performance. While incorporating controls at various levels, employee reactions must, also kept in mind.

### **Raghuveer's Dilemma**

Raghuveer Desai is the supervisor of an engineering firm in Pune. The morale in his office was quite low, recently. The workers went back to a 9- 5 work schedule after being on flexi time for nearly two years.

When the directive came down allowing Raghuveer to place his office on flexi time, he spelled out the rules carefully to his people. All the employees were to work during the core period from 10 a.m. to 2 p.m. However, they could work the rest of the eight-hour day at any time between 6a.m. and 6p.m. Raghuveer believed his workers were honest and well-motivated, so he did not bother to setup any system of control.

Everything went along well for a long time. The morale was high and all the work seemed to be done. In November, 2010 the chief factory manager found that Raghuveer's workers were averaging seven hours a day. Two employees had been working only during the core period for more than two months. When Raghuveer's departmental head received the factory manager's report, he told Raghuveer to return-the office to regular working hours. Raghuveer was upset and disappointed with his people. He had trusted them and felt they had let him down.

### **What did Raghuveer fail to understand about the controlling process?**

Control is the process of comparing actual performance with established standards for taking action to correct deviations.

Planning organising, coordinating and directing are only preparatory steps for getting the work done; it is only through the process of control that management is able to maintain the "equilibrium between ends and means, output an effort."

It is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives (Robin Anthony), a properly designed system of control alerts managers of the existence of potential problems and allows them to take corrective actions, when necessary.

The basic purpose of a well-designed control system ensures that results are achieved according to plan. Control is not just score keeping. It is not just plotting the course and getting locations report. It is, rather, steering the ship.

### **2.2.1 Meaning of Controlling**

Controlling means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained. To do this, managers study accounting and other reports and compare them to the plans set earlier. These comparisons may show where operations are not proceeding as planned and who is responsible for what. The feedback that management receives may suggest the need to re-plan, to set new strategies or to reshape the organisational structure.



**Fig 2.1 Controlling**

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organisational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance discovers the causes of such deviations and helps in taking corrective actions.

According to Brech, “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”

According to Donnell, “Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course”.

Controlling has got two basic purposes:

- It facilitates Co-ordination
- It helps in planning

### **2.2.2 Features of Controlling**

A careful exam of the above definitions reveals the following features of controlling.

1. **Control is a Positive Force:** The primary object of control is to find where failures are occurring, who is responsible for them and what should be done about them. It is thus a positive force, aimed at securing performance. Just like a thermostat in a refrigerator control automatically begins to operate whenever deviations occur. It is a constructive activity designed to check deviations and improve performance.
2. **Controls Continuous Process:** It is not a one-step action plan. As pointed by the navigator continually takes readings to ascertain where he is, relative to a planned course, so should the business manager continually take readings to assure him that his enterprise or department is on course.”

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3. **Control is Forward Looking:** Control involves a post-mortem examination of past events; it is often viewed negatively, as a policing or watchdog kind of job. The whole exercised of looking back is meant to improve performance in future, as past cannot be controlled.
4. **Control Process is Universal:** Control is a primary function of every manager. It has to be undertaken at every level. Managers at every level have to check deviations from standards; set things right quickly and keep the business on course. The, process of management is incomplete without controlling.
5. **Control Process is Dynamic:** Control is not static; it is dynamic in the sense, it is amenable to change and hence, highly flexible. Between the times a goal is established and the time it is reached, many things can happen in the organisation and its environment to disrupt movement toward the goal or even to change goal itself. “A properly designed control system can help managers anticipate, monitor and respond to changing circumstances.”
6. **Control is Goal-Oriented:** Control guides activities (along desired lines) towards predetermined goals. The primary focus is on achieving results, checking deviations, if any and initiating timely remedial steps. Control, thus, is not an end in itself but only a means to achieve predetermined goals.
7. **Delegation is the Key to Control:** A manager gets authority to use resources and achieve results through delegation. Without such authority, a manager may not be in a position to take effective rectification steps in time.

In addition, it should be remembered here, to put activities along right paths; a manager requires enough authority so that he can control anything and everything under his jurisdiction.

8. **Control is based on Planning:** A system or control presupposes the existence of certain standards. The plans provide the standards of performance, which serve as the basis of control. Thus, planning and control are closely related to each other. Once plans are made, control is unnecessary to measure the progress of work. Planning is useful only when there is effective control. Planning without control is meaningless.

### 2.2.3 Importance of Control

Control is an essential part of every organisation. The management process is incomplete and sometimes, meaningless without control function. Targets remain on paper, people tend to use resources recklessly and managers find everything chaotic. The absence of control could be very costly and unproductive.

A good system of control, however, puts an end to all of these and offers the following advantages:

- 1. Achievement of Goals:** Controlling is a goal-oriented process. It keeps activities on the right track. Whenever things go off the rails, remedial steps are undertaken immediately. Every attempt is made to confirm events, to set targets and thereby achieve results efficiently and effectively.
- 2. Execution and Revision of Plans:** It is through controlling that appropriate steps are taken to ensure that each plan is implemented in a predetermined way. Controlling measures progress, uncovers deviations, indicates corrective steps and thus, keeps everything on track. Of course, when conditions change dramatically, controlling helps to review, revise and update the plan. It offers valuable feedback information, reveals shortcomings in plans and thereby helps in preparing other plans for future use.
- 3. Brings Order and Discipline:** In an organisation, while pursuing goals managers and their subordinates often commit mistakes. For example, problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, and poor designs are followed. A control system helps check such tendencies before they turn into serious problems. It has a healthy impact on the behaviour of subordinates. They become cautious while discharging their duties since they are aware (that their actions are observed at every stage)
- 4. Facilitates Decentralisation of Authority:** When managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A system of control ensures this by forcing subordinates to conform to plans. The feedback information helps managers check whether actions taken at lower levels are in line with what has been planned or not. It helps to measure progress, check deviations and adjust operations from time to time.
- 5. Promotes Co-ordination:** Control facilitates Co-ordination between different departments and divisions by providing them unity of direction. Individuals and their activities are tied to a set of common objectives. Such a unified focus ensures accomplishment of results, efficiently and effectively.
- 6. Cope with Uncertainty and Change:** The environment in which organisations operate is complex and ever changing. New products emerge, innovations come up and new regulations are passed and so on. The organisation needs to keep a watchful eye on such developments and respond intelligently. A control system helps in checking whether the diversified product lines are giving healthy margins, the sales from each region are improving, the products are accepted in the market place or not. Constant monitoring of key areas helps management encash opportunities that are thrown open from time to time. Timely actions can also be initiated to prevent mistakes from becoming serious threats.



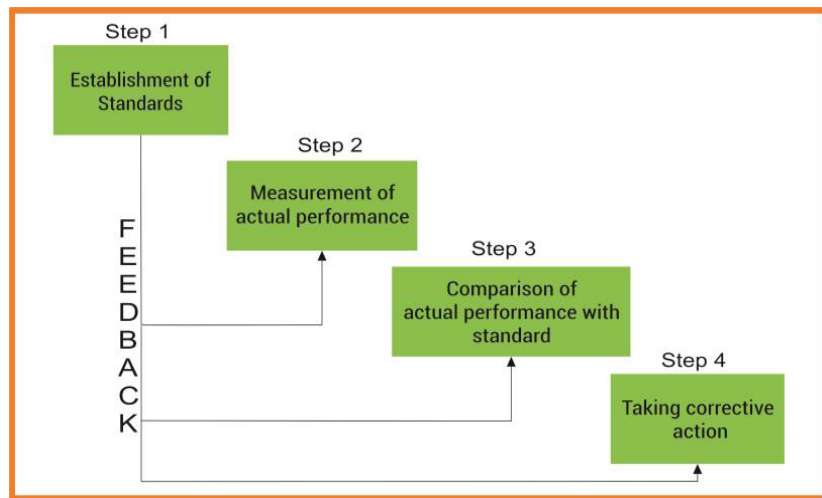
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**Check Your Progress 1**

1. Controlling means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained.
  - a. True
  - b. False
2. Controlling has two basic purposes: 1. It facilitates Co-ordination and 2. It helps in planning.
  - a. True
  - b. False
3. Control is backward looking.
  - a. True
  - b. False
4. Control is based on organizing.
  - a. True
  - b. False

**2.2.4 The Control Process**

The process of control involves the following steps:



**Fig 2.2 Control Process**

1. **Establishment of Standards:** The first step in the control process is establishing standards. Standards are the targets against which subsequent performances will be compared. They are, by definition, simply criteria of performance. They serve as the benchmarks because they specify acceptable levels of performance.

It is found that laying of standards for every operation is an unpreventable work which is performed by the management such as:

- In the initial phase of setting standards, it is the work of an executive to study about various characteristics related to work.

- It is the work of executive to consider simple flexible and normally accepting levels of good performance in case of work characteristics.
  - On differing with amount of work related to operations, it is seen that the characteristics differs along with standards.
  - It is found that there are set standards that depends on characteristics of particular task.
2. **Measurement of actual performance:** Another step in control process is measurement of actual performance where actual performance of employees is measured in terms of fixed standards as per his job. Also, measuring performance of a personnel manager at the same time is difficult.

To make the checking process effective, the manager has to concentrate on three key aspects of measurement, viz., completeness, objectivity and responsiveness.

**Completeness:** Complete measures provide an opportunity for the manager to concentrate on all aspects of the job instead of neglecting unmeasured tasks in favour of measured ones.

- **Objectivity:** Objective measures avoid bias that is essentially found in subjective assessment of task and people.
- **Responsiveness:** Responsive measures support the belief that effort and performance lead to improvement in the systems of control.

These three types of measurement are equally important for all jobs in organisations.



**Fig 2.3 Measurement, Feedback and Adjustment during Performance**

3. **Comparison of actual performance with standard:** The comparing step determines the degree of variation between actual performance and the standard. Some variation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of variation. Deviations in excess of this range become significant and

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receive manager's attention. All such deviations may be due to errors in planning, defective implementation or careless performance of the operatives. As a matter of fact, only major or exceptional deviations should be communicated to top management in the form of reports. This is known as „management by exception“

4. **Taking corrective action:** The last and final step in the control process is taking corrective action, when required. Corrective steps are initiated by managers with a view to rectify the defects in actual performance. If actual performance for example- falls short of standards due to non-availability of materials, managers try to procure these materials and thus set things in order. If it is due to poor results shown by employees, it could be rectified through the introduction of attractive incentive plans. Thus, a corrective action may involve a change in methods, rules, procedures, etc. Sometimes, variations might occur due to unrealistic standards. That is, the goal may be too high or too low. In such cases, managers try to set things in order by revising the standards altogether.

Corrective action, as mentioned above, includes the change in strategy, structure, compensation practices, training programmes, redesign of jobs, replacement of personnel, re-establishment of budgets or standards, etc.

#### Check Your Progress 2

1. To make the checking process effective, the manager has to concentrate on three key aspects of measurement: 1. Completeness 2. Objectivity 3. \_\_\_\_\_ .
  - a. responsiveness
  - b. standards
  - c. change
  - d. authority
2. If actual performance falls short of standards due to non-availability of materials, managers try to produce these materials and thus set things in order. – is the example of which step of controlling process \_\_\_\_\_
  - a. Measurement of actual performance
  - b. Taking corrective action
  - c. Establishment of standards
  - d. Comparison of actual performance with standards

#### 2.2.5 Characteristics of an Effective Control System

Effective control systems have certain characteristics. For a control system to be effective, it must be:

1. **Accurate:** Information on performance must be accurate. Evaluating the accuracy of the information they receive is one of the most important control tasks that managers face.

2. **Timely:** Information must be collected, routed and evaluated quickly if action is to be taken in time to produce improvements.
3. **Objective and Comprehensible:** The information in a control system should be understandable and be seen as objective by the individuals who use it. A difficult-to understand control system will cause unnecessary mistakes and confusion or frustration among employees.
4. **Focused on Strategic Control Points:** The control system should be focused on those areas where deviations from the standards are most likely to take place or where deviations would lead to the greatest harm.
5. **Economically Realistic:** The cost of implementing a control system should be less than or at most equal to, the benefits derived from the control system.
6. **Organisational Realistic:** The control system has to be compatible with organisational realities and all standards for performance must be realistic.
7. **Coordinated with the Organisation's Work Flow:** Control information needs to be coordinated with the flow of work through the organisation for two reasons: (1) each step in the work process may affect the success or failure of the entire operation, (2) the control information must get to all the people who need to receive it.
8. **Flexible:** Controls must have flexibility built into them so that the organisations can react quickly to overcome adverse changes or to take advantage of new opportunities.
9. **Prescriptive and Operational:** Control systems ought to indicate, upon the detection of the deviation from standards, what corrective action should be taken.
10. **Accepted by Organisation Members:** For a control system to be accepted by organisation members, the controls must be related to meaningful and accepted goals.

These characteristics can be applied to controls at all levels of the organisation.

### 2.2.6 Types of Control

Management can implement controls before an activity commences, while the activity is going on or after the activity has been completed. The three respective types of control based on timing are feed forward, concurrent and feedback.

1. **Feed forward Control:** Feed forward control focuses on the regulation of inputs (human, material and financial resources that flow into the organisation) to ensure that they meet the standards necessary for the transformation process.

Feed forward controls are desirable because they allow management to prevent problems rather than having to cure them later. Unfortu-

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nately, these controls require timely and accurate information that is often difficult to develop. Feed forward control also is sometimes called preliminary control, pre-control, preventive control or steering control.

However, some authors use term “steering control” to separate the types of control. These types of controls are designed to detect deviation some standard or goal to allow correction to be made before a particular sequence of actions is completed.

- 2. Concurrent Control:** Concurrent control takes place while an activity is in progress. It involves the regulation of on-going activities that are part of transformation process to ensure that they conform to organisational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.

Since concurrent control involves regulating on-going tasks, it requires a thorough understanding of the specific tasks involved and their relationship to the desired product.

Concurrent control sometimes is called screening or yes-no control, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action or stop work altogether on products or services.

- 3. Feedback Control:** This type of control focuses on the outputs of the organisation after transformation is complete. Sometimes called post action or output control, fulfils a number of important functions. For one thing, it often is used when feed forward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feed forward and concurrent control. First, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

If the deviation is great, a manager can use this information when formulating new plans to make them more effective. Second, feedback control can enhance employee's motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils a number of important functions.

### Check Your Progress 3

- Information on performance must be \_\_\_\_\_ .
  - accurate
  - important
  - detail
  - wrong

2. The control system has to be compatible with organizational \_\_\_\_\_ .
- ideals
  - realities
  - future
  - inner side
3. The information in a control system should be \_\_\_\_\_ .
- beautiful
  - reasonable
  - understandable
  - digestible
4. \_\_\_\_\_ control takes place while an activity is in progress.
- Concurrent
  - Immediate
  - Fast
  - None of these

---

### 2.3 Let Us Sum Up

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According to Brech, “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”

Controlling has features like it is a positive force, continuous process, it is forward looking, it is dynamic, goal-oriented and delegation is the key to control and it based on planning. Unit has also explained importance of controlling.

Control process consists of four steps: Establishment of standards, measurement of actual performance, comparison of actual performance with standard and taking corrective action.

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### 2.5 Answers to Check Your Progress

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Check Your Progress 1

1 – a, 2 – a, 3 – b, 4 - b

Check Your Progress 2

1 – a, 2 – b

Check Your Progress 3

1 – a, 2 – b, 3 – c, 4 – a.

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### 2.6 Glossary

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**Controlling** – It is concerned with monitoring employees activities, keeping the organization on track towards its goals and making correction is required.

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### **2.7 Assignment**

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What is controlling? Why is it so important for an organization and managers to implement proper controlling system?

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### **2.8 Case Study**

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Veer Dairy Sweets is a renowned name for quality sweets since 1970. Hemu is the owner of Veer Dairy Sweets was worried as the sales had declined during the last six months. When he inquired to the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore Hemu ordered for sample checking of sweets. Identify the step taken by Hemu that is related to the process of controlling.

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### **2.9 Further Readings**

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.



# CO-ORDINATION

## : UNIT STRUCTURE :

### 3.0 Learning Objectives

#### 3.1 Introduction

#### 3.2 Co-ordination

##### 3.2.1 Characteristics of Co-ordination

##### 3.2.2 Essentials of Co-ordination

##### 3.2.3 Types of Co-ordination

##### 3.2.4 Techniques of Co-ordination

##### 3.2.5 Principles of Co-ordination

##### 3.2.6 Obstacles in Co-ordination

##### 3.2.7 Need of Co-ordination

#### 3.3 Let Us Sum Up

#### 3.4 Answers to Check Your Progress

#### 3.5 Glossary

#### 3.6 Assignment

#### 3.7 Activities

#### 3.8 Case Study

#### 3.9 Further Readings

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### 3.0 Learning Objectives –

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- Concept of Co-ordination
- Characteristics of Co-ordination
- Essentials of Co-ordination
- Types of Co-ordination
- Techniques of Co-ordination
- Principles of Co-ordination
- Obstacles and Need of Co-ordination

---

### 3.1 Introduction

---

- In the previous unit, you have learnt about controlling, its meaning, features, process and importance. You have also studied characteristics of effective control system and types of control.
- In this unit, you will learn the concept, characteristics, essentials of co-ordination. You will also come to know techniques, principles, obstacles and needs of coordination. In fact, co-ordination is very prime function, when a manager has to work for any activity of management in practice.



### 3.2 Co-ordination

The concept of Co-ordination is viewed as one of the important functions of management. With specialised jobs, it does not enable an organisation to attain the desired result. With units, Co-ordination becomes necessary.

Co-ordination is the management of interdependence in work situations; it is the orderly synchronization or fitting together of the inter-dependent efforts of individuals, in order to attain a common goal. For example, in movie making, in order to get classic movie, all the efforts of team must be well coordinated, right from the spot boy to the director of movie.

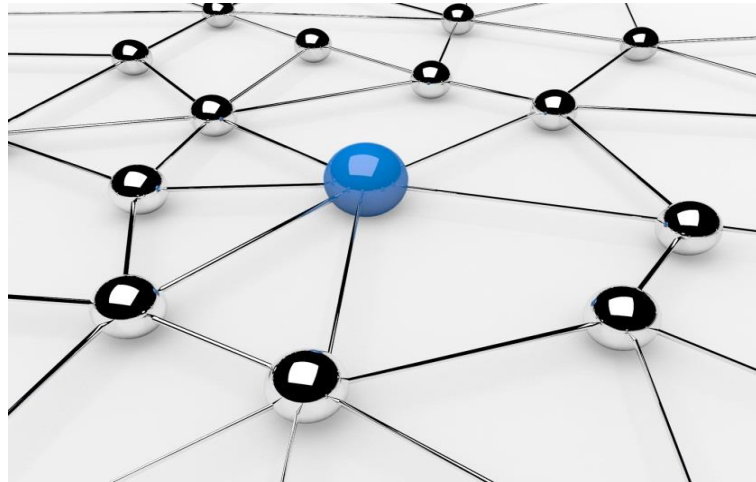


Fig 2.4 Co-ordination

Similarly, in a contemporary enterprise, which consists of a number of departments, such as production, purchase, sales, finance and personnel, etc., there is need for all of them to properly time their mutually supporting activities and to ably reunite the sub-divided work.

Lack of proper Co-ordination results in inefficient operations and waste of time. To coordinate is to keep expenditure proportionate to financial resources, equipment and tools to production needs, stocks to rate of consumption, sales to production and so on. It is to build the house neither too small nor too big, adapt the tool to its use the road to the vehicle, the safety precautions to the risks. It is to delegate the secondary to second place after the principles. It is in a word to accord things and actions their rightful proportions and to adapt means to ends.

Following are the characteristics of Co-ordination.

#### 3.2.1 Characteristics of Co-ordination

**1. Co-ordination Integrates Group Effort:**

The need for Co-ordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that Co-ordination is related to group effort and not individual effort. The question of Co-ordination does not arise, if the job is done by one person only.

**2. Co-ordination Ensures Unity of Action:**

The nature of Co-ordination is of creating unity in action. It means

during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

**3. Co-ordination is a Continuous Process:**

It is not a job which can be performed once and for all, but its need is felt at every step. Many activities are performed in a business. Sometimes or the other, if any one of the activities goes on fluctuating either for more or less than required, the whole organisational balance is disrupted. Thus, a close watch has to be kept on all the activities to maintain the balance.

**4. Co-ordination is an All-pervasive Function:**

Pervasiveness refers to that truth which is applicable to all spheres (business and non-business organisations) and places uniformly. The nature of Co-ordination is pervasive. Like making of timetable in an educational institution is an apt example of establishing Co-ordination.

In the game of cricket, the placement of players at pre-determined positions is nothing but Co-ordination. In the same manner, to synchronise the activities of different departments, like purchase, sales, production, finance, etc. in a business organisation is Co-ordination.

**5. Co-ordination is the Responsibility of All Managers:**

Co-ordination is needed at all the three, i.e., top, middle and lower managerial levels. Different activities performed at all the levels are equally important. Thus it is the responsibility of all the managers that they make efforts to establish Co-ordination. That is why, it could not be said that Co-ordination is of more importance to any one particular managerial level or a manager.

**6. Co-ordination is a Deliberate Function:**

Co-ordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but Co-ordination is also needed. For example, a teacher aspires to teach effectively (this is cooperation) but the timetable is not prepared in the school (this is lack of Co-ordination).

In this situation, classes cannot be arranged for. Here, the effort made by the teacher is meaningless, in the absence of Co-ordination. On the other hand, in the absence of cooperation and Co-ordination it dissatisfies the employees. Thus, both are required at a given point of time.

**3.2.2 Essentials of Co-ordination**

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force, which binds all the other functions of management.

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Management seeks to achieve Co-ordination through its basic functions of planning organising, staffing, directing and controlling. That is why Co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below:

1. **Co-ordination through Planning:** Planning facilitates Co-ordination by integrating the various plans through mutual discussion, exchange of ideas, e.g. Co-ordination between finance budget and purchases budget.
2. **Co-ordination through Organising:** Mooney considers Co-ordination as the very essence of organising. In fact, when a manager groups and assigns various activities to subordinates and when he creates department's Co-ordination uppermost in his mind.
3. **Co-ordination through Staffing:** A manager should bear in mind that the right number of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
4. **Co-ordination through Directing:** The purpose of giving orders, instructions and guidance to the subordinates is served only when there is a harmony between superiors and subordinates.
5. **Co-ordination through Controlling:** Manager ensures that there should be Co-ordination between actual performance and standard performance to achieve organisational goals.

From above discussion, we can very much affirm that Co-ordination is the very much lifeline of management. It is required in every function and at each and every stage and therefore it cannot be separated.

**Check Your Progress 1**

1. The nature of co-ordination is of creating unity of action.
  - a. True
  - b. False
2. Co-ordination is required only at top level of management.
  - a. True
  - b. False
3. Only cooperation is not sufficient, but co-ordination is also needed.
  - a. True
  - b. False

4. Making a timetable in any educational organization is an example of cooperation.
  - a. True
  - b. False
5. Managers ensure that there should be co-ordination between actual performance and standard performance to achieve organizational goals.
  - a. True
  - b. False

### 3.2.3 Types of Co-ordination

Co-ordination can be broadly classified into one of the following four types:

1. **Internal Co-ordination:** Co-ordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants and departments and sections is called internal Co-ordination.
2. **External Co-ordination:** Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external Co-ordination.
3. **Vertical Co-ordination:** Vertical Co-ordination is what exists in a department where the departmental head is called upon to coordinate the activities of all those placed below him.
4. **Horizontal Co-ordination:** Horizontal Co-ordination takes place sideways. It exists between different departments such as production, sales, purchasing, finance, personnel etc.

### 3.2.4 Techniques of Co-ordination

The following are some important techniques of Co-ordination.

1. **Hierarchy:** The oldest as well as the simplest device for achieving, Co-ordination is hierarchy or chain of command. By putting interdependent units under one, boss, some Co-ordination among their activities is ensured.
2. **Rules, Procedures and Policies:** The specification of rules, procedures and policies is another common device to co-ordinate sub units in the performance of their repetitive activities. Standard policies, procedures and rules are laid down to cover all possible situations.
3. **Planning:** Planning ensures Co-ordination efforts. Under planning, targets of each department do connect with the targets of all other departments. For example, by fixing the target of 10,000 units of additional production and sale for the production and sales departments respectively, the head of the organisation can be fairly sure that the work of the two departments would be Co-ordination since their target so demand.
4. **Committees:** Participative, committee or group decision-making is another common coordinating device. This device greatly eases the

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rigidity of the hierarchical structure, promotes effective communication and understanding of ideas, encourages the acceptance of the commitment to policies and makes their implementation more effective.

5. **Induction:** Inducting the new employee into the new social setting of his work is also a coordinating mechanism. This device familiarizes the new employee with the organisations rules and regulations its dominant norms of behaviour, values and beliefs and integrates his personal goals with the organisational goals.
6. **Indoctrination:** Indoctrinating organisational members with the goals and mission of the organisation. A device used commonly in religious and military organisations is still another Co-ordination device.
7. **Incentives:** Another mechanism entails providing interdependent units with an incentive to collaborate, such as a profit-sharing plan. Ardent advocates of profits-sharing claim that it promotes team spirit and better cooperation between employers and workers, between superiors and subordinates and between workers and workers.
8. **Liaison Departments:** In some cases where there is a large volume of contact between two departments, a liaison department evolves to handle the transaction. This typically occurs between sales and production departments. For example, a packaging company that is processing a particular large order to containers might have liaison department to make sure that the production department is meeting the client's specification and that the delivery will take place one time.
9. **Workflow:** A workflow is the sequence of steps by which the organisation acquires inputs, transforms them into outputs and exports these to the environment. It is largely shaped by technological economic and social consideration and helps in Co-ordination.

**Check Your Progress 2**

1. Co-ordination with customers, suppliers, government and outsiders is called \_\_\_\_\_ .
  - a. External co-ordination
  - b. Vertical co-ordination
  - c. Horizontal co-ordination
  - d. Internal co-ordination
2. \_\_\_\_\_ co-ordination takes place sideways.
  - a. Vertical
  - b. Horizontal
  - c. Internal
  - d. External

3. \_\_\_\_\_ co-ordination is what exist is a department where the departmental head is called upon to co-ordinate the activities of all those placed below him.
- a. External
  - b. Internal
  - c. Vertical
  - d. Horizontal

### 3.2.5 Principles of Co-ordination

In applying techniques for achieving effective Co-ordination in the organisation, managers have to observe certain principles. Observance of these principles facilitates the application of various techniques of Co-ordination. Mary Parker Follett, one of the classical management thinkers, has suggested four basic principles of Co-ordination: direct contact, Co-ordination at early stages, continuity and dynamism. To these, two more principles in the form of timing and reciprocal relationship were added. Let us see how these principles work and aid to effective Co-ordination.

1. **Principle of Direct Contact:** Principle of direct contact states that Co-ordination can be achieved by direct contact among people whose activities are to be coordinated. Such a contact can be established through the provision of effective communication system. Direct contact helps in bringing agreement on work methods, actions and achievement of ultimate objectives. It helps to wither away the controversies and misunderstandings among organisational members as well as external parties. Principle of direct contact is based on the theme that Co-ordination is better achieved through mutual understanding and not by force order or coercion.
2. **Co-ordination at the Early Stages:** Co-ordination can better be achieved if it is attempted at the early of stage of work cycle that is at the planning stage. At the stage of planning such as objective setting, strategy and policy formulation, etc., Co-ordination can be sought from organisational members. This may be done through their participation in decision-making process. When members are involved in decision-making process, they realise how their work performance affects other members in the organisation. This happens because participative decision-making enables members to commit and agree on various issues. Conflict and in congruency are reduced which are major hurdles for effective Co-ordination.
3. **Principle of Continuity:** The principle of continuity states that Co-ordination should be treated as a continuous process; it should be taken on regular basis. Co-ordination should be treated as never-ceasing and never-ending exercise of all managers and in all functions. Follett has stated that Co-ordination emerges with the organisation and ends with it.

4. **Principle of Dynamism:** Principle of dynamism states that Co-ordination does not work on the basis of rigid and fixed basis but on dynamic basis. Dynamism is required because changes occur in external factors, which necessitate changes in the organisation and its processes including Co-ordination. When organisational changes take place, many old organisational practices do not remain workable. This is true for Co-ordination too.
5. **Principle of Timing:** The principle of timing involves that various organisational units and members should synchronise the timing of their work performance. One member of the organisation facilitates the working of another if he synchronises the timing of his work with the working of another. For example, in an assembly work, the different stages of the work are interrelated in such a way that a subsequent stage can be undertaken only when the earlier stage has been completed. In such a case, Co-ordination of timing at different stages is important.
6. **Principle of Reciprocal Relationship:** Reciprocal relationship exists between two or more parties in which each party affects the functioning of others and in turn is affected by others. In the organisational context, various departments may have reciprocal relationship though the amount of reciprocity may not be equal in the reciprocal relationship, if a department is affected by some functions of another department but the former does not have control over these functions, the problem of Co-ordination arises. In this situation, the functions and the way of performing such functions are altered in such a way that these affect others positively. For example, the level of production in production department may be decided in consultation with marketing department so that optimum level of production is maintained.

### 3.2.6 Obstacles in Coordination

Though co-ordination is essential, large business enterprises due to their large number of departments, like - production, purchase, sales, finance, personnel etc. find it difficult to execute co-ordination. These departments of large enterprises find it hard to collaborate with each other due to the differences in their attitudes and working styles. Paul R. Lawrence has identified such obstacles of co-ordination in the form of various differences, they are as under:

- **Differences in orientation towards particular goals**

Members of different departments develop their own views about how best to advance the interest of the organisation. For sales people the product variety may take precedence over product quality.

- **Differences in time orientation**

Some members of an organisation such as production managers will be more concerned with problems that have to be solved immediately or within a short period of time. Others, like members of research and development team, may be preoccupied with problems that may take years to solve.

- **Differences in interpersonal orientation**

In some organisations, activities such as production, there may be more formal ways of communicating and decision making. In other activities such as R &D, the style of communication and decision may be informal. Everyone may be encouraged to have a say and to discuss his ideas with others.

**Differences in formality of Structure**

Each unit in the organization may have different methods and standards for evaluating progress towards objectives and for rewarding employees. In a production department for e.g. where quantity and quality are rigidly controlled the evaluation and reward process might be quite formal. Employees will be judged quickly on how they will need or exceed well defined performance criterion.

### 3.2.7 Need for Coordination

The extent of Co-ordination needed in an organisation depends on the nature of tasks and degree of interdependence of people in various units performing them. When these tasks require or can benefit from communication between units, then a high degree of Co-ordination is the best. When information exchange is less, important work may be completed with less interaction between units. Also a high degree of Co-ordination is likely to be beneficial for work that is non-routine and unpredictable. The need for Co-ordination arises because of the following factors.

1. **Division of labour:** When managers divide work into specialized functions or departments at the same time create the need for the Co-ordinator of these activities. Generally, the greater the division of labour, the greater is the need for Co-ordination. If two people in one unit do all the work of an organization, it is clear that there is little need for Co-ordination. But if the work has been divided into ten units with hundred employees, the need for Co-ordination is much greater. Co-ordination ensures proper synchronization between activities of different units? and avoids interruptions in operations due to reasons such as delay to introduce Co-ordination into the plan at a later stage when the damage has already been done.
2. **Direct interpersonal horizontal relationship:** Co-ordination can be secured effortlessly and effectively by direct interpersonal horizontal relationship. Such a direct personal communication brings about agreement on methods, actions and ultimate achievements and removes misunderstandings and conflicts. These will involve a system in formal communication embracing all ranks and status.
3. **Continuity:** Co-ordination must be regarded as a continuous process and must be carried out at all times. It starts from planning and runs through the functions of organizing directing and controlling.
4. **Efforts of Managers:** One should not be under the wrong impression that Co-ordination can be achieved merely by giving an order. Co-ordination is something, which cannot be ordered. On the contrary, it



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must be brought into by the efforts of the managers by integrating all efforts, ideas and interests to some common purpose.

5. **Dynamism:** Co-ordination should not be rigid. Its essence lies in constant experimentation with all phases of organization and operations. Good Co-ordination will remove the critical points as they arise. Excellent Co-ordination will anticipate them and prevent their occurrence. The maintenance and operations department of an airline company provide an example of this kind of relationship. Obviously, this close inter-relationship leads to the strongest need for Co-ordination.

**Check Your Progress 3 –**

1. Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called \_\_\_\_\_ .
  - a. external co-ordination
  - b. internal co-ordination
  - c. vertical co-ordination
  - d. horizontal co-ordination
2. When managers divide work into specialized functions or departments, at the same time create the need for the coordinator for these activities, these activities are called \_\_\_\_\_ .
  - a. division of labour
  - b. division of work
  - c. division of skills
  - d. division of progress

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**3.3 Let Us Sum Up**

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Co-ordination is one of the performance changing function in any organization, because if various functions of management are not co-ordinated properly, results will not be achieved.

Co-ordination means orderly synchronization or fighting together of the inter-dependent efforts of individuals, in order to attain organizational goals.

This unit of co-ordination has covered what are characteristics, essentials, types, and techniques of co-ordination. It has also explained what are the obstacles in co-ordination and why there is a need of co-ordination.

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**3.4 Answers to Check Your Progress**

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**Check Your Progress 1**

1 – a, 2 – b, 3 – a, 4 – b, 5 – a

**Check Your Progress 2**

1 – a, 2 – b, 3 – c

**Check Your Progress 3**

1 – a, 2 – a

---

### 3.5 Glossary

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**Co-ordination** : It is the orderly synchronization or fitting together of the inter-dependent efforts of individuals, in order to attain a common goal.

---

### 3.6 Assignment

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What is co-ordinating? What are the important techniques of co-ordination?

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### 3.7 Activities

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What do you understand by Co-ordination? What are the essential types and techniques of co-ordination? Discuss in your group.

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### 3.8 Case Study

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Drive Inc. is a company which deals with car rental facility. There are various departments in the company like – Human Resources, Finance, Marketing, Research and Development and Operations. The higher level management of the company tries its best to synchronize the activities of various departments in the best possible manner. The result is the increased efficiency and attainment of goals.

Identify the concept of management highlighted above. Write two benefits highlighted in the case.

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### 3.9 Further Readings

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill
5. Management Theory and Practice (Text and Cases), P. Subba Rao, 2<sup>nd</sup> Revised Edition, Himalaya Publishing House

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**BLOCK SUMMARY**

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In this block we have learned about the directions, supervision, Co-ordination and controlling activities that are required and performed in an organization. The concept about important functions of management is also highlighted for reference of students which will be of great use to them. The understanding of direction and Co-ordination activities will therefore explained with the result that the user may require implementing such activities in their domains.

The benefit of reading this block is that the student will be aware about various qualities that a supervisor should carry in order to improve the productivity of the product for the company. The unit will explained about necessary features that exists while knowing certain rules and criteria's that a supervisor show know about Co-ordination activities that exists among workers and management. The responsibility of management in terms of achieving the desired goals is well detailed for future use.

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## **BLOCK ASSIGNMENT**

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### **Short Answer Questions**

1. Control Process
2. Effective control system
3. Types of Control
  
4. Guidelines for Effective Supervision
5. Functions of a Supervisor

### **Long Answer Questions**

1. What is Direction? Discuss the nature and principles of Directing.
2. Explain the process of controlling.
3. Explain Co-ordination and discuss its process.

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Enrolment No.:

1. How many hours did you need for studying the unitse

Unit No.	1	2	3
Nos of Hrs			

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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**BBAR-101/DBAR-101**

# **PRINCIPLES OF MANAGEMENT**

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## **BLOCK-4 MORE ON MANAGEMENT**

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### **UNIT 1**

MOTIVATION AND LEADERSHIP

### **UNIT 2**

COMMUNICATION

### **UNIT 3**

SOCIAL RESPONSIBILITIES OF BUSINESS

### **UNIT 4**

STRATEGIC MANAGEMENT

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**BLOCK 4 : MORE ON MANAGEMENT**

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**Block Introduction**

Motivation refers to the degree of readiness of an organism to pursue some designated goals and implies the determination of the nature and locus of force inducing degree of readiness. The socio-economic obligation of every business is to observe that no action that is economically charged has an adverse effect on the public welfare. This includes obligations to promote employment opportunities, to maintain competition, to curb inflation, etc. Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance.

The block covers the important aspects about motivation, social responsibility of business and strategic management. The details and features about fundamental study of the strategic management along with Indian Businesses and Social Responsibility are well explained. The block will give knowledge on types of communication with social and economic barriers which could be of great help to students while transferring information within an organisation.

After completing this block, student will be able to get sufficient information on motivations with views from several writers that will make them to distinguish easily about financial and non-financial motivations. The knowledge about communication tools with appropriate use will be of great use for new users. The feature about management and its associated features will help the students to know about the strategic working in an organisation.

**Block Objective**

**After learning this block, you will be able to understand:**

- Features about Motivation theory
- Theory of Maslow's hierarchy
- Concept of ERG Motivation theory
- Understanding the Two-Factor Theory
- Characteristics of X and Y theory
- Basic of Financial and Non-financial Motivation
- Need of Leadership
- Factors affecting Leadership
- Early leadership theories
- Various Principles of Leadership
- Outline about Leadership Styles
- Nature of Communication
- Detailed about the types of Communication
- Idea about Social Responsibility
- Brief about Social Responsibilities of Managers
- Feature of Strategic management
- Outline about SWOT analysis

**Block Structure:-**

**UNIT 1: MOTIVATION**

**UNIT 2: COMMUNICATION**

**UNIT 3: SOCIAL RESPONSIBILITIES OF BUSINESS**

**UNIT 4: STRATEGIC MANAGEMENT**



## MOTIVATION AND LEADERSHIP

### UNIT STRUCTURE :

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Concept of Motivation**
  - 1.2.1 Meaning and Definition of Motivation**
  - 1.2.2 Theories of Motivation**
  - 1.2.3 Importance of Motivation**
  - 1.2.4 Financial and Non-Financial Motivation**
  - 1.2.5 Positive and Negative Motivation**
  - 1.2.6 Group Motivation**
- 1.3 Leadership**
  - 1.3.1 Definition of Motivation and Leadership**
  - 1.3.2 Factors of Leadership**
  - 1.3.3 Theories of Leadership**
  - 1.3.4 Principles of Leadership**
  - 1.3.5 Leadership Styles**
- 1.4 Let Us Sum Up**
- 1.5 Answer to Check Your Progress**
- 1.6 Glossary**
- 1.7 Assignment**
- 1.8 Activities**
- 1.9 Case Study**
- 1.10 Further Readings**

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### **1.0 Learning Objectives**

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After learning this unit 4, you will be able to understand:

- Meaning and Definition of Motivation.
- Nature and Importance of Motivation
- Theories of Motivation
- Financial, Non-Financial, Positive and Negative Motivation
- Definition, factors, theories, principles and styles of leadership

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### **1.1 Introduction**

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In the previous unit, you learnt about direction. Direction has the following elements: Supervision, Motivation, Leadership and Communication. You have already learnt about supervision earlier in the book. Motivation, Leadership and Communication are discussed in this unit.



Motivation is to give reason, incentive, enthusiasm or interest that causes a specific action or certain behaviour. Motivation is present in every life function. Simple acts such as eating are motivated by hunger. Education is motivated by a keen desire for knowledge. Motivators can include anything from reward to coercion.

Leadership has been described as the “process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task”. Let us discuss them in detail in this unit.

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## 1.2 Concept of Motivation

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Generally, motivation refers to the state within an individual that drives his behaviour towards some goals. It comes from the need or state of deprivation or „sense of not having in simple terms „lacking? which compels the individuals to act, not to act or to behave in a particular manner. Thus, the basis of motivation may be basic needs like hunger and thirst or may be social and psychological needs of belongingness and achievement, self-development, etc.



**Fig 1.1 Directing to Motivate Factory Workers**

### 1.2.1 Meaning and Definition of Motivation

The term motivation has been defined by management authors as “a general inspirational process which gets the members of the team to pull their weight effectively, to give their loyalty to the group, to carry out properly the tasks that they accepted and generally to play an effective part in the job that the group has undertaken”-Breh.

“Any emotion or desire which so conditions one?s will that the individual is propelled in to action.”Stanley Vence.

“The complex of forces starting and keeping a person at work in an organisation”: Robert?sEncyclopaedia of Management

#### **Nature of Motivation**

On the basis of the above definitions, the following observations can be made regarding motivation:

1. Motivation is an inner psychological force, which activates and compels the person to behave in a particular manner.
2. Motivation process is influenced by personality traits learning abilities, perception and competence of an individual.
3. Highly motivated employee works more efficiently and his level of production tends to be higher than others.
4. Motivation originates from the wants of an individual. It is a tension of lacking something in his mind, which forces him to work more efficiently.
5. Motivation is also a process of stimulating energy of an individual for achieving set goal.
6. Motivation also plays a crucial role in determining the level of performance. Highly motivated employee will get higher satisfaction, which may lead to higher efficiency.
7. Motivating force and its degree may differ from individual to individual depending on his personality, needs, competence and other factors.
8. The process of motivation helps the manager in analysing and understanding human behaviour and finding out that how an individual can be inspired to produce desirable working behaviour.
9. Motivation may be positive as well as negative. Positive motivation includes incentives, rewards and other benefits while negative motivation implies some punishment, fear, use of force, etc.
10. The process of motivation contributes to and boosts up the morale of the employees. Further, high degree of motivation may lead to high morale.

### **1.2.2 Theories of Motivation**

No organisation can succeed without highly motivated and committed team of employees. It is only through them that all other physical resources, like land, building capital, machine, etc. are going to be used for the accomplishment of predetermined goals. Due to the enormous effect of motivational factors on the working behavior and level of performance of the employee, lot of research work has been done and because of that, many theories of motivation have been developed.

Few important and well-known theories are explained below:

#### **1. Maslow's hierarchy of needs theory**

This theory of motivation has received more attention from the managers than any other theory. Abraham Maslow, an eminent US psychologist, has classified human needs in a logical convenient way that has an important implication for managers. In this theory, he has pointed out and explained how needs influence human behaviour. Maslow viewed human motivation as a hierarchy of five needs ranging from most basic physiological needs to the highest needs for self-actualisation.



**Fig 1.2 Maslow's Need Hierarchy**

**Physiological needs:** These are most basic needs including food, shelter, and clothing. These needs are most powerful motivators, as individual cannot survive without them. Physiological needs must be satisfied to some level or these should be partially satisfied, before the individual moves to satisfy other higher category needs. Maslow observed that man lives by bread alone, when there is no bread.

- **Safety needs:** After the satisfaction of physical needs to a relative extent, one feels concerned about safety from future uncertainty, enemies and other threats. These are essentially needs of self-preservation. At this stage, an individual begins to think for future and makes efforts to provide for rainy days. It is concluded by Maslow that, employees need sufficient wage to feed, to take shelter, to protect them and their families and a safe working environment before attempting to satisfy other needs of the higher order.
- **Social needs:** After having secured satisfaction for physical needs and safety and protection for future, one focuses next on satisfying needs of love and affection, which are known as social needs. Social needs include the need to love and be loved and the need to belong and be identified with a group. Though this needs in strongly felt by an individual is respect of family, it also affects work environment. As for the first two levels of need, relative satisfaction of social needs gives rise to next higher-level need.
- **Esteem needs:** Employees in the organisation who perceive themselves as worthwhile are said to have esteem needs. Self-respect is a key to such needs. Much of our self-respect comes from being accepted and respected by others but esteem needs will emerge only when other lower category of needs are satisfied to a relative extent. Esteem needs include need for self-respect and appreciation from others, status and prestige in the society, etc.
- **Self-actualization needs:** At the top of Maslow's hierarchy of needs, there lies the need of self-actualisation. It is an open-ended need, be-

cause it relates to the need to become more and more what one is to become everything that one is capable of becoming. It includes need for realisation of one's full potentials of development, maturity and autonomy. On the relative satisfaction of this need, an individual becomes growth-oriented. Self-directed, detached and creative but in organisation he hardly achieves self-realisation. However, the creativity of an individual in producing new and practical ideas, in bringing about productivity and innovation and in reducing cost that might satisfy some of the needs of self-actualisation.

### Limitations and Criticism

Though Maslow's hierarchy makes sense intuitively, little evidence supports its strict hierarchy. Actually, recent research challenges the order that the needs are imposed by Maslow's pyramid. As an example, in some cultures, social needs are placed more fundamentally than any others. Further, Maslow's hierarchy fails to explain the "starving artist" scenario, in which the aesthetic neglects their physical needs to pursuit of aesthetic or spiritual goals. Additionally, little evidence suggests that people satisfy exclusively one motivating need at a time, other than situations where needs conflict.

While scientific support fails to reinforce Maslow's hierarchy, his theory is very popular, being the introductory motivation theory for many students and managers worldwide. To handle a number of contemporary issues in the Needs Hierarchy, Clayton Alderfer devised the ERG theory, a consistent needs-based model that aligns more accurately with scientific research.

### 2. ERG Theory of Motivation

Clayton Alderfer has developed this theory on the same line as Maslow's need hierarchy. Rather it is considered as reformulation or refinement of Maslow's need theory. This theory states that people attempt to meet a hierarchy of existence, relatedness and growth need efforts to seek one level of needs are defeated individual would regress to lower the level of needs.

#### Clayton Alderfer's ERG Theory

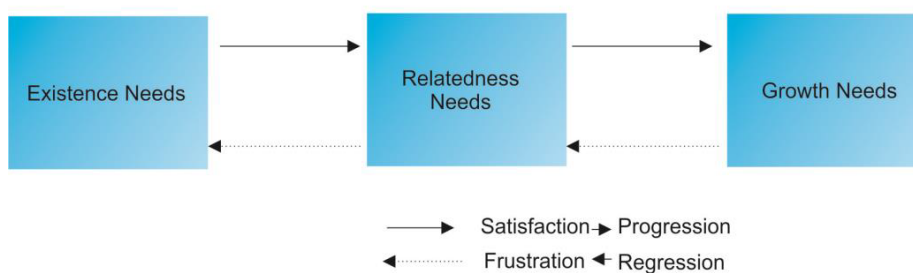


Fig 1.3 ERG Theory

Alderfer classified needs into three categories:

- **Existence needs** - including basic needs and some other factors such as fringe benefits in the work place.
- **Relatedness needs** - are by and large resembling with social needs mainly include need for interpersonal relations; and

- **Growth needs** - reflect many aspects of need of achievement and self-actualisation including need for personal creativity and influence.

Although ERG theory is also based on need hierarchy, it differs from Maslow's need hierarchy on two grounds.

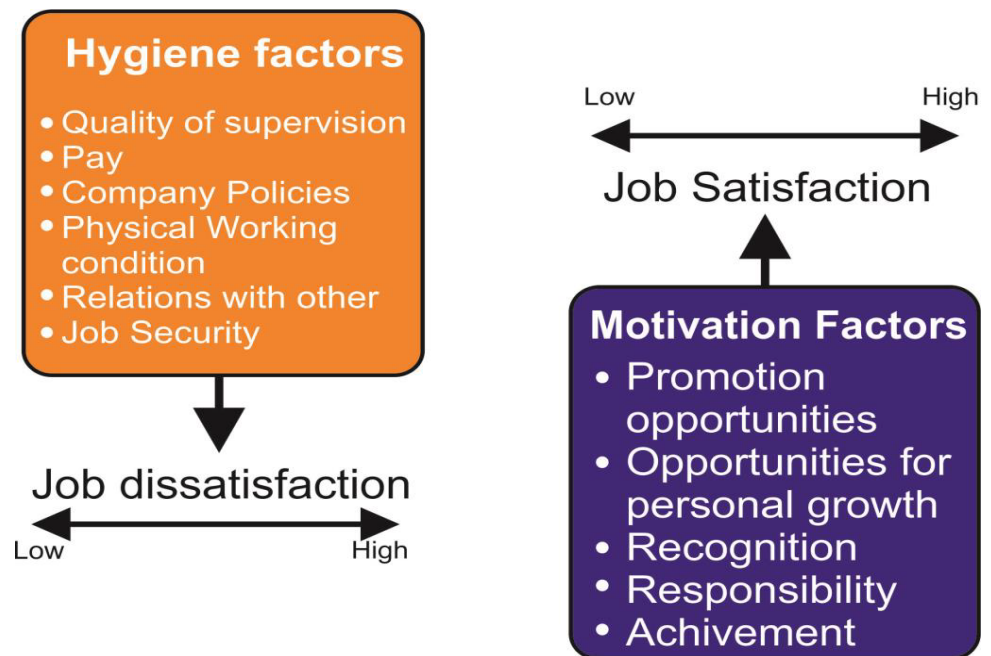
Alderfer stated that needs at more than one level may arise at a time as against the Maslow's assumption that at a time only one category need arises.

Secondly, in a more significant way, Alderfer stressed that when higher category of needs are not fulfilled lower level needs will return even though they were already satisfied to a reasonable extent. In addition, Alderfer strongly felt that people move up and down the hierarchy of needs from situation to situation.

Both these theories of needs do provide useful inside into human needs, which greatly influence his working behaviour. The conclusions derived from these theories may be used by the manager while thinking over and selecting suitable incentives to motivate the employees.

### 3. Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory was invented by Frederick Herzberg's which is a type of motivation theory based on content motivation. It is a theory which motivates individual by means of finding and satisfying of individual requirements, desires and further works to satisfy individual expectations. According to Frederick Herzberg, who studied at clinical psychology in Pittsburgh, believed that the theory is related to work which motivates several employees. The theory was published Motivation to Work during the year 1959.



**Fig 1.4 Herzberg's two-factor theory**

This theory is based upon notion that motivation can be split into hygiene factors and motivation factors. He concluded that there were two types of motivation:

- Hygiene factor
- Motivation Factors

Hygiene factor shows dissatisfaction level which is the real creators of job satisfaction which covers:

- Supervision
- Interpersonal relations
- Physical working conditions
- Salary

Motivation Factors will cover motivation aspect in case of Job which includes:

- Achievement
- Advancement
- Recognition
- Responsibility

Such factors are basically the requirements that will avoid nasty goings-on and uneasiness while motivational scale is the requirement for personal development.

#### 4. Theory X and Theory Y

It is seen that a US scientist McGregor who invent an approach which will handle and encouraged certain assumptions which are based on human behaviour. He worked on the theory of X and Y that believes on assumptions laid down by human behaviour. Though he was a great critic of classical approach of management, even then his theory X is related to philosophy of traditional management, assumptions about employees and the way to manage them. Theory Y is based on humanistic assumptions about employees and describes the approaches to manage and motivate them.

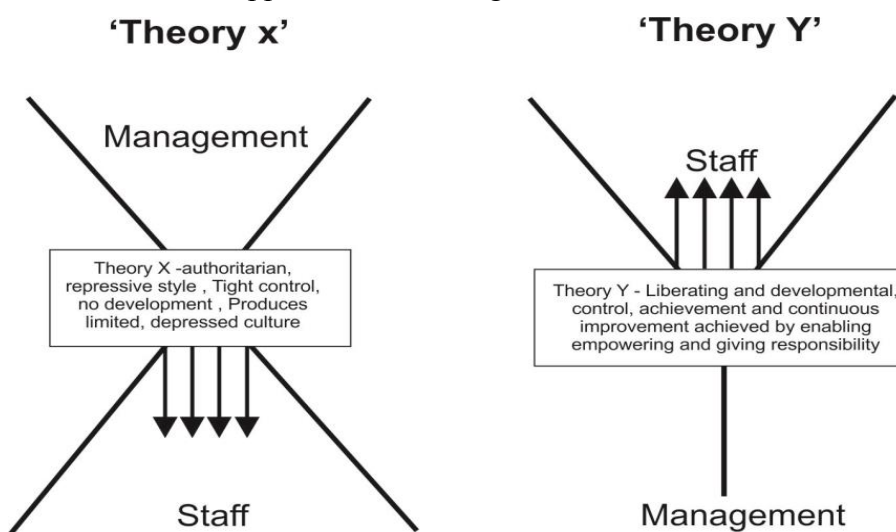


Fig 1.5 Theory X and theory Y

**Theory X describes that:**

1. An average employee in the organisation is lazy, dull and self-centred, resists change and does not want to share responsibility.
2. He has limited number of needs, mostly physical needs, and to some extent, security needs.
3. An average employee lacks responsibility and has little ambitions.
4. Thus, the responsibility of getting things done by others for achieving organisational goals lies on the managers and the managers must use coercive measures to control the workers and they must be threatened and punished as to get them to work.
5. To get the things done by the employees, McGregor suggested a rigid, bureaucratic and rule based organisation.
6. Narrow span of management, one way communication, close supervision, more concentration on monetary incentives and centralisation of managerial authority should be followed.
7. It was also thought necessary to guide, direct and control the employees in a strict manner.

**Theory Y describes the following:**

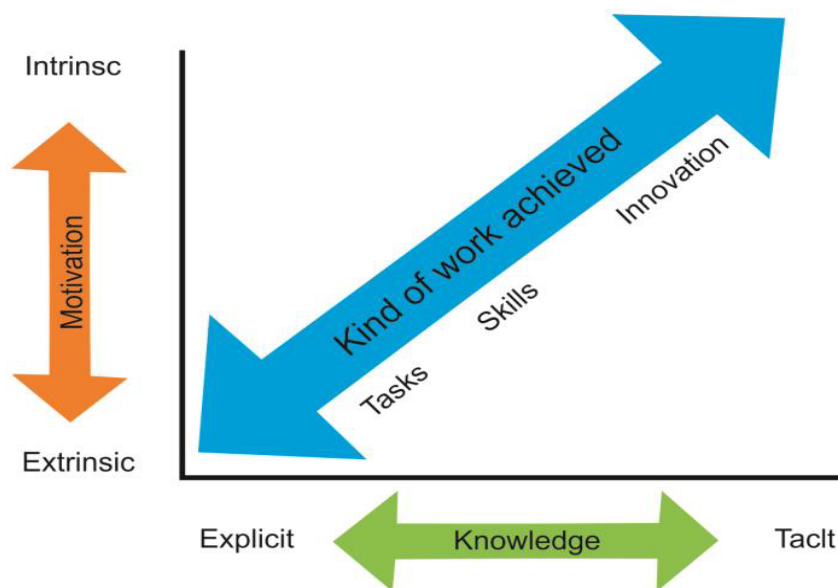
1. Work is as natural as play or rest for the workers.
2. An average employee or worker likes work, and is capable of assuming responsibilities and accepting challenges.
3. This class of workers are ambitious, achievement-oriented and capable of exercising self-control.
4. They have wide range of needs, both economic and non-economic.
5. They have potentials and they can learn to assume responsibility. They have imagination and creativity that can be applied to work.
6. In view of these assumptions, the role of management is to develop potentials and help the employees to use it for achieving common objectives.
7. Organisational structure should be marked by open communication, flexibility, informal relation and de-centralisation of authority.
8. The approach of management should include participative management, supportive supervisory style, self-direction and control, opportunity for creativity and innovativeness and package of both monetary and non-monetary incentives

**5. Achievement Motivation Theory or McClelland's Theory of Need**

This theory has a particular reference to industrial organisation, as the achievement motive has to do a lot with the success and failure of these organisations. David McClelland and his associates like John Atkinson and others in Harvard University, USA, have developed this theory of motivation. The main elements of this theory are need for achievement, power and affiliation. This theory assumes that some people are much more achievement-oriented and

open minded than others. Therefore, they get job satisfaction and derive special kind of pleasure in achieving an objective successfully or performing challenging job rather than receiving monetary and other rewards.

The balance between these drives varies from individual to individual. For example, one individual might have a strong need of affiliation while another might have a strong need for achievement. The people with a high need of achievement would like to take responsibility for solving problems, they tend to set moderately difficult targets for themselves and take calculated task to meet these targets. Achievement-oriented individuals seek satisfaction in doing things better and in assuming important personal responsibility for solving the problems but the people with low achievement needs tend to perform either poorly or average in the same situation.



**Fig 1.6 Achievement Motivation Theory**

Like the need of achievement, the need for power to control or dominate people and events is also considered one of the important motivational factors. Such individuals, if given a position marked by higher authority and power, tend to perform better as compared to other positions having less power. Similarly, some other individual may derive satisfaction from better friendly interpersonal relations in work setting. They can be motivated by providing atmosphere of support and friendship and social affiliation. This need is more like a social need, which has been described earlier.

### 1.2.3 Importance of Motivation

Importance of motivation in management may be judged based on the following factors.

**Effective use of resources:** In business, all physical resources are to be used through human force. Effective and efficient use of these resources depends on the ability and reading of work force. If this work force is inspired to work efficiently, they use the resources properly and strive to yield good results.



**Higher efficiency:** Motivation is directly related to the level of efficiency. Highly motivated employees make full use of their energy and other abilities that raise the existing level of efficiency. They produce more as compared to other employees.

**Accomplishment of organisational goals:** As stated earlier, the process of motivation helps in shaping the working behaviour of the employees and making it desirable for achieving objectives. Highly motivated employees would make goal directed efforts. They are more committed and cooperative for seeking organisational goals.

**Reduced labour turnover and absenteeism:** Highly motivated employees are the most important and valuable assets of the organisation. They are more loyal and sincere therefore they remain punctual and regular in their work schedule and prefer to stay on the job for longer periods. These factors help in reducing absenteeism and labour turnover.

**Healthy industrial relation:** Motivation forms the base of good industrial relation. The employees who lack motivation will be unproductive and be unwilling to obey any rules. This might cause unrest amongst them. However, if they are inspired to work they will work efficiently and maintain discipline

**Improved corporate image:** Motivation also helps in improving an image of organisation. If employees are motivated, they produce more, they maintain self-discipline and productive internal environment in the organisation, which ultimately gives better impression to the outsiders dealing with an organisation and its image is enhanced.

#### 1.2.4 Financial and Non-Financial Motivation

1. **Financial motivation** - means motivating employees by paying them in terms of money. Alternatively, we can say that any amount paid to an employee for motivation is financial motivation. In reality, despite the views of Herzberg that monetary methods of motivation have little value, firms still use money as a major incentive. There are a variety of payment systems that a business could use to motivate its employees:
  - Wages and Salaries
  - Piece-rate
  - Monetary Fringe Benefits
  - Performance-related pay
  - Profit-sharing
  - Share ownership
2. **Non-Financial Motivation** - is the process for retaining and developing people in organisations when times are tough. Non-financial motivation means motivating employees through non-financial means. After recruiting and training people, it is important that a company is able to retain them so that they prove beneficial for the company. This is because these employees will have relevant experience in due course of

time. In order to ensure that such experienced employees continue to work for the company, they have to be motivated by means other than money. In fact, there are many effective methods for non-financial employees' motivation. Effective Methods for non- financial motivation are:

- Job Enrichment
- Fostering Teamwork
- Empowerment
- Fringe Benefits
- Training
- Seminar

### 1.2.5 Positive and Negative Motivation

As we know, motivation is concerned with inspiring a person to work in order to get the best results. This can be of two types:

**Positive Motivation:** Motivation actually means positive motivation in real sense. Positive motivation is done by providing positive incentives to an employee. The examples of positive motivations include promotion, praise, recognition, perks and allowances.

**Negative Motivation:** The idea about negative motivation results from reverse incentives who involves in correcting mistakes or faults of employees. The examples of negative motivation include demotion, transfer, fines and penalties.

The ultimate aim of both positive and negative motivation is to encourage an employee to perform well though their techniques are totally different. Whereas one approaches people to work in the best possible style providing better financial and non- financial incentives, the other tries to encourage them by cutting their wages and other facilities and services with the belief that people will correct themselves and work out of fear.

### 1.2.6 Group Motivation

Group morale reflects the general esprit de corps of a collective group of personality. Group morale is everyone's concern and should be taken into consideration by the management, and also continually practiced, because it is never ultimately achieved and is constantly changing.

Just as a good morale is important in the military as it improves unit cohesion, in the same way the positive group morale helps in boosting unit cohesion within a setup. Without good morale, a force will be more likely to give up and surrender. Morale is usually assessed at a collective, rather than an individual level. Esprit de corps is considered to be an important part of a fighting unit. In the same way a good morale is needed in any organization to carry out its functions effectively in order to achieve the organisational goals. Group motivation involves motivating a team of people to work in a particular manner so that the organisational objectives may be achieved.

### Check Your Progress 1

1. \_\_\_\_\_ theory assumes that some people are much more achievement oriented and open minded than others.
  - a. Achievement
  - b. Theory Y
  - c. Maslow's
  - d. None of these
2. \_\_\_\_\_ motivation means motivating employees by paying them in terms of money.
  - a. Non-financial
  - b. Financial
  - c. Negative
  - d. Non-financial
3. \_\_\_\_\_ motivation includes demotion, transfer, fines and penalties.
  - a. Financial
  - b. Non-financial
  - c. Negative
  - d. Positive

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### 1.3 Leadership

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Good leaders? are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never-ending process of self-study, education, training and experience.

There are certain ways and methods that can be employed to inspire workers that they put in their best effort and achieve their own and the organisational goals. There are certain things that you must know and do but these things are not inherited, instead they are acquired with consistent effort and toil. Good leaders are continually working and studying to improve their leadership skills; they are not resting on their laurels.

#### 1.3.1 Definition and Meaning of Leadership

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent.

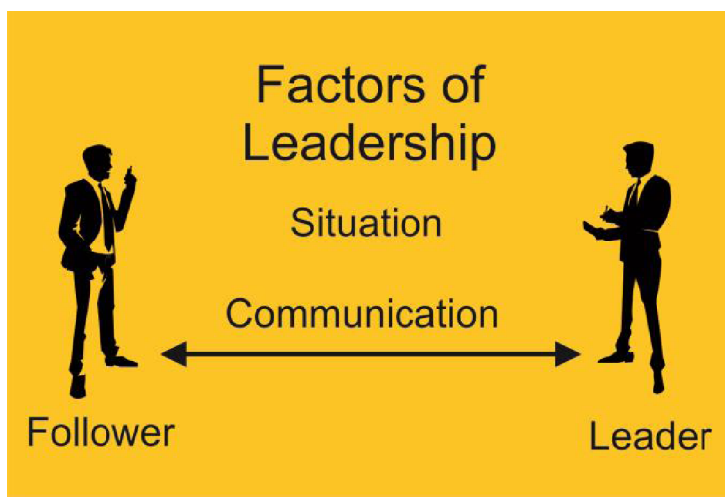


**Fig 1.7 Leadership**

- ◆ “Leadership is a process of giving purpose (meaningful direction) to collective effort and causing willing effort to be expended to achieve purpose.” (Jacobs and Jaques)
- ◆ “Leadership is the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation.” (Hersey and Blanchard)
- ◆ “Leadership is an attempt at influencing the activities of followers through the communication process and toward the attainment of some goal or goals.” (Donelly)
- ◆ “Leadership is defined as the process of influencing the activities of an organised group toward goal achievement.” (Rauch and Behling)

### 1.3.2 Factors of Leadership

There are four major factors in leadership:



**Fig 1.8 Factors of leadership**

1. **Leader:** A leader should possess a sound knowledge of himself, the extent of his potential and how he can utilise this potential in the best possible manner. He must have the capacity to motivate his followers and gain their complete confidence. These followers should never doubt their leader’s capability.

2. **Followers:** People differ in personality, so they cannot be handled in the same manner. An efficient leader is one who considers this. For example, a new employee would need more guidance. A person who is a manager needs different type of motivation than one who is a supervisor. A leader should be well aware of the needs of his people, so that he would have a different approach for individual requirements. This consolidates the bond between the leader and his followers.
3. **Communication:** A good leader guides his followers through communication, especially non-verbal. If he speaks and lacks conviction or his tone does not match his body language, then he will not be taken seriously. Therefore, his manner of communication matters a lot.
4. **Situation:** A leader encounters different types of unpleasant situations every day. Moreover, no two situations are like or have the same solutions. An efficient leader uses his judgment and experience to tackle these situations and make decisions. For instance, if an employee is a habitual late comer, but an efficient worker, then the leader needs to consider very carefully what action should he take in order to make him punctual without demotivating him.

Various forces will affect these four factors. Examples of forces are your relationship with your seniors, the skill of your followers, the informal leaders within your organisation and how your organisation is organised.

### 1.3.3 Theories of Leadership

The appearance of leadership motivates during beginning of 20th century which focuses on qualities that differentiates among leaders and followers. There are eight major types of theories:

1. **Great Man Theories:** This theory believes that the volume of leadership capacity is based on inheritancy. In this theory, the great leaders are posed as daring, mythic and give rise to leadership as required.
2. **Trait Theories:** Trait theory believes that people inherit many features and traits which can be suitable for great leadership. This theory feels that certain personality features are shared among by great leaders.
3. **Contingency Theories:** It is a leadership theory which focuses on desired variables which are based on environment that find out which style of leadership is best fitted for particular situation. In this theory the success is based on the amount of variables which will have leadership style, qualities of followers and characteristics of the situation.
4. **Situational Theories:** This theory allows the leaders to select the best course of action which depends on situational variables.
5. **Behavioural Theories:** It depends on the fact that great leaders are created and not born. The idea of this leadership theory is to enlighten the actions of leaders which are not concerned with mental or internal states.
6. **Participative Theories:** Such theory suggests that an ideal leadership style depends upon input of others. In this the leaders give confidence

while contributions from various group members thereby assuring members to be committed for decision making process.

7. **Management Theories:** Management theories (also known as transactional theories) focus on the role of supervision organisation and group performance. This theory bases leadership on a system of rewards and punishments.
8. **Relationship Theories:** It is a transformational theory which explains about connections which originates among leaders and followers. In this, the leaders are motivated and will make the people inspired by way of helping certain group members by finding higher good of task.

#### 1.3.4 Principles of Leadership

Following are the basic principles of Leadership:

- ◆ **Know yourself and seek self-improvement:** Learning is a never-ending process. A leader should always strive to look at his areas of improvement and work hard to minimise them without any prejudice. These can be accomplished through self-study, formal classes, reflection and interacting with others.
- ◆ **Be technically proficient:** A leader must be knowledgeable and efficient in his work. He must be also aware of the job responsibilities given to various employees.
- ◆ **Seek responsibility and take responsibility for your actions:** After delegating work, a leader should be able to guide his team towards achieving the ultimate objective. When things go wrong, they always do eventually — do not blame others. Instead of brooding over what could have been done, a leader searches for what should be done.
- ◆ **Make sound and timely decisions:** Use good problem solving, decision making and planning tools.
- ◆ **Set the example:** Be a good role model for your employees. They must not only hear what they are expected to do, but also see. “We must become the change we want to see” - Mahatma Gandhi.
- ◆ **Know your people and look out for their well-being:** If a leader genuinely cares for his people, they will certainly reciprocate.
- ◆ **Keep your workers informed:** Know how to communicate with not only them, but also seniors and other key people.
- ◆ **Develop a sense of responsibility in your workers:** This will ensure an increase in the efficiency of the employees. They will develop a positive attitude towards work.
- ◆ **Ensure that tasks are understood, supervised and accomplished:** Communication is the key to this responsibility.
- ◆ **Train as a team:** - Although many so-called leaders call their organisation, department, section, etc. a team; they are not really teams. They are just a group of people doing their jobs.

- ◆ **Use full capabilities of your organisation:** A capable leader has the ability to bring out the latent potential of his people. This will definitely help the whole organisation to progress.

### 1.3.5 Leadership Styles

Leadership style is the manner and approach of providing direction, implementing plans and motivating people. Kurt Lewin (1939) led a group of researchers to identify different styles of leadership. This early study has been very influential and established three major leadership styles. The three major styles of leadership are:

- ◆ Authoritarian or autocratic
- ◆ Participative or democratic
- ◆ Delegated or free reign

Although good leaders use all three styles, with one of them normally dominant, bad leaders tend to stick with one style.

#### **Authoritarian (autocratic)**



**Fig 1.9 Authoritarian leadership**

This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers. Some of the appropriate conditions to use it include the times when you have all the information to solve the problem, you are short on time and your employees are well motivated.

Some people tend to think of this style as a vehicle for yelling, using demeaning language and leading by threats and abusing their power. This is not the authoritarian style, rather it is an abusive, unprofessional style called “bossing people around.” It has no place in a leader’s repertoire.

The authoritarian style should normally only be used on rare occasions. If

you have the time and want to gain more commitment and motivation from your employees, then you should use the participative style.

**Participative (democratic)**



**Fig 1.10 Participative Leadership**

This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it). However, the leader maintains the final decision making authority. Using this style is not a sign of weakness; rather it is a sign of strength that your employees will respect.

This is normally used when you have part of the information and your employees have other parts. Note that a leader is not expected to know everything - this is why you employ knowledgeable and skillful employees. Using this style is of mutual benefit - it allows them to become part of the team and allows you to make better decisions. 25

**Delegative (free reign)**



**Fig 1.11 Delegative leadership**



In this style, the leader allows the employees to make the decisions. However, the leader is still responsible for the decisions that are made. This is used when employees are able to analyse the situation and determine what needs to be done and how to do it. A single person cannot do everything, so the leader must set priorities and delegate certain tasks.

This is not a style to use so that the leader can blame others when things go wrong, rather this is a style to be used when he fully trust and confidence in the people below him. The leader should not be afraid to use it, however, use it wisely.

### **Check Your Progress 2**

1. \_\_\_\_\_ style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers.
  - a. Autocratic
  - b. Participative
  - c. Delegated
  - d. Free rein
2. \_\_\_\_\_ style involves the leader including one or more employees in the decision making process (determining what to do and how to do it). However, the leader maintains the final decision making authority.
  - a. Autocratic
  - b. Participative
  - c. Free rein
  - d. Delegated
3. \_\_\_\_\_ theory believes that the volume of leadership capacity is based on inheritance.
  - a. Trait
  - b. Contingency
  - c. Great man
  - d. Situational

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### **1.4 Let Us Sum Up**

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In this unit we have learnt that motivation is a general inspirational process which gets the members of team to pull their weight effectively, to give their loyalty to the group, to carry out properly the tasks that they accepted and generally to play an effective part in the job that the group has undertaken.

It is studied that according to Abraham Maslow, classification of human needs in a logical convenient way is an important implication for managers.

As per Clayton Alderfer, the theory states that people attempt to meet a hierarchy of existence, relatedness and growth to seek one level of needs that would regress to lower level.

The Frederick Herzberg's motivation theory attempts to explain factors that motivated an individual to go through by identifying and satisfying individual needs, desires and aims to pursue.

The X and Y theory by Douglas McGregor, developed an approach which manages and motivates on various assumptions that are related to human behaviour.

There exist two types of motivations: Positive and Negative Motivation, where positive motivation inspires the people to put in their best efforts to increase

efficiency while in negative motivation, the idea is to control negative efforts of work and creates sense of fear for worker.

It is studied that leadership relates to process where a person influences others to accomplish an objective and directs the organisation in a way that makes it more cohesive and coherent.

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### 1.5 Answer to Check Your Progress – Modified

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#### Check Your Progress 1

1 – a, 2 – b, 3 - c

#### Check Your Progress 2

1 – b, 2 – b, 3 – c

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### 1.6 Glossary

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1. **Motivation** - It is an inspiration given to the team members in a company by praising or giving incentives.
  2. **Hierarchy** - It is a tree like structure which shows various levels in an organisation.
  3. **Financial motivation** - It is related to motivating an employee by paying him money.
  4. **Non-financial motivation** - It is related to motivating an employee by way of non-financial means.
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### 1.7 Assignment

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What are the meaning, definition and nature of Motivation? Explain importance of motivation.

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### 1.8 Activities

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Define Leadership. What are the four factors of leadership? Explain principles of leadership.

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### 1.9 Case Study

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‘Things That Motivate Me’ Task

Circle the numbers of the six items from the following list that you believe are most important in motivating you to do your best work. Then rank the six selected items, with the most important item 1, the second most important item 2 and so on.

1. \_\_\_\_\_ Having steady employment
2. \_\_\_\_\_ Being respected as a person
3. \_\_\_\_\_ Having adequate rest periods or coffee breaks
4. \_\_\_\_\_ Receiving good pay
5. \_\_\_\_\_ Working in good physical conditions
6. \_\_\_\_\_ Having a chance to turn out quality work
7. \_\_\_\_\_ Getting along well with others on the job
8. \_\_\_\_\_ Having a job close to home

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MANAGEMENT

9. \_\_\_\_\_ having a chance for promotion
10. \_\_\_\_\_ Having an opportunity to do interesting work
11. \_\_\_\_\_ Receiving pensions and other security
12. \_\_\_\_\_ Not having to work too hard
13. \_\_\_\_\_ Knowing what is going on in the organisation
14. \_\_\_\_\_ Feeling my job is important.
15. \_\_\_\_\_ Having an employee council
16. \_\_\_\_\_ Having a written job description
17. \_\_\_\_\_ Being told by my boss when I do a good job
18. \_\_\_\_\_ Getting a performance rating
19. \_\_\_\_\_ Attending staff meetings
20. \_\_\_\_\_ Agreeing with the organisation.s objectives
21. \_\_\_\_\_ Having an opportunity for self-development and improvement
22. \_\_\_\_\_ Having fair vacation arrangements
23. \_\_\_\_\_ Knowing I will be disciplined if I do a bad job.

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**1.10 Further Readings**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Wehrich, Tata McGraw Hill
5. Management Theory and Practice (Text and Cases), P. Subba Rao, 2<sup>nd</sup> Revised Edition, Himalaya Publishing House



**: UNIT STRUCTURE :**

**2.0 Learning Objectives**

**2.1 Introduction**

**2.2 Concept of Communication**

**2.2.1 Definition of Communication**

**2.2.2 Meaning of Communication**

**2.2.3 Nature of Communication**

**2.2.4 Functions of Communication**

**2.2.5 Communication Process**

**2.2.6 Types of Communication**

**2.2.7 Communication Channels**

**2.3 Let Us Sum Up**

**2.4 Answer to Check Your Progress**

**2.5 Glossary**

**2.6 Assignment**

**2.7 Activities**

**2.8 Case Study**

**2.9 Further Readings**

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**2.0 Learning Objectives**

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After learning this unit, you will be able to understand:

- Communication meaning and definition
- Nature and Functions of Communication
- Communication Process
- Types and Channels of Communication
- Barriers to Communication

---

**2.1 Introduction**

---

In the previous unit 1, you have learnt various motivation theories and leadership styles, which are the part of the function- called directing. Same direction has one more ingredient is communication.

In this unit 2, you will understand that concept of communication. Related with communication, you will learn the topics like communication process, its nature and functions. You will also get an idea of types and channels of communication. All these areas are very important, because in professional life, good communication matters a lot.

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## 2.2 Communication

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Communication is a two way process in which there is an exchange and progression of thoughts, ideas, knowledge and information towards a mutually accepted goal or direction. Here are some definitions by experts:

### 2.2.1 Definition of Communication

The American Society of Training Directors states, „The interchange of thought or information to bring about mutual understanding and confidence or global human relation..

Brown: 'Communication is the transmission and interchange of facts, ideas, feelings or course of action..

Alien Louis A.: “Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It involves a systematic and continuous process of telling, listening and understanding.”

Ordway Tead: „Communicating is a composite of information given and received, of a learning experience in which certain attitudes, knowledge and skills change, carving with them alterations of behaviour, of listening effort by all involved, of a sympathetic fresh examination of issues by the communicator himself, of a sensitive interacting points of view, leading to a higher level of shared understanding and common intention..

### 2.2.2 Meaning of Communication

Communication is a process whereby information is enclosed in a package and is channelled and imparted by a sender to a receiver via some medium. The receiver then decodes the message and gives the sender a feedback. All forms of communication require a sender, a message and an intended recipient; however, the receiver need not be present or aware of the sender's intent to communicate at the time of communication in order for the act of communication to occur.

Communication requires that all parties have an area of communicative commonality. There are auditory means, such as speech, song and tone of voice and there are nonverbal means, such as body language, sign language, paralanguage, touch, eye contact, through media, i.e., pictures, graphics and sound and writing.

### 2.2.3 Nature of Communication

The important characteristics of communication can be explained as follows:

- ◆ It is a 2-way process.
- ◆ Communication process happens between or among two or more parties. (sender and receiver)
- ◆ Communication involves exchange of ideas, feelings, information, thoughts and knowledge.
- ◆ Communication involves mutuality of understanding between the sender and receiver.
- ◆ There are two types of communication, i.e. verbal and non-verbal communication.

Further, below mentioned are the points, which must be considered for effective communication:

1. **Completeness:** The communication must be complete. It should convey all facts required by the audience. The senders of the message must take into consideration the receiver's mind set and convey the message accordingly.
2. **Conciseness:** Conciseness means wordiness, i.e. communicating what you want to convey in least possible words without forgoing the other C.s of communication. Conciseness is a necessity for effective communication.
3. **Consideration:** Consideration implies 'stepping into the shoes of others'. Effective communication must take the audience into consideration, i.e. the audience's viewpoints, background, mind-set, education level, etc. It is an attempt to envisage your audience, their requirements, emotions as well as problems. Ensure that the self-respect of the audience is maintained and their emotions are not at harm. Modify your words in message to suit the audience's needs while making your message complete.
4. **Clarity:** Clarity implies emphasizing on a specific message or goal at a time, rather than trying to achieve too much at once.
5. **Courtesy:** Courtesy in message implies the message should show the sender's expression as well as should respect the receiver. The sender of the message should be sincerely polite, judicious, reflective and enthusiastic.
6. **Correctness:** Correctness in communication implies that there are no grammatical errors in communication.

#### **2.2.4 Functions of Communication**

World cannot live without communication. Same is applicable to any type of organization. It is omnipresent activity among members of the organization. In common any organization have the following functions of communication:

1. Knowledge and information is transferred from one person to another person;
2. Direction and motivation among people comes through motivation;
3. Employees attitude and behaviour are moulded, influenced and changed positively or negatively by communication;
4. It also maintain social relations and gives entertainment to the people in the organization.

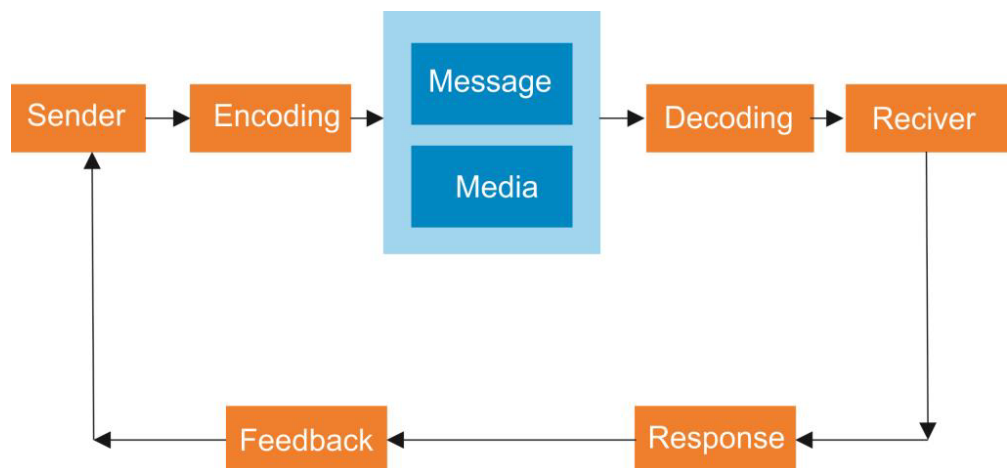
#### **Check Your Progress 1**

1. Communication is the transmission and interchange of facts, ideas, figures or course of action.
  - a. True
  - b. False

2. Correctness of communication implies that there may be grammatical errors in communication.
  - a. True
  - b. False
3. Direction and motivation among people comes through motivation – is one function of communication.
  - a. True
  - b. False

### 2.2.5 Communication Process

The main components of communication process are as follows:



**Fig 1.12 Communication process**

1. **Context:** Communication is affected by the context in which it takes place. This context may be physical, social, chronological or cultural. Every communication proceeds with context. The sender chooses the message to communicate within a context.
2. **Sender / Encoder:** Sender / Encoder is a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response.
3. **Message:** Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed.
4. **Medium:** Medium is a means used to exchange / transmit the message. The sender must choose an appropriate medium for transmitting the message else the message might not be conveyed to the desired recipients.
5. **Recipient / Decoder:** Recipient / Decoder are a person for whom the message is intended / aimed / targeted.
6. **Feedback:** Feedback is the main component of communication process as it permits the sender to analyse the efficacy of the message.

### 2.2.6 Types of Communication

We can divide communication under three categories:

#### 1. Oral/ verbal Communication

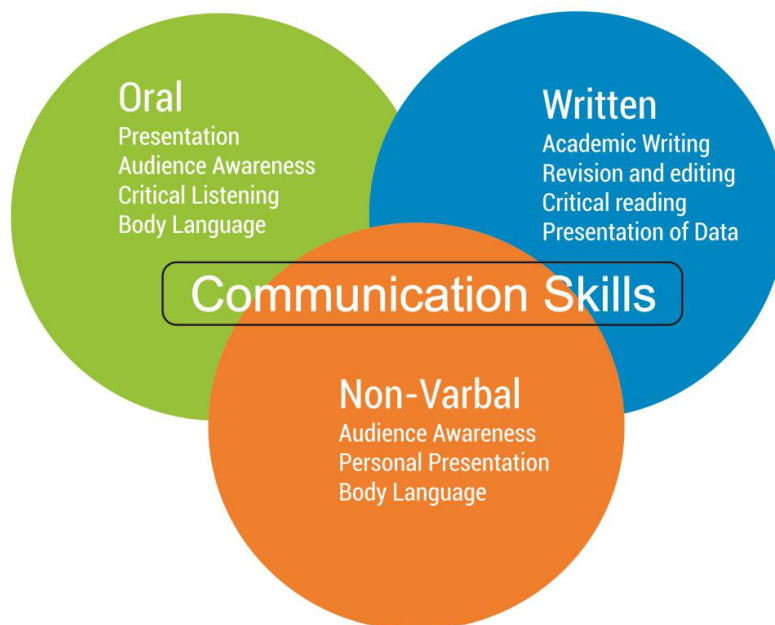
- Words
- Articulation

#### 2. Written Communication

- Reports
- Illustrations
- Memos
- Telegrams
- Facsimiles (FAX)
- E-mails
- Tenders
- Letters
- Others

#### 3. Non- verbal

- Body language
- Signs and symbols
- Territory /Zone
- Object language.



**Fig 1.13 Types of Communication**

1. **Verbal/Oral Communication:** Anything spoken by mouth is oral communication. Whatever is uttered from the mouth contains words and manner of pronouncing words. The manner of pronouncing words is called as articulation. Words both connote and denote meaning.

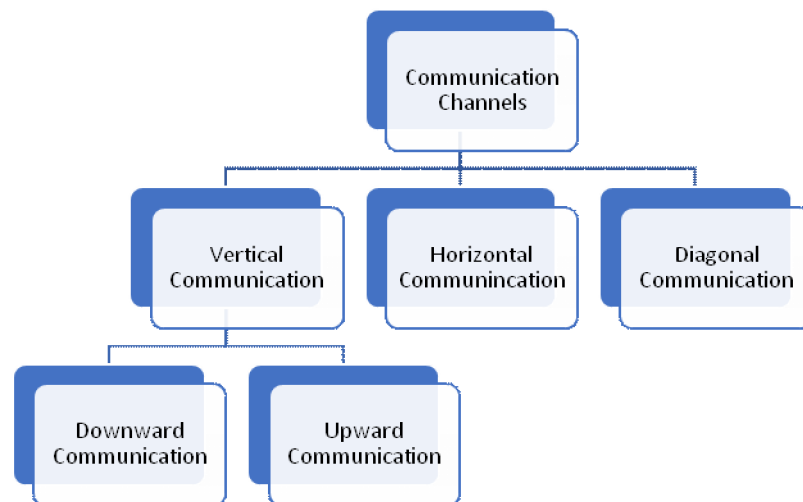


2. **Written Communication:** Written communication takes on a number of forms. It is the most formal of all types of communication. Its manner and style may change according to typical manner of company. It is also bound by the dictates of the organisation.
3. **Non Verbal Communication:** This is an important part of communication. The medium of communication other than oral and written communication is non-verbal communications. Non-verbal communication includes the way an individual positions himself holds his hands, tilts his head, etc. A receiver observes non-verbal communication 55% of the time. Effective and simultaneous use of oral and non-verbal communication is the most effective method of communication. Non-verbal communication may include the gestures, postures, signs, etc.

### 2.2.7 Communication Channels

Communication channel is nothing but different stations through which communication reaches to an individual or group in the organization for necessary work. In present era, there is a need to have very fast information than before. If it is too fast or if it is useless information, can become very expensive for the organization. So, to perform any managerial functions of the organization needs information with quality, in proper way and at right time.

Let us know how these information or knowledge is transmitted. Any type of information or knowledge can be transmitted through various channels. It is shown below:



**Figure 1.14 Communication Channels**

Now these channels, let us understand one by one:

**Vertical Communication:** The communication which takes place from top to bottom or bottom to top can be termed as vertical communication. There are two types of communication; 1. Downward Communication and 2. Horizontal Communication

- 1) **Downward Communication:** It flows from top to bottom level communication in organizational hierarchy. This type of flow is more found in

authoritarian atmosphere. This downward flow is from superior to subordinate.

**Main advantages:**

- It is helpful to send information about policy, objectives etc.;
  - It can also be helpful for introducing and implementing programmes;
  - It facilitates to improve quality of response.
- 2) Upward Communication: It flows from bottom to top level communication in organizational hierarchy. This type of communication is more found in open communication atmosphere. It is necessary to offer suggestions, make complaints, counselling, opinion survey, exist interview, to discuss in meetings and participate in decision-,making.

**Main advantages:**

- Provides scope for two-way communication;
  - Gives a chance to collect immediate feedback;
  - To provide scope for employee satisfaction.
2. Horizontal Communication: In the organizational hierarchy, when two employees at the same level communicate, it is called horizontal communication. E.g. – When two departmental head communicate to each other, it becomes horizontal communication. This communication is necessary because all units and departments in any organization are interdependent.
- This communication helps in managing task coordination among peers, provides emotional and social support, strengthen the relationship among peers and makes the flow of information fast.
3. Diagonal Communication: When two or more employees of different departments communicate to each other, it is called diagonal communication. It allows the communicator to communicate the message to the exact person for whom it is made. E.g. – When a manager – quality control asks a sales manager that whether the high quality products have reached to the market or not – is an appropriate example of diagonal communication.
- This communication is very helpful, when fast flow of communication is needed, otherwise it violates the rule of unity of command.

**2.2.8 Barriers to Communication**

Following are the main communication barriers:

1. **Perceptual Differences:** This normally explains how an individual will understand the world around him. Normally, everyone wants to have a

message which could be of use to him. It is found that the message which is not relevant is not accepted.

2. **Language Differences:** The linguistic differences will also focus on breakdown of communication aspect. Same word may mean different to different individuals. As an example, consider a word “value.”
  - What is the value of this laptop?
  - I value our relation.
  - What is the value of learning technical skills?“Value” has a different meaning in different sentences.
3. **Information Overload:** It is seen that there is a lot of information that is surrounded across the managers which can be controlled, misinterpreted or forgotten.
4. **Inattention:** Many times we simply do both actions hearing and listening. To have an effective communication, continuous or repetition of messages should be avoided.
5. **Time Pressures:** Often in organisation, the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened or messages are partially given, i.e., not completely transferred.
6. **Distraction/Noise:** The idea of communication here is that it gets affected through noise. The cause of physical distractions such as bad lightning, uncomfortable sleeping, unhygienic atmosphere also affects communication.
7. **Emotions:** Basically an emotion is for particular state of time that is also a concern of affecting communication. On conclusion of communicator, if the receiver feels that it is angry, he/she will not interpret the information sent that could be bad as it is reverse in situation when communicator is happy.
8. **Complexity in Organisational Structure:** If there are many levels in an organisation, there are more chances of communication getting destroyed.

### Check Your Progress 2

1. Communication is affected by the context in which it takes place.
  - a. True
  - b. False

2. Signs, symbols and object language are the examples of non-verbal communication.
  - a. True
  - b. False
3. In the organizational hierarchy, when two employees at the same level communicate, it is called horizontal communication.
  - a. True
  - b. False

### **2.3 Let Us Sum Up**

Communication is the interchange of thought or information to bring about mutual understanding and confidence or global human relation. – American Society Training Director.

This communication has several steps in its process: context, sender, message, medium, recipient and feedback. There are various types of communication: Oral, Written and Non-Verbal.

Unit has also covered the points for effective communication like – completeness, conciseness, consideration, clarity, courtesy and correctness. This unit has talked about functions, barriers and channels of communication.

### **2.4 Answer to Check Your Progress**

#### **Check Your Progress 1**

1 – a, 2 – b, 3 - a

#### **Check Your Progress 2**

1 – a, 2 – a, 3 – a

### **2.5 Glossary**

**Communication :** It is the transfer of information from the sender to receiver or vice versa.

### **2.6 Assignment**

What do you understand by the term communication? Explain various elements of communication process.

### **2.7 Activities**

Sit at one place and observe the body language as a type of communication either in office or in a bank or where a meeting is going on. Make your notes of learning on non-verbal communication.

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**2.8 Case Study**

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List out communication barriers and then write one or two examples connected with business world to understand the communication barriers in practice.

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**2.9 Further Reading**

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1. Principles of Management, B. S. Moshal, Galgotia Publications
2. Management Text and Cases, VSP Rao and V. Hari Krishana, Published by Anurag Jain for Excel Books
3. Principles of Management, Second Edition, P. C. Tripathi and P. N. Readdy, Tata McGraw Hill Publishing Company
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill
5. Management Theory and Practice (Text and Cases), P. Subba Rao, 2<sup>nd</sup> Revised Edition, Himalaya Publishing House



## SOCIAL RESPONSIBILITIES OF BUSINESS

### UNIT STRUCTURE :

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 Social Responsibility**
  - 3.2.1 Meaning of Social Responsibility**
  - 3.2.2 Definition of Social Responsibility**
  - 3.2.3 Features of Social Responsibility**
  - 3.2.4 Scope of Social Responsibility**
- 3.3 Social Responsibility of Managers**
  - 3.3.1 Benefits of Manager's Social Responsibility**
  - 3.3.2 Limitations to Manager's Social Responsibility**
- 3.4 The Interested Groups**
  - 3.4.1 Share Holders**
  - 3.4.2 Workers**
  - 3.4.3 Customers**
  - 3.4.4 Creditors, Suppliers and Others**
  - 3.4.5 Government**
  - 3.4.6 Society**
- 3.5 Indian Businesses and Social Responsibility**
- 3.6 Let Us Sum Up**
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- 3.8 Glossary**
- 3.9 Assignment**
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- 3.11 Case Study**
- 3.12 Further Readings**

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### **3.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- The Meaning and Definition of Social Responsibility.
- Features and Scope of Social Responsibility.
- Benefits and limitation to Social Responsibility of Managers.
- The Interest Groups, viz., Share Holders, Workers, Customers, Creditors, suppliers and Others, Government and Society.
- Indian Businesses and Social Responsibility.

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### 3.1 Introduction

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In the previous unit, you studied controlling. Controlling is the process of comparing actual performance with standards and taking necessary corrective action. You also studied co-ordination, which represents core of management and its purpose is to achieve the common objective. Conflict is a process in which an effort is purposefully made by one person or unit to block another that results in frustrating the attainment of other's goals or the furthering of his or her interests.

Further, you are going to study about social responsibilities of a business towards various parties. These parties are consumers, community, workers, employees, shareholders, other businesses and government and so on. The business has its obligations towards all of them.

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### 3.2 Social Responsibility

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Social responsibility is a doctrine that claims that an entity, whether it is state, government, corporation, organisation or individual, has a responsibility to society. Many people, particularly libertarians, assert that there is no “social responsibility” to do anything. They argue that social responsibility only exists to the extent that an individual or business should not initiate physical force, threat of force or fraud against another.



**Fig 3.1 Social Responsibility of Business**

In his famous article, “The Social Responsibility of Business is to Increase Profits,” Nobel Economist, Milton Friedman asserts that business has no social responsibility other than to increase profits and refrain from engaging in deception and fraud. He maintains that when business seeks to maximize profits, it almost always incidentally does what is good for society.

Friedman does not argue that business should not help the community but that it may indeed be in the long-run self-interest of a business to “devote resources to providing amenities to the community...” in order to “generate goodwill” and thereby increase profits.

### 3.2.1 Meaning of Social Responsibility

Social responsibility is an imprecise idea and hence is defined in various ways. Adolph Berle has defined social responsibility as the manager's responsiveness to public consensus. This means that social responsibilities are bound to differ and would not remain the same for all countries at the same time. These would be determined in each case by the customs, religions, traditions, level of industrialization and a host of other norms and standards about which there is a public consensus at any given time in a given society.

According to Keith Davis, the term social responsibility refers to two types of business obligations:

- The socio-economic obligation
- The socio-human obligation

The socio-human obligation of every business is to nurture and develop human values (such as morale, cooperation, motivation and self-realization in work. Every business firm is part of a total economic and political system and not an island without foreign relations. It is at the centre of a network of relationships to persons, groups and things. The businessman should, therefore, consider the impact of his actions on all to which he is related. Business should be carried out in such a manner that it proves to be a boon, packed with benefits for his employees, investors, consumers, the government and the general public. His task is to mediate among these interests, to ensure that each gets a square deal and that nobody's interests are unduly sacrificed to those of others.

### 3.2.2 Definition of Social Responsibility (SR)

From conceptual point of view, SR has been defined by Davis as follows:

“Social responsibilities refer to the businessman's decisions and actions taken to reasons at least partially beyond the firm's direct economic or technical interest.”

This is a broad definition of SR and prescribes actions not related to the interests of the organisation. Andrews have suggested still broader view when he says that:

“By social responsibility, we mean the intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable and leads in the direction of positive contributions to human betterment, variously as the latter may be defined.”

Both of these definitions prescribe some actions by managers for the betterment of the society but do not prescribe the actions precisely. Therefore, most business managers prefer words other than SR because these words to them can note a fixed obligation. They prefer such synonyms as social concern, social programmes, social challenge, social commitment or concern with public problems.

However, the term SR has been widely recognised and its operational definition may be as follows:



Social responsibility contends that management is responsible to the organisation itself and to all the interest groups with which it interacts. Other interest groups such as workers, customers, creditors, suppliers, government and society in general are placed essentially equal with shareholders.

### 3.2.3 Features of Social Responsibility

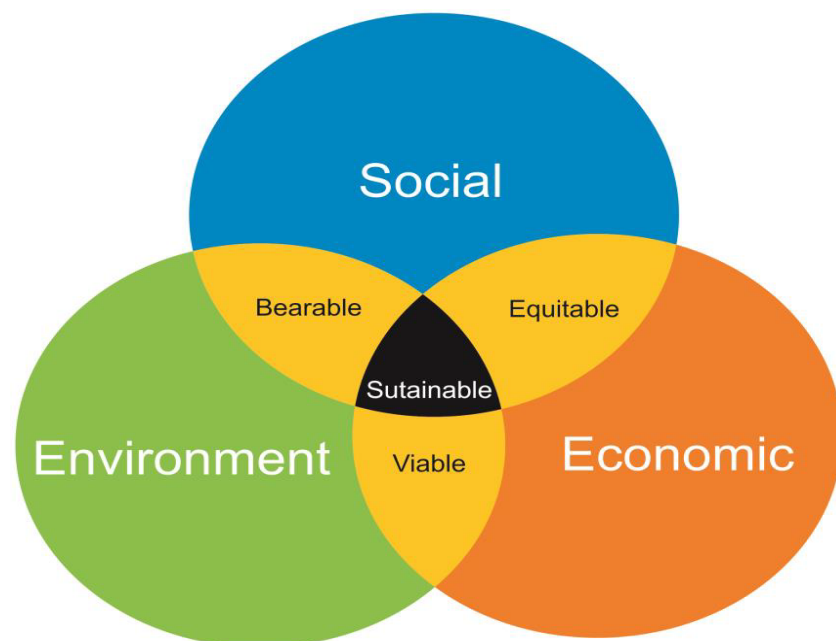
Based on this definition, following features of SR can be identified:

1. The SR contains three types of behaviour- positive, neutral and negative. The negative and neutral aspects of behaviour areas important as positive.
2. Every person in the society has a social obligation to fulfil. However, the emphasis is on social responsibility of management as a group because it is in a position to use the resources of the society in the way it likes. Therefore, it must be conscious about its SR.
3. SR involves fulfilling obligations to various parties concerned with the functioning of an organisation. Some of these parties are concerned directly. Others may be concerned indirectly.
4. The standards fixed for fulfilling obligations to various parties are to be decided according to social norms and expectations. Therefore, these obligations may vary from society to society.

### 3.2.4 Scope of Social Responsibility

Social responsibility and business ethics together tell what a business organisation should do. The issue of responsibilities of business towards society merits consideration in all phases of business growth.

The scope of social responsibility is wide and can be considered in terms of different factors. Some people consider social responsibility in terms of employees, customers and shareholders.



**Fig 3.2 Scope of Social responsibility**

Thus, the business organisations, depending on their nature and size, can extend social responsiveness to the problems of the local community and the nation at large.

Business organisations can classify social responsibility in terms of relatedness to their own activities or otherwise.

### Check your progress 1

1. Adolph Berlehas defined social responsibility as the manager's responsiveness to public consensus.
  - a. True
  - b. False
2. Social responsibility contends that management is responsible to the organisation itself and to all the interest groups with which it interacts.
  - a. True
  - b. False

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### 3.3 Social Responsibility of Managers

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Social responsibility (SR) of managers particularly in business organisations has, of late, been one of the most talked about and widely supported subjects. Traditionally business' basic objective has been defined in terms of profit maximisation. The first break came in the 1930s when the view was advanced and accepted that managers of large companies must make decisions, which maintain an equitable balance among the shareholders, employees, customers, suppliers and public. Managers were considered trustees for these interests. Such a view was later developed as the social responsibility.



**Fig 3.3 Social responsibility of Managers**

The phrase social responsibility is widely used in the literature of sociology, anthropology, economics, politics and business management. However, conceptually as well as in practice also, this has been a volatile, vague and

confused area. Conceptually, people are not very clear what the exact meaning of SR is and what they are expected to do under this. From practical point of view, the response from business has gone on providing a spectrum ranging from mere verbal sympathy to multi-lakh rupees concrete programmes in our country.

### 3.3.1 Benefits of Manager's Social Responsibility

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest. The managers must have social responsibility because of the following reasons:

**Organisational Resources:** An organisation has a diverse pool of resources in form of men, money, competencies and functional expertise. When an organisation has these resources, it is in better position to work for societal goals.

- **Precautionary measure:** If an organisation lingers on dealing with the social issues now, it would land up putting out social fires so that no time is left for realizing its goal of producing goods and services. Practically, it is more cost-efficient to deal with the social issues before they turn into disaster consuming a large part of managements time.
- **Moral Obligation:** The acceptance of a managers' social responsibility has been identified as a morally appropriate position. It is the moral responsibility of the organisation to assist solving or removing the social problems.
- **Efficient and Effective Employees:** Recruiting employees becomes easier for socially responsible organisation. Employees are attracted to contribute for more socially responsible organisations. For instance, tobacco companies have difficulty recruiting employees with best skills and competencies.
- **Better Organisational Environment:** The organisation that is most responsive to the betterment of social quality of life will consequently has a better society in which it can perform its business operations. Employee hiring would be easier and employee would be of a superior quality. There would be low rate of employee turnover and absenteeism. Because of all the social improvements, there will be low crime rate; consequently, less money would be spent in form of taxes and for protection of land. Thus, an improved society will create a better business environment.

### 3.3.2 Limitations to Manager's Social Responsibility

A manager's social responsibility is not free from some criticisms, such as:

- **High Social Overhead Cost:** The cost on social responsibility is a social cost, which will not instantly benefit the organisation. The cost of social responsibility can lower the organizational efficiency and effect to compete in the corporate world.

- **Cost to Society:** The costs of social responsibility are transferred on to the society and the society must bear with them.
- **Lack of Social Skills and Competencies:** The managers are best at managing business matters but they may not have required skills for solving social issues.
- **Profit Maximization:** The main objective of many organisations is profit maximization. In such a scenario, the manager's decisions are controlled by their desire to maximize profits for the organisations shareholders while reasonably following the law and social custom. Social responsibility can promote the development of groups and expand supporting industries.

### Check your progress 2

1. \_\_\_\_\_ employees becomes easier for socially responsible organisation.
  - a. Recruiting
  - b. Resources
2. An organisation has a diverse pool of \_\_\_\_\_ in form of men, money, competencies and functional expertise.
  - a. Resources
  - b. Recruiting

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### 3.4 The Interested Groups

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SR requires the identification of various interest groups, which may affect the functioning of a business organisation and may be affected by its functioning. Normally various groups associated with a business organisation are shareholders, workers, customers, creditors, suppliers, government and society in general. The management owes responsibility towards all these groups. Therefore, the management should show a standardised norm of behaviour. However, the standard norm of behaviour may not be universal. We are more concerned with Indian situation while prescribing the norms of behaviour in respect of fulfilling obligations to various interest groups. Various norms have been suggested through seminars and conferences in our country and our attempt is to present an integrated view.

#### 3.4.1 Share Holders

The first responsibility of management is to protect the interest of shareholders. The interests of majority of shareholders and large minority of shareholders are generally well protected through either direct participation in the management actions or they have real power to intervene, if necessary. However, large numbers of minority shareholders are not in such a position. Therefore, management is expected to use the resources provided by them effectively and to protect their interests. They should be informed about the functioning of the organisation adequately and timely. Though the provisions of the Companies Act provide safeguard to the investment made by shareholders, whether minority or otherwise, management can find loopholes in these.

Therefore, management has a responsibility to provide proper safeguard to the money invested by shareholders.

### **3.4.2 Workers**

Workers have a direct interest in an organisation because by working there, they satisfy their needs. The traditional economic concept of organisational functioning does not give workers their proper share in the distribution of income. The owners and managers have too much power under the economic state of affairs. Thus, it is the management's responsibility to protect the interest of workers in the organisation. The management can do this in the following ways:

1. The management should treat workers as another wheel of the cart.
2. The management should develop administrative process in such a way that promotes cooperative endeavour between employers and employees.
3. The management should adopt a progressive labour policy based on recognition of genuine trade union rights- participation of workers in management, creating a sense of belongingness, improving their working and living conditions.
4. The management should pay fair and reasonable wages and other financial benefits to workers.

### **3.4.3 Customers**

A customer may broadly be defined as a person who has a favourable impression of a company and its products and services. Thus, a person may be categorised as customer even though he may not have committed the act of buying; he may be only a potential customer. Management owes a primary obligation to give a fair deal to customers. This can be done in the following ways:

1. Customers should be charged a fair and reasonable price.
2. The supply of goods and services should be of uniform standard and of reasonable quality.
3. The distribution of goods and services should be widespread so that customers do not face any problems in procuring them.
4. Management should not indulge in profiteering, hoarding or creating artificial scarcity.
5. Management should not lure customers by false, misleading and exaggerated advertisements.

### **3.4.4 Creditors, Suppliers and Others**

Creditors, suppliers and other groups affect the organisation in various ways. Therefore, management is responsible to fulfil its obligations to them. This can be done in the following ways:

1. Management should create healthy and cooperative inter-business relationship between different businesses.

2. Management should provide accurate and relevant information to creditors and suppliers.
3. Payments of price of materials, interest on borrowings, other charges should be prompt.

### 3.4.5 Government

The Government is very closely related with the business system of the country. It provides various facilities for the development of business. No doubt, the government exercises controls over business, but these controls are meant for overall development of business. The management can discharge its obligation to government in the following ways:

1. The Management should be law-abiding.
2. The management should pay taxes and other dues fully, timely and honestly.
3. It should not corrupt public servants and democratic process.
4. It should not buy political favour by any means.

### 3.4.6 Society

Organisations exist within a social system and get facilities from the system. Therefore, they owe obligations to the society as a whole. It is the obligation of management to protect the interest of society because management process is determining the life in the society. In this context, management should have in the following ways.

1. Management should maintain fair business policies and practices.
2. It should set up socially desirable standards of living and avoid ostentation and wasteful expenditure.
3. It should play proper role in civic affairs.
4. It should provide and promote general amenities and help in creating better living conditions in general.

### Check your progress 3

1. A \_\_\_\_\_ may broadly be defined as a person who has a favourable impression of a company and its products and services.
  - a. Customers.
  - b. Suppliers.
  - c. Government
  - d. Society
2. The first responsibility of management is to protect the interest of \_\_\_\_\_
  - a. Shareholders.
  - b. Creditors.
  - c. Suppliers.
  - d. Government

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### 3.5 Indian Businesses and Social Responsibility

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The idea of social responsibility is very old in our country. The concept of parting with a portion of one's surplus wealth for the good of society has prevailed through ages in India.

The business community occupied a significant place in ancient Indian Society. Merchants were treated with respect because of their services towards society.

Merchants provided reliefs in times of famine or epidemics, built and maintained temples, dharamshalas, bathing ghats and installed tube wells and sank wells for providing drinking water facilities.

They also built hospitals, educational institutions and art museums for the benefit of society. During the freedom struggle period, many businessmen had made political donations for the purpose and had contributed to many of the social and cultural causes associated with the movement such as revival of Indian art and culture.

Many of India's leading businessmen such as GD Birla, Jamnalal Bajaj, Lala Shri Ram and Ambalal Sarabhai and others came under the influence of Mahatma Gandhi and his Theory of Trusteeship of Wealth was well accepted. They contributed liberally for his programmes for removal of untouchables, women's emancipation, rural reconstruction, building institutions and infrastructural facilities.

Even after independence, the nation looked to the business community and they responded both by creating more wealth and utilizing part of it for social causes.

They built institutes of scientific and technological research as well as art academics and institutes for the study of Indian history and culture.

Many of the best Indian Institutions in several fields such as Tata Institute of Fundamental Research, The Birla Institute of Technology, J. K. Institute of Sociology and Human Relations, Shri Modi Eye Hospital and Ophthalmic Research, Dr. B.P. Godrej Centre, AMM MurugappaChetiar Research Centre, Shri Ram Collage of Commerce and many others.

The social responsibility of business is a contentious subject. It extends far beyond voluntary and philanthropic social activity and revolves around ethical rather than legislative behaviour.

Business depends upon the society for its input resources such as manpower materials and natural resources like water, air and light. Business also needs society to buy goods and its production and provide money. In short, the business thrives on society for its very survival, sustenance and encouragement.

In India, a large number of companies like TISCO, DCM, Mafatlal Group, Hindustan Steel Ltd., Escorts Ltd., Godrej, Kirloskars, Alembic, etc. have provided a place of importance to social action programmes. Social responsibility is seen as an important check to business and a large percentage of

managers allot a high place for social responsibilities with converse of profit. However, the process of social pledge in India is somewhat different. It takes the form of various following initiatives:

- Developing social trusts
  - Following anti-pollution measures
  - Adopting villages for achieving all-round progress and development
  - Building family planning clinics for the promotion of workers and residents
  - Allocating a fixed percentage of profit to train unemployed engineer, technicians
  - Community development activities like:
    - Provision of drinking water facilities
    - Conducting social audit on a voluntary basis
    - Providing medical, recreational facilities
    - Conducting tournaments to promote sports talent
    - Undertaking consumer education campaigns
    - Avoiding unethical, deceptive advertising
1. **Bajaj Auto:** The Company has been running a Samaj Seva Kendra at Akurdi near Pune since 1975 with 900 families as members. The Kendra aims at improving the quality of life of its members (education, health care, vocational training etc.). The company also runs the Janki Devi Bajaj Gram Vikas Sanstha near Pune. The Sanstha's aim is to promote rural development (water management, procuring vital agricultural inputs, feed and vaccination for livestock, sanitation, etc.).
  2. **Larsen and Toubro:** The Company spends about fifty million annually on social projects. In healthcare, it sponsors efforts directed towards birth control, mother and child care organises camps to check for tuberculosis, leprosy and special surgery camps along the lines of the Life Line Express - the world's first ever hospital on rails. L&T also helps the local populace to source seeds, improve soil quality and encourages dairy and poultry development in and around the areas of its work. Finally, as part of its environment enhancement schemes, it assists in afforestation and promoting biogas plants and smokeless chulhas.
  3. **Shriram Investments:** The Shriram Group formed a trust in 1992 to carry out its social projects. It runs 5 schools for over 2,000 children. The group runs a home for orphans. The group offers work sheds along with capital and management support to women in Thanjavur who make incense sticks and candles. In 1995, the group had launched the Shriram Rural Development Project in Kanchipuram district of Tamilnadu with a view to reduce in indebtedness and offer credit to rural population at concessional rates.



4. **Tata Steel:** Tata Steel has been a pioneer in employee welfare in the country and has acted as a beacon for labour lawmakers. Tata Steel adopted several welfare measures for employees, decades before they were incorporated in the country's laws. These include an eight-hour working day, leave with pay, maternity benefit and leave, workers' provident fund and paying gratuity on retirement.

Beyond employee welfare, Tata Steel has been involved in social projects that include environmental conservation activities, education, vocational training and healthcare for the underprivileged, revival of traditional arts and crafts and sports development.

The company has been running a community development and social welfare department since 1958 that takes care of the educational and vocational training needs of the underprivileged in and around Jamshedpur.

The department acts as catalytic enabler rather than doer, so that the hutment dwellers become more responsible citizens and participate in improving their own quality of life.

The company established a tribal cultural centre to persevere tribal customs, arts and habits. It organises an annual fair at Jamshedpur, which services as a marketing platform for traditional, handicraft-. It has also set up link roads, irrigation facilities, and sports activities for the benefit of society at large. It has begun the planting of new trees over a period of 1000 days since June 1997 (also in other locations now).

5. **Otis Elevator Co India:** Otis focuses on socially responsive activities by improving the lot of the mentally retarded or "special people." Worldwide, Otis has been involved in promoting sports for these special people. As part of this initiative, Otis India sponsored 350 special athletes from Maharashtra for the World Special Olympics in 1995. Since then, Otis employees of all ranks have been involved in fund raising for this cause, on a voluntary basis. Through these fund-raising efforts, company employees have been able to help equip special schools with items like fans, music systems, sewing machines, wheelchairs, hearing aids, learning aids, books, etc. Regular medical camps are also undertaken at an orphan home for the mentally retarded. Not only that, many company employees are motivated enough to take out time to repair and paint furniture for such schools and participate in various celebrations with the special children. The work put in by Otis India's Team Otis in this regard, helped it bag the Special Partnership Award for 1996 and 1997 from the Otis organisation that is judged by Special Olympics International, Washington, USA.

### Check your progress 4

1. Social responsibility is seen as an important check to business and a large percentage of \_\_\_\_\_ allot a high place for social responsibilities with converse of \_\_\_\_\_
  - a. Managers, Profit
  - b. Supervisors, Loss

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### 3.6 Let Us Sum Up

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In this unit we have studied that according to Keith Davis, the meaning of social responsibility refers to two types of business obligations that can be socio-economic and socio-human obligations

It is seen that social responsibility of managers in terms of business organisations is one of most talked about and widely supported subjects where managers of large companies decides about maintaining equitable balance among shareholders, employees, customers, suppliers and public.

The concept of social responsibility is parting with portion of one's surplus wealth for good of society that prevails through ages. It is a business community which occupies significant place in ancient society.

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### 3.7 Answers for Check Your Progress

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#### Check your progress 1

Answers: (1-a), (2-a)

#### Check your progress 2

Answers: (1-a), (2-a)

#### Check your progress 3

Answers: (1-a), (2-a)

#### Check your progress 4

Answers: (1-a)

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### 3.8 Glossary

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1. **Motivation** - Any influence that brings out, directs or maintains goal directed behavior.
2. **Mission** - The organisation's purpose or fundamental reason for existence of work in order to improve worker efficiency.
3. **Social Responsibility** - It refers to the businessman decisions and actions taken to reason at least particularly beyond firms direct economic or technical interest.

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### 3.9 Assignment

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Define social responsibility. Give its meaning and features. What is the scope of social responsibility?

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### 3.10 Activities

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What are the social responsibilities of a manager? What are the benefits and limitations to manager's social responsibility?

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**3.11 Case Study**

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1. Consider yourself as entrepreneur and say how you will fulfil the social responsibility of your business.
2. Conduct a survey at your nearby industry and prepare a report on social responsibility of concern.

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**3.12 Further Readings**

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.



## STRATEGIC MANAGEMENT

### : UNIT STRUCTURE :

#### 4.0 Learning Objectives

#### 4.1 Introduction

#### 4.2 Strategic Management

##### 4.2.1 Definition and Meaning of Strategic Management

##### 4.2.2 Elements of Strategic Management

##### 4.2.3 Scope and Dimension of Strategic Management

##### 4.2.4 Strategic Management Process

##### 4.2.5 Importance of Strategic Management

#### 4.3 Strategic Decision

##### 4.3.1 Characteristics/Features of Strategic Decisions

##### 4.3.2 Strategic Decisions, Administrative Decisions and Operational Decisions

#### 4.4 SWOT

##### 4.4.1 SWOT Analysis

##### 4.4.2 Advantages of SWOT Analysis

##### 4.4.3 Limitations of SWOT Analysis

#### 4.5 BCG Matrix

##### 4.5.1 BCG Matrix Analysis

##### 4.5.2 Limitations of BCG Matrix

#### 4.6 Let Us Sum Up

#### 4.7 Answers for Check Your Progress

#### 4.8 Glossary

#### 4.9 Assignment

#### 4.10 Activities

#### 4.11 Case Study

#### 4.12 Further Readings

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#### 4.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- The Scope, Dimensions and Importance of Strategic Management.
- Strategic Management Process.
- Meaning and features of Strategic Decision.
- Difference between Strategic, Administrative and Operational Decisions.
- SWOT Analysis, Advantages and limitations of SWOT Analysis.
- BCG Matrix analysis and its limitations.

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## 4.1 Introduction

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In the previous unit, you read about social responsibility of business towards various interest groups. Management has a responsibility towards these groups and has to fulfill this responsibility at its best for proper functioning and growth in the future.

Now, in this last unit, you will read about strategic management. Strategic Management is systematic analysis of the factors associated with customers and competitors (the external environment) and the organization itself (the internal environment) to provide the basis for rethinking the current management practices. Its objective is to achieve better alignment of corporate policies and strategic priorities. Then you will also study SWOT and BCG Matrix Analysis.

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## 4.2 Strategic Management

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Strategic Management is all about identification and description of the strategies that managers can carry to achieve better performance and a competitive advantage for their organisation. An organisation is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

The manager must have a thorough knowledge and analysis of the general and competitive organisational environment to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats), i.e., they should make best possible utilization of strengths, minimize the organisational weaknesses, make use of arising opportunities from the business environment and should not ignore the threats.

Strategic management is nothing but planning for both predictable as well as unforeseeable contingencies. It is applicable to both small as well as large organisations as even the smallest organisation face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.



Fig 4.1 Strategic Management

Strategic Management is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organisation. It helps us to identify the direction in which an organisation is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organisation is involved, evaluates its competitors and sets goals and strategies to meet all existing and potential competitors and then re-evaluates strategies on a regular basis to determine how they are implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organisation and they can better understand how their job fits into the entire organisational plan and how it is co-related to other organisational members. It is nothing but the art of managing employees in a manner, which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organisational task. They can understand the reaction of environmental changes on the organisation and the probable response of the organisation with the help of strategic management. Thus, the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major roles of strategic management is to incorporate various functional areas of the organisation completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organisation.

#### **4.2.1 Definition and Meaning of Strategic Management**

The term strategic management is used to refer to the entire scope of strategic-decision making activity in an organisation. Strategic management as a concept has evolved over time and will continue to evolve. As a result, there are a variety of meanings and interpretations depending on the author and sources. For example, some scholars and practitioners the term strategic planning connote the total strategic management activities. Moreover, sometimes managers use the terms strategic management, strategic planning and long-range planning interchangeable. Finally, some of the phrases are used interchangeably with strategic management are strategy and policy formulation and business policy.

The following statements offer a number of workable definitions of strategic management:

“Strategic management is the process of managing the pursuit of organisational mission while managing the relationship of the organisation to its environment.” (James M. Higgins)

“Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organisation.”(John A. Pearce II and Richard B. Robinson, Jr.)

“Strategic management is the process of examining both present and future environments, formulating the organisation’s objectives and making, implementing and controlling decisions focused on achieving these objectives in the present and future environments.” (Garry D. Smith, Danny R. Arnold, Bobby G. Bizzell)

“Strategic management is a continuous process that involves attempts to match or fit the organisation with its changing environment in the most advantageous way possible.”(Lester A. Digman).

#### 4.2.2 Elements of Strategic Management

Strategic management, as minimum, includes strategic planning and strategic control. Strategic planning describes the periodic activities undertaken by organisations to cope with changes in their external environments (Lester A. Digman).

Strategic planning consists of formulating strategies from which overall plans for implementing the strategy are developed. Further, strategic planning involves formulating and evaluating alternative strategies, selecting a strategy and developing detailed plans for putting the strategy into practice. Strategic control consists of ensuring that the chosen strategy is being implemented properly and that it is producing the desired results.

Based on Robert Anthony’s framework, three types of planning and control are required by organisations:

**Strategic Planning and Control:** This is the process of deciding on changes in organisational objectives, in the resources to be used in attaining these objectives, in policies governing the acquisition and use of these resources and in the means (strategies) of attaining the objectives. Strategic planning and control involve actions that change the character or direction of the organisation.

- **Management Planning and Control:** This entails the process of ensuring that resources are obtained and used efficiently in the accomplishment of the organisation’s objectives. Management planning and control is carried on within the framework established by strategic planning and is analogous to operating control.
- **Technical Planning and Control:** This is the process of ensuring efficient acquisition and use of resources, with respect to those activities for which the optimum relationship between outputs and resources can be accurately estimated (e.g. financial, accounting and quality controls).

Another important term in the study of strategic management is long-range planning. Long-range planning, planning for events beyond the current year, is not synonymous with strategic management (or strate-

gic planning). Not all long-range planning is strategic. Certain strategic actions and reactions can be relatively short range and may include more than just planning aspects. It is perfectly reasonable to have long-range operating or technical plans that are not strategic. However, it should be noted that most strategic decisions have long-term ramifications.

### 4.2.3 Scope and Dimension of Strategic Management

Strategic management focuses on the total enterprise. It involves the planning, directing organising and controlling of the strategy-related decisions and actions of the business.

#### Scope of Strategic Management

J. Constable has defined the area addressed by strategic management as “the management processes and decisions which determine the long-term structure and activities of the organisation.” This definition incorporates five key themes:

- **Management process:** Management processes relate to how strategies are created and changed.
- **Management decisions:** The decisions must relate clearly to a solution of perceived problems (how to avoid a threat, how to capitalize on an opportunity).
- **Time scales:** The strategic time horizon is long. However, for a company in real trouble, it can be very short.
- **Structure of the organisation:** An organisation is managed by people within a structure. The decisions resulting from the way that managers work together within the structure can result in strategic change.
- **Activities of the organisation:** This is a potentially limitless area of study and we normally shall centre upon all activities which affect the organisation.

These all five themes are fundamental to the study of the strategic management field.

#### Dimensions of Strategic Management

Strategic management process involves the entire range of decisions. Typically, strategic issues have six identifiable dimensions:

- Strategic issues require top-management decisions.

Strategic issues involve the allocation of large amounts of company resources.

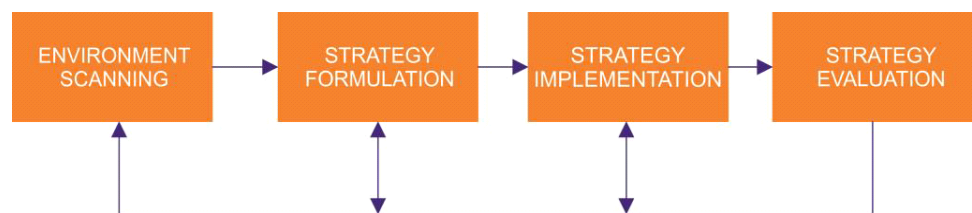
- Strategic issues are likely to have significant impact on the long-term prosperity of the firm.
- Strategic issues are future oriented.
- Strategic issues usually have major multifunctional or multi business consequences.
- Strategic issues necessitate consideration of factors in the firm’s external environment



#### 4.2.4 Strategic Management Process

The basic of strategic management process is to explain about organisational strategy. It involves strategies that are processed by managers to make certain choices which make the organisation to get better performance. It is a regular process which shoots up the business or industries where an organisation is present by appraising its competitors by regular goals for current or future competitors. It contains following four steps:

1. **Environmental Scanning:** It is a method of gathering, scrutinizing and showing information which could be utilised for strategic purposes by finding internal and external factors which can influence an organisation.
2. **Strategy Formulation:** It is a part of action which plans for correct course of action in order to achieve organisational objectives and purpose. With this, the managers will prepare a corporate, business or functional policies.
3. **Strategy Implementation:** It is a way by which a work strategy intends an organisation to make particular plan into action.
4. **Strategy Evaluation:** This is the last process involved in strategy management process where main strategy calculations are done by appraising internal and external factors which may be grass roots of current strategies.



**Fig 4.2 Components of Strategic Management Process**

It is an on-going process which should realized every component to interact with other components.

#### 4.2.5 Importance of Strategic Management

A number of reasons are given by authors to as why organisations should engage in strategic management. Many research studies show both financial and nonfinancial benefits which can be derived from a strategic-management approach to decision making.

##### **Financial Benefits**

The question, “why should an organisation engage in strategic management?” must be answered by looking at the relationship between strategic management and performance.

Research performed by Eastlack and McDonald (1970), Thune and House (1970), Ansoffetal (1971), Karger and Malik (1975) and Hofer and Schendel(1978) indicates that formalized strategic management (strategic planning) does result in superior performance by organisations. Each of these

studies was able to provide convincing evidence of the profitability of strategy formulation and implementation. The formalized strategic management process does make a difference in the recorded measurements of profits, sales and return on assets. Organisations that adopt a strategic management approach can expect that the new system will lead to improved financial performance.

### **Nonfinancial Benefits**

Regardless of the profitability of strategic management, several behavioural effects can be expected to improve the welfare of the firm. Yoo and Digman emphasize that strategic management is needed to cope with and manage uncertainty in decision-making. They present several benefits of strategic management:

- It provides a way to anticipate future problems and opportunities.
- It provides employees with clear objectives and directions for the future of the organisation.
- It results in more effective and better performance compared to non-strategic management organisations.
- It increases employee satisfaction and motivation.
- It results in faster and better decision making.
- It results in cost savings.

### **Check your progress 1**

1. \_\_\_\_\_ refers to process of collecting, scrutinizing and providing information for strategic purposes.
  - a. Environmental Scanning.
  - b. Scanning.
  - c. Environmental.
  - d. None of the above.
2. \_\_\_\_\_ is a process of deciding best course of action for doing organisational objectives and hence fulfilling organisational purpose.
  - a. Strategy Formulation.
  - b. Strategy Implementation.
  - c. Strategy Evaluation.
  - d. Strategy.

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## **4.3 Strategic Decisions**

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Strategic decisions are the decisions that are concerned with whole environment in which the firm operates the entire resources and the people who form the company and the interface between the two.

### **4.3.1 Characteristics/Features of Strategic Decisions**

1. Strategic decisions have major resource propositions for an organisation. These decisions may be concerned with possessing new resources organising others or reallocating others.

2. Strategic decisions deal with harmonizing organisational resource capabilities with the threats and opportunities.
3. Strategic decisions deal with the range of organisational activities. It is all about what they want the organisation to be like.
4. Strategic decisions involve a change of major kind since an organisation operates in ever-changing environment.
5. Strategic decisions are complex in nature.
6. Strategic decisions are at the top most level, are uncertain as they deal with the future and involve a lot of risk.

Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions, which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions, which help execution of strategic decisions. To reduce cost is a strategic decision achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

#### 4.3.2 Strategic Decisions, Administrative Decisions and Operational Decisions

The differences between Strategic, Administrative and Operational decisions can be summarised as follows:-

**Table Differences between Strategic, Administrative and Operational decisions**

Strategic Management S. No.	Strategic Decisions	Administrative Decisions	Operational Decisions
01.	Strategic decisions are long-term decisions.	Administrative decisions are taken daily.	Operational decisions are not frequently taken.
02.	These are considered where the future planning is concerned.	These are short-term based decisions.	These are medium-period based decisions.
03.	Strategic decisions are taken in accordance with organisational mission and vision.	These are taken according to strategic and operational decisions.	These are taken in accordance with strategic and administrative decision.
04.	These are related to overall counter planning of all organisations.	These are related to working of employees in an organisation.	These are related to production.
05.	These deal with organisational growth.	These are in welfare of employees working in an organisation.	These are related to production and factory growth.

### Check Your Progress 2

1. \_\_\_\_\_ decision is long-term decision.
  - a. Strategic.
  - b. Administrative.
  - c. Operational.
  - d. Routine.
2. \_\_\_\_\_ decision is taken daily.
  - a. Administrative.
  - b. Strategic.
  - c. Operational.
  - d. Routine.

## 4.4 SWOT

The meaning of SWOT is Strengths, Weaknesses, Opportunities and Threats. They are considered as internal factors that has certain control. From the above explanation of SWOT, where Opportunities (O) and Threats (T) are known as external factors on which there is no control.

### 4.4.1 SWOT Analysis

Basically it is seen that SWOT Analysis is applied in case of audit and analysis of overall strategic position of a concern. It is a powerful tool which focus is on finding strategies which could create firm specific business model which could be best viewed as organisational resources. This tool, views all positive and negative factors that can be inside or outside the firm which plays an important role in success of an organisation.



**Fig 4.3 SWOT analysis**

#### 1. Strengths

It is an important quality which allows meeting organisation operations. It is the base on which the success of an organisation depends. It can be tangible or intangible. The important examples of

organisational strengths include big financial resources, broad product line, no debt, committed employees, etc.

**2. Weaknesses**

It is another quality which keeps away from completing operation and achieving full possibilities. These are factors that do not meet the required standards and can be depreciating machinery, insufficient research and development facilities etc. This quality can be controlled by minimizing or by eliminating. It can be seen that in order to conquer on old machinery, the new machineries are purchased.

**3. Opportunities**

Such type of quality is present inside our environment in which it works. Such quality will come up when an organisation takes the advantage of certain conditions in an environment in order to plan and work on certain strategies which makes us more profitable.

**2. Threats**

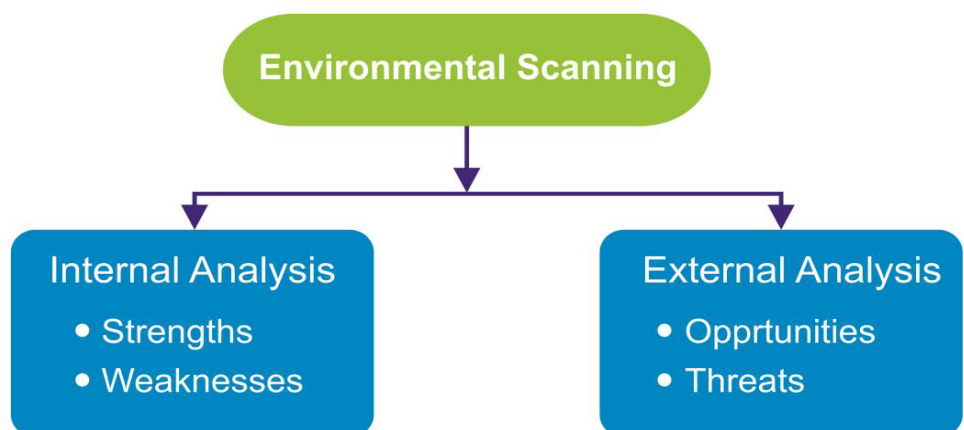
It appears when conditions in an external environment will put on risk in terms of dependability and productivity of an organisational business. The common example of threat will include turbulence among employees, on-going technology change and more competition with over capacity, etc.

**4.4.2 Advantages of SWOT Analysis**

There are certain advantages of SWOT Analysis:

- Source of information for strategic planning.
- Constructs organisation's strengths.
- Reverse its weaknesses.
- Maximize response to opportunities.
- Overcome organisation's threats.
- Locating core competencies of firm.
- Setting of objectives for strategic planning.

**SWOT Analysis Framework**



**Fig 4.4 SWOT Analysis**

#### 4.4.3 Limitations of SWOT Analysis

There are certain limitations about SWOT Analysis such as:

- Price increase
- Inputs/raw materials
- Government legislation
- Economic environment
- Locating new market for product which has no overseas market due to import restrictions

Apart from these, there are certain internal limitations of SWOT analysis which are:

Insufficient research and development facilities.

- Faulty products due to poor quality control.
- Poor industrial relations.
- Lack of skilled and efficient labour.

#### Check your progress 3

1. \_\_\_\_\_ are the qualities that enable us to accomplish the organisation's mission.
  - a. Strengths.
  - b. Weakness.
  - c. Opportunities.
  - d. Threats.
2. \_\_\_\_\_ arise when conditions in external environment jeopardize the reliability and profitability of the organisation's business.
  - a. Threats.
  - b. Strengths.
  - c. Weakness.
  - d. Opportunities.

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#### 4.5 BCG Matrix

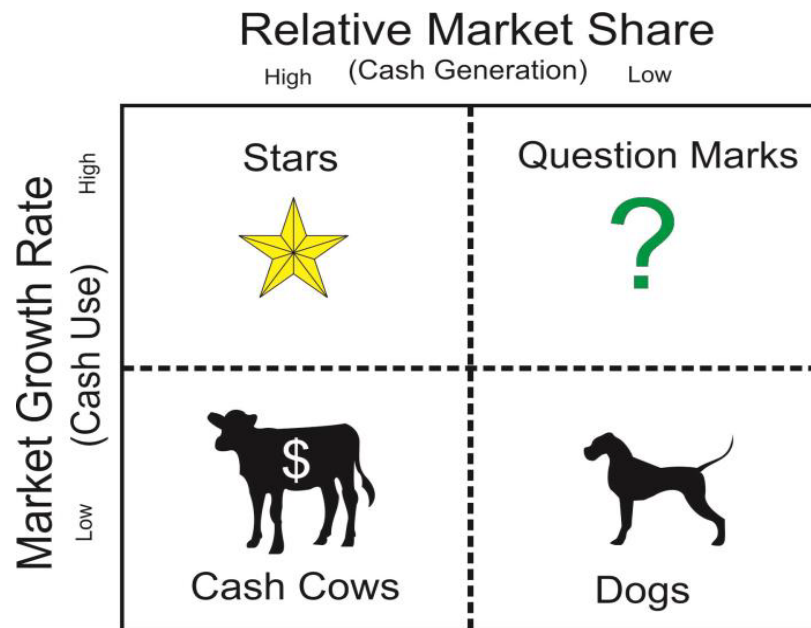
Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 \* 2 matrix) developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organisation to examine different businesses in its portfolio on the basis of their related market share and industry growth rates. It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

##### 4.5.1 BCG Matrix Analysis

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share =  $\frac{\text{SRI: Sales this year}}{\text{Sales this year leading competitors sales this year}}$

Market Growth Rate = Industry sales this year — Industry Sales last year  
Consider the four cells of matrix as shown in fig 3.4 where stars, cash cows, question marks and dogs are located. Each of these cells represents a particular type of business.



**Fig 4.5 BCG Matrix Analysis**

1. **Stars:** In this matrix, stars shows business units that carries big market shares in fast upcoming industry. Instead of generating cash as of fast growing market, the stars need heavy investment so as to meet their lead. In this the SBU's placed in cell attract since they are located in robust industry.
2. **Cash Cows:** The Cash Cows shows business units with big market shares so as to become mature in a slow growing industry. They needs small investment and can obtain cash which are used for investment in other business units.
3. **Question Marks:** These units have less market shares and requires great big amount in order to maintain market share. They are normally new products and services that having great commercial aspects.
4. **Dogs:** These show weak symptoms of market shares in a low growth market. Such type of units neither obtains cash nor needs big amount of cash. Because of less market share, such business units face lots of cash loss. Such type of business establishment have weaker market share as of more costs with lack of quality and poor marketing.

#### 4.5.2 Limitations of BCG Matrix

It is seen a BCG Matrix will generate a framework where resources are allotted for different business units which made possible in order to compare certain business units instantaneously. They have certain limitations such as:

- They arranged business as low and high whereas medium also.
- It does not explain about the clearly of market model.

- As studied high market share not always tends to more profits as extra cost is also involved.
- Towards profitability, factors such as growth rate and market share are not the only indicators.
- It is found that many times dogs might help certain business in achieving many advantages as they can get more than cash cows.

#### Check your progress 4

1. \_\_\_\_\_ represent business units having large market share in a fast growing industry.
  - a. Stars.
  - b. Cash Cows.
  - c. Dogs.
  - d. Question Marks.
2. \_\_\_\_\_ represent businesses having weak market shares in low-growth markets.
  - a. Dogs.
  - b. Cash Cows.
  - c. Stars.
  - d. Question Marks.

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#### 4.6 Let Us Sum Up

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In this unit we have learnt that an organisation is said to achieve competitive advantage if its profitability is more than average profitability for all companies in its industry.

It is studied that strategic management serves as a bunch of decisions and acts that a manager undertakes and which decides the result of the firm's performance.

It is seen that as per Robert Anthony's framework approach, there exists three types of planning and control which are required by organisations such as Strategic planning and control, Management planning and control and Technical planning and control.

It is detailed that there are five fundamental themes involved in study of strategic management field such as management process, management decisions, time scales and structure of organisation and activities of organisation.

The definition of SWOT is Strengths, Weaknesses, Opportunities and Threats that are considered as internal factors having certain control. It is a renowned tool for audit and analysis of the overall strategic position of the business and its environment.

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#### 4.7 Answers for Check Your Progress

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##### Check your progress 1

Answers: (1-a), (2-a)



**Check your progress 2**

Answers: (1-a), (2-a)

**Check your progress 3**

Answers: (1-a), (2-a)

**Check your progress 4**

Answers: (1-a), (2-a)

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**4.8 Glossary**

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1. **SWOT** - It is applied in case of audit and analysis of overall strategic position of a concern.
  2. **Strategic management** - It is a bunch of decisions and acts where a manager undertakes and decides the result of firm's performance.
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**4.9 Assignment**

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What do you understand by strategic management?

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**4.10 Activities**

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Explain the elements, scope and dimensions of strategic management.

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**4.11 Case Study**

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1. How can SWOT analysis be useful in business practice? Connect with two managers and collect the information of how do they use SWOT analysis in practice.
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**4.12 Further Readings**

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1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

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## **BLOCK SUMMARY**

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The block detailed about features and scope of motivation, social responsibility of business and highlight important factors that exists in strategic management in an organisation. The detailed illustration regarding the Indian Businesses and Social Responsibility are explained with examples. The student will get adequate knowledge after reading this block on various types of communication which could be of great help while working in an organisation.

The whole idea of this block is to train the students with practical and theoretical aspects on theories that are based on management and its structural features. To make the topics easy and understand to the readers, efforts have been made to give complete illustration with focus on direct explanation.

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**BLOCK ASSIGNMENT**

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**Short Answer Questions**

1. Explain about Financial and Non-Financial Motivation?
2. Highlight important features of Positive and Negative Motivation?
3. Explain the different types of Types of Communication?
4. What are the various Leadership Styles?
5. Write few advantages about Theories of Leadership?

**Long Answer Questions**

1. What do you understand by communication? Define Communication and give its characteristics.
2. Explain Herzberg's Two Factor Theory and ERG Theory of Motivation.
3. "The business thrives on society for its very survival, sustenance and encouragement." Elucidate.
4. What is strategic decision?
5. Explain features of strategic decision.
6. How is strategic decision different from administrative and operational decision.

Enrolment No.:

1. How many hours did you need for studying the unitse

Unit No.	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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