

Class:

1.6 MANAGEMENT PROCESS

OBJECTIVES:

The objective is to familiarize the students with concepts and principles of Management

Unit 1: INTRODUCTION TO MANAGEMENT

12Hrs

Introduction - Meaning, Nature and Characteristics of Management - Scope and functional areas of Management - Management as a Science, Art or Profession - Management & Administration - Principles of management - Social responsibility of Management and Ethics.

Unit 2: PLANNING

08 Hrs

Nature, importance and purpose of planning - Planning process, Objectives - Types of plans (Meaning only) - Decision making – importance & steps.

Unit 3: ORGANIZING AND STAFFING

14Hrs

Nature and purpose of organization, Principles of organization - Types of organization – Departmentation, Committees - Centralization Vs decentralization of authority and responsibility - Span of Control – MBO and MBE(Meaning only) - Nature and importance of staffing.

Unit 4: DIRECTING AND COORDINATING

14Hrs

Meaning and nature of directing - Motivation theories (Maslow's, Herzberg, McGregor's X & Y theory). Leadership – Meaning -Formal and Informal Leadership – Characteristics - Leadership Styles - Autocratic/Dictatorial - Democratic/Participative, Free reign/Laissez faire Leadership Styles - Communication -Meaning and importance, Barriers to Communication, Types of Communication – Coordination–Meaning, importance and Principles.

Unit 5: CONTROLLING

08Hrs

Meaning and steps in controlling - Essentials of a sound control system - Methods of establishing control (in brief).

SKILL DEVELOPMENT

- Different types of Organization Charts (structure).
- Chart on Staffing.
- Graphic representation of Maslow's Theory.
- Chart on Media of Communication.
- Draft Control chart for different industries / business groups.

BOOKS FOR REFERENCE

1. Appanniah & Reddy, Management HPH.
2. T. Ramaswamy : Principles of Management, HPH.
3. Rekha & Vibha – Management Process, Vision Book House.
4. Koontz & O'Donnell, Management, McGraw Hill

PATTERN OF QUESTION PAPER

This theory subject question paper shall carry 70 marks and the duration of examination is 3 hours. The Question paper shall ordinarily consist of three sections, to develop testing of **conceptual skills, understanding skills, comprehension skills, articulation and application of skills**. The Question Paper will be as per the following Model:

SECTION-A 1. a,b,c,d,e,f,g,	(Conceptual questions) Answer any FIVE	(05 X 02 = 10 Marks)
SECTION -B 2,3,4,5,6.	(Analytical questions) Answer any THREE	(03 X 06 = 18 Marks)
SECTION-C 7,8,9,10,11.	(Essay type questions) Answer any THREE	(03 X 14 = 42 Marks)
Total		70 Marks

WHAT YOU'LL LEARN

At the completion of this subject students will be able to:

1. Outline the major origins of management
2. Explain the main theoretical perspectives of management
3. Identify and explain the main functions of management (eg. planning, organising, leading and controlling)
4. Explain how to motivate staff
5. Outline how to manage change in organizations
6. Identify, analyze, reflect on and evaluate a management related research problem
7. Apply management theory to solve management problems.
8. Demonstrate understanding of the principles of social responsibility and ethical behavior in business.

***** *ALL THE BEST* *****

UNIT 1**INTRODUCTION TO MANAGEMENT**

- ☐ Introduction
- ☐ Meaning
- ☐ Nature and Characteristics of Management
- ☐ Scope and functional areas of Management
- ☐ Management as a Science, Art or Profession
- ☐ Management & Administration
- ☐ Principles of management
- ☐ Social responsibility of Management and Ethics.

INTRODUCTION

Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Since organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to manage oneself, a pre-requisite to attempting to manage others.

Management in businesses and organizations is the function that coordinates the efforts of people to accomplish goals and objectives using available resources efficiently and effectively.

Management includes planning, organizing, staffing, leading or directing, and controlling an organization to accomplish the goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources. Management is also an academic discipline, a social science whose objective is to study social organization.

MEANING AND DEFINITIONS:

1. According to *George. R. Terry*, "Management is a distinct process consisting of planning, organizing, actuating and controlling performance to determine and accomplish the objectives by the use of people and resources."
2. According to *S. George* "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others."
3. According to *Harold Koontz* "Management is the art of getting things done through and with people in formally organized groups".
4. According to *Henry Fayol* "To manage is to forecast, to plan, to organize, to command, to coordinate, and to control".

NATURE OR CHARACTERISTICS OR FEATURES OF MANAGEMENT

1. **Management is an organized Activity:** Management is an organized activity or process, which is concerned with efficient use of resources.
2. **Management is a purposeful activity:** Management is a purposeful activity concerned with the achievement of objectives through its functions.
3. **Management is a group activity:** Management is a group activity concerned with the management of people.
4. **Management is getting things done:** According to Koontz and O'Donnell, management is the art of getting things done through and with people in formally organized groups.
5. **Management involves decision-making:** Management involves decisions relating to various aspects of functions of management.
6. **Management is a universal process:** Managers irrespective of the enterprise in which they are working make use of management principles.
7. **Management is intangible:** It is abstract and cannot be seen with the eyes. It is evidenced by the quality of the organization and the results such as increased productivity and increased morale of the subordinates.
8. **Management is an interdisciplinary approach:** Management as a body of discipline takes the help of other social sciences like psychology, sociology, engineering, economics, etc.
9. **Management is an economic resource:** The inputs of labor, capital and material do not by themselves ensure growth; they require the catalyst of management to maximize results.
10. **Management implies a system of authority:** As the management is a process of directing men to perform a task, authority to extract work from others, it is implied in the very concept of management.
11. **Management is dynamic:** management adapts itself to the social changes and also introduces innovation in methodology.
12. **Management is an integrated process:** It integrates men, machines and materials for carrying out the operations of enterprise and for achieving the stated objectives.
13. **Management is both a science as well as an art:** It has developed certain principles and laws, which are applicable to any group activity. It is also an art, because it is concerned with the application of knowledge for the solution of organizational problems.
14. **Management is a developing profession:** Gradually, it is becoming a profession because there are established principles of management, which are being applied in practice.

SCOPE AND FUNCTIONAL AREAS OF MANAGEMENT

The scope of management can broadly be classified into two aspects:

1. Functional Areas of Management
2. Subject Matter of Management

1. Functional Areas of Management:

- **Financial Management:**

Financial management deals with how funds are procured and utilized. It includes the financial aspects of a business such as cost control, budgetary control, management accounting, etc.

- **Human Resource Management:**

Human resource management deals with acquisition and utilization of human resources in the organization. The entire subject matter of human resources covers acquisition, development, maintenance, and control of human resources in the organization. Accordingly, it covers aspects relating to the personnel of an enterprise. These aspects are, for example, recruitment, training, promotion, retirement, industrial relations, social security, labour welfare, etc.

- **Production Management:**

It consists of production related aspects like production planning, production control, quality control and so on.

- **Office Management:**

Under this aspect, office layout, staffing, equipment layout, etc., are dealt with.

- **Marketing Management:**

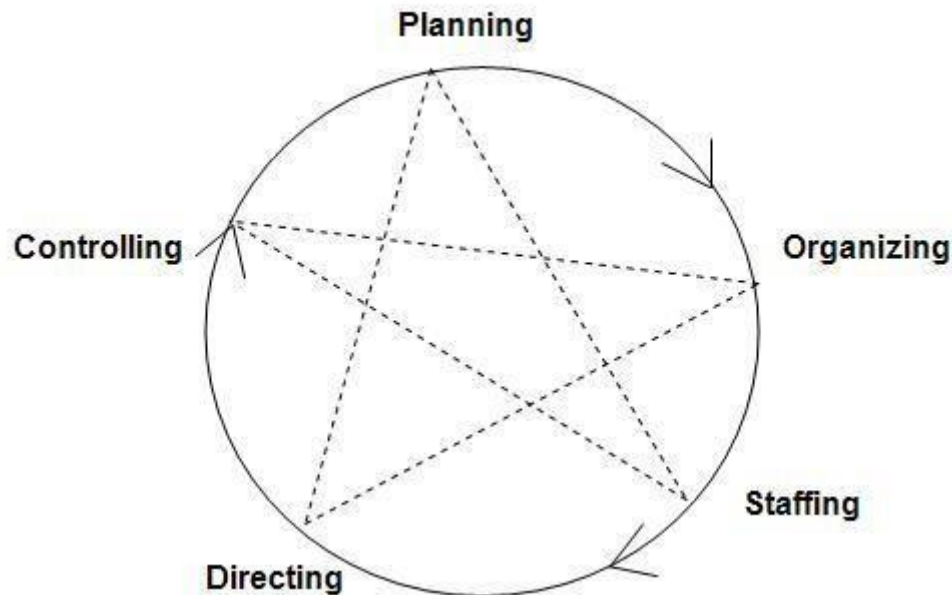
This aspect is concerned with marketing aspects of the product produced by the business concern. It deals with the aspects like price determination, channels of distribution, market research, sales promotion and advertisement.

- **Maintenance Management:**

It deals with the proper care and maintenance of the buildings, plants and machinery and furniture and fixtures of the business enterprise.

2. Subject Matter of Management:

This primarily includes the various functions performed by management such as planning, organizing, staffing, directing, and control.

FUNCTIONS OF MANAGEMENT**1. Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals.

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*”.

A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.

According to Henry Fayol, “*To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s*”.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes.

According to Kootz & O'Donell, *“Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure”*.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.

Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur.

According to Koontz & O'Donell *“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”*.

What is POSDCORB?

P= Planning

O=Organizing

S=Staffing

D=Directing

CO= Co-ordination

R= Reporting

B= Budgeting

MANAGEMENT AS A SCIENCE, ART OR PROFESSION**MANAGEMENT AS A SCIENCE:**

A science is a systematized body of knowledge concerning a particular field acquired by observation and experimentation containing principles or truths, which are universally or generally accepted or applicable.

Features of science to management:**1. Systematized body of knowledge:**

It is an organized body of knowledge built up by management practitioners, thinkers and philosophers over a period of years. F.W. Taylor, applied scientific techniques to study of planning, organizing, motivating etc.

2. Continued observation:

The knowledge of management has been acquired through continuous and vagarious efforts of many theorist and practitioners over the period of time.

3. Universal application:

There are certain principles of management, which can be universally applied.

4. Cause and effect relationship:

When applied to management the principles of management also establish cause and effect relationship. For e.g.: poor planning causes low productivity.

5. Validity and predictability:

The principles of management have been put to several tests and found to be valid. For e.g. A subordinate put under one boss will show better results.

MANAGEMENT AS AN ART:

An art may be defined as the application of skill and knowledge through creative means by the use of talent, flair and aptitude to find specific solutions to specific problems. An art is usually personalized in nature and repeated practice of an art leads to perfection.

Elements of art;

1. Personal skill.
2. Regular practice
3. Practical knowledge.
4. Result oriented approach
5. Creativity.

Features of an art to management:

1. **Personal skill:** a manager also uses his knowledge and skill in coordinating the activities of people in the organization.

2. **Regular practice:** management always tries to attain higher and higher goals in order to reach the state of absolute perfection. And it is attained through regular practice.
3. **Practical knowledge:** it is concerned with the application of knowledge and skills in a practical manner.
4. **Result oriented approach:** it is concerned with the accomplishment of objectives to attain maximum productivity.
5. **Creativity:** management is one of the most creative art as it is concerned with getting work done through by motivating them to work and coordinating their activities.

A profession may be defined as an organized body of knowledge skills and techniques consciously and where the entry is restricted and regulated by an external apex agency with ethical codes or standards and underlined spirit of service to society.

MANAGEMENT AS A PROFESSION

A profession may be defined as an organized body of knowledge skills and techniques consciously and where the entry is restricted and regulated by an external apex agency with ethical codes or standards and underlined spirit of service to society.

Features of a profession to management:

1. **Body of specialized knowledge or techniques:** When applied to management it has an organized body of knowledge built up by manager practitioners, thinkers and philosophers over a period of years.
2. **Formalized method of acquiring training and experience:** Management is fully equipped with the formalized method of body of knowledge theory and practice. The business house today prefers to employ those managerial personnel who have obtained a professional degree in management from some recognized institutions.
3. **Establishment of professional associations:** Professional management associations are being established in most of the countries for
 - a. To regulate the behavior of members.
 - b. To create a code of conduct.
 - c. For guiding the activities of the profession.
 - d. To promote and build up the image of management as a profession.
4. **Code of Conduct:** The code of conduct provides rules and regulations, norms of honesty, integrity and professional morality. But in the sphere of management there exists no uniform code of conduct. There are no restrictions of licensing on the entry of management profession.
5. **Priority of service over economic considerations:** Management involves application of expert knowledge for the service of society. It provides maximum efficiency at lower cost.

NATURE OF MANAGEMENT			
Particulars	Management is an art	Management as Science	Management as Profession
Meaning	Art is the skillful and personal application of existing knowledge to achieve desired results.	Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.	Profession is an organized body of knowledge with ethical codes or standards to serve the society
Elements	i. Existence of theoretical knowledge	i. Systematized body of knowledge	i. Well defined body of knowledge
	ii. Personalized application	ii. Principles based on experimentation	ii. Restricted entry
	iii. Based on practice and creativity	iii. Universal validity	iii. Professional association
			iv. Ethical code of conduct
			v. Service motive

MANAGEMENT & ADMINISTRATION

According to *Theo Haimann*, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise.

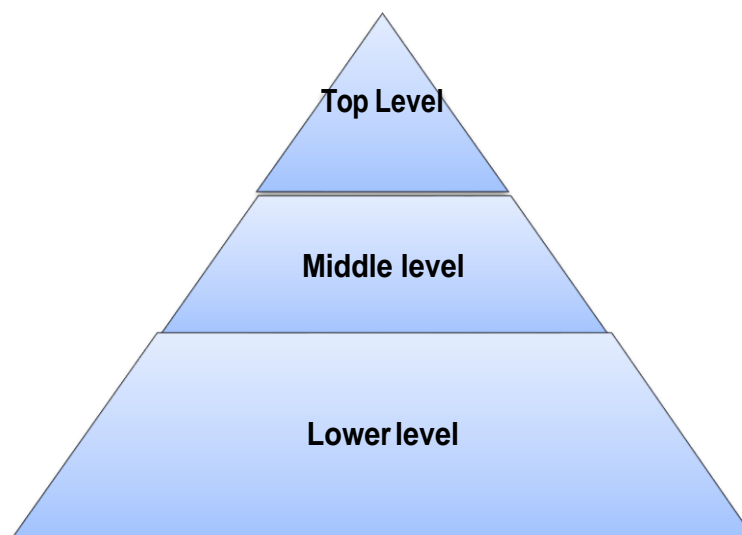
Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

DIFFERENCE BETWEEN MANAGEMENT AND ADMINISTRATION

Basis of difference	Management	Administration
Definition	Art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	Formulation of broad objectives, plans & policies.
Nature	executing function, doing function	decision-making function, thinking function

Scope	Decisions within the framework set by the administration.	Major decisions of an enterprise as a whole.
Level of authority	Middle level activity	Top level activity
Status	Group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.	Consists of owners who invests capital in and receive profits from an enterprise.
Usage	Used in business enterprises.	Popular with government, military, educational, and religious organizations.
Influence	Decisions are influenced by the values, opinions, beliefs and decisions of the managers.	Influenced by public opinion, government policies, customs etc.
Main functions	Motivating and controlling	Planning and organizing
Abilities	Handles the employees.	Handles the business aspects such as finance.

LEVELS OF MANAGEMENT



The process of dividing authority and responsibility among the various executives is called the creating of levels of management.

For the convenience of study, the levels of management may be classified into three groups :

1. Top management
2. Middle management.
3. Lower or supervisory management.

1. Top management:

Top management is at the head of the organization. It consists of board of directors and its chairman, the chief executives (e.g. managing director or general manager) and the senior executive (viz., deputy general manager)

2. Middle management:

Middle management consists of departmental, divisional or sectional heads and other executive officers attached to the different departments.

3. Supervisory management (lower level management)

Supervisory management consists of senior supervisors, intermediate supervisors and front line supervisors. This level is above the operatives but below the middle management in the organization. The executives at this level are in direct touch with the workers.

PRINCIPLES OF MANAGEMENT

Principles of Management are the guiding rules of laws for managerial action.

The characteristics or features of Principles of management

- It is universal in nature
- These are general guidelines
- Principles are flexible in nature
- They are the contingent plans
- Principles are formed by practices and experiences

Father of Management
Peter Drucker

Father of Scientific Management
Frederick W. Taylor

Evolution of Management Principles

In tracing the history of management, one comes across various schools of thought that have outlined principles to guide management practices. These schools of thought may be divided into 6 distinctive phases:

1. Early Perspectives
2. Classical Management Theory

3. Neo Classical Theory — Human Relations Approach
4. Behavioral Science Approach — Organizational Humanism
5. Management Science/Operational Research
6. Modern Management

Early Perspectives

The first known management ideas were recorded in 3000-4000 B.C. One Pyramid built by Egyptian ruler Cheops required work to be done by 1, 00,000 men for over twenty years in 2900 B.C. It covered 13 acres of land and measured 481 meters in height. The stone slabs had to be moved thousands of kilometers of distance. As folklore goes, even the sound of a hammer was not heard in the villages in the vicinity of the site of these pyramids. Such monumental work could not be completed without adherence to principles of sound management.

Classical Management Theory

Rational economic view, scientific management, administrative principles, and bureaucratic organization characterize this phase. While the rational economic view assumed that people are motivated by economic gains primarily; scientific management of *F.W. Taylor* and others emphasized one best way of production etc; administrative theorists personified by *Henri Fayol* etc looked at the best way to combine jobs and people into an efficient organization; bureaucratic organization theorists led by *Max Weber* looked at ways to eliminate managerial inconsistencies due to abuse of power which contributed to ineffectiveness. This was the era of the industrial revolution and factory system of production. Large scale production would not have been possible without adherence to the principles governing organizing production based on division of labour and specialization, relationship between man and the machine, managing people and so on.

Neo Classical Theory — Human Relations Approach

This school of thought developed between 1920s to 1950s felt that employees simply do not respond rationally to rules, chains of authority and economic incentives alone but are also guided by social needs, drives and attitudes. *Hawthorne Studies* at GEC etc., were conducted then. It was quite natural that in the early phases of the industrial revolution, the emphasis was on development of techniques and technology. The attention to the human factor was the salient aspect of this school of thought. This attention was to serve as a precursor to the development of behavioral sciences.

Behavioral Science Approach — Organizational Humanism

Organizational behaviorists like *Chris Argyris*; *Douglas McGregor*, *Abraham Maslow* and *Fredrick Herzberg* used the knowledge of psychology, sociology and anthropology to develop this approach. The underlying philosophy of organizational humanism is that individuals need to use all of their capacities and creative skills at work as well as at home.

Management Science/Operational Research

It emphasizes research on operations and use of *quantitative techniques* to aid managers to take decisions.

Modern Management

It sees modern organizations as complex systems and underlies *contingency approach* and use of modern techniques to solve organizational and human problems.

HENRY FAYOL'S 14 PRINCIPLES OF MANAGEMENT

Henry Fayol (1841-1925) is generally hailed as the founder of the *classical management school* - not because he was the first to investigate managerial behavior, but because he was the first to systematize it. Fayol believed that sound management practice falls into certain patterns that can be identified and analyzed. From this basic insight, he drew up a blue print for a cohesive doctrine of management, one that retains much of its force to this day.

With his faith in scientific methods, Fayol was like Taylor, his contemporary. While Taylor was basically concerned with organizational functions; however, Fayol was interested in the total organization and focused on management, which he felt, had been the most neglected of business operations.

In 1916, Fayol published his book "*General and Industrial Management*" in French, of which later an English edition was brought out.

Fayol, in his famous book, stated 14 management principles that can capture the entire flavor of the process management theory. These principles are studied as follows:

1. **Division Work**
2. **Authority and Responsibility**
3. **Discipline**
4. **Unity of Command**
5. **Unity of Direction**
6. **Sub-ordination of Individual interest to General Interest**
7. **Fair Remuneration to workers**
8. **Scalar Chain**
9. **Order**
10. **Equity**
11. **Stability of Staff**
12. **Initiative**
13. **Esprit-de-corps**
14. **Centralization**

The explanation is given below:

1. Division of Work:

The object of division of work is to derive benefits from the principle of specialization. The various functions of management like planning, organizing, directing etc cannot be performed by a single proprietor and they have to be entrusted to specialists in the related fields. Division of work in the management process produces more and better work with the same effort.

2. Authority and Responsibility:

As management consists in getting the work done through others, it implies that the manager should have the right to give orders and the power to extract obedience.

Authority is closely related to responsibility, and it arises whenever authority is exercised. An individual to whom authority is given to exercise power must also be prepared to bear the responsibility to perform the work.

3. Discipline:

Discipline means obedience to authority and observance of rules of service and norms of performance, respect for agreements, sincere efforts for completing the given job, respect for superiors, etc. Discipline is essential for the smooth running of business.

4. Unity of Command:

It states that one person should receive orders from only one superior. In other words one person should be accountable to only one boss. If two superiors wield authority over the same person it causes uneasiness, disorder, indiscipline among employees and undermining of authority. If the principle of unity of command is not observed the authority there will be confusion and it will be difficult to pinpoint responsibility on anyone.

5. Unity of Direction:

It implies that there should be one head and one plan for a group of activities having the same objectives. For every category of work, there should be one plan of action and it should be executed under the overall control and supervision of one head or superior.

6. Sub-ordination of Individual interest to General Interest:

In a business concern, the interest of one employee or group of employee should not prevail over the common interest or should not block the fulfillment of general goals of the business concern. If there is any disagreement among two superiors on any matter, the management should reconcile the differences so as to conduct the overall operation of the enterprise smoothly.

7. Fair Remuneration to workers:

Fayol was of the view that the remuneration paid to worker should always be just and fair and should afford maximum satisfaction to both employees and the employer. Employees who are paid decent salary will have a high morale and their efficiency will be high. The rate of remuneration paid should be based on general business conditions, cost of living, productivity of the employees and the capacity of the firm to pay.

8. Centralization:

It means concentration of authority in the hands of few. Everything, which goes to reduce the importance of sub-ordinates role, is known as centralization. Fayol was the opinion that they should be proportion between centralization and Decentralization. The degree of proportion may differ but the balance must be maintained between centralization and Decentralization of authority to produce better results.

9. Scalar Chain:

Scalar Chair refers to the chain superiors ranging from the highest authority to the lowest one to ensure unity of command and effective communication. According to this principle, order or communication should pass through the proper channels of authority. *Gangplank* may be created with due respect to line of authority to facilitate quick communication.

**10 Order:**

Management should observe the principle of 'right place for everything and everyman'. To observe this principle, there is need for scientific selection of competent personnel, correct assignment of duties to the personnel and good organization.

11. Equity:

Equity means fair dealings, equality of treatment among the personnel in the undertaking. The managerial treatment of the subordinates should be free from the influence of prejudices and personal likes or dislikes. Equity ensures healthy industrial relations.

12. Stability of tenure:

In order to motivate the workers and to show keener interest in their work, it is necessary that they should be assured security of the job by the management. If they have fear of insecurity of job their morale will be low and there can't turnout with better work. Hence, it is very essential to provide security of tenure to the personnel.

13. Initiative:

Initiative means freedom to think and execute a plan. Innovation that is a mark of technological progress is possible only where the employees are encouraged to take initiative. Employees should be welcomed to make any suggestions regarding the formulation of objectives and plans.

14. Esprit-de-corps:

Since union is strength, the management should create a team spirit among the employees. Only when all their personnel pull together as a team, there is scope for realizing the objectives of the concern. Harmony and unity of staff of a concern is a great source of strength to the under taking. The management should not follow the policy of 'divide and rule' and it should strive to maintain unity among the staff.

Fayol's 14 Principles of Management

1. Division of Work. Specialization increases output by making employees more efficient.
2. Authority. Managers must be able to give orders, and authority gives them this right.
3. Discipline. Employees must obey and respect the rules that govern the organization.
4. Unity of command. Every employee should receive orders from only one superior.
5. Unity of direction. The organization should have a single plan of action to guide managers and workers.
6. Subordination of individual interests to the general interest. The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
7. Remuneration. Workers must be paid a fair wage for their services.
8. Centralization. This term refers to the degree to which subordinates are involved in decision making.
9. Scalar chain. The line of authority from top management to the lowest ranks is the scalar chain.
10. Order. People and materials should be in the right place at the right time.
11. Equity. Managers should be kind and fair to their subordinates.
12. Stability of tenure of personnel. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. Initiative. Employees who are allowed to originate and carry out plans will exert high levels of effort.
14. Esprit de corps. Promoting team spirit will build harmony and unity within the organization.

PRINCIPLES OF SCIENTIFIC MANAGEMENT**(F.W. Taylor's scientific management)**

F.W. Taylor (1856-1915) was an American, who joined Midvale Steelworks, Philadelphia (U.S.A.) as a machinist; and gradually rose to the position of the Chief Engineer-through hard work and progress. F.W. Taylor conducted his experiments in three companies viz., Midvale Steel Works, Simonds Rolling Machine and Bethlehem Steel Works.

Taylor's Scientific Management was, in fact, a movement known as the 'Scientific Management Movement' pioneered by Taylor and carried on by his followers. The important publications of Taylor are all combined into one book titled '*Scientific Management*'.

Definition of Scientific management

Scientific management involves the application of a scientific approach to managerial decision making (consisting of-collection of data, an analysis of data and basing decisions on the outcome of such analyses); and discarding at the same time, all unscientific approaches, like – rule of the thumb, a hit or miss approach and a trial and error approach.

The Fundamental Principles of Scientific Management are the following:

- (i) Science, not the rule of the thumb.
- (ii) Harmony, not discord.
- (iii) Co-operation, not individualism.
- (iv) Maximum production, in place of restricted production.
- (v) Development of each person to the greatest of his capabilities.
- (vi) A more equal division of responsibility between management and workers.
- (vii) Mental revolution on the part of management and workers.

Following is a brief comment on each of the above principles of scientific management.**(i) Science, not the rule of thumb:**

The basic principle of scientific management is the adoption of a scientific approach to managerial decision making; and a complete discard of all unscientific approaches, hitherto practiced by managements.

(ii) Harmony, not discord:

Harmony refers to the unity of action; while discord refers to differences in approach.

(iii) Co-operation, not individualism:

Co-operation refers to working, on the part of people, towards the attainment of group objectives; while regarding their individual objectives-as subordinate to the general interest.

(iv) Maximum production, in place of restricted production:

In Taylor's view the most dangerous evil of the industrial system was a deliberate restriction of output. As a means of promoting the prosperity of workers, management and society, this principle of scientific management emphasizes on maximizing production and not deliberately restricting it.

(v) Development of each person to the greatest of his capabilities:

Management must endeavor to develop people to the greatest of their capabilities to ensure maximum prosperity for both-employees and employers.

(vi) A more equal division of responsibility between management and workers:

The principle of scientific management recommends a separation of planning from execution. According to this principle, management must be concerned with the planning of work; and workers with the execution of plans.

(vii) Mental revolution on the part of management and workers:

According to Taylor, scientific management, in its essence, involves a complete mental revolution on the part of both sides to industry viz. workers and management (representing employers).

In fact, this principle of scientific management is the most fundamental one ensuring success of it. It is like the foundation on which the building of scientific management must be erected.

The elements of scientific management are:**1. Determination of Task:**

This involves determination of days work for an average worker after making a thorough scientific investigation. The task is set on the basis of following studies:

(a) *Method study*: It is a preliminary survey of condition of production process in order to familiarize the investigator with the tools, methods and operations that are in process.

(b) *Routing*: Route sheet is prepared indicating the exact route for each task to follow through several shops.

© *Motion study*: It is the study of movements whether of a machine or an operator, in performing an operation for the purpose of eliminating useless motions and arranging the sequence of useful motions in the most efficient order.

(d) *Time study*: Under this, time taken by men and machines for completing a task is analyzed and standard time is arrived at.

(e) *Fatigue study*: It is concerned in finding out that how long a period of rest should be and at what intervals rest should be given to workers.

(f) *Rate setting*: Taylor introduced differential piece-wage system. In this system, if any worker completes the standard work within the stipulated period, he is paid a much higher rate per unit than others who are not able to come up to the standard set.

2. Planning of Industrial operation: This involves the planning of production so that the work goes on systematically

3. Proper selection and training of workers: This is done with the help of specialists like psychologists, engineers, etc. Further, on the basis of the aptitude and skill of workers, correct placements are given to them. Management also undertakes the training of workers before allotting them to certain tasks.

4. Improvements in the methods of work: Improvements in the methods of work involves the standardization of tools and equipment, speed, condition of work, materials etc. Taylor stated that output by men and machines can be increased easily by improving methods of work.

5. Modification of organization: Taylor suggested functional foremanship which involves appointment of 8 functional foremen. They are:

a. *Route clerk:* His job is to prepare the sequence of operations and the route.

b. *Instruction card clerk:* His work is to give instruction to workers as to how work is to be done.

c. *Time and cost clerk:* His work is to give necessary information to workmen regarding time and rate for each job.

d. *Gang boss:* His job is to look to the preparatory part of the work.

e. *Speed boss:* His work is to maintain proper speed of both machines and men.

f. *Repair boss:* His job is to make immediate necessary repair if there is any breakdown.

g. *Inspector:* His work is to maintain the quality of work, and

h. *Shop disciplinarian:* His work is to maintain discipline among the workers.

6. Mental Revolution: Taylor has suggested, there should be a thorough change in the mental outlook of both the employees and the employer and their mutual hostility and suspicion should give place to co-operation and goodwill.

SOCIAL RESPONSIBILITY OF MANAGEMENT

The term "*social responsibilities*" can be defined as the obligation of management towards society and others. It is the commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

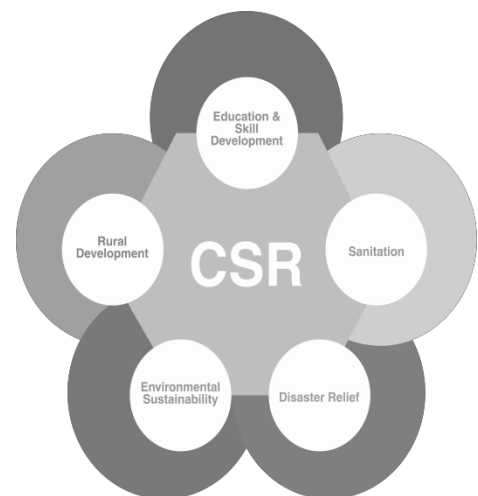
'Corporate Social Responsibility'

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

ETHICS

Moral principles that govern a person's behavior or the conducting of an activity:

Business Ethics:- Its can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company.



UNIT 2 PLANNING

- Nature
- Importance and purpose of planning
- Planning process
- Objectives
- Types of plans (Meaning only)
- Decision making - Importance and steps.



INTRODUCTION

Every organization as part of its life cycle constantly engages in the four essential functions of management – planning, leading, organizing and controlling. The foremost of this is planning. It is the part of management concerned with creating procedures, rules and guidelines for achieving a stated objective. All other managerial functions must be planned if they are to be effective.

Managers at all levels engage in planning as objectives and goals have to be set up for the day-to-day activities as well as the broader long-term initiatives.

Since plans are made to attain goals or objectives, every plan should lead to the achievement of the organization's purpose and objectives. An organized enterprise exists to accomplish group objectives through willing and purposeful co-operation.

MEANING

- “Planning is deciding in advance what work needs to be done, when and how it will be done and who will be responsible for doing it. Planning is always forward looking and preparing for future”.
- “Planning is the most basic of all managerial functions which involves establishing goals, setting out objectives and defining the methods by which these goals and objectives are to be attained. It is, therefore, a rational approach to achieving pre-selected objectives”.

Planning bridges the gap between where the organization stands currently and wishes to be in future. In the absence of planning, events are left to chance.

DEFINITION

According to KOONTZ and O'DENNEL: "Planning is the thinking process, the organized forecast, the vision based on fact and experience that is required for intelligent action".

NATURE OR CHARACTERISTIC FEATURES OF PLANNING**• Focus on objective:**

A plan starts with the setting of objectives and then makes efforts to realize them by developing policies, procedures, strategies etc

• It is an intellectual process:

Planning is an intellectual process involving mental exercise, foreseeing future developments, making forecasts and the determination of the best course of action.

• Planning is a selective process:

It involves the selection of the best one after Making a careful analysis of various alternative course of action. It is concerned with decision-making relating to: a) what is to be done, b) how it is to be done, c) when it is to be done and d) by whom it is to be done.

• Planning is pervasive/ Universal:

Planning is a pervasive activity covering all the levels of enterprise. While top management is concerned with strategically planning, the middle and the lower management are concerned with administrative planning and operational planning respectively.

• Planning is an integrated process:

Planning involves not only the determination of objectives but also the formulation of sound policies, programs, procedures and strategies for the accomplishment of these objectives.

• Planning is directed towards efficiency:

To increase the efficiency of the enterprise is the main purpose of planning. The guiding principles of a good plan are the maximum output and profit at the minimum cost.

• Planning is flexible:

The process of planning should be adaptable to the changes takes place in the environment.

• First function in the process of management:

Planning is the beginning of the process of management. Planning sets all other functions into action; it can be seen as the most basic function of the management. Without planning, other functions become meaningless activity, producing nothing, but chaos.

• It is a decision-making process:

Decision-making is an integral part of planning. It is defined as the process of choosing among alternatives. Obviously, decision making will occur at many points in the planning process.

• It is a continuous process:

Planning is a continuous process .Koontz and Donnell rightly observe that like a navigator constantly checking where his ship is going in the vast ocean, a manager should constantly watch the progress of his plans.

IMPORTANCE/ ADVANTAGES AND PURPOSE OF PLANNING

- Planning offsets future uncertainty and change
- It tackles increasing complexity in the modern business
- It helps in co-ordination
- It helps in exercising effective control
- It helps in the proper utilization of the company's resources
- It facilitates unity of action
- It helps in avoiding business failures
- Focuses attention on organization's goals
- Improves competitive strength
- Improves adaptability

The explanation is given below:

- **Planning offsets future uncertainty and change:**

A business concern has to work in an environment which is uncertain and ever-changing. Planning helps the manager carving out the future course of action and this brings a higher degree of certainty and order into the organization that would be present without planning.

- **It tackles increasing complexity in the modern business:**

To run a modern business undertaking, there is a need for a large number of people with different specialization and complex machines.

- **It helps in co-ordination:**

Planning, through its defined objectives, well-publicized policies, programs and procedures helps the management in the co-ordination process.

- **It helps in exercising effective control:**

Planning involves the determination in advance of the work to be done, the person responsible to do it, the time to be taken to do that work and the costs to be incurred. This makes it easy to compare the actual performance with the planned one.

- **It helps in the proper utilization of the company's resources:**

As planning involves deciding in advance of what is to be done, when, where and by whom it is to be done, etc..., there is a possibility for the proper utilization of company's resources and for the achievements of company's objectives at the cheapest and the best manner.

- **It facilitates unity of action:**

Under planning, policies, procedures and programs are pre-determined and every decision and action should be within the framework of pre-determined policies and procedures and programs. This facilitates unity of action and also avoids confusion or misunderstanding at any level.

- **It helps in avoiding business failures:**

As planning involves the selection of best objectives, unity of action, co-ordination of activities, economy in operation and offsetting of future uncertainty and change, there is a great possibility of avoiding business failures.

- **Focuses attention on organization's goals:**

Planning helps the manager to focus attention on the organizational goals and activities. This makes it easier to apply and co-ordinate the resources of the organization more efficiently.

- **Improves competitive strength:**

The enterprise which adopts planning will have a competitive edge over other enterprises which don't have planning. This is because, planning enables the enterprise to discover new opportunities' and thereby shape its own future.

- **Improves adaptability:**

Planning helps the organization in coping with the changing environment. Planning is looking ahead and is anticipatory in nature.

ESSENTIALS OF A GOOD PLAN:

According to I.F.URWICK, essentials of a good plan are as follows:

- It should be based on a clearly-defined objective.
- It must be simple.
- It should be rationale and appropriate.
- It should be comprehensive.
- It must be flexible.
- It must be balanced.
- There should be proper co-ordination among short-term and long-term plans.

DISADVANTAGES/ LIMITATIONS OF PLANNING

- **Limitations of forecasts:**

Planning is based on forecast and if reliable information data are not available for making forecasts, planning is sure to lose much of its value.

- **Rigidity:**

Planning implies strict adherence to predetermined policies, procedures and programmes. This restricts individual's freedom, initiative and desire for creativity.

- **Time-consuming:**

Planning is time-consuming and may delay action in certain cases. But to make plans realistic, it is necessary that sufficient time should be given to the planning process.

- **Costly:**

Planning is an expensive exercise as a lot of money has to be spent for preparing estimates, collecting information and facts for analysis, etc....

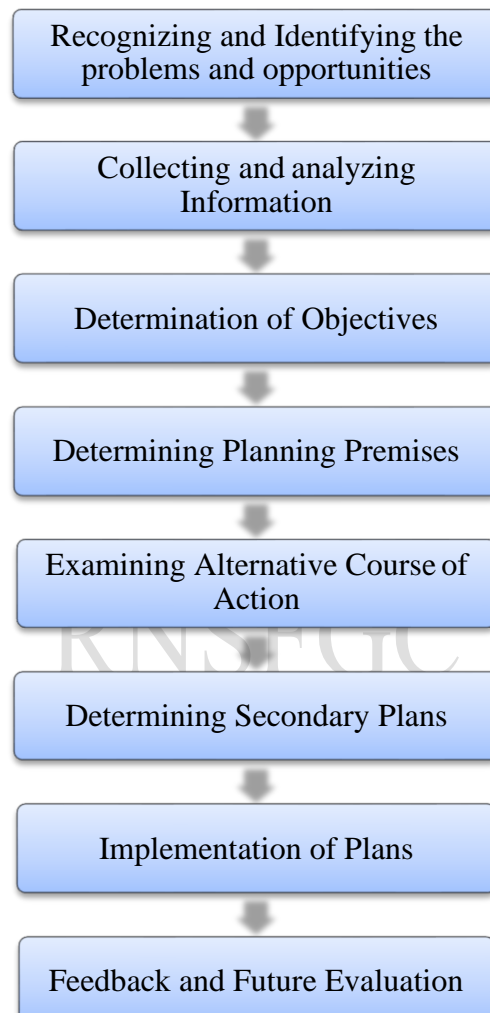
- **Influence of external factors:**

Sometimes, because of the influence of external factors like government control, natural calamities, break-out of war, changes in political and economic situation etc..., which are beyond the control of the planners, the effectiveness of planning becomes limited.

- **Limited scope:**

The scope of planning is said to be limited in the case of organizations with rapidly changing situations. It is claimed that for industries producing fashionable articles or for those engaged in the publication of text books, working on a day-to-day basis is more economical than on a planned basis.

PLANNING PROCESS



- **Recognizing and Identifying the problems and opportunities:**

The first step in planning is the awareness of the unexploited business opportunities or the problems to be provided for in future. What is the business opportunities/problems are likely to arise in future, what is the plan to be formed to exploit such opportunities or problem will help in ascertaining clearly the opportunities and problems.

- **Collecting and analyzing Information:**

Before actual planning is initiated relevant facts and figures are collected. All information related to operation of the business should be collected in detail. The facts and figures collected will help in framing realistic plans.

- **Determination of Objectives:**

Analysis and interpretation of data facilitate in determining the enterprise objectives. *Objectives are the goals, which the management tries to achieve.* Objectives must be specific and clear and should indicate the ends result of planning activity. It is essential that objectives should be properly formulated and communicated to all members in the organization.

- **Determining Planning Premises:**

Planning is always for uncertain future. Though nothing may be certain in the coming period but still certain assumptions will have to be made for formulating plans. *Planning premises are certain assumptions about the future on the basis of which the plan will be ultimately formulated.* It is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, production cost and prices, competitive behavior, etc.

- **Examining Alternative Course of Action:**

The next step in planning will be choosing the best course of action. There are a number of ways of doing a thing. The planner studies all the alternatives and then a final selection should be made. All the pros and cons of methods should be weighed before a final selection.

- **Determining Secondary Plans:**

Once a main plan is formulated then a number of supportive plans are required. In fact secondary plans are meant for the implementation of principal plan. For example, once production plan is decided then a number of plans for procurement of raw materials, recruitment of persons etc, will be required. All secondary plans will be a part of the main plan.

- **Implementation of Plans:**

The planning should be put into action so that business objectives may be achieved. The implementation will require establishment of policies, procedures, standards and budgets. These tools will enable a better implementation of plans.

- **Feedback and Future Evaluation:**

In order to see that the plans are running along right lines, it is necessary for the management to devise a system for continuous evaluation and appraisal of the plan. By this the management can notice shortcomings in time and can also take immediate suitable corrective action.

TYPES OF PLANS

1. **Standing or repeated use plans are further classified into:**

- Objectives
- Policies
- Procedures
- Methods
- Rules
- Strategies

2. **Single Use Plans:**

- Programs
- Budgets

1. Standing plans are repetitive in nature, and may change, and used again and gain. For example objectives, policies, rules etc, are standing plans because once formulated they will be used for a long period and repeatedly.

- **Strategy** indicates the specific program of action for achieving the organization objectives by employing the firm's resources efficiently and economically. It involves preparing oneself for meeting unforeseen factors (unexpected). It provides guidelines to the enterprise for thinking and action.
- **Objectives or goals** are the ends towards which the activities of an organization are directed and the results are to be achieved. They lay down guidelines for the various activities of the enterprise and decide the direction.
- **Policies** provide the framework within the decision makers and expected to operate while decisions relating to the organization. Policies are general statements which provide guidance in decision making to various managers. It provides boundaries within which decision can be made.
- **Procedures** are clear cut administrative specifications prescribing the time sequences for work to be done. Procedures tell how a particular activity is to be carried out. It gives details of how things are to be done. It also determines the policy of responsibility and accountability.
- **Method** specifies the way in which a particular step is to be performed. Procedure tells the various steps to be taken to perform a particular task, but method tells how a particular step in the procedure is to be performed. Thus the method, as it explains the steps is more detailed than procedure.
- **A rule** is a plan that lays down a required cause of action with regard to a situation. It specifies what is to be done and what may not be done in given situation. A rule is definite and rigid and allows no deviation or discretion to the subordinates. Rules prescribe the limits of acceptable behavior of the members of the organization. Rules channel the behavior of workers in a desired direction.

2. Single use plans: A set of activities aimed at achieving a specific goal within a particular budget and time period that is unlikely to be repeated in future. Single use plans are used in specific situations and they include programs and budgets. Examples of a single use plan that could be employed by a business might be an advertising campaign for a new product launch

- **A program** is a sequence of activities designed to implement policies and accomplish objectives. It is devised to meet a particular situation. A program is a precise plan which lays down the particular operations to be carried out to accomplish a given work. A program is drawn in conformity with the objectives and it consists of steps to be taken to achieve the tasks. Programs are results oriented and provide practical guidelines to managerial activities.

- **A budget** is an estimate of future needs covering some or all of the activities of an enterprise for a definite period of time. It lays down enterprises goal and provides a basis for the future courses of action management. It is time bound and by laying down objectives and plans in numerical terms facilitate the verifiability of planning.

OTHER TYPES OF PLANNING

□ Operational Planning

“Operational plans are about how things need to happen,” motivational leadership speaker Mack Story said at LinkedIn. “Guidelines of how to accomplish the mission are set.”

This type of planning typically describes the day-to-day running of the company. Operational plans are often described as *single use plans* or *ongoing plans*. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.

□ Strategic Planning

“Strategic plans are all about why things need to happen,” Story said. “It’s big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision.”

Strategic planning includes a *high-level* overview of the entire business. It’s the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.

□ Tactical Planning

“Tactical plans are about what is going to happen,” Story said. “Basically at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans.”

Tactical planning supports strategic planning. It includes tactics that the organization plans to use to achieve what’s outlined in the strategic plan. Often, the scope is less than one year and breaks down the strategic plan into actionable chunks. Tactical planning is different from operational planning in that tactical plans ask specific questions about what needs to happen to accomplish a strategic goal; operational plans ask how the organization will generally do something to accomplish the company’s mission.

□ Contingency Planning

Contingency plans are made when *something unexpected happens or when something needs to be changed*. Business experts sometimes refer to these plans as a special type of planning.

Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can't be foreseen. As the business world becomes more complicated, contingency planning becomes more important to engage in and understand.

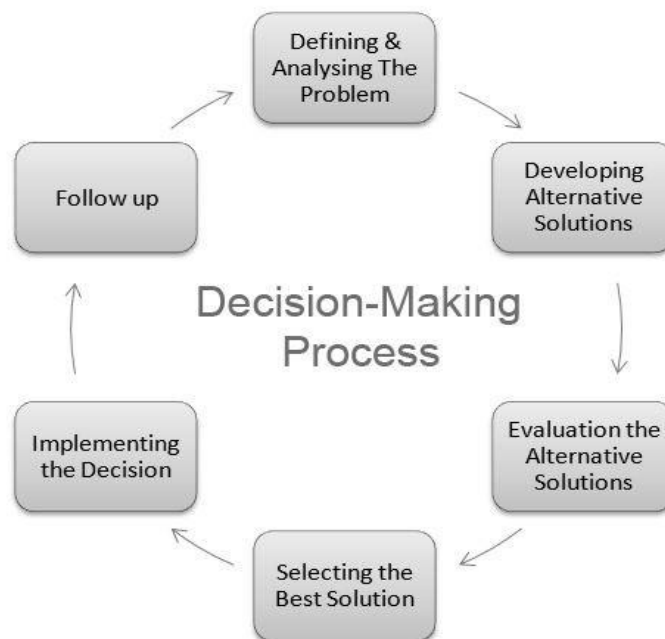
DECISION MAKING

A decision is an act of choice wherein the executive forms a conclusion about what must and must not be done in a given situation; it is something, which takes place to the actual performance of the action.

Decision-making is a stepwise process, which is done for the requirement solution. Business is a group of different activities, which are coordinated to achieve a common goal. Thus, in this consequence, every manager or the apex person has to draw a conclusion duly analyzing available facts and information. Sometimes he has to make a choice among alternatives, media of process and paths. This exercise is called decision making.

According to Geroge R. Terry," *Decision making is a selection based on some criteria from two or more possible alternatives* ".

STEPS INVOLVED IN DECISION MAKING



1. Defining the problem:

This is the first step in decision-making. It is not easy to define the problem. It should be seen what is causing the trouble and what will be its possible solutions. Therefore clear-cut definition of a problem is necessary for effective solution.

2. Analyzing the problem and gathering Information:

The analysis of a problem involves classifying the problem. The problem should be classified keeping in view the following guidelines:

- a. The nature of the problem
- b. The impact of the decision
- c. The periodicity of the decision
- d. The futurity of the decision
- e. The limiting or strategic factor relevant to the decision.

Not only analyzing the problem, one should collect all possible information about the problem and then decide whether it will be sufficient to take a decision or not. If there are deficiencies in information then manager must judge the degree of risk involved in the decision.

3. Developing alternative causes of action.

Every problem has a number of solutions. A manager must try to find out various alternatives in order to get satisfactory results of a decision, and this is the most important task of a manager to choose best alternative solution. Here it is notable that 'taking no action' is also an alternative.

4. Selecting the best solution:

There are various ways to evaluate alternatives to select the best solution but it should be based on the prevailing situations and capacities. The pros and cons of different proposals should be foreseen. Another way to choose the best alternative is to weigh the consequences of one against those of the other.

5. Alternative the decision:

All the business enterprises are an organized group of skilled persons called employees. This way, every decision revolves around the persons within the organization. Therefore decisions must give a personal touch to all the related humans because it is only the personnel who will help in implementing the taken decisions. It requires the coordination and cooperation of subordinates.

6. Following up:

It is not enough to take a decision, it should also be seen whether it is properly implemented or not. The follow up action of decision may show that it was based on certain wrong premises or facts. In such situations the decision should be reviewed and necessary changes may be made if required. To follow up is also an important aspect of decision-making.

IMPORTANCE OF DECISION MAKING

- **Proper utilization of resources:** Organization has various resources like man, money, method, material, machine, market and information. All these resources are properly utilized without any leakage and wastage with the help of right decision at right time. As a result, an organization can operate at a minimum cost.

- ❑ **Selecting the best alternative:** As we know that the problem has multiple solutions. Decision making is important to select the best alternative among various alternatives by analyzing them one by one using various financial, statistical, and accounting tools/ technique.
- ❑ **Evaluation of the managerial performance:** Decision making is not only important to select the best alternative but also essential for evaluating the performance of a manager. The quality/success of manager largely depends upon the number of right decision that he/she can take for the organizational success. Therefore, decision making is important to judge the performance of top level of management.
- **Employee's motivation:** Decision making is important to motivate the employees within an organization. It provides an overall framework of operation and guideline to the operating level of staffs. It also provides different types of facilities and benefit on time. As a result, employees are motivated to their job or work as per the organizational requirement.
- ❑ **Indispensable element/ component:** Decision making is indispensable element/ component for the organizational success because without taking the right decision at right time, nothing can be performed as per the plan.
- ❑ **Achievement of goal/ objectives:** Decision making is important to achieve the organizational goals/objectives within given time and budget. It searches the best alternative, utilize the resources properly and satisfy the employees at the workplace. As a result, organizational goal or objectives can be achieved as per the desired result.
- ❑ **Pervasive function:** Decision-making is a pervasive function of managers aimed at achieving organizational goals. Decisions are to be taken in all managerial functions such as planning, organizing, motivating, directing and controlling and in all functional areas such as production, marketing, finance, personnel and research and development. It indicates that the decision-making is spread over many areas of the organization.

END NOTES:

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UNIT 3
ORGANIZING AND STAFFING

- Nature and purpose of organization
- Principles of organization
- Types of organization
- Departmentation, Committees
- Centralization Vs decentralization of authority and responsibility
- Span of Control –
- MBO and MBE (Meaning only)
- Nature and importance of staffing.

Meaning:

The term 'Organizing' is used as a process of management and as a structure of relationships. It is the combination of necessary human beings, materials, tools, equipment and working space brought together in a systematic and effective connection to accomplish some desired object.

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

Definitions:

"Organization is a structure of relationship by which an enterprise is bound together and the framework in which individual effort is coordinate" - Koontz and O'Donnell.

"An identifiable group of people contributing their efforts towards the attainment of goals is called Organization" - Mc Farland.

NATURE OF ORGANIZATION

- **Organization as a process.**

Organization is a continuous process through which work is allotted among the employees and optimum coordination is established, in order to achieve the goals of the organization. It is concerned with identifying and grouping of activities to be performed.

- **A creative ideology :**

Organization is a creative ideology. It gives new thoughts, new ideas and new styles with the combination of skilled and unskilled employees. The main aim of the organization is to create something new by teamwork.

- **Organization as a group.**

Organization is a group of recognized persons who contribute their efforts for the attainment of goals. It is a system of cooperative activities of two or more persons.

- **Organization as a mechanism of management:**

Organization coordinates various other functions of management. It directs, coordinates and controls all managerial activities of the organization, hence it works as a mechanism of

management. It is a mechanism of management as its main aim is to make function of management easy.

- **Organization as a function :**

Organization is one of the important functions of management. The person behind this fact is that organization combines other activities of business.

- **Organization as a system :**

It is a system of cooperative activities of two or more persons for the attainment of a common purpose, and whenever an analysis is being done, one has to do it for the firm in full consolidation. This way organization is a system.

- **Organization as a structure of relationship :**

Organization is also interpreted by some writers as a structure of relationships among positions and jobs for the purpose of achieving enterprise objectives.

- **Organization as a 'Means' and not an 'End'.**

It is also another important fact about the nature of organization that it is a means and not the end. Organization is connecting port that defines, establishes and allots work, system, activity and it directs and control all these allotted works also.

PURPOSE OF ORGANIZATION

1. Determination of the activities for the accomplishment of set objectives.
2. Grouping and classifying all the activities.
3. Assigning all the activities to the right persons at right place.
4. Decentralization of proper authorities to the employees to accomplish the assigned work.
5. Establishing effective coordination among the employees.

IMPORTANCE OR ADVANTAGES OR SCOPE OF ORGANIZING

1. Optimum Utilization of Human Resources
2. Helps in Growth of Enterprise
3. Utilizes Science and Technology
4. Facilitates Co-ordination
5. Encourages Creativity and Innovation
6. Motivates the Employees
7. Facilitates Delegation of Authority
8. Better service to the customers
9. Increased goodwill in the society
10. Healthy competition between the departments

PRINCIPLES OF ORGANIZATION:

The establishment of an effective and healthy organization is based on some principles. These principles not only work as touch bearer but also direct the organization to achieve its goals. These principles are given below.

1. The Principle of Objective.

This principle says that an organization should be designed in perfect accordance with the goals of the business. In view of this first, the objectives of the business concern should be clearly stated. This helps the management in formulating the organization structure and also in achieving the enterprise objectives with minimum cost and effort.

2. The Principle of Specialization.

The activities of every employee of the organization should be concentrated more or less to the performance of a single function. The organization structure should be formulated in such a way that the activities of the enterprise are divided according to different functions and the same are assigned to person according to their specialization.

3. Principle of Span of Control.

The span of control refers to that fixed number of subordinates whom a superior can supervise and control, it may range from 5 to 6 at the top and 20 at the bottom. The span of control should be minimum because there is a limit to the number of persons that can be effectively supervised by one boss.

4. Principle of Exception.

This principle states that only exceptionally complex matter should be referred to that executives for their decision and matters of routine nature should be decided by the subordinates themselves, as this may save the time of higher authorities to concentrate on important matters.

5. The Scalar Principle.

The scalar principle is of great importance in the organization for making management effective, there should be clear line of authority. The line of authority from the chief executive at the top of the enterprise to the first line supervisors at the bottom must be clearly stated.

6. Principle of Authority.

Authority that is given to the management enables him to accomplish the objectives of the enterprise hence the authority of each manager should be clearly defined and also it should be equal to the responsibility entrusted to him.

7. Principle of Responsibility.

This principle depicts that the responsibility in consideration to the delegated authority must be absolute and clear. No person should be free from the defined responsibilities. It means that the superior should be held responsible for the acts of his subordinates to whom he has delegated authority.

8. Principle of Unity of Command.

According to this principle, each subordinate should have only superior and dual subordination should be avoided. It tells that every employee of the organization must receive orders only from a single boss or otherwise it may create adverse effects on the working of the employees.

9. Principles of Flexibility.

The organization must be flexible to meet changing conditions. The organization structure should be such which should be adaptable to the changing circumstances. There should be a possibility for expansion and replacement without disrupting the basic design of the structure.

10. Principle of Simplicity.

Simplicity should be an objective of organizational planning. Simplicity reduces the difficulties that arise due to complicated organizational structure. The organization structure should be simple with a minimum number of levels.

11. Principle of Continuity.

The organization structure should be serviceable for long time. It means that the organizational structure should be such as to provide not only for the activities immediately necessary but also for the continuation of such activities in the future.

12. Principle of Unit of Direction.

It means for a group of activities having the same objectives, there should be one plan and one objective. The facilities verification and coordination of activities and also completion of task as per the schedule.

13. Principle of Efficiency.

The structure that is formulated should enable the business concern to function efficiently and achieve its objectives with minimum cost and effort.

14. Principle of Delegation.

The organization structure should provide for the delegation of authority at every level. The authority delegated should be equal to responsibility so as to enable the concerned person to accomplish the task assigned to him by his superior.

PROCESS OF ORGANIZATION

- Establishing Delegate Objectives
- Determining activities
- Grouping activities
- Defining Duties
- Defining responsibilities
- Allocating Authority

1. Establishing Objectives.

The first step is to establish objectives of the organization. Organization is a means to achieve objectives hence establishing the objectives is the first step involved in the organization process.

2. Determining activities.

The Chief activities are to be spelled out from the defined objectives. The work is to be broken into clear and compact set of activities. All the work should be classified into its nature, size, objective and responsibility so that it can be allotted to the person who can perform it.

3. Grouping Activities.

In this third step, closely related and similar type of activities must be grouped in sections on the basis of certain criteria.

4. Defining Duties.

After grouping of activities, duties and the expectations of the results in confirmation to duties must also be defined. In defining duties, the qualifications and skills of the employees also are considered.

5. Allocating Responsibilities.

Job assigned should be according to the principle of 'right man for the right job'. The limitation and specialization of their work are also described while assigning the job.

6. Delegating Authority.

Authority must be delegated in correspondence with responsibility. Authority without responsibility is dangerous and responsibility without authority is empty vessel.

ORGANIZATION STRUCTURE

It is the framework typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management.

TYPES OF ORGANIZATION**A. Formal Organization**

- Line Organization
- Line and Staff organization
- Functional Organization

B. Informal Organization

Basis of Difference	Formal	Informal
1. Meaning	IT is a prescribed structure of roles and relationships consciously coordinated towards a common objective.	It is a natural and spontaneous structure arising out of the social tendency of people to associate and interact.
2. Aim	Its goals and tasks are oriented towards productivity, profitability, growth and so on.	Its goals and tasks are predominantly centered around individual and group satisfaction, affiliation, friendship etc.
3. Nature	It is hierarchical pyramid shaped and bureaucratic in structure.	It is shapeless and uncharitable.

4. Basis of relationship	Emphasis is on status differentials and based on superior-subordinate relationships.	It is based on friendship, common values, and interests.
5. System of Behavior	There is prescribed system of behavior. People are rewarded for their "desired behavior" and punished for their "undesirable behavior." Rewards can be both monetary and non monetary	There are unwritten norms of behavior enforced by common consent by all the members. Rewards for obeying the norms can take the form of continuous membership, social esteem, group leadership. etc. Punishments are isolation, censure etc.
6. Channel of communication	Formal Channel of communication	Informal channel of communication

TYPES OF FORMAL ORGANIZATION

A. LINE ORGANIZATION :

Line or military type of organization is the oldest type of organization. It has frequently been referred to as military organization, scalar, vertical and departmental organization.

The line organization can be of two types.

(i) Pure line Organization :

In pure line organization, the activities at any one level are the same and all the individual perform the same type of work and divisions are made for the sake of control and direction.

Example : Worker performing a similar of work may be divided into different groups for the sake of control and supervision.

(ii) Departmental Line Organization :

In this type of organization, the whole unit is divided into different departments that are convenient for control purposes. Again even within a department, there may be several sub departments.

For example : In production department, there may be number of foreman each in charge of a sub department and controlling a certain number of workers.

Characteristics of line Organization:

1. It consists of direct vertical relationships.
2. Departmental head is given full freedom to manage his department.
3. It does not make provision for staff specialists.
4. Operation of this system is simple.

5. Existence of superior-subordinate relationship.
6. Instruction are given by the boss directly to his subordinates.

Advantages of Line Organization :

- a. Simplicity : It is easy to establish and operate. It is also easy to explain to the workers.
- b. Fixed Responsibility : Every member of the organization knows his exact function, to whom he is responsible and who are responsible to him as no person can escape his own responsibility.
- c. Unity of Control: It means a subordinate is responsible to only one superior.
- d. Prompt Decision : It facilitates quick and prompt decisions.
- e. Discipline : Singleness of responsibility and control ensures strong discipline among the employees.
- f. Flexibility : This type of organization is elastic. The adjustments in the organization can be easily to suit the changing conditions.
- g. Coordination : As all activities relating to one department are managed by one individual, there is a possibility of effective coordination.
- h. Definition of Authority : As the powers and authorities of various person are defined, the conflict in their powers and authorities is avoided.
- i. Less Expensive : It is less expensive as no expenditure on staff personnel is involved.

Disadvantage of Line Organization :

1. Lack of Specilization : As one person has to look all the work relation to his department, there is no scope for specialization.
2. Overloading : Sometimes the executive is overloaded with work and hence he may not be in a position to direct and control the efforts of his subordinates properly.
3. Limited Communication : The workers should follow the orders of superiors without expressing any opinion about the orders communicated to them. This affects their creativity and capacity for independent thinking.
4. Unitary Administration : All decisions relating to department are taken only by one executive and hence the successful functioning of that department depends on his abilities.
5. Lack of Cooperation : One executive controls the various activities and gets undue importance while the importance of other people in the department is not recognized.

FUNCTIONAL ORGANIZATION

Under this types of organization, men with special abilities or training in a specialized function may be employed. The specialists will be performing the functions, which are common to different under one organization.

Thus under the functional type of organization functions are performed by a specialist. The workers under functional type of organization receive instructions from a specialist in each of several supervisory functions, which are assigned to the different specialists.

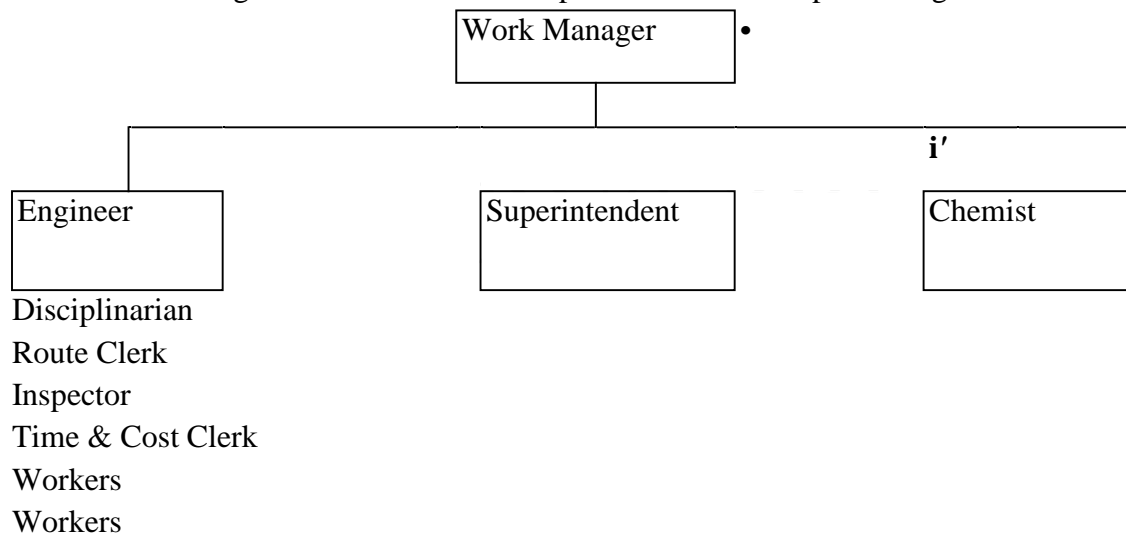
Taylor has recommended the following specialists.

- Planning Dept.

1. Routine Clerk
2. Instruction Card Clerk
3. Time and Cost Clerk
- In the Factory
 1. Gang Boss
 2. Speed Boss
 3. Inspector
 4. Repair Boss
- For the entire job
 1. Disciplinarian

Taylor called functional type of organization as 'Functional foremanship'. The eight persons mentioned above are the specialists in their job. Taylor introduced this functional foremanship because otherwise a single foreman has to look after all the functions.

The functional organization can be well explained with the help of a diagram :



In the above diagram we have work manager as the superior of the organization and under him we have Engineer, superintendent and Chemist. Under them we have disciplinarian, route clerk, inspector and time & cost clerk who will be linked to all the departments mentioned earlier. Lastly we have workers linked to various departments.

The main point to be recognized here is same route clerk, disciplinarian, inspector and time & cost clerk can work under Engineer, superintendent and Chemist.

Advantage of Functional Organization :

1. **Specialization** : It ensures maximum use of the principle of specialization at every work point.
2. **Efficiency** : Since workers have to perform a limited number of functions, their efficiency would be very high.
3. **Mass Production** : Large-scale production can be undertaken due to specialization and standardization.
4. **Cooperation** : As there is no scope for one-man control in the organization, there is the possibility of promoting cooperation.
5. **Relief to the executives** : Since instruction from specialists flow directly to lower levels, the line executives are free from worries about the technical problems faced by the workers.
6. **Flexibility** : Any change in the organization can be introduced without disturbing the whole organization, and hence there is flexibility in this type of organization.

Disadvantages of Functional Organization :

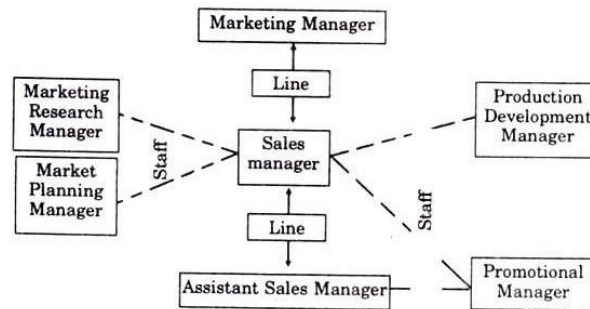
1. **Conflict amongst foreman** : In this type, foreman of equal rank will be many in number and this may lead to conflict among them.
2. **Discipline** : The workers have to work under different bosses: hence it is difficult to maintain discipline among them.
3. **Lack of Coordination** : There are several functional experts in the organization and this may create the problem of coordination.
4. **Speed of Action** : As control is divided among the various specialists the speed of action is very much hampered.
5. **Lack of Fixed responsibility** : If there is any unsatisfactory progress, it is difficult for the top management to fix responsibility.
6. **Expensive** : As a large number of specialists are to be appointed under this system it is very expensive and small firms cannot afford it.

C. LINE AND STAFF ORGANIZATION :

In a line and staff organization, the work of administration of business units is divided into two based divisions.

- **The line** to execute the actual execution work.
- **The staff** which is responsible for planning, and who assists **the line** in discharging its duties efficiently.

This method clearly distinguishes the difference between two aspects of administration of planning and execution. The staff officials prepare plans and recommend to the line officials who implement them with the help of their departmental personnel. Thus the staff members are thinkers and the line members are doers. A typical line and staff organization is given as under :



Advantages of Line and Staff Authority :

- a. **Specialization** : The staff officers concentrate mainly on the 'planning' function and the line officers on the 'doing' function: by this method specialization is attained.
- b. **Flexibility** : Staff can be added to the line and new activities may be introduced without disturbing line procedures, hence flexibility is achieved.
- c. **Expert Advice** : The staff officers provide expert advice and guidance to the line officers, hence the enterprise as a whole gets benefits.
- d. **Sound Decisions** : As the decisions are made by an expert there is a possibility for sound managerial decisions.
- e. **Relief to Line Executives** : The staff officers look after the detailed analysis of each important managerial activity, which is a big relief to the line officers.
- f. **Opportunities for Advancement** : In this type, a greater variety of responsible jobs are available and this provides more opportunities for advancement of capable workers.

Disadvantages of Line and Staff Organization :

- a. **Confusion** : If authority relationship between line and staff executives is not clearly indicated, there may be considerable confusion in the organization.
- b. **Advice Ignored** : The staff officers lack authority to put their recommendations into practice, their advice may be ignored by line officers.
- c. **Encourages Carelessness** : This system may encourage carelessness on the part of the staff officer as he is not concerned with the execution of the plan, he may not take proper precautions and care before he advises the line officer.
- d. **Expensive** : It requires the appointment of a large number of experts involving heavy expenditure. Hence small and medium sized firms cannot afford it.

e. **Conflict between line and Staff** : One more disadvantage is the conflict between line and staff because of the interference of staff authority in the work of line managers and line officers do not make proper use of the staff advice etc.

MATRIX ORGANIZATION STRUCTURE

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

The matrix organization structure takes the characteristics of both types of organization structures. The matrix structure is a composite of the project organization structure and the functional organization structure. Here, the knowledge, skill, or talent of an employee is shared between the functional department and project management team.

Advantages

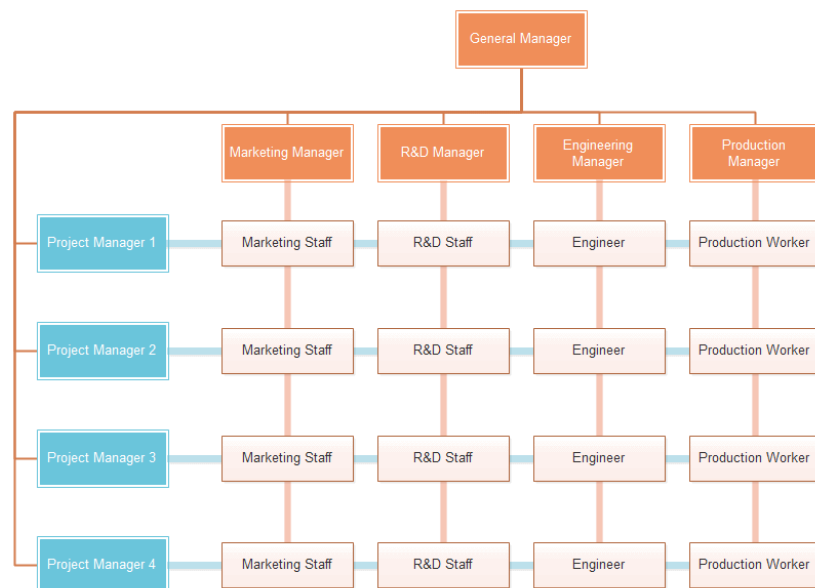
- ❑ Highly skilled and capable resources can be shared between the functional units and projects, allowing more open communication lines which help in sharing the valuable knowledge within the organization.
- ❑ The matrix structure is more dynamic than the functional structure because it allows employees to communicate more readily across the boundaries, creating a good, cooperative, work environment which helps to integrate the organization.
- ❑ Employees can broaden their skills and knowledge areas by participating in different kinds of projects. The matrix structure provides a good environment for professionals to learn and grow their careers.
- ❑ In functional departments, employees are very skilled, and project teams can get these highly-skilled employees whenever their services are needed.
- ❑ Since there is a sense of job security, employees tend to be loyal to the organization and perform well, and therefore, the efficiency of a matrix organization is higher.

Disadvantages of a Matrix Organization Structure

The following are a few disadvantages of a matrix organization structure:

- ❑ Employees may have to report to two managers, which adds confusion and may cause conflict. This usually happens in a balanced matrix organization where both bosses have equal authority and power.
- ❑ A conflict may arise between the project manager and the functional manager regarding the authority and power.
- ❑ If the priorities are not defined clearly, employees may be confused about their role and responsibility, especially when they are assigned a task which is different from, or even counter to, what they were doing.
- ❑ If any resource is scarce, there might be competition to use it, which may cause hostility within the workplace and could affect the operation.

- It is generally perceived that matrix organizations have more managers than required, which increases overhead costs.
- In a matrix organization, the workload tends to be high. Employees have to do their regular work along with the additional project-related work, which can exhaust them. It is also possible that the employee may ignore either his functional responsibilities or project management responsibilities if overtaxed.
- A matrix structure is expensive to maintain. Organizations have to pay extra to keep resources because not all resources will be occupied at all times. Some resources are needed only for a short duration.



COMMITTEE

A Committee consists of a group of persons specifically designed to perform some administrative acts. **According to hicks,'** A committee is a group of people who meet by plan to discuss or make a decision for a particular subject.'

Committees are widely used in the modern concerns for the purpose of discharging advisory functions of management relating to personnel, finance, etc. A committee's duties, responsibilities and authority are well defined and are accountable to the authority that appoints it.

Types of Committees :

Advisory Committee

Executive Committee

Advisory Committee : It is vested with staff authority and its functions are to advice and recommend but has no power to enforce its advice or recommendations. Example : Sales committee, Finance Committee.

Executive Committee : It is vested with line authority. These committees takes decisions but also have the power to enforce their decisions. Example : Board of directors of a company.

Advantages of Committees :

a. Better Understanding :

In the committee meetings, the members are enabled to understand the various problems faced by the other departments in the organization, which promotes better understanding among the departmental heads.

b. Pooling of Knowledge :

In committee meetings, decisions are taken after taking into consideration the different views of its members hence it provides a forum for the pooling of knowledge and experience of many persons.

c. Better Cooperation :

The committee encourages team spirit and cooperation of various departments in the execution of plans.

d. Better Coordination :

The members are more aware of the problems of other departments, which promote coordination of various activities of the enterprise.

e. Helps in Transmitting information :

The committee form of organization is an excellent means of transmitting information and ideas to the interested organizational members.

f. It helps in decisions making process :

Members of the committee take part in the decision-making process and because of this, they will not resist the implementation of decisions.

Disadvantage of Committee :

a. Delay :

The members of the committee may express different views and opinions, which may cause delay in taking a decision.

b. Expensive:

It is an expensive form of organization because of the huge amount to be spent for convening committee meetings.

c. Misrepresentation of Statements :

In case if there is no mutual confidence among the members, not only will they fail to appreciate each other's view but also misrepresent each other statements.

d. Secrecy not maintained:

As there will be large number of members in a committee, it is difficult to maintain secrecy regarding the committee's decisions.

e. Wrong Decisions:

No member can be individually held responsible in case the committee takes incorrect decisions.

f. Sometimes it is only a compromise:

Decisions may be arrived at on the basis of compromise among the members or it may reflect accommodation of various viewpoints of the members and the quality of decision is watered down.

DEPARTMENTATION

Meaning: Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features. Each department is headed by a person known as departmental manager.

Definition: According to Koontz and O'Donnell, "A department is a distinct area, division or branch of an enterprise over which a manager has authority for the performance of specified activities."

The advantages of departmentation can be summed up as:

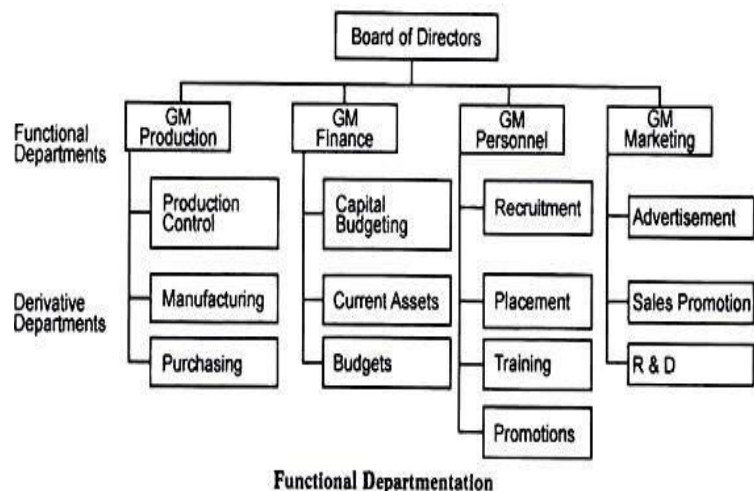
1. It increases the efficiency of the enterprise since various activities are grouped into workable units.
2. It renders the task of fixation of accountability for results very easy since activities are well defined and responsibilities are clearly laid.
3. It provides for fixation of standards for performance appraisal and thus ensures effective control.
4. It creates opportunities for the departmental heads to take initiative and thus develop managerial facilities.

Bases of Departmentation/ Types

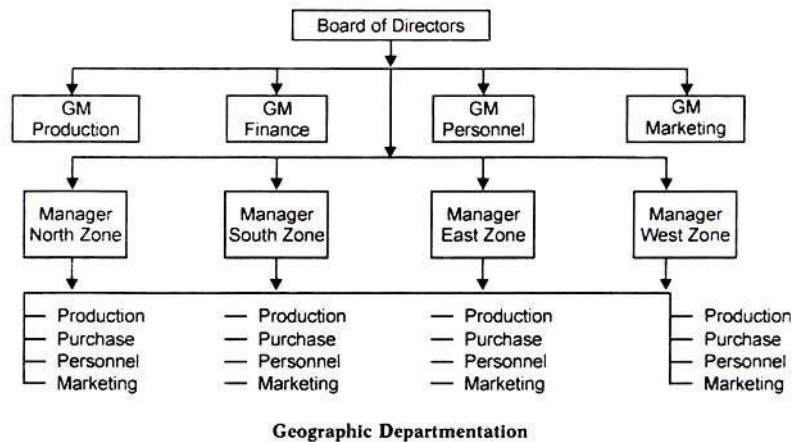
There is no single best way of departmentation applicable to all organizations or to all situations. The pattern that will be used will depend on the given situation and what managers believe will yield the best result for them in the situation they face. However, there are a few basic methods for dividing responsibilities within an organization.

They are as follows:

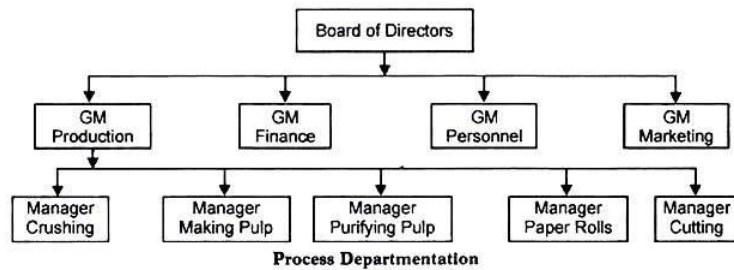
1. Functional basis.



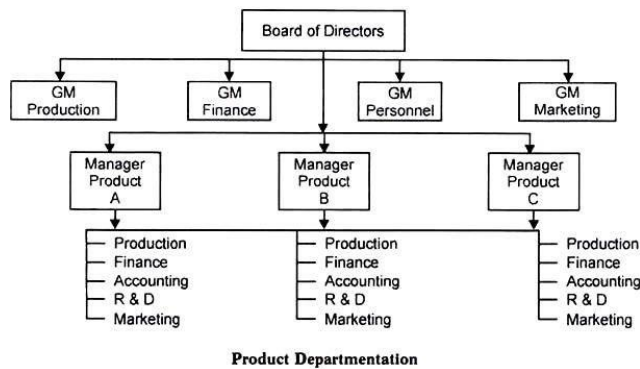
2. Territorial basis.



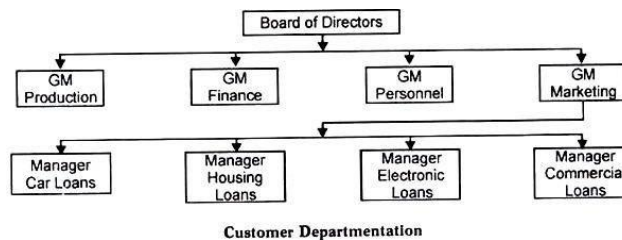
3. Process basis.



4. Product basis.



5. Customer basis.



6. Time basis.

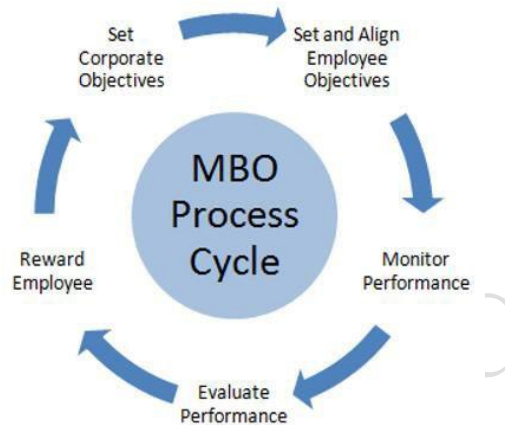
7. Number basis.

MANAGEMENT BY OBJECTIVES (MBO)

Management by objectives (MBO) is a management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization. The term was first outlined by management guru Peter Drucker in his 1954 book, *The Practice of Management*.

Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.



MANAGEMENT BY EXCEPTION (MBE)

It is a system of identification and communication that signals the manager as to when and where his attention is needed. The main object of this system is to enable the manager to identify and isolate the problems that call for decision and action, and avoid or ignore or pay less attention to less critical problems which better be handled by his subordinates.

CENTRALIZATION V/s DECENTRALIZATION

BASIS FOR COMPARISON	CENTRALIZATION	DECENTRALIZATION
Meaning	The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.
Involves	Systematic and consistent reservation of authority.	Systematic dispersal of authority.
Communication Flow	Vertical	Open and Free

Decision Making	Slow	Comparatively faster
Advantage	Proper coordination and Leadership	Sharing of burden and responsibility
Power of decision making	Lies with the top management.	Multiple persons have the power of decision making.
Reasons	Inadequate control over the organization	Considerable control over the organization
Best suited for	Small sized organization	Large sized organization

STAFFING

The term ‘Staffing’ relates to the recruitment, selection, development, training and compensation of the managerial personnel.

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

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

Characteristics

1. Management function:

Staffing is an important management function that appoints people at different posts to run the organization.

2. Pervasive function:

People are the most important asset that converts inputs into outputs. People are appointed at all levels (top, middle, low) in all functional areas (production , finance, marketing, personnel).Staffing ensures that right persons are appointed at the right job so that organization can efficiently achieve its objectives.

3. Part of human resource management:

Staffing function is an important part of human resource management. Human resource management ensures that competent people perform organizational activities. It deals with the set of organizational activities that attract, develop and maintain an effective workforce. The requirements of human resource management are filled through staffing as staffing appoints people at the desired jobs.

4. Deals with active resource:

Staffing deals with the most important resource (people) that converts inactive resources (raw materials) into productive outputs. It deals with the live resource (people) without whom organization's resources would remain as resources only. They will not be converted outputs.

5. Attached with personnel department:

Functions of staffing, recruitment, selection, training and appraisal of subordinates of all departments (production, marketing etc.) are performed by managers at all levels as all departments need people to function. In performing these functions, managers seek assistance of the personnel department. Personnel department is a service department that assists line managers in performing the staffing function.

6. Continuous function:

Staffing is a continuous managerial function. People keep leaving and joining the organization. Departments and organizations grow and, therefore, need for people keeps arising. Hiring, training and compensating people (staffing) are, therefore, continuously performed by managers.

SELECTION

The **Selection** is a **process** of picking the right candidate with prerequisite qualifications and capabilities to fill the jobs in the organization.

According to Terry, "Selection involves a series of steps by which candidates are screened for choosing the most suitable persons for vacant jobs in the organization".



1. **Preliminary Interview:** The preliminary interview is also called as a screening interview wherein those candidates are eliminated from the further selection process who do not meet the minimum eligibility criteria as required by the organization.
2. **Receiving Applications:** Once the individual qualifies the preliminary interview he is required to fill in the application form in the prescribed format. This application contains the candidate data such as age, qualification, experience, etc. This information helps the interviewer to get the fair idea about the candidate and formulate questions to get more information about him.
3. **Screening Applications:** Once the applications are received, these are screened by the screening committee, who then prepare a list of those applicants whom they find suitable for the interviews. The shortlisting criteria could be the age, sex, qualification, experience of an individual. Once the list is prepared, the qualified candidates are called for the interview either through a registered mail or e-mails.
4. **Employment Tests:** In order to check the mental ability and skill set of an individual, several tests are conducted. Such as intelligence tests, aptitude tests, interest tests, psychological tests, personality tests, etc. These tests are conducted to judge the suitability of the candidate for the job.
5. **Employment Interview:** The one on one session with the candidate is conducted to gain more insights about him. Here, the interviewer asks questions from the applicant to discover more about him and to give him the accurate picture of the kind of a job he is required to perform.
6. **Checking References:** The firms usually ask for the references from the candidate to cross check the authenticity of the information provided by him. These references could be from the education institute from where the candidate has completed his studies or from his previous employment where he was formerly engaged. These references are checked to know the conduct and behavior of an individual and also his potential of learning new jobs.
7. **Medical Examination:** Here the physical and mental fitness of the candidate are checked to ensure that he is capable of performing the job. In some organizations, the medical examination is done at the very beginning of the selection process while in some cases it is done after the final selection.
8. **Final Selection:** Finally, the candidate who qualifies all the rounds of a selection process is given the appointment letter to join the firm.

RECRUITMENT

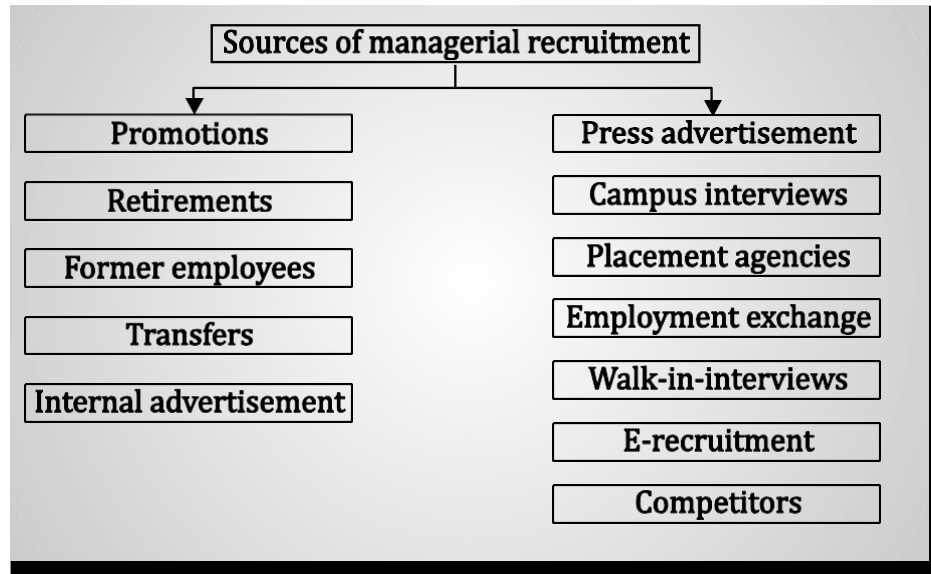
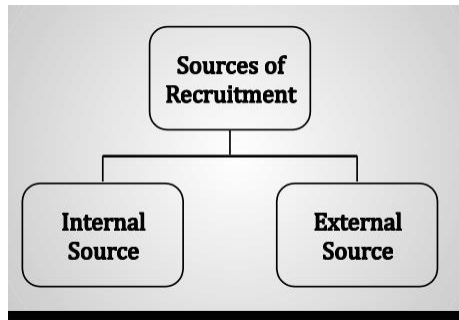
Meaning of Recruitment:

The process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner.

Whenever there is a vacancy in the organization, generally it is to be filled. To make the candidate available for filling those vacancies, their selection procedure and placement on a proper job comes under the purview of recruitment.

Definition

In the words of *Edwin Flippo*, 'recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization'.

Sources of Recruitment:

The eligible and suitable candidates required for a particular job are available through various sources. These sources can be divided into two categories-

1. Internal Sources
2. External Sources

The internal sources of recruitment are:-

1. **Promotions:** Promotion means to give a higher position, status, salary and responsibility to the employee. So, the vacancy can be filled by promoting a suitable candidate from the same organization.
2. **Transfers:** Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organization.
3. **Internal Advertisements:** Here, the vacancy is advertised within the organization. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organization.
4. **Retired Managers:** Sometimes, retired managers may be recalled for a short period. This is done when the organization cannot find a suitable candidate.

5. **Recall from Long Leave:** The organization may recall a manager who has gone on a long leave. This is done when the organization faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.

The external sources of recruitment are:-

1. **Management Consultants:** Management consultants are used for selecting higher-level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment and selection. In return for their services, they take a service charge or commission.
2. **Public Advertisements:** The Personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time consuming.
3. **Campus Recruitment:** The organization conducts interviews in the campuses of Management institutes and Engineering Colleges. Final year students, who're soon to get graduate, are interviewed. Suitable candidates are selected by the organization based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.
4. **Recommendations:** The organization may also recruit candidates based on the recommendations received from existing managers or from sister companies.
5. **Deputation Personnel:** The organization may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.

UNIT 4**DIRECTING****Meaning:**

Directing is the function of management which deals with the giving instruction by a superior to his subordinates to accomplish the organizational objectives.

Definition:

According to Koontz and O'Donnell, "Direction is the inter-personal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives."

Characteristics of Directing:

1. Direction is an important function, which includes entire performance of an undertaking.
2. It is an actuating function as it implements the pre-determined plan.
3. It is the connecting link between the preparatory and managerial functions.
4. It is a continuous function.
5. It is a pervasive function performed by all levels of management.
6. It emerges wherever there is superior subordinate relationship.
7. Giving of orders is an indispensable part of Direction.

Importance or advantages or benefits of directing:

1. Direction is called management-in-action as it stimulates action on the part of the Subordinates by issuing instructions and supervising their work.
2. It guides the subordinates in the proper methods of work.
3. It provides the necessary leadership and thereby influences the subordinates to better their performance.
4. It motivates the subordinates i.e., creates in the subordinates the willingness to put forth their best.
5. It integrates the efforts of different personnel towards the accomplishment of the Organizational goals.
6. It helps to secure the whole-hearted co-operation of the employees for attaining the Objectives of the objectives.

7. It helps to secure the whole-hearted co-operation of the employees for attaining the Objectives of the objectives.
8. It helps the management to introduce healthy changes in the organization which-in-turn helps with the changes in the society.

Elements of Direction:

- Supervision
- Motivation
- Leadership and
- Communication.

Supervision:

Supervision implies expert overseeing of subordinates -at work in order to guide and regulate their efforts. Every manager has to supervise the work of his subordinates to see that they do their work as desired. Supervision is one important element of the process of directing.

Motivation:

Motivation is an inner state of our mind that moves or activates or directs our behaviors towards our goals. Motivation is the driving force which influences the person to perform any task with efficiency.

Leadership:

Leadership may be defined as a position of power held by an individual in a group, which provides him with an opportunity to exercise interpersonal influence on the group members for mobilizing and directing their efforts towards certain goals.

Communication:

Communication may be defined as the exchange of facts, ideas, opinions and emotions between two or more persons to create an understanding in the minds of the receiver. In other words, communication is the sum of all things a person does to create an understanding of another person. It involves a systematic process of telling, listening and understanding.

MOTIVATION THEORIES

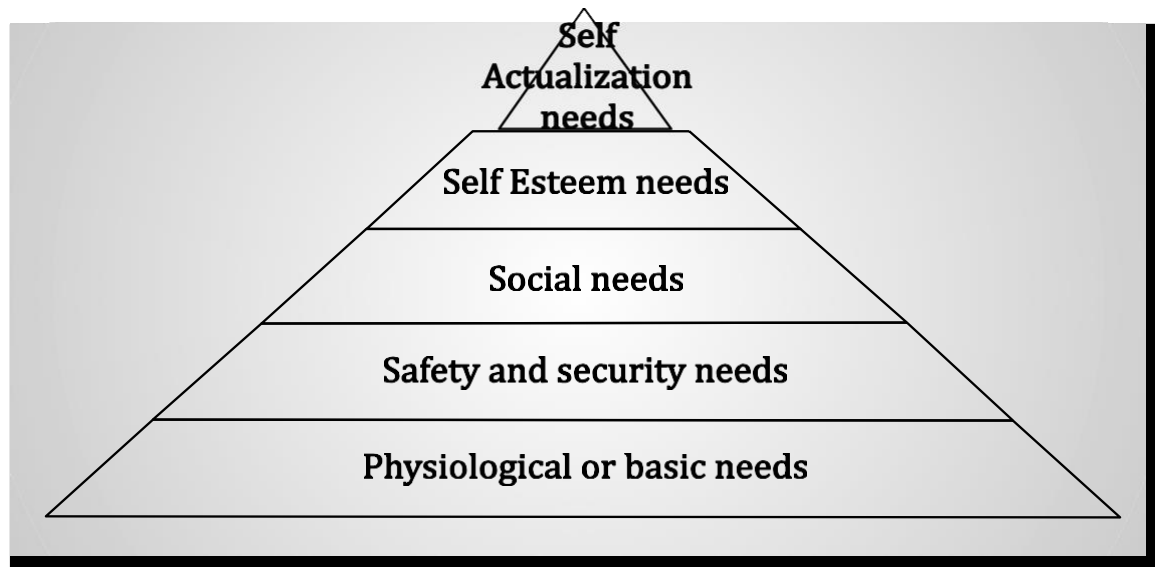
According to **Koontz and 'O' Donnell**, 'Motivation is a general term applying to the entire class of drives, needs, wishes and similar forces.'

According to **Dale Breachus**, 'Motivation is the willingness to expend energy to achieve goals and rewards.'

Theory of Motivation or Maslow's Hierarchy of needs

Assumptions of Abraham Maslow based on human needs

1. Man is a wanting animal motivated by needs.
2. Only dissatisfied needs motivate an individual.
3. Once a need is satisfied, it ceases to be a motivator.
4. Needs are arranged in a particular order or hierarchy.
5. The higher an individual moves in the need hierarchy, the greater will be the additions to his personality.



The above Hierarchy of needs pyramid is explained below-

1. **Physiological or basic or biological needs:** The fundamental of the needs are the physiological needs. They are food, clothing & shelter. Any one would give first preference to these needs. Once an individual is satisfied reasonably with these basic needs, he thinks of in terms of higher level needs.
2. **Safety & security needs:** These are the needs for protection against danger, threat, deprivation and the need for job security. These needs arise only when an individual is reasonably satisfied with the basic needs.
3. **Social & belonging needs:** Need to have groups, need for affiliations. These needs include those of association, acceptance, friendship and love. These needs become important to an

individual only when he is basically satisfied with physiological and safety needs.

4. **Self esteem needs:** These needs include those of self-confidence, independence, achievement, status and recognition. It is divided into two parts: self respect and respect from others. It refers to the need to feel independent, competent, and adequate. While respect from others mean, the need to feel appreciated, admired and noticed by others.
5. **Self-actualization or self fulfillment needs:** These needs are concerned with the need to realize one's capacities and potentialities by achieving specific goals.

HERZBERG'S HYGIENE - MOTIVATION THEORY:-

This was proved with 200 accountants and engineers in Pittsburgh, U.S.A.

1. Hygiene needs or job context or extrinsic needs or dissatisfies: - Absence of these needs leads to dissatisfaction but the presence does not motivate or satisfy them.
2. Motivational needs or job content needs or intrinsic needs or satisfiers: Presence of which motivate or satisfy employees. Challenging job, additional responsibility etc are the example.

Intrinsic factors lead a worker from the stage of no job satisfaction to job satisfaction where as extrinsic factors lead from the stage of dissatisfaction to no dissatisfaction only.

MC. GREGOR'S 'X' AND 'Y' THEORY;

Theory X Comprises of negative and pessimistic assumptions regarding employees :

1. Workers are generally lazy and work does not come naturally to them.
2. They generally avoid responsibility and are unwilling to take up any work on their own.
3. The only way in which workers can be stimulated to work is through fear.
4. Workers generally want to remain in the position of status quo and do not want to advance in the enterprise.
5. Lack of self-direction and always want to be directed by others.
6. "They are like any other factors of production and do not deserve any special treatment.
7. Monetary rewards or incentives are the only way in which they can be motivated.
8. Lack initiative and do to come forward to shoulder any responsibility.
9. Avoid decision-making and do not want to take decisions on their own.
10. Autocratic and authoritarian leadership is suitable and preferred by these workers.

Theory Y is optimistic approach and assures positive assumptions regarding employees :

1. The average human being does not inherently dislike the work. Once he understands the purpose of work, he exerts himself to perform it regardless of the kind of remuneration.
2. The worker will exercise self-direction and self control for achieving the objectives to which he is committed.
3. If the right motivational schemes are available every worker will take delight in shouldering responsibility and discharging successfully.
4. IT is not correct to think that the worker is incompetent for the job and cannot make the right decisions.
5. A worker wants that his achievement to be noticed by others and expects recognition for the successful accomplishment of responsibility
6. For a worker, financial reward is not the only inspiration. He works efficiently even for non-financial rewards like recognition, greater participation in decisionmaking, increased responsibility etc.,
7. In the present day industrial life, the intellectual potentialities of an average human being are not utilized fully.

LEADERSHIP

Definition

1. According to **George. R. Terry**, "The relationship in which one person, or leader, influences others to work together willingly of related tasks to attain that which the Leader desires."
2. According to **Koontz & 'O'Donnell**, "It is influencing people to follow you and to work willingly for the advancement of a common goal."

FEATURES OF LEADERSHIP:

1. Art of influencing subordinates.
2. Implies a group of followers.
3. Persuasive but non coercive.
4. Common or shared goal.
5. Motivational and psychological concept.
6. It enhances the performance.
7. It increases commitment and involvement.
8. it builds morale.
9. It is situational.
10. It implies personal qualities.
11. It implies unequal distribution of power.

IMPORTANCE OF LEADERSHIP

1. It enhances the performance.
2. It increases commitment and involvement.
3. It builds morale.
4. It builds goal directed behavior.

TYPES/ STYLES OF LEADERSHIP

The behavioral pattern that a leader adopts to direct the behavior of members in an enterprise for achieving the organization goals is known as the style of leadership. Among the different leadership styles, three important leadership styles are :

1. Autocratic or authoritarian.
2. Democratic.
3. Laissez Faire.

1. Autocratic or Authoritarian Leader

The autocratic leader is one who centralizes the decision making power in himself and gives orders to his employees and also insists that they should be obeyed. He decides policies for the group without consulting the group and also asks the group to take steps as per policies determined by him. He does not delegate authority and runs the whole show himself. He expects the employees to obey him blindly and has no regard for them and does not like to seek their suggestions or advice. Such leadership is negative because the followers are uninformed, insecure and afraid of leaders authority.

Autocratic leadership can be of two types:

(a) **Strict Autocrat:** a strict autocrat is one who relies on negative influences and gives order, which must be obeyed by the subordinates without question. His method of influencing subordinate behavior is through negative motivation.

(b) **Benevolent Autocrat:** A benevolent autocrat is one who uses a positive motivation style. This type is effective in getting higher productivity and in developing good human relationships.

2. Participative or Democratic Leader:

A democratic leader is one who takes decisions in consultation with his subordinates. He also seeks their advice and opinions on matters, which affect them and their jobs. He does not take a unilateral decision and decentralizes his decision-making process and also authority. Participative leaders have a high concern for people and work.

3. Laissez Faire or Free-Rein Style:

Under this style of leadership, the leader entrusts the decision-making authority to his subordinates. He does not direct and hardly makes any contribution to the overall effort. He avoids using power and leaves it to his subordinates to establish the goals and work out the plan to attain the goals. The

manager usually contacts the outside sources and brings information and material, which the members of the group require to perform their job.

This style of leadership can be adopted only if the subordinates have a sincere desire to discharge their responsibilities, and are highly competent and duty conscious and motivated to do the job even without any direction by the manager. Such instances, of course, either do not exist or are found to be rare. Hence, this style is used very rarely in business concern.

QUALITIES OF A GOOD LEADER:

1. Goal Setter.
2. Planner.
3. Executive
4. Expert.
5. External group representative.
6. Surrogate for individual responsibility.
7. Controller of internal relationship with the organization.
8. Administrator of rewards and punishments.
9. Arbitrator and Mediator.
10. Exemplar.
11. Exemplar.
12. Ideologist.
13. Father Figure.
14. Scapegoat.

MOTIVATION

Meaning

The level of performance is often tied with the level of motivation. Accordingly work effective managers are concerned with the level of motivation because the work motives of the employees affect their productivity and quality of work.

Performance = Ability x Motivation

DEFINITION:

According to **Koontz and 'O' Donnell**, 'Motivation is a general term applying to the entire class of drives, needs, wishes and similar forces.'

According to **Dale Breachus**, 'Motivation is the willingness to expend energy to achieve goals and rewards.'

IMPORTANCE OF MOTIVATION:

1. Enhances the efficiency of employees.
2. Better utilization of resources.

3. Decreases absenteeism and labour turnover.
4. Sense of belonging.
5. Increases availability of labour
6. Goal directed behavior.
7. Enhances the quality of work.
8. Enhances creativity.

COMMUNICATION

INTRODUCTION:

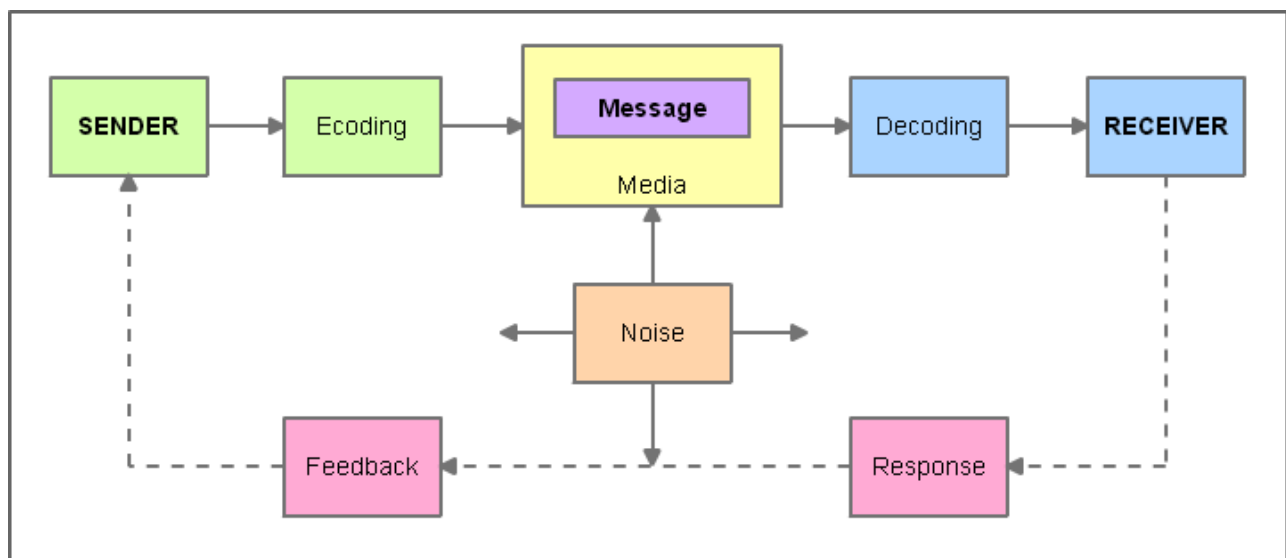
Communication may be defined as the exchange of facts, ideas, opinions and emotions between two or more persons to create an understanding in the minds of the receiver. In other words, communication is the sum of all things a person does to create an understanding of another person. It involves a systematic process of telling, listening and understanding.

DEFINITIONS:

Koontz & 'O'Donnell - communication is an intercourse by words, letters, symbols or messages; and is a way that one organization member shares meaning and understanding with another."

Newmann and Summer - "Communication is an exchange of facts, ideas, opinions or emotions by two or more persons."

ELEMENTS OF COMMUNICATION/ COMMUNICATION PROCESS



IMPORTANCE OF COMMUNICATION:**1. Helps in Achieving Co-ordination:**

Modern business firms, which are organized on a large scale, consist of a large number of workers working on the basis of divisions of labour and specialization. To attain the goals of the business unit, there is need for co-ordination among workers and this can be achieved only through communication.

2. Helps in Smooth Working;

To achieve the goals of an enterprise, co-operative action of the persons working in its different activities is necessary. Co-operative action in turn depends on the communication process prevailing in the organization.

3. Increased Managerial Efficiency:

It is said that 75% of the manager's time is spent on communication. Communication helps the manager in performing his duties quickly and systematically.

4. Helps in Decision-making:

For taking decisions and also for its effective implementation, a good communication system in the enterprise is a primary requirement. Information from different levels, which helps the process of decision -making, is received through the system of communication.

5. Helps in Maintaining Industrial Peace:

Lack of communication or improper communication may result in industrial disputes between management and workers. Communication helps in maintaining industrial peace.

6. Helps in Recruitment Process:

Communication is needed in the recruitment process to acquaint potential employees with the merits of working for the enterprise. The recruits are told about the company organization structure, its policies and practices.

7. Helps Employees to Perform Effectively:

Employees are required to know their job relationship and importance to the overall operation. This knowledge makes it easy for them to identify themselves with the organization mission. Communication enables this.

8. Helps to Acquaint Subordinates with their Evaluation:

Communication is needed to acquaint the subordinates with the evaluation of their contribution to enterprise activity. It is a matter of some motivational importance for the Subordinates to know from their superior how they stand and what the future may hold for them.

9. Helps in Teaching Employees About Personal Safety :

Communication is needed to teach employees about their personal safety on the job, to reduce accidents, to lower compensation, to minimize legal costs and to reduce recruitment and training costs for replacement.

10. Helps in projecting the image of the enterprise ;

The amount of support which the enterprise receives from its social environment is affected by the information which elite groups and the wider public have acquired about its goals, activities and accomplishments.

11. Helps manager in performing his functions :

Communication helps the manager in performing his managerial functions such as Planning, Organizing, Staffing, Directing and Controlling. Planning requires detailed communication among the managerial and other personnel.

Effective communication is important in executing a planned program and also in controlling the activities with the help of feedback information.

FORMS OR TYPES OF COMMUNICATION :

COMMUNICATION can be classified

- According to Organizational
- According to the Expression
- According to the direction

According to Organizational it is further classified:

1. Formal
2. Informal

According to Expression it is further classified into:

1. Oral
2. Written

According to Direction it is further classified into:

1. Downward Communication
2. Upward Communication
3. Horizontal Communication

1 ON THE BASIS OF ORGANIZATIONAL STRUCTURE:

(a) Formal Communication: Communication which are associated with a formal organization structure and which are to be sent through the formal or officially recognized channel are called formal communications. Generally orders, instructions, decisions of the superior officer etc are communicated through this channel.

(b) Informal Communication : Informal communication are also known as 'Grapevine Communication'. In the case of informal communication, the formal channels of communication are not used. In this channel, informal communication may be conveyed by a gesture, nod, smile etc.

2. ON THE BASIS OF DIRECTION OF COMMUNICATION:

- (a) **Downward Communication:** In the case of downward communication, the communication flows from the superiors to the subordinates. These communications include orders, policy directives, instructions, etc.
- (b) **Upward Communication:** In the case of upward communication, communication flows from the subordinates to the superiors. It includes reports, suggestions, reactions of workers, proposals, etc.
- (c) **Horizontal or Lateral Communication :** It means communication among the subordinates who are working at the same level of organization. For example, communication among foremen or superintendents.
- (d) **Diagonal Communication ;**It means communication between people who are neither in the same department nor at the same level of organizational hierarchy. In this type, communication cuts across departmental lines.

3. ON THE BASIS OF WAY OF EXPRESSION:

- (a) **Oral or Verbal Communication:** In the case of oral or verbal communication, communication is made direct face to face or through telephone or intercom system.
- (b) **Written Communication :** Written communication include statements, circulars, letters, reports, memos, manuals etc.

PRINCIPLES OF EFFECTIVE COMMUNICATION:

In all types of communication, the communicator must keep in view the following principles in order to have an effective communication.

1. **Simple Language:** The language used in communication should be simple and easily understandable.
2. **No Ambiguity:** The communicator should be clear in his mind about the objectives of his communication and there should not be any ambiguity.
3. **Proper Medium of Communication:** There are different media for passing of communication. The communication should select the proper medium by considering such factors such as the nature of the matter to be communicated, urgency of communication, distance between the communicator and the recipients of communication, etc.

4. **Adequacy of information:** in order to make communication effective, one more condition to be fulfilled is that it should be adequate and complete in all respects.

5. **Right Climate in Organization:** there should not be any communication barriers in the business concern. The organization structure of the unit consisting of physical setting and human setting must facilitate the process of communication.

6. **Follow-up Action:** there should be follow-up action to know whether the recipient of the message has understood it correctly and action he has taken is on the basis of the message.

7. **Training to the communicators:** Proper training should be given to the communicators in the communication skills. This helps increase in the effectiveness of Communication considerably.

8. **Co-Operation of the personnel:** Co-Operation of the organization personnel is essential in order to make communication effective. Hence, the communication should aim at strengthening the business concern through co-Operation of the organizational personnel.

9. **Message should not be mutually conflicting:** message should not be mutually conflicting and should be line with the overall objectives and policies of the concern. This will avoid chaos and confusion in the organization.

10. **Action should be in line with the message:** the communicator should not act in any way, which contradicts his message. A communicator is judged not only by what he says but also by what he does. Actions speak louder than words. Hence, the action of the communicator should be in line with the message conveyed.

BARRIERS OF COMMUNICATION;

In spite of the fact that communication is one of the important factors that contribute to the efficient management of a business concern, very often communication is faulty because of certain barriers to the transmission of message.

1. **Badly Expressed Messages:** If the objectives of the message are vague, imprecise, or fail to clarify implications or if the message omits essential information, the communication will be poor and ineffective.

2. **Faulty Organization:** The effectiveness of communication largely depends on the nature of organization prevailing in the concern. If the chain of command is too long, and the span of control is poor and defective, communication will be ineffective.

3. **Use of Technical Language:** There are large number of specialist fields such as systems analysis, computers, operations research, etc., in which technical jargon is used to communicate messages. This factor also contributes to poor communications.

4. Filtering: Distance between the sender and the receiver of the message may also affect the effectiveness of communication. As a message has to pass through several persons at several points in the communication channel, there are bound to be alternations or filtration of messages.

5. Unclearified Assumptions: The receiver of the message may have some assumptions (regarding the message) which are different from the assumptions of the communicator.

This may lead to incorrect action or lack of action on the part of the receiver of the message.

6. Distrust of Communicator: It is common with some executives to make a number of changes or reverse the messages that are already communicated. The subordinates who work under such type of superiors may not take such communication seriously and may not act immediately because of their distrust of the superior. Koontz and 'O'Donnell have rightly stated that the "Distrust of a superior for any reason necessarily restricts communication effectiveness."

7. Distortion ; The superior officer or manager who communicates the message, which he has received from his superior, may withhold some part of the information, which in his opinion need not be conveyed to his subordinates. Similarly, in the case of upward communication, the officer or manager omits unpleasant information, which he has received from his subordinates and conveys to his superior only that part of information, which is palatable to his superior. Thus, his communication will be distorted.

8. Oral Communication: When the communication is oral, the receiver of the message may take undue advantage of it and do nothing or take any action, which is convenient to him. Further, if the communication has to pass through several persons some part of information is lost in each transmission, resulting in some loss of meaning in the message.

9. Poor Retention: It is said that, normally, employees retain only 50% of the information communicated. Hence, another serious bottleneck of effective communication is the poor retention of information.

10. Different Backgrounds: Different individuals often interpret the same communication differently because of their different backgrounds making it a barrier to communication.

11. Inattention: Another common barrier is that many receivers do not pay attention to the messages they receive. One reason for this is selective listening.

CO-ORDINATION

DEFINITION AND MEANING:

According to Gerorge R. Terry, "Co-ordination is the orderly synchronization of efforts to provide amount, timing and directing or execution resulting in harmonious and unified actions to stated objectives."

According to Theo Haimann, "Coordination is the orderly synchronization of efforts of the subordinates to provide the proper amount, timing and quality of execution, so that their unified efforts leads to the stated objectives, namely the common purpose of the enterprise.

It is the harmonious blending of the activities of the different departments and the different specialists for the achievement of the desired ends.

It is the orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.

Importance and Benefits of Coordination:

Coordination offers several benefits to an enterprise. They are :

1. It is an important function as management is primarily a task of coordination of efforts, forces and activities of an enterprise.
2. It is the binding force of all the functions of management.
3. IT makes members of the organization to view their work from the point of view of the enterprise and its objectives and thereby it secures unity of direction.
4. It helps, to synchronize the efforts of the various departments and of the different people towards the achievement of the common goal of the organization.
5. It is a means by which a manager can avoid conflicts of interests between the members of the organization.
6. Duplication of work can be avoided.
7. Various functions of management can be effectively performed with the help of coordination.
8. Group efforts create a result much greater than the sum total of the results of individual efforts.
9. It helps to bring economy and efficiency in the organization.
10. Smooth working of an organization and its survival depends on sound coordination.

UNIT - 5

CONTROLLING

Meaning of Controlling:

Control is one of the important functions of management. Managerial functions start with planning and end at controlling and other functions of management act as the connecting link between planning and controlling.

Control is the process to find out whether actions are being taken as planned and taking corrective actions to make them confirm to plans and then to take the necessary steps to prevent the occurrence of variations in future.

Definition of Controlling:

According to Billy E. Goletz, "Management control seeks to compel events to conform to plans."

According to J. L. Massie, "Control is checking current performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

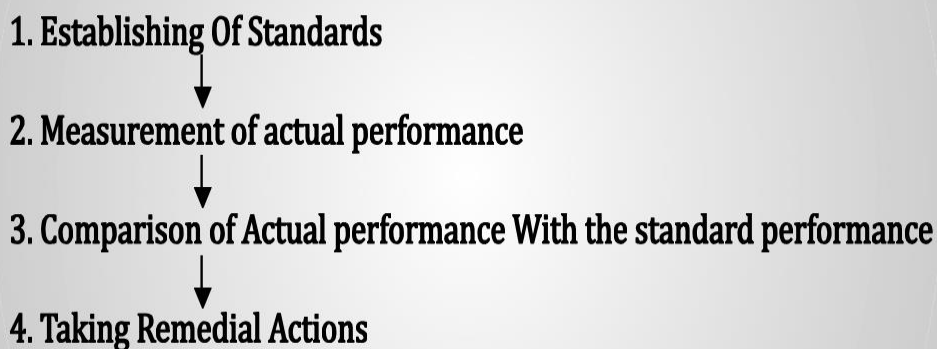
Need for Control**Importance/ Need for controlling:**

- To Measure Progress
- To Uncover Deviations
- To Indicate Corrective Action
- Helps in Guiding the Actual Performance
- Contributes to overall improvement in the organizational efficiency
- Smoothens the working
- Helps to maintain order and discipline
- Increase the morale of the employees
- Ensure the success of plans
- Facilitates decisions-making
- Provides the basis for future corrective action
- Facilitates effective supervision
- Facilitates Decentralization
- Facilities co-ordination

Limitation of Control:

Control is not free from limitations. It suffers from the following limitations.

1. Control is an expensive process, as it involves a lot of time, effort and money.
2. Control system loses its effectiveness unless standards of performance can be defined in quantitative terms. But it is very difficult to set standards of performance in quantitative terms for human behavior and employee morale.
3. Control loses its significance when it is not possible to fix the accountability of the subordinates.
4. The success of controls mainly depends on the acceptance by the subordinates. But the subordinates may not accept the controls, when they feel that the controls will curtail their freedom.
5. An enterprise can have control only over the internal factors. It cannot have control over the external factors, such as Government policies, technological changes, social changes, etc.
6. Excessive controls and negative controls like punishment and penalty may become counter-productive. That is, they may lead to frustration among employees.

Control Process**1. Establishing of Standards or Setting of Standards for measuring performance**

The first step in the control process is the establishment of standards of measurement or standards of performance. Standards are set to constitute criteria which actual performance can be measured.

Certain norms or standards are required to be set by a manager for measuring the performance of his subordinates. The standards, which can be set for measuring the performance, can be different types.

The various of standards are :

- (a) **Physical Standards**, i.e., standards fixed in physical terms like quantities in units, manhours, etc.
- (b) **Cost Standards**, fixed in monetary terms, such as material cost per unit, cost of production per unit, cost of sale per unit, etc.
- (c) **Revenue Standards**, such as annual sales for a department.
- (d) **Capital Standards**, such as rate of return on capital invested, ratio of assets to current liabilities, etc.
- (e) **Intangible standards**, i.e., the standards for measuring intangibles, such as competence of employees, morale of employees, benefits, of training programme for employees, success of public relations programme, etc.

2. **Checking or Measuring Actual Performance :**

Once the work is started, it is necessary to measure the actual performance against the standards fixed. So, the second step in the process of control is to measure the actual performance of various individuals and groups against the standards established.

The appraisal or measurement of the actual performance of the subordinates can be made by a manager from a study of the various summaries of figures, reports, statements, etc., received from the subordinates. The appraisal of the actual performance of the subordinates can also be done by personal observation, when they are at work.

The actual performance must be measured accurately.

According to **Peter F. Drucker**, it is desirable to have clear, simple, rational, common and reliable measurements in all areas of business.

3. **Comparison of Actual performance with standard performance ;**

After the measurement of the actual performance, the actual performance should be compared with the standards fixed. A quick comparison of actual performance with the standard performance is possible, if the control system is well organized. The appraisal and the comparison of the actual performance

with the standards fixed can be made by a manager through techniques, such as ratio analysis, indexes, averages, control charts, etc.

While comparing the actual performance with the standards fixed, the manager has to find out not only the extent of variations but also the causes of variations. (The cause of variations or deviations may be out-dated machinery, ineffective supervision, inadequate communication, defective system of selection of persons, inadequate training of personnel, inadequate remuneration, lack of motivation, etc.)

This is necessary, because some of the variations may be unimportant (i.e., within the prescribed limits), while others may be important (i.e., more than the prescribed limits) and need immediate corrective action by the top management. Again, it is not necessary for the manager to bring all deviations to the notice of the top management. The manager himself can correct minor deviations. Only exceptions or material deviations, i.e., where the performance significantly deviates from the standards, should be brought to the notice of the top management.

4. Taking of corrective action:

The last step in the process of control is to take remedial action or corrective action. After identifying the deviations of the actual performance from the standards fixed, and determining the causes for the deviations, remedial action has to be taken immediately so as to bring the work back to the desired course and to prevent the recurrence of adverse deviations in future. The top management generally, takes the remedial action. In this context, it must be noted that it is the remedial action that makes control effective. It must also be noted that remedial action will vary depending upon the causes of deviations.

The control actions or remedial actions can take the form of change in the methods of work, change in the assignment of tasks, change in the techniques of direction, change in the organization structure, appointment of additional staff, better training of workers, effective leadership, change in the standards set or even change in the organizational objectives.

Essential of Effective Control System

Some of the essentials of effective control system are as follows :

1. Reflecting Organizational Needs.

The control system adopted should suit the needs of a concern. Control system used in the finance department will be different from that used in the sales department or the production department. Similarly, the control system for a capital-intensive or machine-based method of production is different

from the control system that is needed in the labour intensive methods of production. Hence, the manager should choose such control system, which is appropriate to the nature and needs of a concern.

2. Promptness in Reporting Deviations.

The control system should enable subordinates to inform their superiors in time about their performance. This would help the managers in detecting the deviations and also in taking prompt corrective actions.

3. Forward-looking Controls.

A good control system is one that detects deviations early enough so as to enable the manager to take quick corrective action. For example, cash control forecasts cash needs will in advance and the manager is enabled to take corrective action immediately in case there is any deviations from the forecasts.

4. Objective Control.

Controls should be objective. Objective controls clarify the expected results in clear and definite term and they are provided the control standards by which actual performance can be measured.

5. Flexible Control.

Plans and other predetermined standards or criteria need to be altered from time to time. Hence, the control system should be flexible so that it can be adjusted to suit the needs of any-modification or alteration in the plans or other predetermined criteria.

6. Economical Controls.

The control system should be economical. The benefits derived by the business concern from a control system should be more than the cost involved in its maintenance.

7. Simple Controls.

To be effective, controls must be simple and easily understandable to the manager as well as to the subordinates. The manager cannot practice a control system, which is complicated and not intelligible.

8 Correction Action.

The control system should not only detect deviations from predetermined standards but also should provide solution to the problems that are responsible for deviations. In fact, this can be said to be an important factor on which the effectiveness of control system depends. In the words of Koontz and O'Donnell, "An adequate system should disclose where failures are occurring; who is responsible for them what should be done about them."

9 Acceptable to Organization Members.

The system should be acceptable to organization members. When upper level managers set standards unilaterally, there is a danger that employees will regard those standards as unreasonable or unrealistic. They may then refuse to meet them. Status differences between individuals also have to be recognized. Individuals who have to report deviations to someone they perceive as lower level staff members may stop taking the control system seriously.

10 Reveal Exceptions at Strategic Points.

A control system should be such as reveal exceptions at strategic points. Small exceptions in certain areas have greater significance than larger deviations in other areas. Five per cent deviations from the standards in office labour cost are more important than 20 per cent deviation from the standard in cost of postage stamps. That we can quantify something is no reason for measuring it. The question is "Is this what a manager's attention should be focused on?"

11 Motivation People to High Performance.

A control system is most effective when it motivates people to high performance. Since most people respond to a challenge, successfully meeting a tough standard may well provide a greater sense of accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort. Standards that are too difficult to attain may, therefore, cause the performance of organization members to decline.

12 Other Requirements.

Control should be such which should be positive, constructive and must be helpful and also provide guidance to the employees. Further, the manager should recognize the importance of human beings in the control system.
