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STUDY MATERIAL

for

PRINCIPLES AND PRACTICE OF MANAGEMENT

Prepared as per the syllabus prescribed by Karnataka State Law University (KSLU), Hubballi

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PRINCIPLES AND PRACTICE OF MANAGEMENT

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PRINCIPLES AND PRACTICE OF MANAGEMENT

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Concept of Management:

Meaning, Definition

Management is required in all kinds of organisations whether they are manufacturing computers or handlooms, trading in consumer goods or providing saloon services and even in non-business organisations. No matter what the organization is or what its goals might be, they all have something in common – management and managers. Successful organisations achieve their goals by following a deliberate process called 'management. Management consists of a series of interrelated functions that are performed by all managers. . It is also referred to as a body of knowledge, a practice and discipline. There are some who describe management as a technique of leadership and decision-making while some others have analyzed management as an economic resource, a factor of production or a system of authority.

1	HUMAN RELATIONS	→	ART OF GETTING THINGS DONE
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6	INTEGRATION	→	CO-ORDINATION OF HUMAN AND MATERIAL RESOURCES
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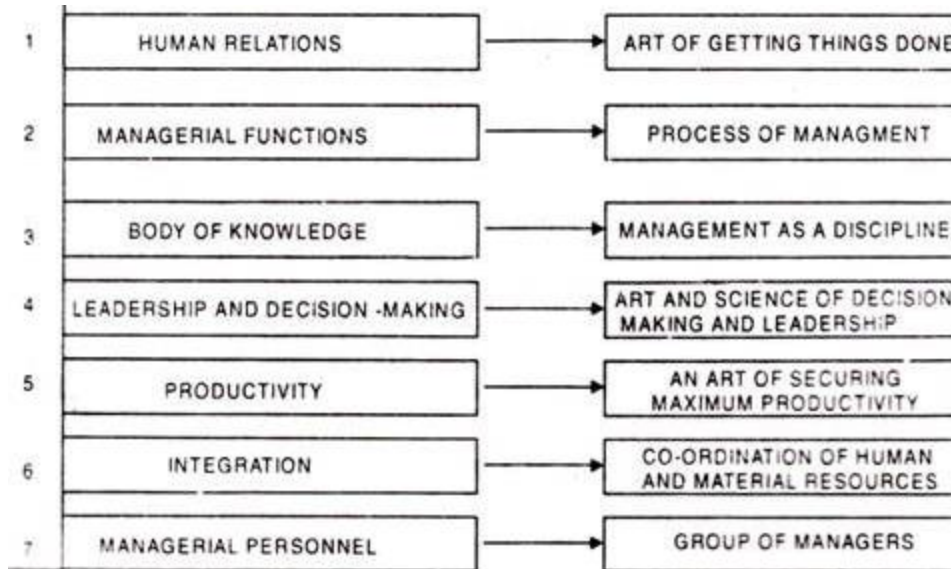
(A) Art of Getting Things Done:

Mary Parker Follett:

"Management is the art of getting things done through others." Follett describes management as an art of directing the activities of other persons for reaching enterprise goals. It also suggests that a manager carries only a directing function.

Harold Koontz:

"Management is the art of getting things done through and with people in formally organized groups." Koontz has emphasized that management is getting the work done with the co-operation of people working in the organization.

J.D. Mooney and A.C. Railey:

"Management is the art of directing and inspiring people." Management not only directs but motivates people in the organization for getting their best for obtaining objectives.

As per the above mentioned definitions, management is the art of getting things done through people who may be managers or non-managers. At the level of chief executive, the work is got done through functional managers, at middle level the things are implemented through supervisors and at lower level of management through workers. Human and technical skills play an important role for getting things done. These definitions represent the traditional view point of

management while workers are treated as a factor of production only. They are paid wages for doing their work.

This view point suffers from the following deficiencies:
(i) This concept does not specify what type of functions is required to be performed for getting things done from others.

(ii) Management is treated as an art. These days management has also acquired the status of science.

(iii) The workers are treated as means of getting results. The needs and aspirations of workers are not taken into account.

Management is much more than just getting the things done through others. Management may be a technique for getting things done through others by satisfying their needs and helping them grow. Harold Koontz emphasized the attainment of business goals with the co-operation of people working in the organization.

(B) Management as a Process:

Some authors view management as a process because it involves a number of functions. Management refers to all Involves different a manager does. Various functions which are performed by managers to make the efficient use of the available material and human resources so as to achieve the desired objectives are summed up as management. Thus, the functions of planning, organizing, staffing, directing, co-coordinating and controlling fall under the process of management.

Henry Fayol:
"To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control." Fayol described management as a process of five functions such as planning, organizing, commanding, coordinating and controlling. Modern authors, however, do not view co-ordination as a separate function of management.

George R. Terry:

"Management is a distinct process consisting of activities of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources." Though Terry has described four functions to be a part of management process but managerial functions are classified into five categories.

James L. Lundy:

"Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective." Lundy has also specified some functions which management has to perform for achieving organizational goals.

Louis Allen:

"Management is what a manager does." This is a broad definition linking all the activities of the manager to the concept of management. Whatever work is undertaken by a manager forms a part of management. Above definitions associate management with the functions undertaken for running a business. There may be a difference as to what functions are required to be taken up by the management but functions such as planning, organizing, staffing, directing and controlling form the process of management.

These functions are continuously taken up. On the completion of last function, the first function starts again. The functions of management are interdependent and interlinked. In order to achieve the objectives, a manager has to perform various functions simultaneously.

(C) Management as a Discipline:

Sometimes the term 'management' is used to connote neither the activity nor the personnel who performs it, but as a body of knowledge, a practice and a discipline. In this sense, management refers to the principles and practices of management as a subject of study. Management is taught as a specialized branch of knowledge in educational institutions. It has drawn heavily from Psychology, Sociology, and Anthropology etc. A person acquiring degree or diploma in management can try for a managerial job.

Management is treated both as an art as well as science. An art is often regarded as the systematic application of skill or knowledge in effecting accomplishment of results. In

management one has to use personal skill and knowledge in solving many complicated problems to achieve enterprise objectives. Management is regarded as a science because it has developed certain principles, generalizations and techniques which have more or less universal application. So management is a study of a specific discipline. When one says that a particular person is in management stream then it is assumed that he is studying a particular field of learning.

(D) Art and Science of Decision-Making and Leadership:

Decision-making and guiding others is considered an important element of management. A manager has to take various decisions every day for properly running an enterprise.

Donald J. Clough:

"Management is the art and science of decision-making and leadership." The author views management as an art and science of decision-making. The quality of decisions determines the performance of a manager. He has also to provide leadership to subordinates for motivating them to undertake their work.

Rose Moore:

"Management means decision-making." Decision-making cannot be the only function of management even though it is very important.

Stanley Vance:

"Management is simply the process of decision-making and control over the action of human beings for the express purpose of attaining predetermined goals." Stanley Vance has emphasized decision-making and control over the actions of employees for reaching the enterprise goals. Association of Mechanical Engineers, U.S.A.: "Management is the art and science of preparing, organizing and directing human efforts applied to control the forces and utilize the materials of nature for the benefit of man." The association has given a wide definition where it has emphasized that management controls and directs human efforts for utilizing natural resources for the benefit of man. The above mentioned definitions describe management as a science and art of decision making and controlling the activities of employees for obtaining enterprise objectives.

(E) An Art of Increasing Productivity:

Some authors are of the view that the science of management is used to increase productivity of the enterprise.

John F. Mee:

"Management may be defined as the art of securing maximum prosperity with a minimum of effort so as to secure maximum prosperity and happiness for both employees and employer and give public the best possible service."

F.W. Taylor:

"Management is the art of knowing what you want to do in the best and cheapest way." Management is the art of securing maximum productivity at the minimum of cost so that it helps employers, employees and public in general. Public is also a stake holder in business, it should also benefit from good performance of business.

(F) Integration of Efforts:

Management makes use of human and physical resources for the benefit of the enterprise.

Keith and Gubellini:

"Management is the force that factors integrates men and physical plant into an effective operating unit." Management integrates physical and human resources for operating the manufacturing process in a better way.

Barry M. Richman:

"Management entails the coordination of human and material resources towards the achievement of organizational objectives as well as the organization of the productive functions essential for achieving stated or accepted economic goals." Management alms to co-ordinate and integrate various resources in the organization for achieving enterprise objectives. The thrust of above mentioned definitions is that integration and co-ordination of various factors of production is essential for running a business properly and this function is undertaken by management.

(G) Management as a Group of Managers:

The term management is frequently used to denote a Refers to managerial group of managerial personnel. When one says that personnel management of such and such company is efficient, he refers to the group of persons who are looking after the working of the enterprise. These persons individually are called managers. "Management is the body or group of people which performs certain managerial functions for the accomplishment of pre-determined goals."

All managers perform managerial functions of planning, organizing, staffing, directing and controlling. These persons collectively arc called 'body of managerial personnel.' In actual practice the term 'management' is used to denote top management of the organization. Top management is mainly concerned with determination of objectives, strategic planning, policy formulation and overall control of the organization.

Objectives of Management:

The primary objective of management is to run the enterprise smoothly. The profit earning objective of a business is also to be kept in mind while undertaking various functions.

1. Proper Utilization of Resources:

The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of men, materials, machines and money will help a business to earn sufficient profits to satisfy various interests. The proprietors will want more returns on their investments while employees, customers and public will expect a fair deal from the management. All these interests will be satisfied only when physical resources of the business are properly utilized.

2. Improving Performance:

Management should aim at improving the performance of each and every factor of production. The environment should be so congenial that workers are able to give their maximum to the enterprise. The fixing of objectives of various factors of production will help them in improving their performance.

3. Mobilizing Best Talent:

The management should try to employ persons in various fields so that better results are possible. The employment of specialists in various fields will be increasing the efficiency of various factors of production. There should be a proper environment which should encourage good persons to join the enterprise. The better pay scales, proper amenities, future growth potentialities will attract more people in joining a concern.

4. Planning for Future:

Another important objective of management is to prepare plans. No management should feel satisfied with today's work if it has not thought of tomorrow. Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So, planning for future is essential to help the concern.

History of Management:

The word manage comes from the Italian word Maneggiare - means to handle (Handle the problem with the help of some tools); which is turn derives from the Latin Manus-means Hand.

The French word mesnagement influenced the development, become management in the last of 17th century and the beginning of 18th century. The concept of organization and administration is old as human civilization but systematic study of management which started close to 19th century; the contributions in the field of management came from variety of sources.

In the Egypt- 1300, B.C. Confucius's Parable gave suggestion for proper public administration to industry to select capable, honest and unselfish human power. Kautilya has included principle of state administration in 320B.C. Roman Catholic Church. He introduced the concept of staff personal in church administration. In the beginning of 20th century, Frederick Winslow Taylor, M.E., D. Sc., join industry as a Mechanical Engineer and introduce the Concept of Scientific Management in USA.

Scientific Management was concerned to improving the operational efficiency at the shop-floor level. In Taylor words- "the Scientific Management is concerned with knowing exactly what you

want men to do and then see in that they do it in the best and cheapest way". Taylor has emphasis on solving managerial problem in a scientific way, and produces the principle of scientific management.

Nature of Management:

1. **Universality**: It is a universal phenomenon in the sense that it is common and essential in all enterprises. The principles of management can be applied in all managed situations regardless of size, nature and locations of organisation. Universality also implies that managerial skills are transferable and managers can be trained and developed.

2. **Purposeful**: it is always aimed at achieving organisation goals and purposes. The success of management is measured by the extent to which desired objectives are attained. The tasks of management are directed towards effectiveness and efficiency.

3. **Social Process**: It involves managing people organized in work groups. It involves retaining, developing and motivating people at work as well as taking care of their satisfaction as social beings.

4. **Coordinating Force**: It coordinates the efforts of organizational members through elderly arrangement of inter-related activities to avoid duplication of efforts.

5. **Intangible**: It is intangible. Its presence can be felt by outcomes of its efforts in the form of orderly, adequate, work output, employee satisfactions etc.

6. **Continuous Process**: It is an ongoing process. The cycle of management continues as long as there is existence of organization.

7. **Composite Process**: Management is a composite process made up of individual components. All the functions are performed by several components in orderly fashion.

8. **Creative Organ:** Management creates synergy by producing results which are more than the sum of individual efforts of group members. It provides creative ideas, new imagination and vision to group efforts.

Scope or Branches of Management:

1. Production Management

2. Marketing Management

3. Financial Management.

4. Personnel Management and

5. Office Management.

1. Production Management:

Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management, then, is that branch of management 'which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.'

It is a very important field of management ,'for every production activity which has not been hammered on the anvil of effective planning and regulation will not reach the goal, it will not meet the customers and ultimately will force a business enterprise to close its doors of activities which will give birth to so many social evils'. Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. Marketing Management:

Marketing is a sum total of physical activities which are involved in the transfer of goods and services and which provide for their physical distribution. Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.

It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants with a stress on profitability that ensures the optimum use of

the resources available to the enterprise. Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.

3. Financial Management:

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:

(i) Estimation of capital requirements;

(ii) Ensuring a fair return to investors;

(iii) Determining the suitable sources of funds;

(iv) Laying down the optimum and suitable capital

Structure for the enterprise:

(i) Co-coordinating the operations of various departments;

(ii) Preparation, analysis and interpretation of financial statements;

(iii) Laying down a proper dividend policy; and

(iv) Negotiating for outside financing.

4. Personnel Management:

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

Managerial functions of personnel management include:

(i) Personnel planning;

(ii) Organizing by setting up the structure of relationship among jobs, personnel and physical factors to contribute towards organization goals;

(iii) Directing the employees; and

(iv) Controlling.

The operating functions of personnel management are:

(i) Procurement of right kind and number of persons;

(ii) Training and development of employees;

(iii) Determination of adequate and equitable compensation of employees;

(iv) Integration of the interests of the personnel with that of the enterprise; and

(v) Providing good working conditions and welfare services to the employees.

5. Office Management:

The concept of management when applied to office is called 'office management'. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments. The success of a business depends upon the efficiency of its administration. The efficiency of the administration depends upon the information supplied to it by the office. The volume of paper work in office has increased manifold in these days due to industrial revolution, population explosion, increased interference by government and complexities of taxation and other laws.

Harry H. Wylie defines office management as "the manipulation and control of men, methods, machines and material to achieve the best possible results—results of the highest possible quality with the expenditure of least possible effect and expense, in the shortest practicable time, and in a manner acceptable to the top management."

Characteristics of Management

1. **Management aims at reaping rich results in economic terms:**

   Manager's primary task is to secure the productive performance through planning, direction and control. It is expected of the management to bring into being the desired results. Rational utilization of available resources to maximize the profit is the economic function of a manager. Professional manager can prove his administrative talent only by economizing the

resources and enhancing profit. According to Kimball - "management is the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration".

2. **Management also implies skill and experience in getting things done through people:** Management involves doing the job through people. The economic function of earning profitable return cannot be performed without enlisting co-operation and securing positive response from "people". Getting the suitable type of people to execute the operations is the significant aspect of management. In the words of Koontz and O'Donnell - "Management is the art of getting things done through people in formally organised groups".

3. **Management is a process:** Management is a process, function or activity. This process continues till the objectives set by administration are actually achieved. "Management is a social process involving co-ordination of human and material resources through the functions of planning, organising, staffing, leading and controlling in order to accomplish stated objectives".

4. **Management is a universal activity:** Management is not applicable to business undertakings only. It is applicable to political, social, religious and educational institutions also. Management is necessary when group effort is required.

5. **Management is a Science as well as an Art:** Management is an art because there are definite principles of management. It is also a science because by the application of these principles predetermined objectives can be achieved.

6. **Management is a Profession:** Management is gradually becoming a profession because there are established principles of management which are being applied in practice, and it involves specialised training and is governed by ethical code arising out of its social obligations.

7. **Management is an endeavour to achieve pre - determined objectives:** Management is concerned with directing and controlling of the various activities of the organisation to attain the pre-determined objectives. Every managerial activity has certain objectives. In fact, management deals particularly with the actual directing of human efforts.

8. **Management is a group activity:** Management comes into existence only when there is an group activity towards a common objective. Management is always concerned with group efforts and not individual efforts. To achieve the goals of an organisation management plans, organises, co-ordinates, directs and controls the group effort.

9. **Management is a system of authority:** Authority means power to make others act in a predetermined manner. Management formalises a standard set of rules and procedure to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.

10. **Management involves decision - making:** Management implies making decisions regarding the organisation and operation of business in its different dimensions. The success or failure of an organisation can be judged by the quality of decisions taken by the managers. Therefore, decisions are the key to the performance of a manager.

11. **Management implies good leadership:** A manager must have the ability to lead and get the desired course of action from the subordinates. According to R. C. Davis - "management is the function of executive leadership everywhere". Management of the high order implies the capacity of managers to influence the behaviour of their subordinates.

12. **Management is dynamic and not static:** The principles of management are dynamic and not static. It has to adopt itself according to social changes.

13. **Management draws ideas and concepts from various disciplines:** Management is an interdisciplinary study. It draws ideas and concepts from various disciplines like economics, statistics, mathematics, psychology, sociology, anthropology etc.

14. **Management is Goal Oriented:** Management is a purposeful activity. It is concerned with the achievement of pre-determined objectives of an organisation.

15. **Different Levels of Management:** Management is needed at different levels of an organisation namely top level, middle level and lower level.

16. **Need of organisation:** There is the need of an organisation for the success of management. Management uses the organisation for achieving pre-determined objectives.

17. **Management need not be owners:** It is not necessary that managers are owners of the enterprise. In joint stock companies, management and owners (capital) are different entities.

18. **Management is intangible:** It cannot be seen with the eyes. It is evidenced only by the quality of the organisation and the results i.e., profits, increased productivity etc.

Evolution of Management Thought

Evolution of management thought may be divided into four stages

1. Pre-scientific management period.
2. ClassicalTheory

   a. Scientific Management of Taylor
   b. Administrative Management of Fayol
   c. Bureaucratic Model of Max Weber
3. Neo-classical Theory or Behaviour Approach
4. Modern Theory or Systems Approach
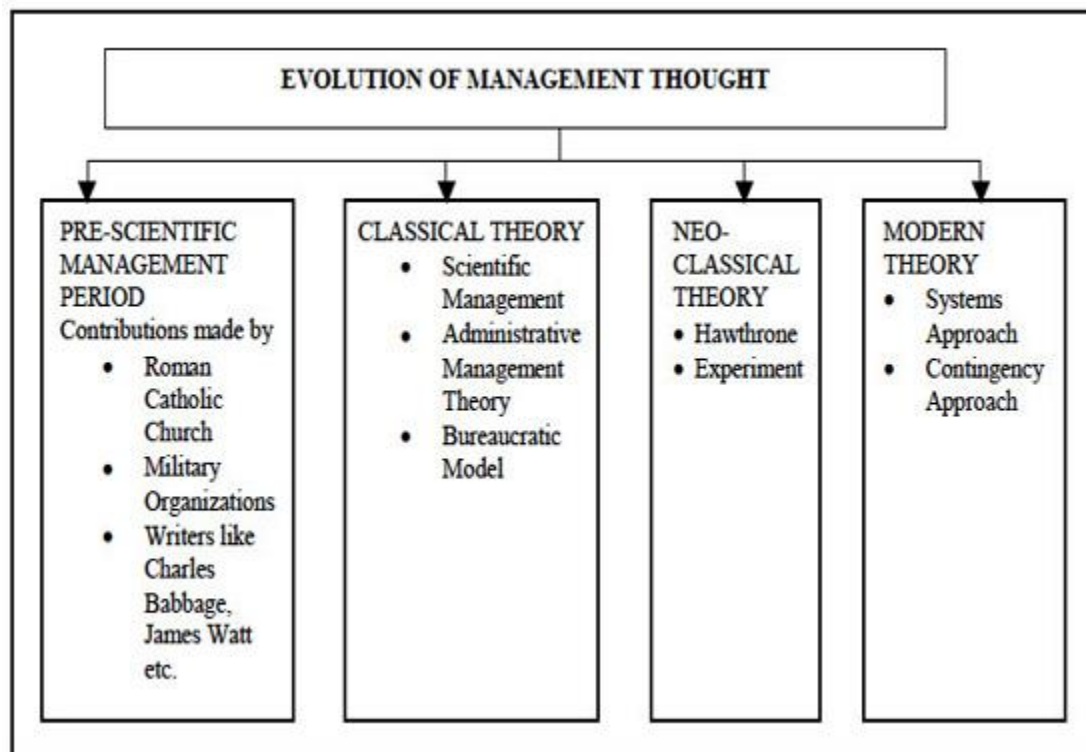
Pre-scientific Management Period

The advent of industrial revolution in the middle of the 18th century had its impact on management. Industrial revolution brought about a complete change in the methods of production, tools and equipments, organization of labour and methods of raising capital.

Employees went to their work instead of receiving it, and so, the factory system, as it is known today, become a dominant feature of the economy. Under this system, land and buildings, hired labour, and capital are made available to the entrepreneur, who strives to combine these factors in the efficient achievement of a particular goal. All these changes, in turn, brought about changes in the field of management. Traditional, conventional or customary ideas of management were slowly given up and management came to be based on scientific principles. In the words of L. F. Urwick- "Modern management has thrown open a new branch of human knowledge, a fresh universe of discourse". During the period following the industrial revolution, certain pioneers tried to challenge the traditional character of management by introducing new ideas and character of management by introducing new ideas and approaches. The notable contributors of this period are:

a. **Professor Charles Babbage (UK 1729 -1871):** He was a Professor of Mathematics at Cambridge University. Prof Babbage found that manufacturers made little use of science and mathematics, and that they (manufacturers) relied upon opinions instead of investigations and accurate knowledge. He felt that the methods of science and mathematics could be applied to the solution of methods in the place of guess work for the solution of business problems. He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions. He urged the management of an enterprise, on the basis of accurate data obtained through rigid investigation, the desirability of finding out the number of times each operation is repeated each hour, the dividing of work into mental and physical efforts, the determining of the precise cost for every process and the paying of a bonus to the workers in proportion to his own efficiency and the success of enterprise.

b. **James Watt Junior (UK 1796 - 1848) and Mathew Robinson Boulton(1770 - 1842):** James Watt Junior and Mathew Robinson Boulton contributed to the development of management thought by following certain management techniques in their engineering factory at Soho in Birmingham. They are:-

c. **Robert Owens (UK 1771 - 1858):** Robert Owens, the promoter of co-operative and trade union movement in England, emphasized the recognition of human element in industry. He firmly believed that workers' performance in industry was influenced by the working conditions and treatment of workers. He introduced new ideas of human relations - shorter working hours, housing facilities, training of workers in hygiene, education of their children, provision of canteen etc. Robert Owen, managed a group of textile mills in Lanark, Scotland, where he used his ideas of human relations. Though his approach was paternalistic, he came to be regarded as the father of Personnel Management.

d. **Henry Robinson Towne (USA 1844 -1924):** H.R Towne was the president of the famous lock manufacturing company "Yale and Town". He urged the combination of engineers and economists as industrial managers. This combination of qualities, together with at least some skill as an accountant, is essential to the successful management of industrial workers. He favoured organized exchange of experience among managers and pleaded for an organized effort to pool the great fund of accumulated knowledge in the art of workshop management.

e. **Seebohm Rowntree (UK 1871- 1954):** Rowntree created a public opinion on the need of labour welfare scheme and improvement in industrial relations. The Industrial Welfare Society, The Management Research Groups and the Oxford Lecture Conferences in the U.K owed their origin and progress to the interest and zeal of Rowntree.

Classical Theory

Prof. Charles Babbage, James Watt Junior and Mathew Robinson Boulton, Robert Owen, Henry Robinson Towne and Rowntree were, no doubt, pioneers of management thought. But, the impact of their contributions on the industry as a whole was meagre. The real beginning of the science of management did not occur until the last decade of the 19thcentury. During this period, stalwarts like F.W. Taylor, H.L. Gantt, Emerson, Frank and Lillian Gilberth etc., laid the foundation of management, which in due course, came to be known as scientific management. This epoch in the history of management will be remembered as an era in which traditional ways of managing were challenged, past management experience was scientifically systematized and principles of management were distilled and propagated. The contributions of the pioneers of this age have had a profound impact in furthering the management know-how and enriching the store of management principles.

F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

Features of Management in the Classical Period:

1. It was closely associated with the industrial revolution and the rise of large-scale enterprise.
2. Classical organization and management theory is based on contributions from a number of sources. They are scientific management, Administrative management theory, bureaucratic model, and micro-economics and public administration.
3. Management thought focused on job content division of labour, standardization, simplification and specialization and scientific approach towards organization.

Taylor's Scientific Management:

Frederick Winslow Taylor was born on March 20, 1856, in Germantown, Philadelphia, Pennsylvania, USA. He was a mechanical engineer. He is a **Father of Scientific Management Approach**. And also, he popularized as **Father of Industrial Engineering** and **Efficiency Movement**. Besides, he contributed to the different works, for example, managers and workers, rhetorical techniques, scholarly debate about increased efficiency moving pig iron at Bethlehem's Iron and Steel, management theory, relations with ASME (American Society of Mechanical Engineers). He published several books, for instance,

1. Shop Management (1903),
2. The Principles of Scientific Management (1911),
3. A Treatise on Concrete, Plain, and Reinforced: Materials, Construction, and Design of Concrete and Rreinforced Cconcrete (1911)
4. Concrete costs (1912)

Frederick Taylor's Scientific Management Principles:

Frederick Winslow Taylor mentioned the core principles of management in his Principles of Scientific Management book. These principles refer to Frederick Taylor theory. Such as:-

1. **Science, not the Rule of Thumb**: The basic principles of scientific management theory by Taylor is the adoption of a scientific approach to decision making. Even abandons the all unscientific approach from managerial activities. So, we can say that these principles suggest thinking before doing.

2. **Harmony, not Discord:** An organization constitutes by two groups i.e. 'workers' and 'management'. They must create the 'Give and Take' relationship in the workplace. Therefore, Taylor emphasized on Mental Revolution which means a change of attitude of both groups based on this principle. They should share the opinions and ideas of each other.

3. **Co-operation, not Individualism:** It shows the importance of each other (management and workers). Management should reward and appreciate the employees for their helpful suggestions. At the same time, employees also cooperate with the management for the improvement of the organization.

4. **Development of Each and Every Person to his/her Greatest Efficiency and Prosperity:** Employees should be properly trained and selected in a scientific manner. And it is essential for each organization. For implementing this task, Taylor arranged some techniques, for instance, work-study, time study, motion study, fatigue study, and method study.

5. **Maximum, not Restricted Output:** Maximum productivity is the basic purpose of an organization. In this case, Taylor has emphasized the production maximization in his principles.

Techniques of Frederick Taylor Theory:

For ensuring any method or process, need proper technique. A principle of scientific management theory by Taylor has effective techniques to implement. There are included those techniques. Such as:-

1. Work-Study (time study, method study, motion study, and fatigue study)
2. Development of Functional Foremanship
3. Standardization of Tools and Equipment
4. Scientific Selection, Placement, and Training
5. Introducing Costing System
6. Mental Revolution

Administrative Theory (14 Principles) of Henri Fayol

The administrative theory is the important one of administrative theories. It created by Henri Fayol. It is also known as 14 principles of management or fourteen principles of management.

Henri Fayol was born in 1841 of a French family. He was a prolific writer on technical and scientific matters as well as management. His most outstanding writing was **'Industrial and General Management'**. He appointed as an engineer in a Mining company. By 1888, he had risen to the Managing Director position of the company. He retired from the position of Managing Director in 1918. He was a director of the company up to his death (84the age; December 2925). Henri Fayol was a management practitioner with experience.

Administrative Theory (14 Principles of Management):

Henri Fayol created Administrative Theory or 14 principles of management on the management. His Administrative Theory or 14 principles of management following are:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performedin the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must received orders and instructions only from one superior (boss).

5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.

6. **Emphasis on Subordination of Personal Interest to General or CommonInterest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

Criticism of Administrative Theory (14 Principles of Management):

- The administrative theory is strategic management-oriented. It is not suite for another worker.
- The administrative theory gives essential only to the formal organization structure, not for informal organization structure.
- Henri Fayol some concepts borrowed from Military Science. Such as commanding.
- The administrative theory has a mechanical approach. It does not sound ideal with some of the crucial aspects of management.
- Such as motivation, communication and leading.

Bureaucratic Management Theory

Max Weber (1864-1920), a German sociologist; described a theory to operate an organization in an effective way which is known as the Bureaucratic management approach or Weberian bureaucracy.

6 Principles of Bureaucratic Management Approach

1. **Proper Division of Labor**

Division of labor specialization should be fixed and there should be a balance between power and responsibilities.

2. **Chain of Command**

The chain of command or **organizational hierarchy should be constructed in a way that information related to decisions and works can flow effectively from top to bottom**.

3. **Separation of personal and official property**

Owners and organization's assets are separate and can to be treated as same by the owner or the organization.

4. **Application of Consistent and Complete Rules**

There should be proper rules and regulations in the organization for running the organization.

These rules should be followed in every step of the organization and they are equally applicable to every member of the organization.

5. **Selection and Promotion Based on Qualifications**

The **selection and promotion of workers should be based on equalization** like; skills, experience, age. It should not be influenced by personal relations and benefits.

Training in job requirements and skills. There is a difference between management and other parts of organization and training and improving skills of management is important.

Neoclassical Theory:

Neo-classical Theory is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources whereas, neoclassical theory gave greater emphasis to individual and group relationship in the workplace. The neo- classical theory pointed out the role of psychology and sociology in the understanding of individual and group behaviour in an organization.

Mayo's Hawthorne Experiments

George Elton Mayo was an Australian who became one of the best-known management theorists after his experimental work on employee motivation in the 1920's and 30's. Mayo was a lecturer at the University of Queensland when he decided to move to the University of Pennsylvania in America in 1923 and then to the Harvard Business School in 1926 where he became professor of industrial research. It was from here that he took on the research that was to make him one of the most famous names in management history.

Elton Mayo and the Hawthorne Experiments

Mayo's reputation as a management guru rest on the Hawthorne Experiments which he conducted from 1927 to 1932 at the Western Electric Hawthorne Works in Cicero, Illinois (a suburb of Chicago). The factory employed mainly women workers who assembled telephone cabling equipment. The aim of the study was to establish the impact of different conditions of work on employee productivity. Initially, Mayo examined the effect of changes in the factory environment such as lighting and humidity. He then went on to study the effect of changes in employment arrangements such as breaks, hours, and managerial leadership. Not only were the Hawthorne experiments the first large-scale studies of working people's conditions ever made; they also produced a range of remarkable results that changed the face of people management.

The Astonishing Results of the Relay Assembly Room Experiments

Although Elton Mayo and his team conducted the Hawthorne Experiments over a number of years, it is his work with 6 women workers in the relay assembly room that made his name. Throughout the series of experiments, one of Mayo's team sat with the girls as they worked, noting everything they did, keeping them up-to-date with the experiment, asking for clarification, and listening to their views. The experiment began by introducing carefully controlled changes, each of which was continued for a test period of 4 to 12 weeks. The results of these changes were as follows:

· Under normal conditions, with a 48-hour week, including Saturdays, and no breaks, the girls produced 2,400 relays a week each.They were then put on piece-work for 8 weeks. Output went up. Two 5-minute rest pauses, morning and afternoon, were introduced for a period of 5 weeks. Output went up once more. The rest pauses were lengthened to 10 minutes each. Output went up sharply. Six 5-minute pauses were introduced, and the girls complained that their work rhythm was broken by the frequent pauses. Output fell slightly. The 2 rest pauses were re-instated, the first with a hot meal supplied by the Company free of charge. Output went up.
· The girls finished at 4.30 pm instead of 5.00 pm. Output went up.
· The girls finished at 4.00 pm. Output remained the same.

finally, all the improvements were taken away, and the girls went back to the same conditions that they had at the beginning of the experiment: work on Saturday, 48-hour week, no rest pauses, no piece work and no free meal. These conditions lasted for a period of 12 weeks. Output was the highest ever recorded with the girls averaging 3000 relays a week each.

Conclusions of the Hawthorne Experiments

It took Elton Mayo some time to work through the results of his Hawthorne Experiments, particularly the seemingly illogical results of the Relay Assembly room experiments. His main conclusion was that the prevailing view of the time, that people went to work purely for money and a living, was deeply flawed. Work was much more. It was first and foremost a group activity in which other people and their behaviour, be they colleagues, managers or observers, affected how well people worked. People's morale and productivity were affected not so much by the conditions in which they worked but by the recognition they received. The rises in productivity in the Relay Assembly Room were achieved under the interested eye of the observers not because the conditions made the workers feel good but because the workers felt valued.

Contingency Theory:

Systems approach emphasizes that all sub- systems of an organization along with the super system of environment are interconnected and interrelated. Contingency approach analysis and understands these inter relationship so that managerial actions can be adjusted to demands of specific situations or circumstances.

Thus the contingency approach enables us to evolve practical answers to problems demanding solutions. Organization design and managerial actions most appropriate to specific situations will have to be adopted to achieve the best possible result under the given situation. There is no one best way (as advocated by Taylor) to organize and manage. Thus, Contingency Approach to management emphasizes the fact that management is a highly practice-oriented discipline. It is the basic function of managers to analyse and understand the environments in which they function before adopting their techniques, processes and practices. The application of

management principles and practices should therefore be continent upon the existing circumstances.

Contingency approach guides the manager to be adaptive to environment. It tells the manager to be pragmatic and open minded. The contingency approach is an improvement over the systems approach. It not only examines the relationships between sub-systems of the organization, but also the relationship between the organization and its environment.

However, the contingency approach suffers from two limitations:-

1. It does not recognize the influence of management concepts and techniques on environment.
2. Literature on contingency management is yet not adequate.

Management by Objectives

MBO is a comprehensive management system based on measurable and participative set objectives. It has come a long way since it was first suggested by Peter F. Drucker in 1954 as a way of promoting managerial self-control.

The common factor that has made Management by Objectives programs so popular in both management theory and practice is the emphasis on objectives that are both measurable and participative setting.

MBO is a management technique for increasing employee involvement in the planning and controlling activities.

Through involvement, it is believed that employee commitment to a planned course of action will be enhanced and performance will be more efficient.

Many variations are found in the practice of MBO.

But basically, it is a process through which goals, plans, and control systems of an organization are defined through collaboration between managers and their subordinates.

Jointly they identify common goals, define the results expected from each individual, and use these measurements to direct the operation of their unit and to assess individual contributions.

In this process, the knowledge and skills of many members of the organization are pressed into service. Instead of telling subordinates about their goals, managers ask subordinates to participate and decide what their goals should be.

After setting up an acceptable set of goals for each employee through a give-and-take collaborative process, the employee is asked to play a major role in devising an action plan for achieving these goals.

In the final stage of the MBO process, employees are asked to develop control processes, to monitor their own performance and to suggest corrective measures if deviations from plans do occur.

The entire process is a combination of planning and control.

Features of Management by Objectives

In the light of the above definitions of MBO, the following features of it can be identified;

1. It is a technique and philosophy of management.

2. Objective setting and performance review are made by the participation of the concerned managers.

3. Objectives are established for all levels of the organization.

4. It is directed towards the effective and efficient accomplishment of organizational objectives.

5. It is concerned with converting an organizational objective into a personal objective on the presumption that establishing personal objectives makes an employee committed which leads to better performance.

6. The basic emphasis of MBO is on objectives. Management by Objectives tries to match objectives with resources.

7. Objectives in MBO provide guidelines for appropriate systems and procedures.

8. A periodic review of performance is an important feature of MBO.

9. MBO provides the means for integrating the organization with its environment, its subsystems, and people.

10. Employees are provided with feedback on actual performance as compared to planned performance.

Five steps of MBO Process
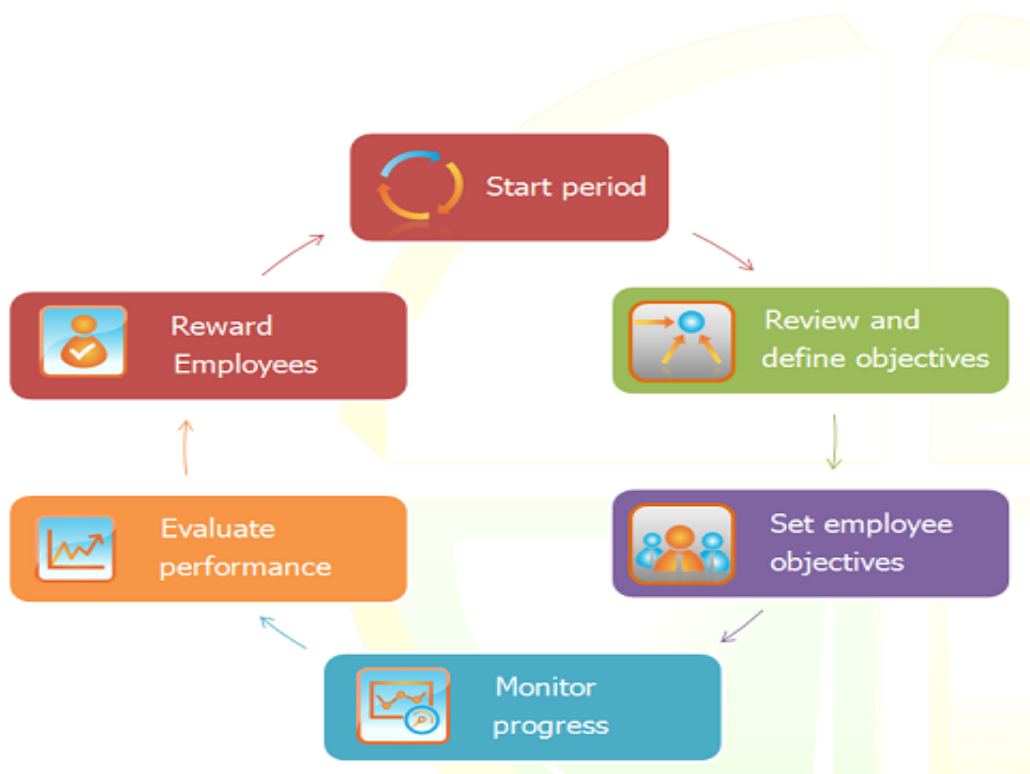
Five steps of MBO process

Step 1: Determine or revise the organizational objectives

Strategic organizational objectives are the starting points of Management by Objectives. These objectives stem from the mission and vision of an organization. If an organization has not formulated these yet, it does not make sense to carry out the next steps.

Step 2: Translating the organizational objectives to employees

In order to make organizational objectives organization-wide, it is important that these are translated to employee level. For efficiency reasons, Peter Drucker used the acronym SMART (Specific, Measurable, Acceptable, Realistic and Time-bound). The element *"Acceptable"* is crucial in Management by Objectives as this is about agreement on the objectives between the employees and the organization. The Management by Objectives principle does not allow management to determine the objectives by themselves. According to Management by Objectives, objectives should be clearly recognizable at all levels and everyone should know what their responsibilities are in this. Communication is also an important item for consideration when it comes to expectations, feedback and to giving rewards for objectives that have been achieved.

Step 3: Stimulate the participation of employees in the determining of the objectives

The starting point is to have each employee participate in the determining of personal objectives that are in line with the objectives of the organization. This works best when the objectives of the organization are discussed and shared throughout all levels of the organization so that everyone will understand why certain things are expected of them. In this way, everyone can make their own translation of what their contribution can be to the objectives.

This approach increases the involvement and commitment of the objectives. Instead of simply following expectations of managers and executives, everyone in an Management by Objectives approach will know what is expected of them. By broadening the decision-making process and responsibility throughout the organization, people are motivated to solve the problems they are faced with in an intelligent manner and they are given the information they need so that they can be flexible in the changing circumstances. This participatory process ensures that personal objectives with respect to general team objectives, department objectives, business unit objectives and ultimately organizational objectives are made clear.

Step 4: Monitoring of progress

Because the goals and objectives are SMART, they are measurable. If they cannot be measured, a system will have to be set up in which a monitoring function is activated when the objectives are deviated from. Detection must be timely so that large problems can be prevented. On the other hand, it is important that the agreed objectives do not cause abnormal behaviour of employees for example. For instance, when a service call must be handled within seven minutes and as a result employees finish these calls after 6 minutes and 59 seconds to meet this requirement. There are always exceptions to a rule and these situations should always be supervised.

In Management by Objectives, employees are not supported by their management through annual performance reviews. Management by Objectives is about growth and development. Each objective comprises mini objectives and it is about supporting these in small steps in the form of coaching by managers or executives. Create a clear path with sufficient evaluation moments so that growth and development can be monitored accurately.

Step 5: Evaluate and reward achievements

Management by Objectives has been designed to improve performance at all levels within an organization. A comprehensive evaluation system is therefore essential. As goals and objectives have been SMART formulated, they make the evaluation of processes very easy. Employees are evaluated and rewarded for their achievements in relation to the set goals and objectives. This also includes accurate feedback. Management by Objectives is about why, when and how objectives can be achieved.

Peter Drucker's five steps are not a one-off exercise. It is a development cycle that takes the organizational objectives as the starting point and these need to be translated to an individual level. The message behind Management by Objectives is the jointly determining and achieving of objectives and being rewarded for these achievements. It is important to make fair and correct assessments of the achievements against the setting of measurable goals. Clear performance indicators are essential for a good Management by Objectives approach.

Benefits of Management by Objectives

In addition to the fact that goal-orientation of management promotes a sense of motivation among the people within the organization, MBO has certain other benefits which are narrated as under:

1. **Improves Management**

   Objectives cannot be established without planning, and results-oriented planning is the only kind that makes sense. MBO forces managers to think about planning for results, rather than merely planning work or activities.

   In order to make objectives realistic, Management by Objectives also requires that managers think of the way they will accomplish results and the resources and assistance they will require.

2. **Encourages Personal Commitment**

   MBO encourages employees to commit themselves to their goals because they have before them clearly defined objectives. Moreover, the fact that they often participate in goal- setting, improves their commitment to work. As a matter of fact, people become enthusiastic when they control their own fate.

3. **Clarifies Organization**

   MBO forces management to clarify organizational roles and structures. So far as possible, organizational positions are built around the key results expected of the people occupying them.

   Moreover, the companies that embark on MBO programs can easily discover deficiencies in their organization and take the necessary steps to rectify.

4. **Device for Organizational Control and Systematic Evaluation**

It serves as a device for organizational control integration. MBO helps in making a more systematic evaluation of performance.

5. **Develops Effective Control**

There is no better incentive for self- control and no better way to know the standards for control than having a set of clear goals. When each and every employee knows what to achieve, control becomes very easy and automatic.

6. **Improving Productivity**

Management by Objectives helps in improving productivity as the management team concentrates on the important task of reducing costs.

7. **Motivating the Subordinates**

It stimulates the subordinates' motivation.

8. **Personal Satisfaction**

It provides a greater opportunity to managers for personal satisfaction on account of participation in objective setting and rational performance appraisal.

9. **Locating Weak and Problem Areas**

It helps in locating weak and problem areas because of improved communication and organization structure.

Limitations of MBO

Although MBO is generally taken as the panacea for all the problems of an organization, it is not without weaknesses or limitations. The following are the limitations of Management by Objectives;

1. MBO cannot be implemented effectively on account of the difficulty in setting verifiable objectives.

2. The open atmosphere for appropriate objective-setting is absent because of differences in the status of subordinates.

3. Managers may not get time to do even their normal work as MBO involves much paperwork and holding many meetings.

4. There is a tendency on the part of the managers to emphasize short-term objectives and to become more precise in objective setting and accomplishment.

5. MBO is a philosophy of managing an organization in a new way. However, many managers fail to understand and appreciate this new approach.

6. MBO represents the danger of inflexibility in the organization, particularly when the objectives need to be altered. In a dynamic environment, a particular objective may not be valid forever.

The essence of MBO is participative goal setting, choosing the course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set.

The MBO should be defined that Management By Objectives is a management system in which specific performance goals are jointly determined by employees and their managers, progress toward accomplishing those goals is periodically reviewed and rewards are allocated on the basis of this progress.

Management Functions or the Process of Management

- ➢ Planning, Organizing, Leading & Controlling (Newman & Summer)
- ➢ Planning, Organizing, Commanding, Coordinating and Controlling (Henri Fayol)
- ➢ ' POSDCORB': Planning, Organizing, Staffing, Directing, Coordinating, Reporting & Budgeting (Luther Gulick)
- ➢ Decision Making, Organizing, Staffing, Planning, Controlling, Communicating & Directing (Warren Haynes & Joseph Massie)
- ➢ Planning, Organizing, staffing, directing & Controlling (Koontz O'Donnell)

Planning

It is a process of deciding the business objectives and charting out the plan/ method for achieving the same. This includes determination of what is to be done, how, and where it is to be done, who will do it and how result are to be evaluated. This function expected to be carried out throughout the organization. It should be performed by the manager at all levels

Organizing

According to Allen, the organizing refers to "the structured which results from identifying and grouping the work, defining and delegating responsibility and authority and establishing relationships."To organize a business is to provide it with everything useful to its functioning i.e. personnel, raw materials, machineries, capital etc. Once objectives are established, manager has to develop plan to achieve them with help of human resources as well as material resources.

Directing

Directing involves communication, leadership and motivation. Communication is the process of passing the information and understanding it from one person to other person. Leadership is the function whereby the person or manager guides and influences the work of his subordinates. Motivation is to motivate the employee to give their best to the organization.

Controlling

The controlling involves- Establishing standards of performance. Measuring current performance and comparing it against the established standard. Taking corrective action that does not meet the standard. Control compels the events to confirm to plans.

Innovation and Representation

These are also two important additional managerial functions: Innovation means creating new ideas which may either result in the development of new products or finding new uses for older ones. It is necessary to grow better. The manger has to represent himself for the organization. A manger must win support effectively from different groups (either internal or external).

UNIT-2

Planning – Concept and Significance – Planning Process – Types of Plans – Different approaches to planning – Strategies, Objectives and policies – Decision making – Forecasting

Planning

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action.

It is rightly said "**Well plan is half done**". Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

According to Urwick, "Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses". Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

Steps in Planning Function

Planning function of management involves following steps:-

1. **Establishment of objectives**
   a. Planning requires a systematic approach.
   b. Planning starts with the setting of goals and objectives to be achieved.
   c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
   d. Moreover objectives focus the attention of managers on the end results to be achieved.
   e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
   f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
   g. Such goals should be specified in qualitative terms.
   h. Hence objectives should be practical, acceptable, workable and achievable.

2. **Establishment of Planning Premises**
   a. Planning premises are the assumptions about the lively shape of events in future.
   b. They serve as a basis of planning.
   c. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
   d. It is to find out what obstacles are there in the way of business during the course of operations.
   e. Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.
   f. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
   g. Internal premises are controllable whereas external are non- controllable.

3. **Choice of alternative course of action**

a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.

b. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.

c. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.

d. After objective and scientific evaluation, the best alternative is chosen.

e. The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. **Formulation of derivative plans**

   a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.

   b. Secondary plans will flow from the basic plan. These are meant to support and expediate the achievement of basic plans.

   c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.

   d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. **Securing Co-operation**

   a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.

   b. The purposes behind taking them into confidence are :-

      i. Subordinates may feel motivated since they are involved in decision making process.

      ii. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.

      iii. Also the employees will be more interested in the execution of these plans.

6. **Follow up/Appraisal of plans**

   a. After choosing a particular course of action, it is put into action.

b. After the selected plan is implemented, it is important to appraise its effectiveness.

c. This is done on the basis of feedback or information received from departments or persons concerned.

d. This enables the management to correct deviations or modify the plan.

e. This step establishes a link between planning and controlling function.

f. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

Characteristics of Planning

1. **Planning is goal-oriented.**

   a. Planning is made to achieve desired objective of business.

   b. The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.

   c. Planning identifies the action that would lead to desired goals quickly & economically.

   d. It provides sense of direction to various activities. E.g. Maruti Udhyog is trying to capture once again Indian Car Market by launching diesel models.

2. **Planning is looking ahead.**

   a. Planning is done for future.

   b. It requires peeping in future, analyzing it and predicting it.

   c. Thus planning is based on forecasting.

   d. A plan is a synthesis of forecast.

   e. It is a mental predisposition for things to happen in future.

3. **Planning is an intellectual process.**

   a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.

   b. It is not a mere guesswork but a rotational thinking.

   c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.

   d. Planning is always based on goals, facts and considered estimates.

4. **Planning involves choice & decision making.**
   a. Planning essentially involves choice among various alternatives.
   b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
   c. Thus, decision making is an integral part of planning.
   d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

5. **Planning is the primary function of management / Primacy of Planning.**
   a. Planning lays foundation for other functions of management.
   b. It serves as a guide for organizing, staffing, directing and controlling.
   c. All the functions of management are performed within the framework of plans laid out.
   d. Therefore planning is the basic or fundamental function of management.

6. **Planning is a Continuous Process.**
   a. Planning is a never ending function due to the dynamic business environment.
   b. Plans are also prepared for specific period f time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
   c. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

7. **Planning is all Pervasive.**
   a. It is required at all levels of management and in all departments of enterprise.
   b. Of course, the scope of planning may differ from one level to another.
   c. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

8. **Planning is designed for efficiency.**
   a. Planning leads to accomplishment of objectives at the minimum possible cost.
   b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.
   c. A plan is worthless or useless if it does not value the cost incurred on it.

    d.   Therefore planning must lead to saving of time, effort and money.

    e.   Planning leads to proper utilization of men, money, materials, methods and machines.

9. **Planning is Flexible.**

    a.   Planning is done for the future.

    b.   Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, govt. policies etc.

    c.   Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

Advantages of Planning

1. **Planning facilitates management by objectives.**

    a.   Planning begins with determination of objectives.

    b.   It highlights the purposes for which various activities are to be undertaken.

    c.   In fact, it makes objectives more clear and specific.

    d.   Planning helps in focusing the attention of employees on the objectives or goals of enterprise.

    e.   Without planning an organization has no guide.

    f.   Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.

    g.   Therefore, planning brings order and rationality into the organization.

2. **Planning minimizes uncertainties.**

    a.   Business is full of uncertainties.

    b.   There are risks of various types due to uncertainties.

    c.   Planning helps in reducing uncertainties of future as it involves anticipation of future events.

    d.   Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.

    e.   Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. **Planning facilitates co-ordination.**
   a. Planning revolves around organizational goals.
   b. All activities are directed towards common goals.
   c. There is an integrated effort throughout the enterprise in various departments and groups.
   d. It avoids duplication of efforts. In other words, it leads to better co-ordination.
   e. It helps in finding out problems of work performance and aims at rectifying the same.

4. **Planning improves employee's moral.**
   a. Planning creates an atmosphere of order and discipline in organization.
   b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.
   c. This encourages employees to show their best and also earn reward for the same.
   d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. **Planning helps in achieving economies.**
   a. Effective planning secures economy since it leads to orderly allocation ofresources to various operations.
   b. It also facilitates optimum utilization of resources which brings economy in operations.
   c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

6. **Planning facilitates controlling.**
   a. Planning facilitates existence of certain planned goals and standard of performance.
   b. It provides basis of controlling.
   c. We cannot think of an effective system of controlling without existence of well thought out plans.

    d. Planning provides pre-determined goals against which actual performance is compared.

    e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

7. **Planning provides competitive edge.**

    a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.

    b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of it's competitor which helps in facing future challenges.

    c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

8. **Planning encourages innovations.**

    a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.

    b. Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

Disadvantages of Planning

Internal Limitations

There are several limitations of planning. Some of them are inherit in the process of planning like rigidity and other arise due to shortcoming of the techniques of planning and in the planners themselves.

1. **Rigidity**

    a. Planning has tendency to make administration inflexible.

b. Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.

c. There is no scope for individual freedom.

d. The development of employees is highly doubted because of which management might have faced lot of difficulties in future.

e. Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

2. **Misdirected Planning**

a. Planning may be used to serve individual interests rather than the interest of the enterprise.

b. Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit one's own requirement rather than that of whole organization.

c. Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

3. **Time consuming**

a. Planning is a time consuming process because it involves collection of information, it's analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.

b. Therefore planning is not suitable during emergency or crisis when quick decisions are required.

4. **Probability in planning**

a. Planning is based on forecasts which are mere estimates about future.

b. These estimates may prove to be inexact due to the uncertainty of future.

c. Any change in the anticipated situation may render plans ineffective.

d. Plans do not always reflect real situations in spite of the sophisticated techniques of forecasting because future is unpredictable.

e. Thus, excessive reliance on plans may prove to be fatal.

5. **False sense of security**

a. Elaborate planning may create a false sense of security to the effect that everything is taken for granted.

b. Managers assume that as long as they work as per plans, it is satisfactory.

    c. Therefore they fail to take up timely actions and an opportunity is lost.

    d. Employees are more concerned about fulfillment of plan performance rather than any kind of change.

6. Expensive

    a. Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money

    b. According to Koontz and O'Donell, ' Expenses on planning should never exceed the estimated benefits from planning. '

External Limitations of Planning

1. Political Climate- Change of government from Congress to some other political party, etc.
2. Labour Union- Strikes, lockouts, agitations.
3. Technological changes- Modern techniques and equipments, computerization.
4. Policies of competitors- Eg. Policies of Coca Cola and Pepsi.
5. Natural Calamities- Earthquakes and floods.
6. Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

Types of Plans:

As the plans are all pervasive, they are made at every level of organization with different purposes and perspectives. Accordingly they may take various shapes and stand differently in the hierarchy of importance.

The most popular ways to describe organizational plans are by their:

1. Coverage – Strategic, tactical, and operational,

2. Time frame – Short and long term,

3. Specificity – Specific versus directional,

4. Frequency of use – Single use and standing.

Note that these planning classifications aren't independent. For instance, short-and long-term plans are closely related to strategic and operational ones. And single-use plans typically are strategic, long term, and directional.

1. Strategic, Tactical and Operational Plans:

a. Strategic Plans:

Strategic plans are designed to meet the broad objectives of the organization – to implement the mission that provides the unique reason for organization's existence. They are set at the top managerial level, and are meant to guide the whole organization.

An organization's strategic plan is the starting point for planning. The aim of strategic planning is to help a company select and organize its businesses in a way that would keep the company healthy in spite of unexpected upsets occurring in any of its specific businesses or product lines.

For example- in order to deal with uncertainties of raw material availability, a company's strategic plan may purport to acquire its own facilities for generating raw material. Strategic plan serves as a guide to the development of sound sub plans to accomplish the organizational objectives.

b. Tactical Plans:

Top level managers set the strategies that an organization should focus to achieve organizational goals. Examples of strategies include set-up a plant to generate raw material for the organization's manufacturing activities, explore North-East market, and likewise. Middle managers interpret these strategies and develop tactical plans for their departments that follow strategies in order to contribute to the organizational goals.

In order to develop tactical plans, middle management needs detail reports (financial, operational, market, external environment). Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. It is the process of making detailed decisions about what to do, who will do it, and how to do it.

In short, tactical plans may be understood in following terms:

1. Tactical planning deals primarily with the implementation phase of the planning process

2. Tactical planning turns strategy into reality

3. Tactical planning usually has a 1-2 year time horizon

4. Tactical planning is usually tightly integrated with the annual budget process

c. Operational Plans:

The supervisor interprets the strategic and tactical management plans as they apply to his unit. This way, he makes operational plans to support tactical plans. These plans provide the details of how the strategic plans will be accomplished. Examples of planning by supervisors include scheduling the work of employees and identifying needs for staff and resources to meet future changes. Operating plans tend to be repetitive and inflexible over the short run. Change comes only when it is obvious that plans and specific action steps are not working.

There are two main type of operational plans – Single use plans which are developed to achieve specific purposes and dissolved when these have been accomplished; standing plans are standardized approaches for handling recurring and predictable situations.

Note that Tactical plans are based on the organization's strategic plan. In turn, operational plans are based on the organization's tactical plans. These are specific plans that are needed for each task or supportive activity comprising the whole. Strategic, tactical, and operational planning must be accompanied by controls.

Monitoring progress or providing for follow-up is intended to ensure that plans are carried out properly and on time. Adjustments may need to be made to accommodate changes in the external and/ or internal environment of the organization.

2. Short-Range and Long-Range Plans:

Time is an important factor in planning. George Terry says, "The time period covered by planning should preferably include sufficient time to fulfill the managerial commitments involved."

Generally a short range planning (SRP) means a plan for one or two years and long range planning (LRP) means a plan for three to five years or more. Though this division may be considered as arbitrary, but it may have a general acceptability. This period of course, may vary according to the nature and size of business.

When a concern requires long gestation period, it is natural that the long range planning may cover a longer period than five years. For example- organizations, such as oil or mining companies, or airlines must make long range planning because of their particular purposes and objectives. A home video-rental store or a book store might concentrate on seasonal or annual goals.

However, whatever the period of planning, it should not be too rigid. It should rather be flexible to meet the unknown factors of the future. If a concern adopts both short-term and long-term planning, the short-term planning should fit in with long-term planning. It is important, for managers, to understand the roles of both long range and short range planning in overall planning scheme.

3. Specific and Directional Plans:

Specific plans are established to achieve a specific purpose and dissolves when the purpose is accomplished. For example- a manager who seeks to increase his firm's sales by 20 per cent

over a given twelve-month period might establish specific procedures, budget allocations, and schedules of activities to reach that objective. These represent specific plans.

Directional plans identify general guidelines. They provide focus but do not lock managers into specific objectives or courses of action. Instead of following a specific plan to cut costs by 4 per cent and increase revenues by 6 per cent in the next six months, a directional plan might shoot for improving corporate profits by 5 to 10 per cent every year.

Intuitively it seems right that specific plans would be preferable to directional or loosely guided plans, because they have clearly defined objectives. There is no ambiguity, no problem with misunderstandings. However, in certain circumstances, like in case of fast changing environment, directional plans provide the flexibility required to cope with the changing situations.

4. Single Use and Standing Plans:

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation and created in response to non-programmed decisions that managers make.

In contrast, standing plans are ongoing plans that provide guidance for activities repeatedly performed in the organization. Standing plans are created in response to programmed decisions that managers make and include the policies, rules, and procedures.

i. Single-Use Plans:

Single-use plans are detailed courses of action that probably will not be repeated in the same form in the future. For example- a firm planning to set up a new warehouse because it is expanding rapidly will need a specific single-use plan for that project, even though it has established a number of other warehouses in the past.

It will not be able to use an existing warehouse plan, because the projected warehouse presents unique requirements of location, construction costs, labour availability, zoning restrictions, and so forth. The major types of single-use plans are programs, projects, and budgets.

a. Programs:

A program covers a relatively large set of activities. The program shows- (1) the major steps required to reach an objective, (2) the organization unit or member responsible for each step, and (3) the order and timing of each step. The program may be accompanied by a budget or a set of budgets for the activities required.

A program may be as large in scope as placing a person on the moon or as comparatively small as improving the reading level of fourth-grade students in a school district. Whatever its scope, it will specify many activities and allocations of resources within an overall scheme that may include other single-use plans as projects and budgets.

b. Projects:

Projects are the smaller and separate portions of programs. Each project has limited scope and distinct directives concerning assignments and time. In the warehouse example, typical projects might include the preparation of layouts, a report on labour availability, and recommendations for transferring stock from existing facilities to the new installation. Each project will become the responsibility of designated personnel who will be given specific resources and deadlines.

c. Budgets:

Budgets are statements of financial resources set aside for specific activities in a given period of time. They are primarily devices to control an organization's activities and so are important components of programs and projects. Budgets itemize income as well as expenditures and thus provide targets for such activities as sales, departmental expenses, or new investments.

Managers often use budget development as the process by which decisions are made to commit resources to various alternative courses of action. In this sense, budgets can be considered single-use plans in their own right.

ii. Standing Plans:

a. Policies:

A policy is a general statement designed to guide employees' actions in recurring situations. It establishes broad limits, provides direction, but permits some initiative and discretion on the part of the supervisor. Thus, policies are guidelines. Some policies deal with very important matters, like those requiring strict sanitary conditions where food or drugs are produced or packaged. Others may be concerned with relatively minor issues, such as the way employees dress.

Policies are usually established formally and deliberately by top managers of the organization. Policies may also emerge informally and at lower levels in the organization from a seemingly consistent set of decisions on the same subject made over a period of time.

For example- if office space is repeatedly assigned on the basis of seniority, that may become organization policy. In recent years policy has also been set by factors in the external environment—such as government agencies that issue guidelines for the organization's activities (such as requiring certain safety standards).

b. Procedures:

A procedure is a sequence of steps or operations describing how to carry out an activity. It is more specific than a policy and establishes a customary way of handling a recurring activity. Thus, less discretion on the part of the supervisor is permissible in its application. For example- the refund department of a large discount store may have a policy of "refunds made, with a smile, on all merchandise returned within seven days of purchase."

The procedure for all clerks who handle merchandise returned under that policy might then be a series of steps like these- (1) Smile at customer. (2) Check receipt for purchase date. (3) Check condition of merchandise … and so on. Such detailed instructions guide the employees who perform these tasks and help insure a consistent approach to a specific situation.

In day to-day operation, the procedures help in the following manner:

1. Procedures bring uniformity in performing various actions because everyone has to follow same procedure for doing actions.

2. It helps in standardizing and streamlining day to day activities to maintain smooth functioning of the organization.

3. Procedures may also help in maintaining coordination, because every employee performs similar type of activity by using prescribed procedure for it.

4. Procedures also encourage delegation of authority to lower level manager, because procedure-based activities can easily be delegated to them.

c. Rules:

A rule is an established guide for conduct. Rules include definite things to do and not to do. There are no exceptions to the rules. An example of a rule is "No Smoking." Managers frequently use rules when they confront a well-structured problem because they are simple to follow and ensure consistency. For example- rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and with a relatively high degree of fairness.

Distinction between Policies and Procedures:

The terms 'policies' and 'procedures' themselves explain their scope.

However, following are some criteria to differentiate them:

1. Basis of Formulation:

Policies are formulated on the basis of objectives of organization. Procedures are determined on the basis of work to be carried out for achieving those objectives.

2. Level of Formulation:

Policies are generally formulated by top management. Procedures are laid down at the lower level of management.

3. Comparative Status:

In the hierarchy of plans, policies occupy higher place. Procedures occupy lower place as compared to policies.

4. Focus Area:

Policies deal with functional aspects of management. Procedures deal with operational or administrative aspect of management.

5. Detailing of Instructions:

Policies are general statements which provide guidance to managers in decision making. Procedures are regarded as a detailed guidelines for performing activities.

6. Rigidity:

Policies are broad based providing a scope to the manager for using his skill and experience. Procedures are rigid and leave no scope for personal judgment.

7. Need of Skill in Application:

Policies encourage initiative of the managers, because they get opportunity for using their skill, experience and knowledge and personal judgment. Procedures do not help in developing initiative among the employees, because they do not leave scope for personal judgment.

Control-a process which ensures that actual performance is in conformity with planned performance, draws important link between planning and control. Planning frames organisational goals and objectives. For effective implementation of plans and achievement of these goals, organisation structure is designed, various official positions are staffed with people and training, motivation and leadership facilities are provided to them.

Once the implementation process starts, workers initiate the production activities. In doing so, they face problems which are solved by the supervisors or go unnoticed. The problems that go unnoticed may accumulate into major problems later on and endanger the entire planning process. This may mean-starting from the scratch.

All physical, human, financial and information resources which were used in framing the plans go waste, production schedules are disturbed, companies may lose markets, labour turnover rate may become very high, companies may, in fact, retrench the work force; the worst is, the company can go into liquidation.

To save enterprises from these problems, managers continuously watch the organisational activities to ensure that things planned are actually happening. There is constant follow up of planned activities to make things happen according to plans. "It means we must invest in developing a system for monitoring deviations from plans when they are occurring so that adjustments and corrective actions can be taken."

Strategic Management - Meaning and Important Concepts

Strategic Management - An Introduction

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats.

Strategic management is nothing but planning for both predictable as well as unfeasible contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.

It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the organization and the probable response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

Strategy - Definition and Features

The word "strategy" is derived from the Greek word "stratçgos"; stratus (meaning army) and "ago" (meaning leading/moving).

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

Features of Strategy

1. Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
2. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
3. Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.

Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between "where we are" and "where we want to be".

Top 4 Approaches to Strategic Planning

Fundamentally, there are four different approaches to do formal strategic planning. The approaches are: - 1. Top-Down Approach 2. Bottom-Up Approach 3. Mixture of the Top-Down and Bottom-Up Approaches 4. Team Approach.

1. Top-Down Approach:

In a centralised company, such planning is done at the top of the corporation and the departments and outlying activities are advised straightway what to do.

In a decentralised company, the CEO or the President may give the divisions guidelines and ask for plans. The plans after review at the head office are sent back to the divisions for modifications or with a note of acceptance.

2. Bottom-Up Approach:

The top management gives the divisions no guidelines but asks them to submit plans.

Such plans may contain information on:
(i) Major opportunities and threats;

(ii) Major objectives;

 (iii) Strategies to achieve the objectives;

(iv) Specific data on sales/profits/market share sought;

(v) Capital requirements, etc.

These plans are then reviewed at top management levels and the same process, as in the top-down approach, is then followed.

3. Mixture of the Top-Down and Bottom-Up Approaches:

This is practised in most large decentralised companies. In this approach, the guidelines given by the top management to the divisions are broad enough to permit the divisions a good amount of flexibility in developing their own plans. Sometimes, the top management may decide basic objectives by dialogue with divisional managers in respect of sales and return on investments especially when divisional performance is measured upon those criteria.

4. Team Approach:

The chief executive, in a small centralised company, often use his line managers to develop formal plans. The same approach is used even by the president of a large company. In many other companies, the president meets and interacts with his group of executives on a regular basis to deal with all the problems facing the company so that the group can develop written strategic plans.

Within each of these approaches, there are many alternatives as follows:

(i) Complete SWOT analysis or not:

In some companies, the divisions supply the top management with perceived opportunities and threats and with the strategies to exploit opportunities and avoid threats.

(ii) Depth of analysis:

Some companies, at the initial stage, do not make in-depth analysis of all aspects of planning. They increase the intensity of analytical exercise gradually as experience is gained.

(iii) Degree of formality:

Divergent practices are in vogue as regards formality. For some large companies having centralised organisation structures, and comparatively stable environment and homogeneous product lines, planning is less formal than large diversified companies with decentralised and semi-autonomous product division structures.

High technology companies usually have more formal systems; yet, they recognise informality in decision making and managerial activities associated with planning.

(iv) Reliance on staff:

It is up-to the managers to decide the extent of delegation.

(v) Corporate planner or not:

Large corporations employ corporate planners to help in the planning process. Smaller companies cannot afford to this luxury.

(vi) Linkage with plans.

(vii) Getting the process started:

Strategic planning may begin with an effort to solve a particular problem. It may begin with a SWOT analysis or simply with a review of current strategy.

(viii) Degree of documentation:

A balance has to be struck between too little and too much paper work.

(ix) Role of CEO:

The chief executive officer's role is critical depending on the degree of complexity of organisations.

Strategic Management Process - Meaning, Steps and Components

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet the entire present and future competitor's and then reassesses each strategy.

Strategic management process has following four steps:

1. **Environmental Scanning-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the

environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

2. **Strategy Formulation-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

3. **Strategy Implementation-** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.
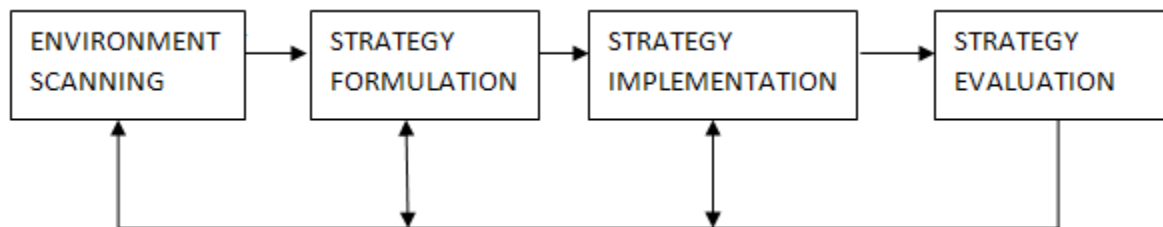
Components of Strategic Management Process

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

Decision Making

Meaning and Important Concepts

Every organization needs to make decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations' overall growth and prospects.

Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions. Top notch companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company's prospects.

Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable? Is it innovative enough? Can there be growth stimulant in the strategies proposed? Handle-full of such questions evolved from the decision taken by strategic group has reflective influence on the next level of managerial consultations and meetings. Let us accept, at this point of discussion, that proposals submitted by business development team would largely depend on another set of deliberations in the board room.

Thus, the final decision to roll out a product or service is through cumulative interim decisions taken by various internal and external parties. And also the final decision is reflective and founded on researches and consultations. Whole process is a chain affair where one decision taken at one point and at one level shall have far reaching implications in the way an organization moves forward.

As a matter of fact, capable of taking critical a decision is one of the many attributes that every manager should have, be it top level or middle or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival, as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others, i.e. the organization's existence and growth thus is annotative with human endeavor to live and succeed. Success succeeds on the decisions taken, be it by an individual or an organization.

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

As such, decision making process can be further exemplified in the backdrop of the following definitions.

Definition of Decision Making

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

Trewatha & Newport defines decision making process as follows:, "**Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem**".

As evidenced by the foregone definitions, decision making process is a consultative affair done by a comity of professionals to drive better functioning of any organization. Thereby, it is a continuous and dynamic activity that pervades all other activities pertaining to the organization. Since it is an ongoing activity, decision making process plays vital importance in the functioning of an organization. Since intellectual minds are involved in the process of decision making, it requires solid scientific knowledge coupled with skills and experience in addition to mental maturity.

Further, decision making process can be regarded as check and balance system that keeps the organisation growing both in vertical and linear directions. It means that decision making process seeks a goal. The goals are pre-set business objectives, company missions and its vision. To achieve these goals, company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process. No decision comes as end in itself, since in may evolve new problems to solve. When one problem is solved another arises and so on, such that decision making process, as said earlier, is a continuous and dynamic.

A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute

6. Take follow up action

Since decision making process follows the above sequential steps, a lot of time is spent in this process. This is the case with every decision taken to solve management and administrative problems in a business setting. Though the whole process is time consuming, the result of such process in a professional organization is magnanimous.

Decision Making in an Organizational Context

Decision making is part of everyone's life and all of us have to make decisions every moment. Right from choosing what to wear to what to eat to where we live and work and extending to whom we marry, decisions are an integral part of our lives. **In an organizational context, it is worthwhile to note that decision making needs the right kind of information, the complete information and the ability to synthesize and make sense of the information**. While the first two attributes depend on external sources, the ability to make informed decisions is a personality trait. Hence, successful CEO's are those who can take into account the different viewpoints and divergent perspectives and arrive at the right decision.

The business landscape of the current times is littered with examples of companies that have made strategic errors and these are mostly to do with lack of proper decisions taken by the CEO's and managers in these firms. For instance, the failure of Chrysler and Ford (the automobile majors in the United States) to meet the challenge of competition from Japanese auto majors like Toyota was mostly due to the lack of imaginative decisions that would have responded to the threat in a coherent manner. Of course, it is another matter that these companies (Chrysler in particular) under the stewardship of Lee Iacocca were able to successfully meet the competition by the Japanese because of firm decisions taken by him.

The other aspect that relates to decision making in an organizational context is that there must be complete and accurate information made available to the decision maker. In Economics, there is a term called "asymmetries of information" that indicates how incomplete and insufficient information leads to poor decisions and wrong choices. What this concept means is that having partial information or faulty information often leads to "analysis paralysis" which is another term for poor decision making abilities. Finally, even with reliable and accurate information, the

decision maker ought to have good problem solving skills and astute decision making abilities to arrive at sound judgments regarding the everyday problems and issues.

The overriding rule in decision making is that the decision maker ought to have legitimacy and authority over the people who he or she is deciding upon. In other words, decision makers succeed only when their decisions are honored and followed by the people or groups that the decision impacts. The reason for mentioning this towards the end is that in many cases, the fragmented nature of the organizations with different interests represented by factions often undermines the decision making capabilities of the decision maker. Hence, it is worth mentioning that such authority must be vested with the decision maker.

Hence, it is clear that the topic of decision making encompasses several elements (some of which have been briefly discussed in this article). We hope to cover more of these elements in detail in the subsequent articles and this article is thought of as setting the tone for the rest of the module on decision making.

Steps in Decision Making Process

Decision making process is like a school exam. Those who take good decisions will pass the exam and the rest who does not take right decisions will have to bear the consequences. Being able to take good decision is important for everyone, whether he/she is a student, teacher, manager, principal, president, leader of any institution etc. A student has to take decisions about his career, a president has to take decisions regarding his country's benefit, and a manager has to take decisions regarding his company and likewise the leader of any institution. So every single person has to pass this step in order to progress in their field.

The meaning of decision in Latin is to 'cut off'. This means that from all the available alternatives you choose one thing and then cut off from all the other alternatives. Due to this, the decision making process sometimes becomes very difficult. Choosing the right option from all the available alternatives is very hard to do.

Decision making process requires thinking process, time, efforts, resources and also a little bit of knowledge and past experiences. Thinking process plays an important role in decision making process because it allows you to judge each and every thing. Timing is also important.

Taking right decisions on right time can save you from any trouble. Taking too little time to take decisions or taking too much time to execute your decision can cause many problems for you. Decision making processes also requires knowledge, experience and research. If you have knowledge, you can find out different alternatives for the problem faced. Making decisions without having proper knowledge about the problem can cause difficulties.

In our view decision making power is the key to progress in life. You might have seen many people who do not take proper decisions and then they have to suffer. On the other hand people who have this decision making power, continues to progress in their life. Not all of us have this decision making power. We try to make right decisions but sometimes we make mistakes because we don't know the steps that we should follow during the decision making process. So in order to take right decisions, it is important that we should know all the steps of decision making process and follow them.

The **decision making process involves the following steps:**

1. Curious Observation
2. Existence of Problem
3. Goals & Planning
4. Search, Explore & Gather the Evidence
5. Generate Creative & Logical Alternative Solutions
6. Evaluate the Evidence
7. Make the Educated Guess (Hypothesis)
8. Challenge the Hypothesis
9. Reach a Conclusion
10. Suspend Judgment
11. Take Action

Forecasting

Meaning of Forecasting:

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future. It shows that the managers know something of future

happenings even before things actually happen. Forecasting provides them this knowledge. Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behavior.

The future cannot be probed unless one knows how the events have occurred in the past and how they are occurring presently. The past and present analysis of events provides the base helpful for collecting information about their future occurrence. Thus, forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

Whenever the managers plan business operations and organizational set-up for the years ahead, they have to take into account the past, the present and the prevailing economic, political and social conditions. Forecasting provides a logical basis for determining in advance the nature of future business operations and the basis for managerial decisions about the material, personnel and other requirements.

It is, thus, the basis of planning, when a business enterprise makes an attempt to look into the future in a systematic and concentrated way, it may discover certain aspects of its operations requiring special attention. However, it must be recognised that the process of forecasting involves an element of guesswork and the managers cannot stay satisfied and relaxed after having prepared a forecast.

The forecast will have to be constantly monitored and revised—particularly when it relates to a long- term period. The managers should try to reduce the element of guesswork in preparing forecasts by collecting the relevant data using the scientific techniques of analysis and inference.

On the basis of the definition, the following features of forecasting can be identified:

1. Forecasting relates to future events.

2. Forecasting is needed for planning process because it devises the future course of action.

3. It defines the probability of happening of future events. Therefore, the happening of future events can be precise only to a certain extent.

4. Forecasting is made by analyzing the past and present factors which are relevant for the functioning of an organization.

5. The analysis of various factors may require the use of statistical and mathematical tools and techniques.

Role of Forecasting:

Since planning involves the future, no usable plan can be made unless the manager is able to take all possible future events into account. This explains why forecasting is a critical element in the planning process. In fact, every decision in the organisation is based on some sort of forecasting.

It helps the managers in the following ways:

1. Basis of Planning:

Forecasting is the key to planning. It generates the planning process. Planning decides the future course of action which is expected to take place in certain circumstances and conditions. Unless the managers know these conditions, they cannot go for effective planning.

Forecasting provides the knowledge of planning premises within which the managers can analyse their strengths and weaknesses and can take appropriate actions in advance before actually they are put out of market. Forecasting provides the knowledge about the nature of future conditions.

2. Promotion of Organization:

The objectives of an organisation are achieved through the performance of certain activities. What activities should be performed depends on the expected outcome of these activities. Since expected outcome depends on future events and the way of performing various activities, forecasting of future events is of direct relevance in achieving an objective.

3. Facilitating Co-ordination and Control:

Forecasting indirectly provides the way for effective co-ordination and control. Forecasting requires information about various factors. Information is collected from various internal and external sources. Almost all units of the organisation are involved in this process.

It provides interactive opportunities for better unity and co-ordination in the planning process. Similarly, forecasting can provide relevant information for exercising control. The managers can know their weaknesses in the forecasting process and they can take suitable action to overcome these.

4. Success in Organisation:

All business enterprises are characterized by risk and have to work within the ups and downs of the industry. The risk depends on the future happenings and forecasting provides help to overcome the problem of uncertainties.

Though forecasting cannot check the future happenings, it provides clues about those and indicates when the alternative actions should be taken. Managers can save their business and face the unfortunate happenings if they know in advance what is going to happen.

Developing the Basis

↓

Estimating Future Operations

↓

Regulating the Forecasts

↓

Reviewing the Method

Fig. 3.6: The Forecasting Process.

Steps in Forecasting:

The process of forecasting generally involves the following steps:

1. Developing the Basis:

The future estimates of various business operations will have to be based on the results obtainable through systematic investigation of the economy, products and industry.

2. Estimation of Future Operations:

On the basis of the data collected through systematic investigation into the economy and industry situation, the manager has to prepare quantitative estimates of the future scale of business operations. Here the managers will have to take into account the planning premises.

3. Regulation of Forecasts:

It has already been indicated that the managers cannot take it easy after they have formulated a business forecast. They have to constantly compare the actual operations with the forecasts prepared in order to find out the reasons for any deviations from forecasts. This helps in making more realistic forecasts for future.

4. Review of the Forecasting Process:

Having determined the deviations of the actual performances from the positions forecast by the managers, it will be necessary to examine the procedures adopted for the purpose so that improvements can be made in the method of forecasting.

Techniques of Forecasting:

There are various methods of forecasting. However, no method can be suggested as universally applicable. In fact, most of the forecasts are done by combining various methods.

A brief discussion of the major forecasting methods is given below:

1. Historical Analogy Method:

Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing.

Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of a certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behaviour in terms of life.

Likewise, changes in the norms of business behaviour in terms of attitude of the workers against inequality, find similarities in various countries at various stages of the history of industrial growth. Thus, this method gives a broad indication about the future events of general nature.

2. Survey Method:

Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method.

On the basis of such surveys, demand for various products can be projected. Survey method is suitable for forecasting demand—both of existing and new products. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers.

3. Opinion Poll:

Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India. Similarly, an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections.

If opinion polls give widely divergent views, the experts may be called for discussion and explanation of why they are holding a particular view. They may be asked to comment on the views of the others, to revise their views in the context of the opposite views, and consensus may emerge. Then, it becomes the estimate of future events.

4. Business Barometers:

A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations.

These index numbers, when used in combination with one another, provide indications as to the direction in which the economy is proceeding. Thus, with the business activity index numbers, it becomes easy to forecast the future course of action.

However, it should be kept in mind that business barometers have their own limitations and they are not sure road to success. All types of business do not follow the general trend but different index numbers have to be prepared for different activities, etc.

5. Time Series Analysis:

Time series analysis involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future.

A trend can be known over the period of time which may be true for the future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

6. Regression Analysis:

Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously.

Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

7. Input-Output Analysis:

According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final output with a given input-output relationship. The basis of this technique is that the various sectors of economy are interrelated and such inter-relationships are well-established.

For example, coal requirement of the country can be predicted on the basis of its usage rate in various sectors like industry, transport, household, etc. and how the various sectors behave in future. This technique yields sector-wise forecasts and is extensively used in forecasting business events as the data required for its application are easily obtained.

Approaches to Forecasting:

These are two approaches to forecasting.

1. Top-down Approach:

In this approach, forecast is done at the corporate level or the strategic level. It starts with a forecast of general economic conditions. It forecasts gross national product, consumer and wholesale price index, interest rates, unemployment level, government expenditures, etc. and estimates the market potential of the product for the entire industry.

Then, it determines its current market share and forecasts success of its product in the market. This forecast is used for operational planning and budgeting the future programmes.

2. Bottom-up Approach:

In this approach, middle and lower-level employees project the business operations in the coming years. For instance, they do customer survey to know what customers want to buy. Such forecasts are made by different sales people which are finally summed up to give the sales forecast.

Usually a questionnaire is mailed or completed through telephonic interview with the prospective customers to make such forecasts. These forecasts are usually reliable for small period of one year.

UNIT-3

Organizing – Line, Staff and Functional organization – Formal and informal organization – Organizational structure – Authority and responsibility – Delegation and decentralization, divisionalizaton and Departmentalization – Span of control – Chain of command – Co-ordination as an essence of Management

Organizing

Introduction

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to Chester Barnard, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A manager performs organizing function with the help of following steps:-

1. **Identification of activities -** All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.

2. **Departmentally organizing the activities -** In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.

3. **Classifying the authority -** Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level

management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.

4. **Co-ordination between authority and responsibility -** Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

Importance of Organizing

1. **Specialization -** Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

2. **Well defined jobs -** Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

3. **Clarifies authority -** Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuses of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. **Co-ordination -** Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority- responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, "Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective." Therefore, co-ordination of authority- responsibility is very important.

5. **Effective administration -** The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

6. **Growth and diversification -** A company's growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

7. **Sense of security -** Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. **Scope for new changes -** Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Principles of Organizing

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

1. **Principle of Specialization**

   According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

2. **Principle of Functional Definition**

   According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships helps in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments shouldbe clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3. **Principles of Span of Control/Supervision**

   According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either froma wide or narrow span. There are two types of span of control:-

   a. **Wide span of control-** It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-
      i. Less overhead cost of supervision
      ii. Prompt response from the employees

  iii. Better communication

  iv. Better supervision

  v. Better co-ordination

  vi. Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

b. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-

  i. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.

  ii. Co-ordination is difficult to be achieved.

  iii. Communication gaps can come.

  iv. Messages can be distorted.

  v. Specialization work can be achieved.

Factors influencing Span of Control

3. **Managerial abilities-** In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

4. **Competence of subordinates-** Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

5. **Nature of work-** If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

6. **Delegation of authority-** When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub- ordinates at one time.

7. **Degree of decentralization-** Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and sub- ordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

Principle of Scalar Chain

Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

Principle of Unity of Command

It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co-ordination and, therefore, effective organization.

Authority Flows from Top to Bottom

Managing Director

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Marketing Manager

↓

Sales/ Media Manager

↓

Salesmen

According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. This scalar chain of command always flow from top to bottom and it defines the authority positions of different managers at different levels.

Line Organization

Line organization is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

Features of Line Organization

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in this organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Merits of Line Organization

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.

3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.

4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.

5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

Line and Staff Organization

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.

Features of Line and Staff Organization

1. There are two types of staff :
   a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
   b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO

2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.

3. Division of work and specialization takes place in line and staff organization.

4. The whole organization is divided into different functional areas to which staff specialists are attached.

5. Efficiency can be achieved through the features of specialization.

6. There are two lines of authority which flow at one time in a concern :
   a. Line Authority
   b. Staff Authority

7. Power of command remains with the line executive and staff serves only as counselors.

Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.

2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.

3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.

4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.

5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.

6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.

7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co-ordination. This relationship automatically ends up the line official to take better and balanced decision.

8. **Unity of action-** Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. In the line and staff authority all

the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

Demerits of Line and Staff Organization

1. **Lack of understanding-** In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.

2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provide wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.

4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

5. **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.

6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

Functional Organization

Functional organization has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.

The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

Features of Functional Organization

1. The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
2. Complex form of administrative organization compared to the other two.
3. Three authorities exist- Line, staff and function.
4. Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
5. Principle of unity of command does not apply to such organization as it is present in line organization.

Merits of Functional Organization

1. **Specialization-** Better division of labour takes place which results in specialization of function and it's consequent benefit.

2. **Effective Control-** Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.

3. **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.

4. **Economy-** Specialization compiled with standardization facilitates maximum production and economical costs.

5. **Expansion-** Expert knowledge of functional manager facilitates better control and supervision.

Demerits of Functional Organization

1. **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.

2. **Lack of Co-ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.

3. **Difficulty in fixing responsibility-** Because of multiple authorities, it is difficult to fix responsibility.

4. **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.

5. **Costly-** Maintenance of specialist's staff of the highest order is expensive for a concern.

Formal and Informal Organizations

Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

1. **Formal Organization -** This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.

2. **Informal Organization -** It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

Relationship between Formal and Informal Organizations

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern.

Formal organization can work independently. But informal organization depends totally upon the formal organization.

Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore

informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.

Delegation of Authority

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

   Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held

responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps :

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation

of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegate's role which means his responsibility and accountability is attached with the authority over to here.

Relationship between Authority and Responsibility

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance Authority flows from the superiors to subordinates,in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

Importance of Delegation

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by -

1. Through delegation, a manager is able to divide the work and allocate it to the subordinates. This helps in reducing his work load so that he can work on important areas such as - planning, business analysis etc.

2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectivity helps a manager to prove his ability and skills in the best manner.

3. Delegation of authority is the ground on which the superior-subordinate relationship stands. An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior-subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.

4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient.

   Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and in a

way they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the leadership traits are flourished. Therefore it is only through delegation, a manager can be tested on his traits.

5. Delegation of authority is help to both superior and subordinates. This, in a way, gives stability to a concern's working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern's stability.

Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiples himself and is able to bring stability, ability and soundness to a concern.

Centralization and Decentralization

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the

department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider is scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that "Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization". Decentralization is wider in scope and the subordinate's responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.

2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.

3. In decentralization, diversification and horizontal can be easily implanted.

4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.

5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.

6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.

7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

Delegation and Decentralization

Basis	Delegation	Decentralization
Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other level of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.
Responsibility	Responsibility remains of the managers and cannot be delegated	Responsibility is also delegated to subordinates.
Freedom of Work	Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function	It is an important decision of an enterprise.
Need on purpose	Delegation is important in all concerns whether big or small. No enterprises can work without	Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not

	delegation.	compulsory.
Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.
Essentiality	Delegation is essential of all kinds of concerns	Decentralization is a decisions function by nature.
Significance	Delegation is essential for creating the organization	Decentralization is an optional policy at the discretion of top management.
Withdrawal	Delegated authority can be taken back.	It is considered as a general policy of top management and is applicable to all departments.

Freedom of Action	Very little freedom to the subordinates	Considerable freedom

Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization.

Span of Management

Meaning of Span of Management:

Depending upon the complexity of organisational activities and relationships amongst superiors and subordinates, it becomes important the superiors manage an optimum number of subordinates that result in optimum organisational output. All the subordinates cannot be managed by one superior. There has to be a limit on the number of subordinates who can be effectively managed by one superior.

The number of subordinates that a superior can effectively supervise is known as span of management or span of control. In the 19th and middle of 20th century, management writers determined 5 or 6 as the optimum number that a manager could effectively manage at the upper level.

Beyond this number, managers faced problems like:

1. Overburdened with work.

2. Difficulty in coordinating the activities of large number of people.

3. Difficulty in controlling.

Thus, optimum number of subordinates that a manager could supervise was determinable but today, it is not so. Exact number of employees that managers can effectively supervise cannot be defined. Span of management is situational in nature.

Depending on the number of employees that can be supervised or controlled by managers, there can be two kinds of structures in the organisation:

I. Tall structures, and

II. Flat structures.

I. Tall structures:

These structures are found in classical bureaucratic organisations. In this structure, a manager can supervise less number of subordinates. He can, therefore, exercise tight control over their activities. This creates large number of levels in the organisation. This is also known as narrow span of control. A tall structure or a narrow span of control appears like this.

Merits of a Tall Structure:

1. Managers can closely supervise activities of the subordinates.

2. There can be better communication amongst superiors and subordinates.

3. It promotes personal relationships amongst superiors and subordinates.

4. Control on subordinates can be tightened in a narrow span.

Limitations of a Tall Structure:

1. It creates many levels in the organisation structure which complicates co-ordination amongst levels.

2. More managers are needed to supervise the subordinates. This increases the overhead expenditure (salary etc.). It is, thus, a costly form of structure.

3. Increasing gap between top managers and workers slows the communication process.

4. Decision-making becomes difficult because of too many levels.

5. Superiors perform routine jobs of supervising the subordinates and have less time for strategic matters.

6. Employees work under strict control of superiors. Decision-making is primarily centralised. This restricts employees' creative and innovative abilities.

7. Strict control leads to low morale and job satisfaction. This can affect productivity in the long-run.

To overcome the limitations of a tall structure, many organisations reduce the number of levels in the hierarchy by downsizing the organisation. Downsizing is "the process of significantly reducing the layers of middle management, expanding spans of control and shrinking the size of the work force."

Many companies downsize their work force through the process of restructuring. Restructuring is "the process of making a major change in organisation structure that often involves reducing management levels and also possibly changing some major components of the organisations through divestiture and/or acquisition."

"The most common and most serious symptom of mal-organisation is multiplication of the number of management levels. A basic rule of organisation is to build the least possible number of management levels and forge the shortest possible chains of command." — Peter F. Drucker

II. Flat Structures:

These structures have a wide span of control. When superior supervises a larger number of subordinates, flat structure is created with lesser number of hierarchical levels. A departure was made from tall structures to flat structures by James C. Worthy who was a consultant in the L. Sears, Roebuck and company.

A structure where span of control for each managerial position is 4 appears as follows:

To illustrate, if organisations A and B, both have 256 workers and the span of control for each managerial position is 2 for company A and 4 for company B, there will be 9 levels in company

A (requiring 128 supervisors at the lowest level, 64 at the next higher level and so on) and 5 levels in company B. A narrow span of control creates more levels in the organisational hierarchy than the wide span of control.

The level in case of organization where span of control is 4 appears as follows:

(The span of 4 prevails for each functional area at each level). For the sake of simplicity, the figure represents the span for only one functional area and one level.

Merits of a Flat Structure:

1. There is low cost as less number of managers can supervise organizational activities.

2. The decision-making process is effective as superiors delegate authority to subordinates. They are relieved of routine matters and concentrate on strategic matters. The decision-making is decentralized.

3. Subordinates perform the work efficiently since they are considered worthy of doing so by the superiors.

4. There is effective communication as the number of levels is less.

5. It promotes innovative abilities of the top management.

Limitations of a Flat Structure:

1. Superiors cannot closely supervise the activities of employees.

2. Managers may find it difficult to co-ordinate the activities of subordinates.

3. Subordinates have to be trained so that dilution of control does not affect organisational productivity.

Both tall and flat structures have positive and negative features and it is difficult to find the exact number of subordinates that a manager can effectively manage. Some management theorists like David D. Van Fleet and Arthur G. Bedeian assert that span of control and organisational

efficiency are not related and many empirical studies have proved that span of control is situational and depends on a variety of factors.

Some studies proved that flat structures produce better results as decentralised decision making has less control from the top, promotes initiative and satisfaction at work. Large number of members in a group can better solve the complex problems as group decision making is based on greater skill variety.

Other studies proved that people working in tall structures produce better results as less number of members in a group can come to consensus of opinion and evaluate their decisions more thoroughly. Group cohesiveness is high and, thus, commitment to decisions is also high. Members feel satisfied with their decisions and conflicts are reduced.

Factors Affecting Span of Management:

The following factors help in determining the suitable span of management:

1. Competence of managers:

If managers are competent in their jobs, they can have a wide span of management. Competence of managers is judged by their ability to make decisions related to motivational plans, leadership styles, communication channels and chains, techniques of control etc. Managers who rank high on these parameters can effectively supervise larger number of subordinates.

2. Nature of work:

If employees perform similar and repetitive work, managers can supervise large number of subordinates and, thus, have a wide span of control. Non-repetitive and challenging work requires narrow span of control. Changes in the nature of work also affects the span of management.

Frequent changes as a result of dynamic environment support a narrow span as superiors frequently have to direct the activities of subordinates. Stability in the nature of work supports a wide span of management as superiors' directions are not frequently required to carry out the work processes.

3. Assistance to managers:

If managers have access to technical or secretarial assistance, a larger group of subordinates can be managed. Span of control can, therefore, be wide. Staff assistance can be useful for collecting and processing information related to various decisions and issuing orders to the subordinates. Managers save time in communicating with subordinates, direct the activities of larger number of subordinates and focus on other strategic organizational matters.

4. Competence of subordinates:

If subordinates are competent to manage their jobs without much assistance from the superiors, span of control can be wide. Competent subordinates do not require frequent directions from the superiors with respect to various organizational activities. Superiors can thus, manage a larger group of subordinates.

5. Plans and policies:

If plans clearly define the organizational/individual goals and policies, superiors can supervise a larger group of subordinates and have a wide span of control. Clearly defined plans include well-formulated policies procedures, methods etc. Particularly, if standing plans are well defined, subordinates know the broad guidelines within which they have to make decisions in similar and repetitive situations.

They do not approach the superiors every time they face a similar problem-solving situation. Superiors can, thus, manage a larger group of subordinates. However, if most of the decisions are made by resorting to single use plans (programmes, budgets, projects etc.), managers have to be frequently approached and the span can, thus, be narrow.

6. Organisational level:

The top executives look after important and specialised activities and, therefore, the span is narrow at the top level but at lower levels the span can be wide, since supervisors are mainly concerned with routine jobs. According to J.C. Worthy, a manager can supervise as many as 20 subordinates at the lower levels.

7. Authority-responsibility structure:

If authority-responsibility structure is well-defined and understood, superiors can supervise larger number of subordinates. People work within the confines of their responsibility and take directions from superiors only when required. Lack of clarity in authority-responsibility structure will create confusion in the organisation. Jobs and who will perform which job, who is accountable to whom will not be clear. In such a situation, managers cannot supervise a large group of subordinates. The span of management will, thus, be narrow.

8. System of control:

Effective techniques of control can enable the manager to supervise larger number of subordinates. Effective system of control promotes decentralisation. Superiors do not actively involve in the decision-making processes as decisions are taken at the levels where they are required. There is extensive delegation, clarity of jobs, authority-responsibility relationships and freedom to take decisions. The span of control can, thus, be wide.

9. Financial factors:

Both narrow and wide structures have financial constraints. A narrow span requires more managers and is, thus, a costly form of structure. Wide span, on the other hand, may result into organizational inefficiencies. Proper balance has to be maintained between the costs and benefits of the span that a manager can effectively supervise.

These factors are situational in nature and the span of management is also, thus, situational. Sometimes it can be narrow and sometimes wide. For the same organization, it can be different for different functional areas and different levels. The span is usually narrow in the finance department and wide in the marketing department for the same level. It may be different in different organisations for the same functional areas and levels.

Chain of Command

The chain of command in a company refers to the different levels of command within the organization. It starts with the top position such as CEO or the business owner, all the way down to the front-line workers. Companies create a chain of command in order to flow instructions downward and accountability upward by providing each level of workers with a supervisor.

Establishing a Chain of Command

Each company has a different organizational structure, which translates to its chain of command. A company's hierarchy starts with the CEO at the top. Following the CEO are the vice president and upper management employees who report directly to the CEO. Then, there are department managers and supervisors who report to the higher-level executives. Lastly, the front-line workers who report to their respective supervisor and department manager. Every employee recognizes the structure of the company when a chain of command is in place.

Levels of Management

There are three general levels of management: top, middle, and front-line managers.

Top Managers

Top managers are in charge of the overall performance and health of the company by controlling and overseeing the entire organization. They are the ones who set the goals, objectives, and mission for the company. Top-level executives spend the majority of their time planning and decision-making and consistently scan the business environment for opportunities and threats.

Some of their duties include:

- Set company goals and objectives
- Scan external environment
- Plan strategically and make decisions

Some examples of a top managers include the following: Board of directors, chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), president, and vice president.

Middle Managers

Middle managers are responsible for achieving the objectives set by the top managers by developing and implementing activities. They oversee the first line managers and make sure they are properly executing the activities they set out.

Some of their duties include:

- Report to top management
- Oversee first-Line managers
- Allocate resources
- Design, develop and implement activities

Some examples of middle managers include the following: General Managers, department managers, operations manager, division manager, branch manager, and division manager.

First-Line Managers

First line managers are in charge of supervising employees and coordinating their day-to-day activities. They need to make sure that the work done by their employees is consistent with the plans that the upper management set out for the company.

Some of their duties include:

- Report to middle managers
- Supervise employees
- Organize activities
- Involved in day-to-day business operations

Some examples of a first-line manager include the following: department head, foreman, office manager, section head, shift boss, and supervisor.

Advantages of a Good Chain of Command

There are numerous advantages that can come from having a good Chain of Command, including the following:

Responsibility – Having different areas of the business can improve accountability by giving everyone a different responsibility. Everyone has their own separate duties, and their own supervisor to keep them accountable.

Efficiency – A functional chain of command helps improve efficiency when communicating with workers. As a result, this helps them improve workflow and adjusting their management methods.

Clarity – Having a good company structure makes the chain of command very clear. Furthermore, this lets everyone know which decisions they are allowed to make and which ones to present to their supervisors.

Employee Morale – Companies that have a clear chain of command create an environment without uncertainty and chaos. It improves the morale of workers leading to high productivity and low employee turnover.

Career Path – It makes it easier to create career paths for employees and track their progress toward their goals outlined in their respective areas.

Specialization – Making employees focus on narrow functional areas can create groups of specialists that heavily impact the functions of the company.

Coordination: The Essence of Management:

Coordination can be defined as "Synchronization of efforts from the stand-point of time and the sequence of execution". In general coordination means bringing together the activities and resources of organization and bringing harmony in them.

Coordination is the base or primary function of every manager because various departments of an organization are working independently and there is need to relate and integrate their activities.

Coordination: The Essence of Management:

Coordination brings unity of action and integrates different activities of organisation. Coordination is considered as the essence of management because of following reasons

1. Coordination is needed to perform all the functions of management:

(i) In planning coordination is required between main plan and supportive plans of different departments.

(ii) In organising coordination is required between different resources of an organization and also between authority responsibility and accountability.

(iii) In staffing coordination is required between skill of a person and job assigned to him, between efficiency and compensation etc.

(iv) In directing function coordination is required between superior and subordinates, between orders, instructions, guidelines and suggestions etc.

(v) In controlling function coordination is required between standards and actual performance.

2. Coordination is required at all the levels:

(i) Top level requires coordination to integrate all the activities of organisation and lead the efforts of all the individuals in one common direction.

(ii) Coordination is required at middle level to balance the activities of different departments so that these can work as a part of one organisation only.

(iii) Lower level requires coordination to integrate the activities of workers towards achievement of organisational objectives.
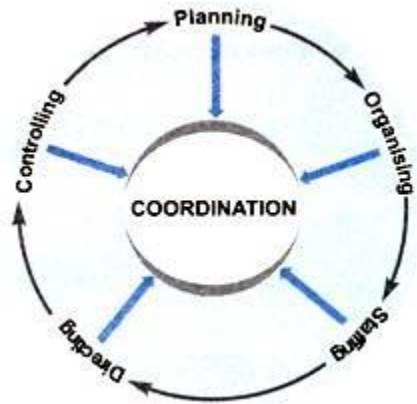
3. Coordination is the most important function of an organization:

Any company which fails to coordinate its activities cannot survive and run successfully for a long period of time.

For example, Allwyn Company, established in 1942, was the first company to produce a double-decker bus. It was running successfully as a leading electronic industry, especially in refrigeration industry. By the end of 1980 the company faced the problem of coordination. There was lack of balance and integration of different activities; as a result the company started facing huge losses and by 1993 company had an accumulated loss of Rs. 168 crore. Company failed to balance its departmental activities and product folios.

UNIT-4

Staffing, Staffing process – Recruitment, Selection, training, promotion, transfers, and demotion

Staffing

Introduction

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

The three major responsibilities assigned by Peter F. Drucker to management, viz., (i) Managing work ; (ii) Managing workers and (iii) Managing Managers, the staffing function of management involves the discharge of the last responsibility— Managing Managers.

As Haimann observes the staffing function pertains "to the recruitment, selection, development, training and compensation of subordinate managers."' Koontz and O'Donnell too define Staffing as "the executive function which involves the recruitment, selection, compensating, training, promotion and retirement of subordinate managers."

Nature of Staffing Function

1. **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.

2. **Staffing is a pervasive activity-** As staffing function is carried out by all mangers and in all types of concerns where business activities are carried out.

3. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.

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4. **The basis of staffing function is efficient management of personnels-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.

5. **Staffing helps in placing right men at the right job.** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

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

Staffing Process

1. **Manpower requirements-** The very first step in staffing is to plan the manpower inventory required by a concern in order to match them with the job requirements and demands. Therefore, it involves forecasting and determining the future manpower needs of the concern.

2. **Recruitment-** Once the requirements are notified, the concern invites and solicits applications according to the invitations made to the desirable candidates.

3. **Selection-** This is the screening step of staffing in which the solicited applications are screened out and suitable candidates are appointed as per the requirements.

4. **Orientation and Placement-** Once screening takes place, the appointed candidates are made familiar to the work units and work environment through the orientation programmes. Placement takes place by putting right man on the right job.

5. **Training and Development-** Training is a part of incentives given to the workers in order to develop and grow them within the concern. Training is generally given according to the nature of activities and scope of expansion in it. Along with it, the workers are developed by providing them extra benefits of in-depth knowledge of their functional areas. Development also includes giving them key and important jobs as a test or examination in order to analyze their performances.

6. **Remuneration-** It is a kind of compensation provided monetarily to the employees for their work performances. This is given according to the nature of job- skilled or

unskilled, physical or mental, etc. Remuneration forms an important monetary incentive for the employees.

7. **Performance Evaluation-** In order to keep a track or record of the behaviour, attitudes as well as opinions of the workers towards their jobs. For this regular assessment is done to evaluate and supervise different work units in a concern. It is basically concerning to know the development cycle and growth patterns of the employeesin a concern.

8. **Promotion and transfer-** Promotion is said to be a non- monetary incentive in which the worker is shifted from a higher job demanding bigger responsibilities as well as shifting the workers and transferring them to different work units and branches of the same organization.

Recruitment

Meaning:

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organisation. When more persons apply for jobs then there will be a scope for recruiting better persons.

The job-seekers too, on the other hand, are in search of organisations offering them employment. Recruitment is a linkage activity bringing together those with jobs and those seeking jobs. In simple words, the term recruitment refers to discovering the source from where potential employees may be selected. The scientific recruitment process leads to higher productivity, better wages, high morale, reduction in labour turnover and enhanced reputation. It stimulates people to apply for jobs; hence it is a positive process.

Recruitment is concerned with reaching out, attracting, and ensuring a supply of qualified personnel and making out selection of requisite manpower both in their quantitative and qualitative aspect. It is the development and maintenance of adequate man- power resources. This is the first stage of the process of selection and is completed with placement.

Definition:

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation." He further elaborates it, terming it both negative and positive.

He says, "It is often termed positive in that it stimulates people to apply for jobs, to increase the hiring ratio, i.e. the number of applicants for a job. Selection, on the other hand, tends to be negative because it rejects a good number of those who apply, leaving only the best to be hired. "

In the words of Dale Yoder, Recruitment is the process to "discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force."

Kempner writes, "Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidates."

In personnel recruitment, management tries to do far more than merely fill job openings. As a routine the formula for personnel recruitment would be simple i.e., just fill the job with any applicant who comes along.

Joseph J. Famularo has said, "However, the act of hiring a man carries with it the presumption that he will stay with the company-that sooner or later his ability to perform his work, his capacity for job growth, and his ability to get along in the group in which he works will become matters of first importance." Because of this, a critical examination of recruitment methods in use should be made, and that is the purpose of this chapter.

Sources of Recruitment

Sources of Recruitment of Employees: Internal and External Sources (with its Advantages and Disadvantages)!

The searching of suitable candidates and informing them about the openings in the enterprise is the most important aspect of recruitment process.

The candidates may be available inside or outside the organization. Basically, there are two sources of recruitment i.e., internal and external sources.

Sources of Recruitment
↓

Internal	External
(*i*) Transfers	(*i*) Advertisement
(*ii*) Promotions	(*ii*) Employment Exchanges
(*iii*) Present employees	(*iii*) Educational Institutions
	(*iv*) Recommendation of Existing Employees
	(*v*) Factory Gates
	(*vi*) Casual Callers
	(*vii*) Central Application File (Data Banks)
	(*viii*) Labour Unions
	(*ix*) Labour Contractors
	(*x*) Former Employees
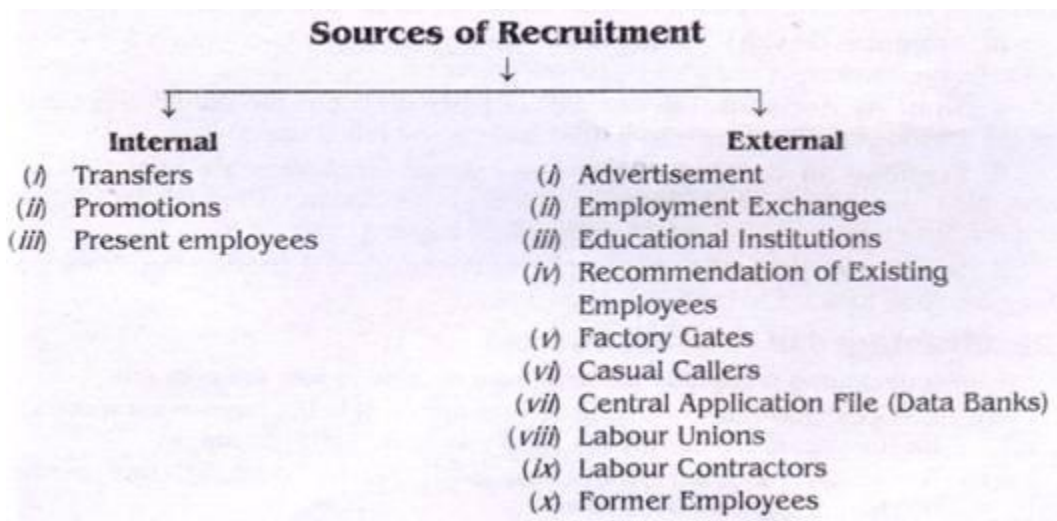
(A) Internal Sources:

Best employees can be found within the organization. When a vacancy arises in the organisation, it may be given to an employee who is already on the pay-roll. Internal sources include promotion, transfer and in certain cases demotion. When a higher post is given to a deserving employee, it motivates all other employees of the organisation to work hard. The employees can be informed of such a vacancy by internal advertisement.

Methods of Internal Sources:

The Internal Sources Are Given Below:

1. Transfers:

Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

2. Promotions:

Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation.

A person going to get a higher position will vacate his present position. Promotion will motivate employees to improve their performance so that they can also get promotion.

3. Present Employees:

The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates.

The persons recommended by the employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behaviour and performance.

Advantages of Internal Sources:

The Following are The Advantages of Internal Sources:

1. Improves morale:

When an employee from inside the organisation is given the higher post, it helps in increasing the morale of all employees. Generally every employee expects promotion to a higher post carrying more status and pay (if he fulfills the other requirements).

2. No Error in Selection:

When an employee is selected from inside, there is a least possibility of errors in selection since every company maintains complete record of its employees and can judge them in a better manner.

3. Promotes Loyalty:

It promotes loyalty among the employees as they feel secured on account of chances of advancement.

4. No Hasty Decision:

The chances of hasty decisions are completely eliminated as the existing employees are well tried and can be relied upon.

5. Economy in Training Costs:

The existing employees are fully aware of the operating procedures and policies of the organisation. The existing employees require little training and it brings economy in training costs.

6. Self-Development:

It encourages self-development among the employees as they can look forward to occupy higher posts.

Disadvantages of Internal Sources:

(i) It discourages capable persons from outside to join the concern.

(ii) It is possible that the requisite number of persons possessing qualifications for the vacant posts may not be available in the organisation.

(iii) For posts requiring innovations and creative thinking, this method of recruitment cannot be followed.

(iv) If only seniority is the criterion for promotion, then the person filling the vacant post may not be really capable.

Inspite of the disadvantages, it is frequently used as a source of recruitment for lower positions. It may lead to nepotism and favouritism. The employees may be employed on the basis of their recommendation and not suitability.

(B) External Sources:

All organisations have to use external sources for recruitment to higher positions when existing employees are not suitable. More persons are needed when expansions are undertaken.

The external sources are discussed below:

Methods of External Sources:

1. Advertisement:

It is a method of recruitment frequently used for skilled workers, clerical and higher staff. Advertisement can be given in newspapers and professional journals. These advertisements attract applicants in large number of highly variable quality.

Preparing good advertisement is a specialised task. If a company wants to conceal its name, a 'blind advertisement' may be given asking the applicants to apply to Post Bag or Box Number or to some advertising agency.

2. Employment Exchanges:

Employment exchanges in India are run by the Government. For unskilled, semi-skilled, skilled, clerical posts etc., it is often used as a source of recruitment. In certain cases it has been made obligatory for the business concerns to notify their vacancies to the employment exchange. In the past, employers used to turn to these agencies only as a last resort. The job-seekers and job-givers are brought into contact by the employment exchanges.

3. Schools, Colleges and Universities:

Direct recruitment from educational institutions for certain jobs (i.e. placement) which require technical or professional qualification has become a common practice. A close liaison between the company and educational institutions helps in getting suitable candidates. The students are spotted during the course of their studies. Junior level executives or managerial trainees may be recruited in this way.

4. Recommendation of Existing Employees:

The present employees know both the company and the candidate being recommended. Hence some companies encourage their existing employees to assist them in getting applications from persons who are known to them.

In certain cases rewards may also be given if candidates recommended by them are actually selected by the company. If recommendation leads to favoritism, it will impair the morale of employees.

5. Factory Gates:

Certain workers present themselves at the factory gate every day for employment. This method of recruitment is very popular in India for unskilled or semi-skilled labour. The desirable candidates are selected by the first line supervisors. The major disadvantage of this system is that the person selected may not be suitable for the vacancy.

6. Casual Callers:

Those personnel who casually come to the company for employment may also be considered for the vacant post. It is most economical method of recruitment. In the advanced countries, this method of recruitment is very popular.

7. Central Application File:

A file of past applicants who were not selected earlier may be maintained. In order to keep the file alive, applications in the files must be checked at periodical intervals.

8. Labour Unions:

In certain occupations like construction, hotels, maritime industry etc., (i.e., industries where there is instability of employment) all recruits usually come from unions. It is advantageous from the management point of view because it saves expenses of recruitment. However, in other industries, unions may be asked to recommend candidates either as a goodwill gesture or as a courtesy towards the union.

9. Labour Contractors:

This method of recruitment is still prevalent in India for hiring unskilled and semi-skilled workers in brick klin industry. The contractors keep themselves in touch with the labour and bring the workers at the places where they are required. They get commission for the number of persons supplied by them.

10. Former Employees:

In case employees have been laid off or have left the factory at their own, they may be taken back if they are interested in joining the concern (provided their record is good).

11. Other Sources:

Apart from these major sources of external recruitment, there are certain other sources which are exploited by companies from time to time. These include special lectures delivered by recruiter in different institutions, though apparently these lectures do not pertain to recruitment directly.

Then there are video films which are sent to various concerns and institutions so as to show the history and development of the company. These films present the story of company to various audiences, thus creating interest in them.

Various firms organise trade shows which attract many prospective employees. Many a time advertisements may be made for a special class of work force (say married ladies) who worked prior to their marriage.

These ladies can also prove to be very good source of work force. Similarly there is the labour market consisting of physically handicapped. Visits to other companies also help in finding new sources of recruitment.

Merits of External Sources:

1. Availability of Suitable Persons:

Internal sources, sometimes, may not be able to supply suitable persons from within. External sources do give a wide choice to the management. A large number of applicants may be willing to join the organisation. They will also be suitable as per the requirements of skill, training and education.

2. Brings New Ideas:

The selection of persons from outside sources will have the benefit of new ideas. The persons having experience in other concerns will be able to suggest new things and methods. This will keep the organisation in a competitive position.

3. Economical:

This method of recruitment can prove to be economical because new employees are already trained and experienced and do not require much training for the jobs.

Demerits of External Sources:

1. Demoralisation:

When new persons from outside join the organisation then present employees feel demoralised because these positions should have gone to them. There can be a heart burning among old employees. Some employees may even leave the enterprise and go for better avenues in other concerns.

2. Lack of Co-Operation:

The old staff may not co-operate with the new employees because they feel that their right has been snatched away by them. This problem will be acute especially when persons for higher positions are recruited from outside.

3. Expensive:

The process of recruiting from outside is very expensive. It starts with inserting costly advertisements in the media and then arranging written tests and conducting interviews. In spite of all this if suitable persons are not available, then the whole process will have to be repeated.

4. Problem of Maladjustment:

There may be a possibility that the new entrants have not been able to adjust in the new environment. They may not temperamentally adjust with the new persons. In such cases either the persons may leave themselves or management may have to replace them. These things have adverse effect on the working of the organisation.

Suitability of External Sources of Recruitment:

External Sources of Recruitment are Suitable for The Following Reasons:

(i) The required qualities such as will, skill, talent, knowledge etc., are available from external sources.

(ii) It can help in bringing new ideas, better techniques and improved methods to the organization.

(iii) The selection of candidates will be without preconceived notions or reservations.

(iv) The cost of employees will be minimum because candidates selected in this method will be placed in the minimum pay scale.

(v) The entry of new persons with varied experience and talent will help in human resource mix.

(vi) The existing employees will also broaden their personality.

(vii) The entry of qualitative persons from outside will be in the long-run interest of the organization.

Types of Recruitment

Recruitment is of 2 types

1. **Internal Recruitment -** is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization. Internal sources are primarily three - Transfers, promotions and Re-employment of ex-employees.

   Internal recruitment may lead to increase in employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it refrains the organization from new blood. Also, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

   Internal sources are primarily 3

   a. **Transfers**
   b. **Promotions (through Internal Job Postings)** and
   c. **Re-employment of ex-employees -** Re-employment of ex-employees is one of the internal sources of recruitment in which employees can be invited and appointed to fill vacancies in the concern. There are situations when ex-employees provide unsolicited applications also.

2. **External Recruitment -** External sources of recruitment have to be solicited from outside the organization. External sources are external to a concern. But it involves lot of time and money. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labour contractors, recommendations etc.

   a. **Employment at Factory Level -** This a source of external recruitment in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be appointed. There are people who keep on soliciting jobs from one place to another. These applicants are called as unsolicited applicants. These types of workers apply on their own for their job. For this kind of recruitment

workers have a tendency to shift from one factory to another and therefore they are called as "badli" workers.

b. **Advertisement -** It is an external source which has got an important place in recruitment procedure. The biggest advantage of advertisement is that it covers a wide area of market and scattered applicants can get information from advertisements. Medium used is Newspapers and Television.

c. **Employment Exchanges -** There are certain Employment exchanges which are run by government. Most of the government undertakings and concerns employ people through such exchanges. Now-a-days recruitment in government agencies has become compulsory through employment exchange.

d. **Employment Agencies -** There are certain professional organizations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.

e. **Educational Institutions -** There are certain professional Institutions which serves as an external source for recruiting fresh graduates from these institutes. This kind of recruitment done through such educational institutions, is called as Campus Recruitment. They have special recruitment cells which helps in providing jobs to fresh candidates.

f. **Recommendations -** There are certain people who have experience in a particular area. They enjoy goodwill and a stand in the company. There are certain vacancies which are filled by recommendations of such people. The biggest drawback of this source is that the company has to rely totally on such people which can later on prove to be inefficient.

g. **Labour Contractors -** These are the specialist people who supply manpower to the Factory or Manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under conditions when these contractors leave the organization, such people who are appointed have to also leave the concern.

Factors affecting recruitment:

There are a number of factors that affect recruitment.

These are broadly classified into two categories:

1. Internal Factors

2. External Factors

These are discussed one by one.

1. Internal Factors:

The internal factors also called endogenous factors are the factors within the organisation that affect recruiting personnel in the organisation. Some of these are mentioned here.

a. Size of the Organisation:

The size of an organisation affects the recruitment process. Experience suggests that larger organisations find recruitment less problematic than organisations with smaller in size.

b. Recruiting Policy:

The recruiting policy of the organisation i.e., recruiting from internal sources (from own employees) and from external sources (from outside the organisation) also affects recruitment process. Generally, recruiting through internal sourcing is preferred, because own employees know the organisation and they can well fit into the organisation's culture.

c. Image of Organisation:

Image of organisation is another internal factor having its influence on the recruitment process of the organisation. Good image of the organisation earned by a number of overt and covert actions by management helps attract potential and competent candidates. Managerial actions like good public relations, rendering public services like building roads, public parks, hospitals and schools help earn image or goodwill for the organisation. That is why blue chip companies attract large number of applications.

d. Image of Job:

Just as image of organisation affects recruitment so does the image of a job also. Better remuneration and working conditions are considered the characteristics of good image of a job. Besides, promotion and career development policies of organisation also attract potential candidates.

2. External Factors:

Like internal factors, there are some factors external to organisation which has their influence on recruitment process.

Some of these are given below:

a. Demographic Factors:

As demographic factors are intimately related to human beings, i.e., employees, these have profound influence on recruitment process. Demographic factors include sex, age, literacy, economic status etc.

b. Labour Market:

Labour market conditions i.e., supply and demand of labour is of particular importance in affecting recruitment process. For example, if the demand for a specific skill is high relative to its supply, recruiting employees will involve more efforts. On the contrary, if supply is more than demand for a particular skill, recruitment will be relatively easier.

In this context, the observation made by 11PM in regard to labour market in India is worth citing: "The most striking feature in the Indian Labour market is the apparent abundance of labour – yet the 'right type' of labour is not too easy to find".

c. Unemployment Situation:

The rate unemployment is yet another external factor having its influence on the recruitment process. When the unemployment rate in a given area is high, the recruitment process tends to be simpler. The reason is not difficult to seek. The number of applicants is expectedly very high which makes easier to attract the best qualified applicants. The reverse is also true. With a low rate of unemployment, recruiting process tends to become difficult.

d. Labour Laws:

There are several labour laws and regulations passed by the Central and State Governments that govern different types of employment. These cover working conditions, compensation, retirement benefits, and safety and health of employees in industrial undertakings.

Child Labour (Prohibition and Regulation) Act, 1986, for example, prohibits employment of children in certain employments. Similarly, several other acts such as Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, the Apprentices Act, 1961; die Factory Act, 1948 and the Mines Act, 1952 deal with recruitment.

e. Legal Considerations:

Another external factor is legal considerations with regard to employment. Reservation of jobs for the scheduled castes, scheduled tribes, and other backward classes (OBCs) is the popular example of such legal consideration. The Supreme Court of India has given its verdict in favour of 50 per cent of jobs and seats. This is so in case of admissions in the educational institutions also.

Recruitment is a process

Recruitment is a process of finding and attracting the potential resources for filling up the vacant positions in an organization. It sources the candidates with the abilities and attitude, which are required for achieving the objectives of an organization.

Recruitment process is a process of identifying the jobs vacancy, analyzing the job requirements, reviewing applications, screening, short listing and selecting the right candidate.

To increase the efficiency of hiring, it is recommended that the HR team of an organization follows the five best practices (as shown in the following image). These five practices ensure successful recruitment without any interruptions. In addition, these practices also ensure consistency and compliance in the recruitment process.

RECRUITMENT PROCESS

- Recruitment Planning
- Strategy Development
- Searching
- Screening
- Evaluation & Control

Identifying Vacancy

The first and foremost process of recruitment plan is identifying the vacancy. This process begins with receiving the requisition for recruitments from different department of the organization to the HR Department, which contains −

- Number of posts to be filled

- Number of positions

- Duties and responsibilities to be performed

- Qualification and experience required

When a vacancy is identified, it the responsibility of the sourcing manager to ascertain whether the position is required or not, permanent or temporary, full-time or part-time, etc. These parameters should be evaluated before commencing recruitment. Proper identifying, planning and evaluating leads to hiring of the right resource for the team and the organization.

Job Analysis

Job analysis is a process of identifying, analyzing, and determining the duties, responsibilities, skills, abilities, and work environment of a specific job. These factors help in identifying what a job demands and what an employee must possess in performing a job productively.

Job analysis helps in understanding what tasks are important and how to perform them. Its purpose is to establish and document the **job relatedness** of employment procedures such as selection, training, compensation, and performance appraisal.

The following steps are important in analyzing a job −

- Recording and collecting job information

- Accuracy in checking the job information

- Generating job description based on the information

- Determining the skills, knowledge and skills, which are required for the job

The immediate products of job analysis are **job descriptions** and **job specifications**.

Job Description

Job description is an important document, which is descriptive in nature and contains the final statement of the job analysis. This description is very important for a successful recruitment process.

Job description provides information about the scope of job roles, responsibilities and the positioning of the job in the organization. And this data gives the employer and the organization a clear idea of what an employee must do to meet the requirement of his job responsibilities.

Job description is generated for fulfilling the following processes −

- Classification and ranking of jobs
- Placing and orientation of new resources
- Promotions and transfers
- Describing the career path
- Future development of work standards

A job description provides information on the following elements −

- Job Title / Job Identification / Organization Position
- Job Location
- Summary of Job
- Job Duties
- Machines, Materials and Equipment
- Process of Supervision
- Working Conditions
- Health Hazards

Job Specification

Job specification focuses on the specifications of the candidate, whom the HR team is going to hire. The first step in job specification is preparing the list of all jobs in the organization and its locations. The second step is to generate the information of each job.

This information about each job in an organization is as follows −

- Physical specifications
- Mental specifications
- Physical features
- Emotional specifications
- Behavioral specifications

A job specification document provides information on the following elements −

- Qualification
- Experiences
- Training and development
- Skills requirements
- Work responsibilities
- Emotional characteristics
- Planning of career

Job Evaluation

Job evaluation is a comparative process of analyzing, assessing, and determining the relative value/worth of a job in relation to the other jobs in an organization.

The main objective of job evaluation is to analyze and determine which job commands how much pay. There are several methods such as **job grading**, **job classifications**, **job ranking**, etc., which are involved in job evaluation. Job evaluation forms the basis for salary and wage negotiations.

Recruitment Strategy

Recruitment strategy is the second step of the recruitment process, where a strategy is prepared for hiring the resources. After completing the preparation of job descriptions and job specifications, the next step is to decide which strategy to adopt for recruiting the potential candidates for the organization.

While preparing a recruitment strategy, the HR team considers the following points −

- Make or buy employees
- Types of recruitment
- Geographical area
- Recruitment sources

The development of a recruitment strategy is a long process, but having a right strategy is mandatory to attract the right candidates. The steps involved in developing a recruitment strategy include −

- Setting up a board team
- Analyzing HR strategy
- Collection of available data
- Analyzing the collected data
- Setting the recruitment strategy

Searching the Right Candidates

Searching is the process of recruitment where the resources are sourced depending upon the requirement of the job. After the recruitment strategy is done, the searching of candidates will be initialized. This process consists of two steps −

- **Source activation** − Once the line manager verifies and permits the existence of the vacancy, the search for candidates starts.

- **Selling** − Here, the organization selects the media through which the communication of vacancies reaches the prospective candidates.

Searching involves attracting the job seekers to the vacancies. The sources are broadly divided into two categories: **Internal Sources** and **External Sources**.

Internal Sources

Internal sources of recruitment refer to hiring employees within the organization through −

- Promotions
- Transfers
- Former Employees
- Internal Advertisements (Job Posting)
- Employee Referrals
- Previous Applicants

External Sources

External sources of recruitment refer to hiring employees outside the organization through −

- Direct Recruitment

- Employment Exchanges

- Employment Agencies

- Advertisements

- Professional Associations

- Campus Recruitment

- Word of Mouth

Screening / Short listing

Screening starts after completion of the process of sourcing the candidates. Screening is the process of filtering the applications of the candidates for further selection process.

Screening is an integral part of recruitment process that helps in removing unqualified or irrelevant candidates, which were received through sourcing. The screening process of recruitment consists of three steps −

Reviewing of Resumes and Cover Letters

Reviewing is the first step of screening candidates. In this process, the resumes of the candidates are reviewed and checked for the candidates' education, work experience, and overall background matching the requirement of the job

While reviewing the resumes, an HR executive must keep the following points in mind, to ensure better screening of the potential candidates −

- Reason for change of job

- Longevity with each organization

- Long gaps in employment

- Job-hopping

- Lack of career progression

Conducting Telephonic or Video Interview

Conducting telephonic or video interviews is the second step of screening candidates. In this process, after the resumes are screened, the candidates are contacted through phone or video by the hiring manager. This screening process has two outcomes −

- It helps in verifying the candidates, whether they are active and available.

- It also helps in giving a quick insight about the candidate's attitude, ability to answer interview questions, and communication skills.

Identifying the top candidates

Identifying the top candidates is the final step of screening the resumes/candidates. In this process, the cream/top layer of resumes are shortlisted, which makes it easy for the hiring manager to take a decision. This process has the following three outcomes −

- Short listing 5 to 10 resumes for review by the hiring managers
- Providing insights and recommendations to the hiring manager
- Helps the hiring managers to take a decision in hiring the right candidate

Evaluation and Control

Evaluation and control is the last stage in the process of recruitment. In this process, the effectiveness and the validity of the process and methods are assessed. Recruitment is a costly process, hence it is important that the performance of the recruitment process is thoroughly evaluated.

The costs incurred in the recruitment process are to be evaluated and controlled effectively. These include the following −

- Salaries to the Recruiters

- Advertisements cost and other costs incurred in recruitment methods, i.e., agency fees.

- Administrative expenses and Recruitment overheads

- Overtime and Outstanding costs, while the vacancies remain unfilled

- Cost incurred in recruiting suitable candidates for the final selection process

- Time spent by the Management and the Professionals in preparing job description, job specifications, and conducting interviews.

Finally, the question that is to be asked is, whether the recruitment methods used are valid or not? And whether the recruitment process itself is effective or not? Statistical information on the costs incurred for the process of recruitment should be effective.

Types of interviews

Depending up the requirements, situations, locations and time, the interviews are broadly classified into ten different categories. Recruiters should be knowledgeable enough to understand which type of interview should be used when.

The ten different types of interviews are as follows −

- **Structured Interview** − In this type, the interview is designed and detailed in advance. A structured interview is pre-planned, accurate, and consistent in hiring the candidates.

- **Unstructured Interview** − This type of interview is an unplanned one, where the interview questionnaire is not prepared. Here, the effectiveness of the interview is very less and there is a tremendous waste of time and effort of both the interviewer and the interviewee.

- **Group Interview** − In this type of interview, all the candidates or a group of candidates are interviewed together. Group interviews are conducted to save time when there is a large number of applications for a few job vacancies. A topic will be given to discuss among the candidates and the interviewer judges the innovativeness and behavior of each candidate in the group.

- **Depth Interview** − Depth interview is a semi-structured interview, where the candidates have to give a detailed information about their education background, work experience, special interests, etc. And the interviewer takes a depth interview and tries in finding the expertise of the candidate.

- **Stress Interview** − Stress interviews are conducted to discover how a candidate behaves in stressful conditions. In this type of interview, the interviewer will come to know whether the candidate can handle the demands of a complex job. The candidate who

maintains his composure during a stress interview is normally the right person to handle a stressful job.

- **Individual Interview** − In an individual interview, the interview takes place one-on-one i.e., there will be a verbal and a visual interaction between two people, an interviewer and a candidate. This is a two-way communication interview, which helps in finding the right candidate for a vacant job position.

- **Informal Interview** − Such interviews are conducted in an informal way, i.e., the interview will be fixed without any written communication and can be arranged at any place. There is no procedure of asking questions in this type of interview, hence it will be a friendly kind of interview.

- **Formal Interview** − A formal interview held in a formal way, i.e., the candidate will be intimated about the interview well in advance and the interviewer plans and prepares questions for the interview. This is also called as a **planned interview**.

- **Panel Interview** − Panel interview, as the name indicates, is being conducted by a group of people. In this type of interview, three to five members of the selection committee will be asking questions to the candidates on different aspects. The final decision will be taken by all the members of the panel collectively.

- **Exit Interview** − Exit interviews are conducted for those employees who want to leave the organization. The importance of the exit interview is to discover why an employee wants to leave his job.

Example

Suppose there is a software company Global Systems, which has an executive requirement for the position CEO. This kind of position cannot be fulfilled in a short span. These kinds of requirements need a keen observation and a lot of planning.

There are different types of interviews, which are explained in the above list. The best type of interview suitable for hiring a CEO would be a "Structured Interview". Hiring a CEO for an organization is a big task and it can only be fulfilled with lots of planning. Hence the interview process needs to be well structured and it has to be executed in a perfect way.

Selection

Selection is the process of choosing the most suitable candidates from those who apply for the job. It is a process of offering jobs to desired candidates.

Once the potential applicants are identified, the next step is to evaluate their qualification, qualities, experience, capabilities, etc. & make the selection. It is the process of offering jobs to the desired applicants.

Selection means choosing a few from those who apply. It is picking up of applicants or candidates with requisite qualifications and qualities to fill jobs in the organization.

Definition of Selection

According to Harold Koontz, "Selection is the process of choosing from the candidates, from within the organization or from outside, the most suitable person for the current position or for the future positions."

Dale Yoder said, "Selection is the process by which candidates for employment are divided into classes those who will be offered employment and those who will not."

David and Robbins said, "Selection process is a managerial decision-making process as to predict which job applicants will be successful if hired."

According to R.M. Hodgetts, "Selection is the process in which an enterprise chooses the applicants who best meet the criteria for the available positions."

Selection is the process of choosing from a group of applicants those individuals best suited for a particular position.

Most managers recognize that employee selection is one of their most difficult, and most important, business decisions.

This process involves making a judgment -not about the applicant, but about the fit between the applicant and the job by considering knowledge, skills and abilities and other characteristics required to perform the job Selection procedures are not carried out through standard pattern and steps in this.

The process can vary from organization to organization some steps performed and considered important by one organization can be skipped by other organization.

Personnel Selection is the methodical placement of individuals into jobs. Its impact on the organization is realized when employees achieve years or decades of service to the employer.

The process of selection follows a methodology to collect information about an individual in order to determine if that individual should be employed. The methodology used should not violate any laws regarding personnel selection.

Selection Process:

There is no standard procedure adopted by all organizations.

However, the process is explained as under:

Process # 1. Preliminary Interview:

It often takes place at the reception counter of the organization. It is quite brief and is held to eliminate the obviously unfit or unsuitable candidates, for example those requesting excessive salary, possessing inadequate education, or lacking the ability to speak coherently. Its purpose is to determine whether the candidate possesses the minimum qualifications, and whether it is worthwhile for the candidate to fill in an application form. It saves time and cost both of the organisation and the candidate.

Process # 2. Formal Application Form:

The formal application form serves as a central record for all the pertinent information collected during a selection process. It is a brief written resume of the candidate showing his name, age, address, education, interests, experience etc. It provides basic information about the prospective employee, which is helpful at the time of interview.

The application form is generally expected to be filled in by the applicant personally. The usefulness of application form is dependent largely on the accuracy of the data furnished by the applicant.

Process # 3. Checking References:

Reference checks should be done prior to interviewing a candidate so that the interviewer has correct information during his discussions with the prospective employees. There is a considerable amount of controversy concerning the value of checking references. One view is that the referee may not give an unbiased and frank opinion and may mention only the positive qualities of the candidates.

Others believe that if references are checked in the correct manner, a great deal can be learnt about the person that an interview or test cannot elicit. Generally, three types of references are checked in selection process – those relating to character, work experience, or school or college life.

Following people make excellent sources for reference checks:

i. Present or former employers

ii. Reputable well-known citizens

iii. Mutual acquaintances

iv. Professors and Principals

Process # 4. Employment Tests:

Selection is the process by which either a candidate is offered employment or is rejected. An employment test is an instrument designed to measure the selected psychological factors in order to help management select the appropriate candidates. The basic purpose of psychological testing is to provide a device for measuring quantitatively a typical sample of mental performance, in order to predict what an individual will do, under certain circumstances.

Various types of tests are conducted, such as:

i. Intelligence Test:

It is defined as measurement of mental ability quantitatively. This test generally includes word fluency, memory, reasoning ability, power of understanding, etc.

ii. Aptitude Test:

Aptitude refers to characteristics or abilities relating to his/her capacity to develop proficiency on specific jobs. Aptitude test is used to measure an individual's potential for development or learning on the job.

iii. Interest Test:

This test is an inventory of likes and dislikes of people in relation to occupations, hobbies and recreational activities. This test measures the basic interest of the person and tries to match it with the required job in order to find out whether the person is fit for the job or not.

iv. Personality Test:

This test proposes to discover an individual's value system, his emotional maturity, relational moods, and his intuitiveness. It helps in weeding out candidates who may not be able to get along with other people.

v. Achievement Test:

This test seeks to determine how much individuals know about a subject. It tries to identify as to what a person has accomplished.

These tests help to measure various types of qualities and abilities of the candidates. Their use would depend upon the nature of post to be filled up and the company's policy in that regard. But excessive reliance on such tests may lead to overlooking more suitable candidates, who may not have performed well at these tests.

Guidelines for Conducting Effective Tests:

In order to avoid the problem of rejecting an otherwise suitable candidate through tests, it is important to ensure that the tests are conducted in a proper manner.

There are certain guidelines for conducting effective tests, listed as under:

i. Ensure the Validity of Tests:

Validating means the degree to which a test measures accurately what it is designed to measure. It cannot be called valid unless and until it measures with reliable accuracy the future job performance of the candidates.

Validity of tests can be measured in four different ways, given as under:

(a) Content Validity:

The extent to which the content of the tests are drafted carefully keeping the various job requirements into account.

(b) Predictive Validity:

The extent to which the future job behaviour of the candidate is predicted accurately with the help of the test.

(c) Concurrent Validity:

The extent to which there is a positive co-relation between job performance and test scores of present employees.

(d) Construct Validity:

The extent to which the test measures psychological quality such as intelligence or enthusiasm which it is supposed to measure.

ii. Reliability:

Reliability implies the ability of tests to give consistent results over a number of times. It is the consistency of scores obtained by the same person when re-tested again and again.

Various methods can be applied to judge reliability:

(a) Test- Re-Test Method:

In this case, the same test is administered to an individual or group at two different time periods and the scores obtained are compared. If the scores at two points of time are similar, the test is said to be reliable.

(b) Alternative Forms Method:

In this case, two similar forms of tests are given and the degrees to which the two sets of scores coincide indicate test reliability.

(c) Split Halves Method:

In this case, the whole test is divided into two similar and equal parts and a high association between the scores on the parts is used as an indicator of reliability.

iii. Objectivity:

The procedure for conducting the test needs to be objective and fair so that two or more examiners conducting this test should be able to manage the same scores from the prospective employees.

iv. Weightage:

The various elements in the test should be assigned a clear-cut weightage for arriving at the final score of the prospective employees.

v. Standardized Conditions:

The conditions under which the tests are being conducted should be maintained standard for all the employees to ensure uniformity of results.

vi. Competent Examiners:

The reliability of test scores depends to a large extent on the competency and efficiency of the examiners who are conducting the tests. So the examiners should be fully trained and competent in conducting various types of tests.

vii. Situations Specific:

There are various types of tests which can be conducted for measuring the performance of prospective employees, the choice of a specific type of test will depend on the specific situation and organisational objectives.

viii. Proper Briefing:

Before actually conducting the test it is important to brief the prospective employees about the procedure of the test and the criteria's for measuring the test scores.

ix. Congenial Environment:

The place where the test has to be conducted should have a warm and congenial environment to make the employee's feel comfortable.

Thus, it can be safely said that if the above guidelines are followed the organisation should be able to conduct the test properly and select the best candidates. In order to further reduce bias in testing, banding may be used, wherein candidates within a certain range of test scores are treated as equal.

Process # 5. Selection Interviews:

Interview is an attempt to secure attention and gather maximum amount of information from the applicant concerning his/her suitability for the job under consideration. Interview is conducted to measure the applicant against the specific requirements of the job and to decide whether he will be a good fit. Some of the personality traits, for example, looks, manners, conversational skills, etc. can be judged only through an interview.

Objectives of Interviews:

Some of the important objectives of interviews are as under:

i. To get an opportunity to judge an applicant's qualifications and characteristics as a basis for sound selection and placement;

ii. To determine their ability to get along well with others;

iii. To determine whether the applicant will fit into the organisational climate;

iv. To provide an applicant with essential facts about the job and the company in order to enable him to accept the employment offer;

v. To establish a rapport with the prospective employees;

vi. To add to the goodwill of the company by showing interest in the applicants and offering constructive suggestions.

Difference between Recruitment and Selection

Basis	Recruitment	Selection
Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
Objective	It encourages large number of Candidates for a job.	It attempts at rejecting unsuitable candidates.
Process	It is a simple process.	It is a complicated process.
Hurdles	The candidates have not to cross over many hurdles.	Many hurdles have to be crossed.
Approach	It is a positive approach.	It is a negative approach.
Sequence	It proceeds selection.	It follows recruitment.
Economy	It is an economical method.	It is an expensive method.
Time Consuming	Less time is required.	More time is required.

Training

Training: Meaning, Definition and Types of Training!

Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

Definition of Training:

Dale S. Beach defines training as 'the organized procedure by which people learn knowledge and/or skill for a definite purpose'. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

According to Edwin Flippo, 'training is the act of increasing the skills of an employee for doing a particular job'.

Need for Training:

Every organization should provide training to all the employees irrespective of their qualifications and skills.

Specifically the need for training arises because of following reasons:

1. Environmental changes:

Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

2. Organizational complexity:

With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

3. Human relations:

Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

4. To match employee specifications with the job requirements and organizational needs:
An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.

5. Change in the job assignment:
Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Importance of Training:

Training of employees and managers are absolutely essential in this changing environment. It is an important activity of HRD which helps in improving the competency of employees. Training gives a lot of benefits to the employees such as improvement in efficiency and effectiveness, development of self confidence and assists everyone in self management.

The stability and progress of the organization always depends on the training imparted to the employees. Training becomes mandatory under each and every step of expansion and diversification. Only training can improve the quality and reduce the wastages to the minimum. Training and development is also very essential to adapt according to changing environment.

Types of Training:

Various types of training can be given to the employees such as induction training, refresher training, on the job training, vestibule training, and training for promotions.

Some of the commonly used training programs are listed below:

1. Induction training:

Also known as orientation training given for the new recruits in order to make them familiarize with the internal environment of an organization. It helps the employees to understand the procedures, code of conduct, policies existing in that organization.

2. Job instruction training:

This training provides an overview about the job and experienced trainers demonstrates the entire job. Addition training is offered to employees after evaluating their performance if necessary.

3. Vestibule training:

It is the training on actual work to be done by an employee but conducted away from the work place.

4. Refresher training:

This type of training is offered in order to incorporate the latest development in a particular field. This training is imparted to upgrade the skills of employees. This training can also be used for promoting an employee.

5. Apprenticeship training:

Apprentice is a worker who spends a prescribed period of time under a supervisor.

Methods of Training: On-the-job Training Method and Off-the-Job Methods
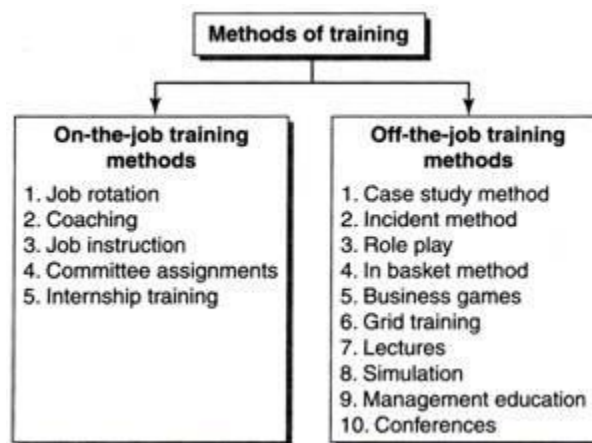
Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development.

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

But it is also equally important in gaining knowledge through classroom learning. Learning becomes fruitful only when theory is combined with practice. Therefore on the job methods can be balanced with classroom training methods (off-the-job methods).

1. On-the-job Training (OJT) Methods:
This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

The advantages of OJT are as follows:
1. On the job method is a flexible method.

2. It is a less expensive method.

3. The trainee is highly motivated and encouraged to learn.

4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes gives great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

Promotions:

Definition:

Promotion is vertical movement of an employee within the organisation. In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities. Promotion may be temporary or permanent, depending upon the needs of the organisation.

There can be 'dry promotion' also where an employee is assigned to a higher level job without increase in pay. An example of 'dry promotion' is a University Professor made Head of the Department with no increase in salary.

According to Dale Yoder, "Promotion provides incentive to initiative, enterprise and ambition; minimizes discontent and unrest; attracts capable individuals; necessitates logical training for advancement; and forms an effective reward for loyalty and cooperation, long service, etc."

Promotion benefits both employees and the employer. However, it needs to be made with a great caution because wrong promotion may invite implications of one type or other for the organisation. So to say, promotion is like a double-edged weapon. Hence, every organisation needs to evolve and implement a suitable promotion policy for its employees. The following section deals with the same.

Promotion has an in-built motivational value as it elevates the authority, power and status of an employee within an organisation. It is considered good personnel policy to fill vacancies in a higher job through promotions from within because such promotions provide an inducement and motivation to the employees and also remove feelings of stagnation-and frustration.

Types of Promotion:

Promotion given to employees in an organization can be classified into three types:

1. Horizontal promotion:

When an employee is shifted in the same category, it is called 'horizontal promotion'. A junior clerk promoted to senior clerk is such an example. It is important to note that such promotion may take place when an employee shifts within the same department, from one department to other or from one plant to another plant.

2. Vertical Promotion:

This is the kind of promotion when an employee is promoted from a lower category to lower category involving increase in salary, status, authority and responsibility. Generally, promotion means 'vertical promotion'.

3. Dry Promotion:

When promotion is made without increase in salary, it is called 'dry promotion'. For example, a lower level manager is promoted to senior level manager without increase in salary or pay. Such promotion is made either there is resource/fund crunch in the organisation or some employees hanker more for status or authority than money.

Purposes:

The following are the purposes or objectives of promotion:

1. To recognize an employee's skill and knowledge and utilize it to improve the organisational effectiveness.

2. To reward and motivate employees to higher productivity.

3. To develop competitive spirit and inculcate the zeal in the employees to acquire skill, knowledge etc.

4. To promote employees satisfaction and boost their morale.

5. To build loyalty among the employees toward organisation.

6. To promote good human relations.

7. To increase sense of belongingness.

8. To retain skilled and talented people.

9. To attract trained, competent and hard working people.

10. To impress the other employees that opportunities are available to them too if they also perform well.

Policy:

The following characteristics make a promotion policy as sound and good policy:

1. It must provide equal opportunities for promotion across the jobs, departments, and regions.

2. It must be applied uniformly to all employees irrespective of their background.

3. It must be fair and impartial.

4. The basis of promotion must be clearly specified and made known to the employees.

5. It must be correlated with career planning. Both quick (bunching) and delayed promotions must be avoided as these ultimately adversely affect the organisational effectiveness.

6. Appropriate authority must be entrusted with the task of making final decision.

7. Promotion must be made on trial basis. The progress of the employee must be monitored. In case, the promoted employee does not make the required progress, provision must be there in the promotion policy to revert him/her to the former post.

8. The policy must be good blending of promotions made from both inside and outside the organisation.

Promotion can be made on various bases. Following are the major ones:

1. Seniority i.e., length of service

2. Merit, i .e. performance

3. Educational and technical qualification

4. Potential for better performance

5. Career and succession plan

6. Vacancies based on organisational chart

7. Motivational strategies like job enlargement.

8. Training

As a matter of fact, no single basis of promotion is acceptable and applicable to all organisations. Every basis has its strengths and weaknesses. For example, while promotion on the basis of seniority gives satisfaction to the senior employees, it causes frustration to the talented ones.

Similarly, promotion based on merit motivates competent employees to work hard while trade unions oppose it on the justification of its subjectivity. In India, promotion in the government departments is made on the basis of seniority of the employees. In case of private organisations, merit is generally used as a basis for promoting employees. Here, the promotion policy is to promote the best one available.

Transfers

Definition:

A transfer refers to lateral movement of employees within the same grade, from one job to another. According to Flippo "a transfer is a change in the job (accompanied by a change in the place of the job) of an employee without a change in responsibilities or remuneration".

Transfer differs from promotion in the sense that the latter involves a change of job involving increase in salary, authority, status and responsibility, while all these remain unchanged /stagnant in the case of former. Also, transfers are frequent and regular whereas promotions are infrequent, if not irregular.

Transfer may be initiated either by the company or the employee. In practice, the company may transfer the employee to the place where he/she can prove more useful and effective. Similarly, employee may initiate transfer to a location where he/she is likely to enjoy greater satisfaction.

Transfer could be permanent, temporary or ad hoc to meet emergencies. Usually, permanent transfers are made due to changes in work load or death, retirement, resignation, etc. of some employee. As regards temporary transfer, it arises mainly due to ill health, absenteeism, etc. of some employee.

Transfer decisions may be perceived as negative or positive depending upon an individual's personal preferences, needs and aspirations. For example, an organisation may consider transfer from Guwahati regional office to Delhi-head office as positive and reward because it will enable the employee to broaden his/her knowledge and work experience. On the contrary, the employee may look down upon it as it breaks ties with his people and community in Guwahati.

Sometimes, transfers are used as an instrument for victimizing the employees by management. Realizing it, provisions are made by constituting labour courts to set aside transfer orders proved as management strategy to victimize employees. In order to make transfers useful for employee and the company, some organisations have clear agreements with trade unions for the transfer of unionized staff especially on promotions.

There are some public sector organisations like Minerals and Metals Trading Corporation (MMTC) who have entered into agreements, with employees for creating two cadres of officers, namely. Local Officers and All India Officers wherein promotions to and within the former are less accelerated than in the latter, but do not entail transfer.

Need:

The need for making transfer is left for various reasons as listed below:

1. To Meet Organisational Needs:

Changes in technology, volume of production, production schedule, product line, quality of products, organisational structure, etc. necessitate an organisation to reassign jobs among employees so that right employee is placed on the right job.

2. To Satisfy Employee Needs:

Employees may request for transfer in order to satisfy their desire to work in a particular department, place and under some superior. Personal problems of employee like health, family circumstances, and interpersonal conflicts may also necessitate transfer.

3. To Better Utilize Employee:

When an employee is not performing satisfactorily on one job and management thinks that his/her capabilities would be utilized better elsewhere, he/she may be transferred to other job.

4. To Make the Employee More Versatile:

In some organisations like banks, employees after working on a job for a specified period are transferred to other job with a view to widen their knowledge and skill and also reduce monotony. This is also called 'job rotation.

5. To Adjust the Workforce:

Work force can be transferred from the departments / plants where there is less work to the departments/plants where more work is.

6. To Provide Relief:

Transfers may be made to give relief to the employees who are overburdened or doing hazardous work for long period.

7. To Punish Employee:

Management may use transfer as an instrument to penalize employees who are indulged in undesirable activities. As a disciplinary action, employees are transferred to remote and far-flung areas.

Policy:

Transfer involves costs as well. Therefore, every organisation should have a just and impartial transfer policy for its employees. Transfers should then be affected according to such policy only. In fact, a good and fair transfer policy serves as a guide-post to the manager in affecting transfers as and when required in the overall interest of the organisation.

A good transfer policy should satisfy the following requirements:

1. Specify the circumstances under which transfers will be made. These should be in writing and should be communicated to the employees. For example, defence personnel and government employees are subjected to transfer once in three years. The employees in these organisations know when they are due for a transfer and are prepared for it.

2. Specify the basis for transfer i.e., whether transfer will be made on the basis of seniority or skill and competency or on any other basis.

3. Decide the authority which would handle transfers.

4. Intimate the fact of transfer to the person concerned well in advance.

5. Specify the jobs to which transfers will be made and duties and salary on assumption of new jobs should also be clarified.

6. Clarify whether transfer is permanent or temporary.

7. Indicate whether transfers can be made within a department or between departments or between units.

8. Not to be made frequent and not for the sake of transfer only.

However, one should not expect for a uniform transfer policy in all the organisations. Depending on the type, kind and size of the organisation, transfer policy is subject to vary from organisation to organisation. In any case, a good transfer policy should be consistent with the overall objectives of the organisation.

Types:

Employee transfers may be classified into following types:

1. Production Transfer:

Such transfers are made when labour requirements in one division or branch is declining. The surplus employees from such division are transferred to those divisions or branches where there is shortage of employees. Such transfers help avoid lay off and stabilize employment.

2. Remedial Transfer:

Such transfers are affected to correct the wrong selection and placement of employees. A wrongly placed employee is transferred to more suitable job. Such transfers protect the interest of the employee.

3. Replacement Transfer:

Replacement transfers are similar to production transfers in their inherent, i.e. to avoid layoffs. Replacement transfers are affected when labour requirements are declining and are designed to replace a new employee by an employee who has been in the organisation for a sufficiently long time. The purpose of these transfers is to retain long service employees in the organisation and also give them some relief from the heavy pressure of work.

4. Versatility Transfer:

These transfers are also known as 'job rotation? In such transfers, employees are made move from one job to another to gain varied and broader experience of work. It benefits both the employee and organisation. It reduces boredom and monotony and gives job enrichment to the employee. Also, employees' versatility can be utilized by the organisation as and when needed.

5. Shift Transfers:

These transfers are affected in the organisations where work progresses for 24 hours or in shifts. Employees are transferred from one shift to another usually on the basis of mutual understanding and convenience.

6. Penalty Transfer:

Management may use transfer as an instrument to penalize employees' involved in undesirable activities in the organisation. Employee transfer from one's place of convenience to a far-flung and remote area is considered as a penalty to the employee.

Demotion

Meaning of Demotion:

Demotion is just opposite to promotion. In demotion, the employee is shifted to a job lower in status, grade and responsibilities. "Demotion refers to the lowering down of the status, salary and responsibilities of an employee."

In the words of Dale Yoder, **"Demotion is a shift to a position in which responsibilities are decreased. Promotion is, in a sense, an increase in rank and demotion is decrease in rank."**

When an employee is demoted, his pride suffers a more severe jolt than it does when he is superceded by his junior. Some managers hesitate to demote a man. They prefer to discharge him rather than to demote him on the lower job because he will not accept the lower job and will turn to be a disgruntled employee and his position will not be good for better industrial relations.

Causes of Demotion:

There are several reasons for demoting a man from his present position.

Some of these reasons are as follows:

1. Inadequacy on the part of the employees in terms of job performance, attitude and capability. It happens when an employee finds it difficult to meet job requirement standards, following his promotion.

2. Demotion may result from organisational staff reductions. Due to adverse business conditions, organisations may decide to lay off some and downgrade some jobs.

3. Demotions may be used as disciplinary tools against errant employees.

4. If there is a mistake in staffing i.e., a person is promoted wrongly.

5. When, because of a change in technology, methods and practices, old hands are unable to adjust or when employees because of ill health or personal reasons, cannot do their job properly.

Demotion Policy:

Demotion is very harmful for the employees' morale. It is an extremely painful action, impairing relationships between people permanently. While, effecting demotions, a manager should be extremely careful not to place himself on the wrong side of the fence. It is, therefore, necessary to formulate a demotion policy so that there may be no grievance on the part of the trade unions.

Yoder, Heneman, Turnbull and Stone have suggested a five-fold policy in regard to demotion practice:

1. A clear list of rules along with punishable offences be made available to all the employees.

2. Any violation is investigated thoroughly by a competent authority.

3. In case of violations, it is better to state the reasons for taking such a punitive step clearly and elaborately.

4. Once violations are proved, there should be a consistent and equitable application of the penalty.

5. There should be enough room for review.

Demotions have a serious impact on need fulfillment. Needs for esteem and belongingness are frustrated leading to a defensive behavior on the part of the person demoted. There may be complaints, emotional turmoil, inefficiency or resignation. Hence, demotions are very rarely resorted to by managers. Managers prefer to discharge employees rather than facing the problems arising from demotion.

UNIT-5

Leadership – Meaning and importance – Features - Styles – Motivation theories – Maslow's theory, Mc Gregory theory – Communication – Importance – Features of good communication – Types Barriers – Steps to overcome barriers. Managerial control – Need for control – Steps in control – Features of effective control system.

Leadership

Who is a Leader?

Who then is a leader? There have been countless people through history that led people but were inhumane and destructive. Does that still make them leaders? In my mind, a leader is someone who does more than just lead people. They have to be driven by the right motivation and make a positive impact on the people around them.

A leader is someone who can see how things can be improved and who rallies people to move toward that better vision. Leaders can work toward making their vision a reality while putting people first. Just being able to motivate people isn't enough — leaders need to be empathetic and connect with people to be successful. Leaders don't have to come from the same background or follow the same path. Future leaders will actually be more diverse, which brings a variety of perspectives. Of course, other people could disagree with my definition. The most important thing is that organizations are united internally with their definition of leadership.

Role of a Leader

Following are the main roles of a leader in an organization :

1. **Required at all levels-** Leadership is a function which is important at all <u>levels of management</u>. In the top level, it is important for getting co-operation in formulation of plans and policies. In the middle and lower level, it is required for interpretation and execution of plans and programmes framed by the top management. Leadership can be exercised through guidance and counseling of the subordinates at the time of execution of plans.

2. **Representative of the organization-** A leader, i.e., a manager is said to be the representative of the enterprise. He has to represent the concern at seminars, conferences, general meetings, etc. His role is to communicate the rationale of the enterprise to outside public. He is also representative of the own department which he leads.

3. **Integrates and reconciles the personal goals with organizational goals-** A leader through leadership traits helps in reconciling/ integrating the personal goals of the employees with the organizational goals. He is trying to co-ordinate the efforts of people towards a common purpose and thereby achieves objectives. This can be done only if he can influence and get willing co-operation and urge to accomplish the objectives.

4. **He solicits support-** A leader is a manager and besides that he is a person who entertains and invites support and co-operation of subordinates. This he can do by his personality, intelligence, maturity and experience which can provide him positive result. In this regard, a leader has to invite suggestions and if possible implement them into plans and programmes of enterprise. This way, he can solicit full support of employees which results in willingness to work and thereby effectiveness in running of a concern.

5. **As a friend, philosopher and guide-** A leader must possess the three dimensional traits in him. He can be a friend by sharing the feelings, opinions and desires with the employees. He can be a philosopher by utilizing his intelligence and experience and thereby guiding the employees as and when time requires. He can be a guide by supervising and communicating the employees the plans and policies of top management and secure their co-operation to achieve the goals of a concern. At times he can also play the role of a counselor by counseling and a problem-solving approach. He can listen to the problems of the employees and try to solve them.

Qualities of a Leader

A leader has got multidimensional traits in him which makes him appealing and effective in behavior. The following are the requisites to be present in a good leader:

1. **Physical appearance-** A leader must have a pleasing appearance. Physique and health are very important for a good leader.

2. **Vision and foresight-** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.

3. **Intelligence-** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.

4. **Communicative skills-** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.

5. **Objective-** A leader has to be having a fair outlook which is free from bias and which does not reflects his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.

6. **Knowledge of work-** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.

7. **Sense of responsibility-** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.

8. **Self-confidence and will-power-** Confidence in himself is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power. (You can read more about Self-Confidence at : Self Confidence - Tips to be Confident and Eliminate Your Apprehensions).

9. **Humanist-**This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.

10. **Empathy-** It is an old adage "Stepping into the shoes of others". This is very important because fair judgement and objectivity comes only then. A leader should understand the problems and complaints of employees and should also have a complete view of the

needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

From the above qualities present in a leader, one can understand the scope of leadership and it's importance for scope of business. A leader cannot have all traits at one time. But a few of them helps in achieving effective results.

What is Leadership

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.

Leadership is the potential to influence behavior of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

Definitions of Leadership:
"Leadership is both a process and property. The process of leadership is the use of non coercive influence to direct and coordinate the activities of the members of an organised group towards the accomplishment of group objectivities. As a property, leadership is the set of qualities or characteristics attributed to those who are perceived to successfully employ such influence." **Gay and Strake**
"Leadership is the activity of influencing people to strive willingly for group objectives." **George Terry**
"Leadership is the art of or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals." **Harold Koontz and Heinz Weihrich**
 "Leadership is a set of interpersonal behaviours designed to influence employees to cooperate in the achievement of objectives." **Glueck**

Features of Leadership:

(i) Leadership is a process of influencing people.

(ii) It aims at bringing changes in behaviour of people.

(iii) It is a never ending or a continuous process.

(iv) Leadership is practiced to achieve organisational goals.

(v) It explains the relations between leaders and followers.

Characteristics of Leadership

1. It is a inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals.
2. It denotes a few qualities to be present in a person which includes intelligence, maturity and personality.
3. It is a group process. It involves two or more people interacting with each other.
4. A leader is involved in shaping and moulding the behaviour of the group towards accomplishment of organizational goals.
5. Leadership is situation bound. There is no best style of leadership. It all depends upon tackling with the situations.

Importance of Leadership

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.

3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.

4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.

5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.

6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.

7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

Leader versus Manager

"Leadership and manager ship are two synonymous terms" is an incorrect statement. Leadership doesn't require any managerial position to act as a leader. On the other hand, a manager can be a true manager only if he has got the traits of leader in him. By virtue of his position, manager has to provide leadership to his group. A manager has to perform all five functions to achieve goals, i.e., Planning, Organizing, Staffing, Directing, and Controlling. Leadership is a part of these functions. Leadership as a general term is not related to manager ship. A person can be a leader by virtue of qualities in him. For example: leader of a club, class, welfare association, social organization, etc. Therefore, it is true to say that, "All managers are leaders, but all leaders are not managers."

A leader is one who influences the behavior and work of others in group efforts towards achievement of specified goals in a given situation. On the other hand, manager can be a true manager only if he has got traits of leader in him. Manager at all levels are expected to be the leaders of work groups so that subordinates willingly carry instructions and accept their guidance. A person can be a leader by virtue of all qualities in him.

Leaders and Managers can be compared on the following basis:

Basis	Manager	Leader
Origin	A person becomes a manager by virtue of his position.	A person becomes a leader on basis of his personal qualities.
Formal Rights	Manager has got formal rights in an organization because of his status.	Rights are not available to a leader.
Followers	The subordinates are the followers of managers.	The group of employees whom the leaders leads are his followers.
Functions	A manager performs all five functions of management.	Leader influences people to work willingly for group objectives.
Necessity	A manager is very essential to a concern.	A leader is required to create cordial relation between person working in and for organization.
Stability	It is more stable.	Leadership is temporary.

Mutual Relationship	All managers are leaders.	All leaders are not managers.
Accountability	Manager is accountable for self and subordinates behaviour and performance.	Leaders have no well defined accountability.
Concern	A manager's concern is organizational goals.	A leader's concern is group goals and member's satisfaction.
Followers	People follow manager by virtue of job description.	People follow them on voluntary basis.
Role continuation	A manager can continue in office till he performs his duties satisfactorily in congruence with organizational goals.	A leader can maintain his position only through day to day wishes of followers.
Sanctions	Manager has command over allocation and distribution of sanctions.	A leader has command over different sanctions and related task records. These sanctions are essentially of informal nature.

Leadership Styles

All leaders do not possess same attitude or same perspective. As discussed earlier, few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner. Their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

Some of the important leadership styles are as follows:

Autocratic leadership style: In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

The Laissez Faire Leadership Style: Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.

Democratic /Participative leadership style: The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.

Bureaucratic leadership: Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required. But this leadership style discourages creativity and does not make employees self-contented.

Leadership for the 21st Century

The business landscape of the 21st century is extremely competitive and this uber connected world means that leaders have extraordinary demands placed upon them. However, this does not mean that they take shortcuts to success and sacrifice ethics and principles at the altar of profits.

Instead, what is needed in the current times is that leaders must not only be transformative but also practice value-based leadership that gives importance to ethics and humanitarian principles. As the various articles on corporate social responsibility discussed, we can navigate this century only if we cooperate along with compete and only if we share along with earn. Hence, the solution to the crisis facing humanity is clear: we are all in the same boat and hence we sink or swim together. This is the place where leaders can display their leadership skills and ensure that they lead by example and not rock the boat and instead, teach others to steer it to safety.

Further, **leaders in the 21st century have another vital function i.e. they have to be the ideal role models for the coming generation** and since anyone who has grown up over the last two decades would testify, they have been influenced by leaders from all occupations. For instance, it is common for people in their thirties now to admire and idolize business leaders like Steve Jobs, Bill Gates, Jack Welch, and NR Narayana Murthy. In the same way, the upcoming generation needs to have the current leaders of the business world as role models and hence a holistic approach that does not put profits before people all the time, that does not place undue emphasis on making money as the sole aim, and finally, the transformative power of business to solve social problems with the leaders taking the lead, are traits and attributes that are needed from the leaders of the 21st century.

In this context, it is worth mentioning that the present generation is very cynical and disinterested in the leaders of the present because of the lack of these motivating characteristics from the leaders. Indeed, this is something that is food for thought for the present day leaders and something that they should actualize in practice.

Leadership Case Study: Steve Jobs - The Man Who Ushered in the Smartphone Revolution

The Transformational Leadership of Steve Jobs

Anyone and everyone who owns a Smartphone must be thankful to Steve Jobs, the late legendary founder of the tech firm, Apple, who not only ushered in the Smartphone revolution, but was also singlehandedly responsible for changing our perceptions about what a mobile phone can and could do.

Indeed, one Summer Day in 2007, Steve Jobs, took the podium in a special gathering summoned for the express purpose of announcing a mini-revolution wherein he spoke about how at times, a product is invented that combines technology, innovation, and ease of use to change the way the world works.

As he unveiled the Apple iPhone, Jobs made sure that the audience assembled there as well as the wider world would know how the game changing iPhone could now work as a mobile phone, a computer, and a personal assistant all rolled into one. Moreover, for the first time, we had a product that had more computing power than earlier era Satellites as well as a pioneering personal assistant right in our hands.

Thus, was born the Smartphone revolution that transformed the entire tech industry and gave rise to a generation of entrepreneurs who based their businesses around the concept of apps and other mobile telephony as well as computing business lines.

Innovator Who Had the Big Picture as Well as the Nuts and Bolts Detail

If we analyze the leadership strategies of Steve Jobs, we find that he was an innovator who had an eye for detail and at the same time, a visionary who also had the gumption to invent products

that were essentially high risk endeavors that could "make or break" the fortunes of not only his firm but also that of the thousands of employees of Apple as well as his own personal reputation.

Indeed, Steve Jobs was a leader who was not only transformative but also transactional as can be seen from the many anecdotes and business coverage pieces about him. For instance, even during the end of his life (Jobs succumbed to Cancer a few years after the iPhone debuted) he was so attentive to the nuts and bolts about how the iPhone was designed that he called up one of his design specialists on a Sunday and had a lengthy conversation with him about how the Calligraphic fonts and the overlaying design could be bettered.

Indeed, Jobs was a revolutionary who not only led from the front but also cared about the "boots on the ground" as can be seen from his personal touch about how the iPhone looked.

The Exemplary Leadership of Steve Jobs

Talking about Calligraphy and Design, Steve Jobs is best known for a Commencement Address to students who were graduating wherein he spoke about how he took a course on Calligraphy during his education and which came in handy when he was designing the iPhone.

Jobs used this example to highlight how the choices we make during our education and career come in handy at some point or the other and how we ought to draw inspiration from our life experiences to help us wherever we and whatever we are doing.

While Steve Jobs was a college dropout (in a similar manner to the other tech genius, Bill Gates), it is not something that bothered him too much as he realized that education is a continuing experience and the formal degrees are just a step in the lifelong learning that we need to follow.

Indeed, Jobs was also a leader who practiced leadership by example as can be seen from his stint at Apple where he set a trailblazing path for others to follow, if not emulate.

Tech Titans Need to be Socially Responsible Leaders

Having said that, there is some criticism of Steve Jobs as well especially where his game changing innovations and their effect on the wider population were concerned. Given the fact that we are now talking about Smartphone Addiction and even Tech firms and their CEOs (Chief

Executive Officers) are now seriously worried about the harmful effects of our Digital Devices, especially on Children.

In other words, **the main criticism against such tech gurus and visionaries is that they also need to be socially conscious and responsible as far as their innovations are concerned.**

In the same manner in which Alfred Nobel, the Inventor of Dynamite was astounded by the harm cause by his "explosive" creation, if Jobs were alive today, it is without doubt that he would be called to account for at least some of the fears and worries as mentioned earlier.

On the other hand, Steve Jobs rode the wave of the accelerating power of chips and technology and this is where some experts point that as we harness technologies, we must also be conscious of where they are leading us to.

In short, Jobs as a responsible leader would have definitely addressed some of these concerns.

Inspirational Leader

Lastly, the life and leadership of Steve Jobs is also inspirational as he was in his childhood, put up for adoption by his biological mother who could not afford to raise him and he went through a traumatic childhood and adolescence that were anything but pleasant.

It is to his credit that he did not let such aspects bog him down too much and continued to succeed despite the odds.

Further, he was also kicked out by the very firm that he founded only to return a few years later to rejuvenate Apple.

To conclude, with Apple reaching a Trillion Dollar stock market valuation (remember a Trillion is a Thousand Billions which is a Thousand Millions), we can be sure that Jobs is resting in peace.

Motivation Theories

What is Motivation?

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be -

- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

Importance of Motivation

Motivation is a very important for an organization because of the following benefits it provides:

1. **Puts human resources into action**

   Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

2. **Improves level of efficiency of employees**

   The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

   a. Increase in productivity,
   b. Reducing cost of operations, and
   c. Improving overall efficiency.

3. **Leads to achievement of organizational goals**

   The goals of an enterprise can be achieved only when the following factors take place :-

   a. There is best possible utilization of resources,
   b. There is a co-operative work environment,
   c. The employees are goal-directed and they act in a purposive manner,
   d. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

4. **Builds friendly relationship**

   Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

   a. Monetary and non-monetary incentives,
   b. Promotion opportunities for employees,

c. Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

iv. Effective co-operation which brings stability,

v. Industrial dispute and unrest in employees will reduce,

vi. The employees will be adaptable to the changes and there will be no resistance to the change,

vii. This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,

viii. This will result in profit maximization through increased productivity.

Leads to stability of work force

Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. **Motivation is important to an individual as:**

1. Motivation will help him achieve his personal goals.

2. If an individual is motivated, he will have job satisfaction.

3. Motivation will help in self-development of individual.

4. An individual would always gain by working with a dynamic team.

Similarly, **motivation is important to a business as:**

1. The more motivated the employees are, the more empowered the team is.

2. The more is the team work and individual employee contribution, more profitable and successful is the business.

3. During period of amendments, there will be more adaptability and creativity.

4. Motivation will lead to an optimistic and challenging attitude at work place.

1. *McGregor's Theory X and Theory Y*
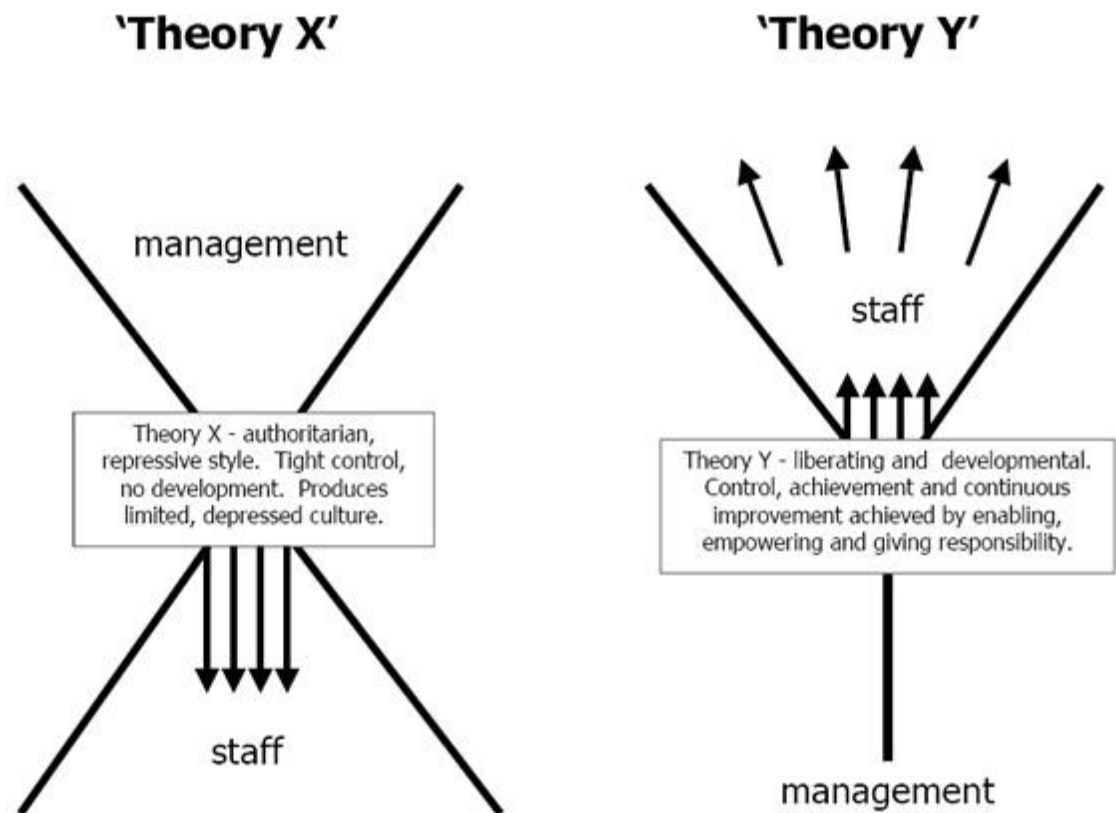
In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

- An average employee intrinsically does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.

- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

Assumptions of Theory Y

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory X is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Implications of Theory X and Theory Y

Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.

Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction. Employees should be given opportunities to contribute to organizational well-being. Theory Y encourages decentralization of authority, teamwork and participative decision making in an organization. Theory Y searches and discovers the ways in which an employee can make significant contributions in an organization. It harmonizes and matches employees' needs and aspirations with organizational needs and aspirations.

2. Maslow's Need Hierarchy Theory:

It is probably safe to say that the most well-known theory of motivation is Maslow's need hierarchy theory Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man. Maslow identified five levels in his need hierarchy as shown in figure 17.2.

Fig. 17.2: Maslow's Need Hierarchy

These are now discussed one by one:

1. Physiological Needs:

These needs are basic to human life and, hence, include food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of human life. They exert tremendous influence on human behaviour. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

2. Safety Needs:

After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

3. Social Needs:

Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socialising and belongingness why individuals prefer to work in groups and especially older people go to work.

4. Esteem Needs:

These needs refer to self-esteem and self-respect. They include such needs which indicate self-confidence, achievement, competence, knowledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organisation. However, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

5. Self-Actualization Needs:

This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self-actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self- actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unlimited. However, Maslow's need hierarchy-theory is not without its detractors.

The main criticisms of the theory include the following:

1. The needs may or may not follow a definite hierarchical order. So to say, there may be overlapping in need hierarchy. For example, even if safety need is not satisfied, the social need may emerge.

2. The need priority model may not apply at all times in all places.

3. Researches show that man's behaviour at any time is mostly guided by multiplicity of behaviour. Hence, Maslow's preposition that one need is satisfied at one time is also of doubtful validity.

4. In case of some people, the level of motivation may be permanently lower. For example, a person suffering from chronic unemployment may remain satisfied for the rest of his life if only he/she can get enough food.

Notwithstanding, Maslow's need hierarchy theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and easy to understand. One researcher came to the conclusion that theories that are intuitively strong die hard'.

Communication

Meaning of Communication:

The word communication has been derived from the Latin word 'communis' which means 'common'. Thus, communication means sharing of ideas in common. "When we communicate," says Wibur Schramn, "we are trying to establish a 'commonness' with someone. That is we are trying to share information, an idea or an attitude. The essence of communication is getting the receiver and the sender 'turned' together for a particular message."

According to the shorter Oxford English Dictionary, communication means "the imparting, conveying or exchange of ideas, knowledge, etc., whether by speech, writing or signs." Communication takes place when one person transfers information and understanding to another person. It refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons.

There is a communication when you talk or listen to someone. For instance, a teacher while delivering his lecture communicates to his students. But if he speaks or writes in a language which is not understandable to his students, there is no communication. When you read a book, its author communicates to you. But communication does not mean merely written or oral messages.

It includes everything that may be used to convey meanings from one person to another, e.g., movement of lips or the wink of an eye or the wave of hands may convey more meaning than even written or spoken words. In fact, communication is the process of conveying message from one person to another so that they are understood.

In business management, ideas, objectives, orders appeals, observations, instructions, suggestions etc. have to be exchanged among the managerial personnel and their subordinates operating at different levels of the organisation for the purpose of planning and executing the business policies. The following standard definitions will further help to understand the meaning and concept of communication in management.

"Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening arid understanding."—Louis A. Allen.

"Communication is the intercourse by word, letters or messages, intercourse of thoughts or opinions. It is the act of making one's idea as and opinions known to others."—Fred G. Meyer.

"Communication is the process of passing information and understanding from one person to another."—Keith Davis.

"Communication as any behaviour that results in an exchange of meaning."—The American Management Association.

"Communication may be broadly defined as the process of meaningful interaction among human beings. More specially, it is the process by which meanings are perceived and understandings are reached among human beings."— D.E. McFarland.

"Communication is a way that one organisation member shares meaning and understanding with another."—Koontz and O'Donnell.

"Simply stated, communication means the process of passing information and understanding from one person to another. Communication, fundamental and vital to all managerial functions, is the process of imparting ideas and making oneself understood by others."—Theo Haimann.

"Communication is the broad field of human interchange of facts and opinions and not the technologies of telephone, telegraph, radio and the like."— Charles F. Refield.

"The transfer of information from one person to another whether or not it elicits confidence. But the information transferred must be understandable to the receiver."—C.G. Brown.

"In its everyday meaning, communication refers to the transmitting of information in the form of words, or signals or signs from a source to a receiver."—Keith and Gubellini.

"The word communication describes the process of conveying message (fact, ideas, attitudes and opinions) from one person to another so that they are understood."—M.W. Cummin.

In administrative context, the term communication has been defined as, "a process which involves the transmission and accurate replication of ideas ensured by feedback for the purpose of eliciting actions which will accomplish organisational goals."—William Scott.

(A special committee on communication in business and industry) defined communication as "a mutual exchange of facts, thoughts, opinions or emotions. This requires presentation and reception, resulting in common understanding among all parts. This does not imply agreement."—National Society for Study of Communication.

We can conclude from the above definitions that in business communication does not merely sending or receiving message. It is much more than that. It includes proper understanding of the message, its acceptance and action on it. In the broadest sense, communication refers to the whole process of man's life in relation to the group and includes exchange of information, a system of communicating, and a process by which meanings are exchanged among human beings.

Features of Communication:

On the basis of the above definitions and the surrounding knowledge, we can gather the following salient features of the concept of communication:

(i) Communication is necessary and required in all managerial functions. However, it is an integral part of the directing process; and assumes greater significance at the directing stage.

(ii) Communication is a function of every manager. Hence, it is a pervasive managerial function. All managers would have to make necessary communications to their subordinates, and get a feedback to their communications from the latter.

(iii) Communication is a continuous process, throughout the organisational life. It is the basis of organisational functioning. **"No communication; no functioning of the organisation."** thus goes an old managerial adage (proverb).

(iv) Communication is a complete and rational process; only when the recipient of the message has understanding of the subject matter of communication. Communication is, in fact, a transmission of understanding from the sender to the recipient of the message – something, which is an imperative requirement from the human relations perspective, of communication.

(v) Communication usually is and ought to be a two-way process. This emphasizes on the feedback aspect of communication i.e. the sender of the message must get the necessary response (or reaction) of the recipient to the communication made to him.

(vi) Communication is always done with a purpose i.e. with the objective of evoking the desired response out of the recipient, to the communication made. For example, if the communication is a work-order by the superior to some subordinate; the latter must comply with the order – undertaking the necessary actions for the implementation of the order

(vii) Communication process requires, at least, two parties' sender of message and the recipient of it. Naturally, one person would not make any communication to the self.

(viii) Communication is a circular process. Its process starts with the sender of the message and travelling through various stages completes with a feedback to communication from the recipient to the sender.

Characteristics and Nature of Communication:

From the analysis of above-mentioned definitions we get the following essential features of communication:

1. It Involves at Least Two Persons:

Communication involves at least two persons, a sender and a receiver. The sender is called communicator and the receiver of the message is known as communicate. A person who speaks, writes or issues some instructions is the sender and the person for whom the communication is meant or who receives the message is the receiver or communicates.

2. Message is a Must:

A message is the subject matter of communication. e.g., the contents of the letter or speech, order, instructions or the suggestions. A communication must convey some message. If there is no message there is no communication.

3. Communication May be Written, Oral or Gestural:

Communication is generally understood as spoken or written words. But in reality, it is more than that. It includes everything that may be used to convey meanings from one person to another, e.g., movement of lips, or the wink of an eye or the wave of hands may convey more meaning than even written or spoken words.

4. Communication is a Two Way Process:

It involves both information and understanding. Communication is not complete unless the receiver has understood the message properly and his reaction or response is known to the sender. Understanding is the end result of communication but it does not imply agreement.

5. Its Primary Purpose is to Motivate a Response:

The primary purpose of communication is to motivate response or influence human behaviour. There is no doubt that motivation comes from within but communicator can also motivate people by good drafting of message, proper timing of communication, etc. To create understanding, communication should be relevant to the situation. It must always be remembered that communication is a means of motivating and not an end itself.

6. Communication may be Formal or Informal:

Formal communication follows the formal channels provided in the organisation structure. For example, the Managing Director communicates with the departmental heads, say Finance Manager, finance manager communicates to deputy finance manager, the deputy finance manager with accounts officer and so on.

In simple words, in informal communication, there is no direct communication between the Managing Director and the accounts clerks. Informal communication flows from informal channels of communication which are not provided in the organisation structure. These channels develop among members because of personal contacts through working with each other.

7. It Flows Up and Down and also from Side to Side:

Communication flows downward from a superior to subordinate and upward from subordinate to a superior. It also flows between two or more persons operating at the same level of authority.

8. It is an Integral Part of the Process of Exchange:

It refers to the exchange of ideas, feelings, emotions and knowledge and information's between two or more persons.

Elements of Communication:

The basic elements of communication are:

1. Communicator:

The sender, speaker, issuer or writer-who intends to convey or transmit a message.

2. Communicate:

The receiver for whom the communication is meant. He receives the information, order or message.

3. Message:

The subject matter of communication i.e., the content of the letter, speech, order, information, idea or suggestion.

4. Communication Channel:

The media by which the information and understanding are passed from the sender to the receiver. It serves as link between the communicator and the communicate i.e., the levels of organisation or relationships that exist between different individuals or departments of an organisation.

5. Response or Feedback:

The effect, reply or reaction, of the information transmitted, on the communicate i.e., successful, no communication or miscommunication.
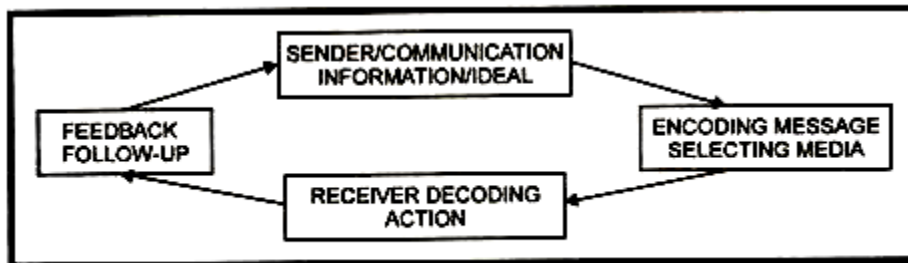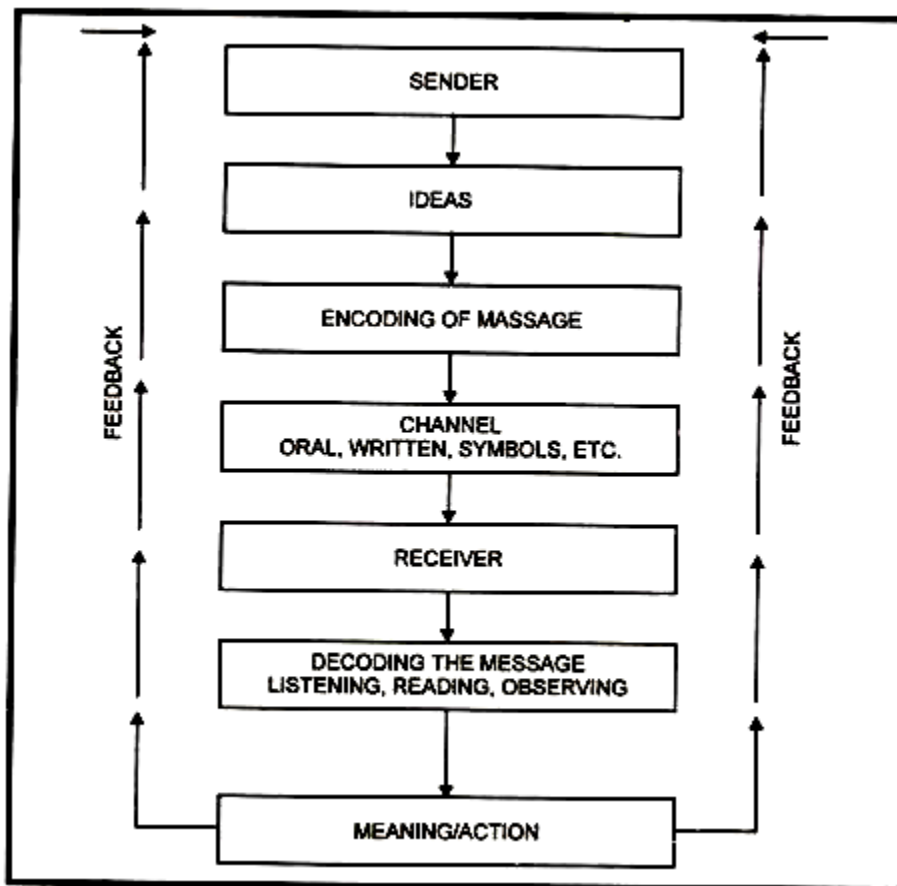

Elements of Communication

The Process of Communication:

1. The communicator first of all, formulates a clear idea about facts, opinions or information he wants to convey.

2. The idea is then translated by him into words (spoken or written), symbols or some other form of message which he expects the receiver to understand. This process is known as encoding of the message.

3. The communicator selects a suitable media for the transmission of the message, e.g., telephone, telegraph or television. The message is conveyed with the help of the media selected.

4. The message is then received by the communicate. He tries to understand it by decoding the message.

5. The communicate acts upon the message as he has understood it.

6. Finally, the effectiveness of communication is measured through feedback. If the communication brings in the desired changes in the actions or behavior of the receiver, it is said to be successful communication. In case, there is no change in the actions or behavior, there is no communication, and if it leads to undesirable changes it is a case of miscommunication.

Essential Characteristic or Principles of an Effective Communication System:

From the above discussed steps for making effective communication, we can derive the essential characteristics of an effective communication system.

To sum up, the following principles or characteristics must be provided in an effective communication system:

1. Clarity and completeness of message.

2. Adequate briefing of the recipient.

3. Correct idea of objectives.

4. Integrity and consistency.

5. Motivation.

6. Proper feedback.

7. Proper timing.

8. Use of appropriate media.

9. Use of informal communication.

10. Principle of flexibility.

The American Management Association has given following commandments of good communication:

1. Seek to clarify your ideas before communicating.

2. Examine the purpose of each communication.

3. Consider the total physical setting whenever you communicate.

4. Consult with others, where appropriate, in planning communication.

5. Be mindful, while you communicate, of the overtones as well as basic content of your message.

6. Take the opportunity, when it arises, to convey something of help or value of the receiver.

7. Follow-up your communication.

8. Communication for tomorrow as well as today.

9. Be sure your actions support your communications.

10. Seek not only to be understood but understand.

Purpose of Communication:

Management is getting the things done through others. The people working in the organisation should therefore be informed how to do the work assigned to them in the best possible manner. The communication is essential in any organisation.

The purpose of the communication can be summed up into the following:

1. Flow of Information:

The relevant information must flow continuously from top to bottom and vice versa. The staff at all levels must be kept informed about the organisational objectives and other developments taking place in the organisation. A care should be taken that no one should be misinformed. The information should reach the incumbent in the language he or she can understand better. The use of difficult words should be avoided. The right information should reach the right person, at right time through the right person.

2. Coordination:

It is through communication the efforts of all the staff working in the organisation can be coordinated for the accomplishment of the organisational goals. The coordination of all personnel's and their efforts is the essence of management which can be attained through effective communication.

3. Learning Management Skills:

The communication facilitates flow of information, ideas, beliefs, perception, advice, opinion, orders and instructions etc. both ways which enable the managers and other supervisory staff to learn managerial skills through experience of others. The experience of the sender of the message gets reflected in it which the person at the receiving end can learn by analyzing and understanding it.

4. Preparing People to Accept Change:

The proper and effective communication is an important tool in the hands of management of any organisation to bring about overall change in the organisational policies, procedures and work style and make the staff to accept and respond positively.

5. Developing Good Human Relations:

Managers and workers and other staff exchange their ideas, thoughts and perceptions with each other through communication. This helps them to understand each other better. They realize the difficulties faced by their colleagues at the workplace. This leads to promotion of good human relations in the organisation.

6. Ideas of Subordinates Encouraged:

The communication facilitates inviting and encouraging the ideas from subordinates on certain occasions on any task. This will develop creative thinking. Honoring subordinates' ideas will further motivate them for hard work and a sense of belonging to the organisation will be developed. It will provide them with the encouragement to share information with their superiors without hesitation. The managers must know the ideas, thoughts, comments, reactions and attitudes of their subordinates and subordinates should know the same from the lowest level staff of their respective departments.
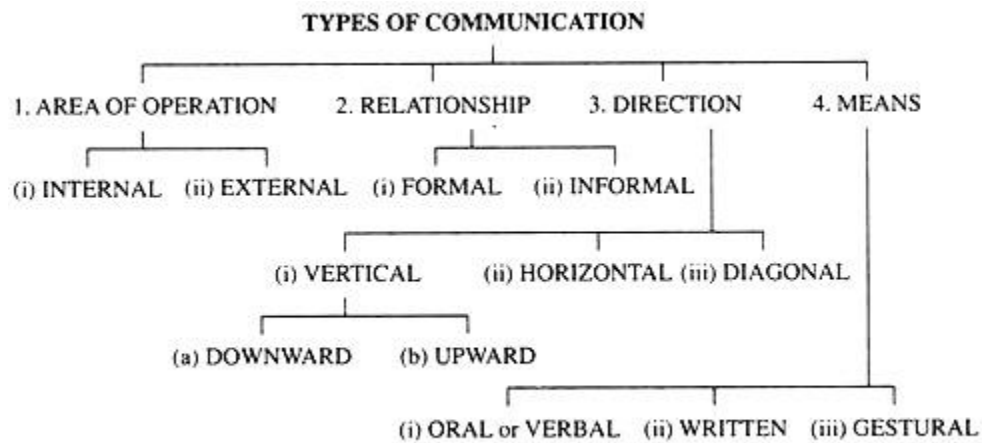
Types of Communication

Fig. 3.1: Types of Communication.

1. According to Area of Operation:

(i) Internal Communication:

'Internal Communication' is a process of communication made within the organisation between the superiors and subordinates or between peer persons or between two or more groups. It may be formal or informal, oral or written. It may flow upward, downward or horizontal as per requirement.

The oral means of internal communication are face-to-face discussion, verbal instruction, message, telephone, intercom, meeting, conference or seminar, speech, etc. The written methods include notice, circular, memo, report, chart or graph, bulletin, e-mail, fax, etc.

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                    I
 1. Face-to-face Discussion   N   1. Notice
                    T
 2. Verbal Instruction   E   2. Circular
                    R
 3. Message   N   3. Memo
                    A
 4. Telephone   L   4. Report
                    C
ORAL  5. Intercom   O   5. Chart/Graph   WRITTEN
                    M
 6. Meeting   M   6. Bulletin
                    U
 7. Conference/Seminar   N   7. E-mail
                    I
                    C
 8. Speech   A   8. Fax
                    T
                    I
                    O
 9. Others   N   9. Others
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Fig. 3.2: Methods of Internal Communication.

(ii) External Communication:

A business organisation needs to communicate with the external agencies like customers, suppliers, investors, other business houses, banks, insurance companies, government offices, etc. Such communication may be called 'External Communication' as its area of operation is with the people outside the organisation.

International business organisations need to communicate with foreign individuals, government agencies/organisations, etc. Oral external communication is made through face-to-face discussion, meeting, conference, seminar, telephone, speech, etc. The written process includes notice, letter, telegram, report, e-mail, advertisement, fax, press release, etc.
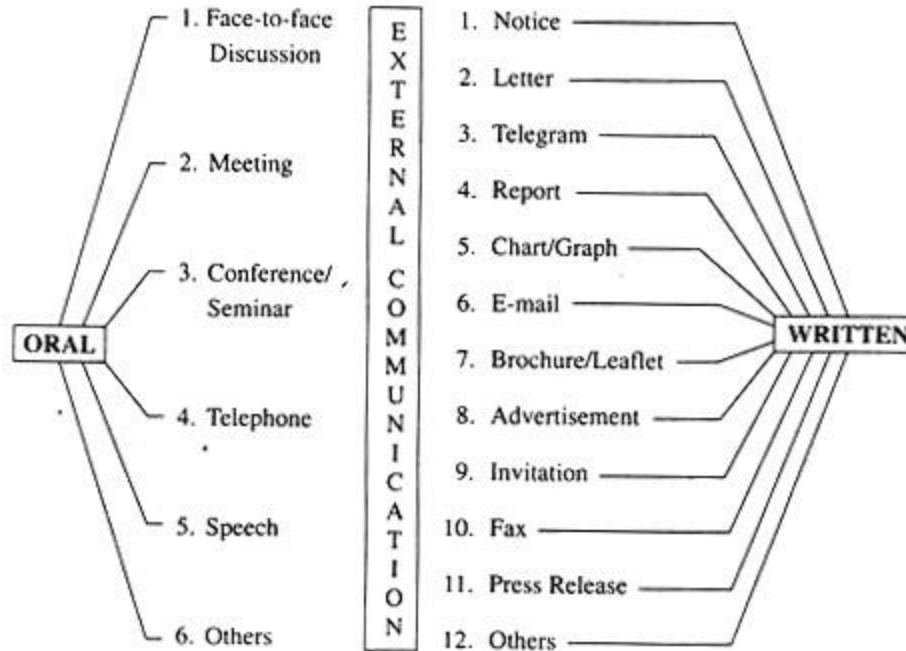
Fig. 3.3: Methods of External Communication.

2. According to Relationship:

(i) Formal Communication:

'Formal Communication' is the transmission of information or direction in formal organisation structure. Formal communication maintains superior-subordinate relationship. When a manager directs his deputy manager to carry out some task, it is an instance of formal communication. Formal communication directs the employees in a definite manner to know what the managers intend them to do and is generally codified and expressed in writing in manuals, handbooks, bulletins, annual reports, etc. So, it is rigid and thus lacks the quality of flexibility.

(ii) Informal Communication:

'Informal Communication' is the communication between the members of a group or more than one group—not on the basis of formal relationships in the organisational structure but on the basis of informal relations and understanding among the people at the same or different levels. It is referred to as the 'grapevine' which indicates informal means of circulating information or gossip. It does not follow any structural route or process. It moves towards any direction. It is direct, spontaneous, flexible, unplanned, and fast-flowing.

3. According to Direction:

(i) Vertical Communication:

Upward and downward flows of communication constitute 'Vertical Communication'. In such type of communication message or information is transmitted from the higher authority to the subordinates, and vice versa.

(a) Downward Communication:

Downward communication means the flow of information or understanding from the persons occupying higher positions to those at lower levels. It usually passes through written orders, reports and manuals and is the most common feature of all business organisations. In the organisation, people at lower levels have a high degree of fear and respect towards such communication which leads to high degree of its acceptance.

Fig. 3.4: Downward Communication.

(b) Upward Communication:

Communication is said to be upward when it moves from the subordinates to the superior managers. Submission of reports and suggestions, opinions and attitudes, complaints and grievances belong to this category. 'Upward Communication' is less common because it is less favoured by the top managers due to its troublesome and perplexing nature.

Fig. 3.5: Upward Communication.

(ii) Horizontal Communication:

'Horizontal or Sideways Communication' takes place between two subordinates or managers at the same level and under the same superior. It is specially important in large or decentralized organisations. Staff people help to transmit information among the positions and units at the same level.
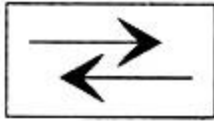
Fig. 3.6: Horizontal Communication.

(iii) Diagonal Communication:

Communication among the executives or employees of different departments is called 'Diagonal Communication.' No definite direction is followed—upward, downward and horizontal communication takes place in it. Both oral and written means of communication are used. It is mainly informal. A good relation between the subordinates and superiors is built up. It is very useful in solving the problems and avoiding conflict, but the chances of spreading rumors are high.
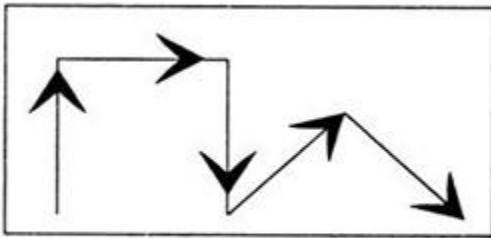

Fig. 3.7: Diagonal Communication.

4. According to Means:

(i) Verbal Communication:

'Verbal or Oral Communication' implies the transmission of orders, messages or suggestions through spoken words. It may be face-to-face or through a speaking instrument like telephone.

Verbal communication may pass directly between one person and another or group or indirectly through meetings and conferences. Whatever tool is used, it saves much time and permits personal contact. This fosters a friendly and co-operative spirit, ensures quick understanding and proper explanation, encourages questions and answers, and stimulates interest.

The speaker is also in a position to know the reaction of the listener. Again, it is most suitable for confidential and emergent talks. But it is not suitable if the distance between the speaker and the listener is too long. It is also unsuitable if the matter to be communicated is lengthy and is to

reach many persons simultaneously. It also lacks recorded evidence and future reference and does not allow the listener much time to think, act, and react.

(ii) Written Communication:

A 'Written Communication' means the sending of message, order or instruction in writing through a letter, circular, manual, report, telegram, office memo, bulletin, etc. It is a formal method of communication and is suitable for long distance communication and repetitive standing orders. It creates the records of evidence and future reference, and can be sent to many persons at a time.

It gives the receiver sufficient time to think, act, and react. A written communication in order to be effective should be clear, concise and complete. Moreover, it is time-consuming and expensive, and it cannot maintain secrecy, offers difficulty in explaining all matters, has no chance of clarification, is less flexible and not effective in emergency.

(iii) Gestural Communication:

Communication can be made through movement of body, facial expression, smile, modulation of voice, sign, handshake, rubbing of hands, eye- to-eye contact, style of walking, etc. As communication is made through bodily gestures it is called 'Gestural Communication.'

It should be kept in mind that, though the methods of communication are different, no one method can be used exclusively. So, different methods may be used in combination to suit the purpose of the communication.

Barriers to Communication

Communication is the lifeline of all business. Anything going wrong in it may cost the organization dear. Managers often complain that one of their greatest problems is communication breakdown.

Specialists have made serious studies of it and have isolated certain factors that cause this problem. It is worthwhile having a look at these causes of communication breakdown.

1. Noise:

Noise is the first and foremost barrier to communication. It means "interference that occurs in a signal and prevents you from hearing sounds properly." In a factory, for example, the continuous noise made by machines makes oral communication difficult.

In the same way some technical problem in a public address system or a static in a telephone or television cable will distort the sound signal and affect communication. Adverse weather conditions or some fault in the ultramodern telecommunication systems may also spoil the effect.

Noise does not mean only this. It also encompasses many other factors that may exist at the end of sender as well as that of the receiver. The sender may resort to ambiguous or confusing signals. The receiver may mess up the message owing to inattention or may spoil decoding because of wrong or unexpected interpretation.

The receiver's prejudices may also come in the way of his understanding the message in the right spirit. We must therefore keep in mind that communication is always likely to be spoilt by 'noise' that stands for so many things.

2. Lack of Planning:

Communication is not a casual affair. Unfortunately many people take it lightly. The result is that the message to be sent across may not be carefully planned. There are innumerable examples of people who would give an ill-planned, long-winding lecture while a short presentation with tables or graphs would be sufficient. Such an event would turn into one of miscommunication or mal-communication. In the same way some people may not care to choose a suitable time and place that are so necessary for effective communication.

3. Semantic Problems:

Semantics is the systematic study of meaning. That is why the problems arising from expression or transmission of meaning in communication are called semantic problems. Oral or written communication is based on words. And words, limited in number, may be used in unlimited ways.

The meaning is in the mind of the sender and also in that of the receiver.But it is not always necessary for the meaning in the mind of the sender to be the same as in the mind of receiver. Much, therefore, depends on how the sender encodes his message.

The sender has to take care that the receiver does not misconstrue his message, and gets the intended meaning. Quite often it does not happen in this way.That leads to semantic problems. It can be ensured only if we aim at clarity, simplicity and brevity so that the receiver gets the intended meaning.

4. Cultural Barriers:

Cultural differences often come up as communication barriers. We have to be specially careful in this regard as now we have to operate in international environment. The same category of words, phrases, symbols, actions, colours mean different things to people of different countries or different cultural backgrounds.

For example, in the United States people love to be called by their first names while in Britain, and to a large extent also in India, people like to be addressed by their last name. In the North American States a sign of 'O' made with the forefinger and thumb stands for 'OK' while in the Southern States it is construed as obscenity.

5. Wrong Assumptions:

Quite often we act on assumptions, without caring to seek clarification for them. We should make all possible efforts to maintain our goodwill and not act impulsively on assumptions. If, for example, a customer writes to us that he would like to visit our office or factory without telling us that he would like to be picked up and we assume that he will manage to come on his own it may lead to loss of goodwill. So it is necessary to be circumspect in such matters.

6. Socio-psychological Barriers:

The attitudes and opinions, place in society and status-consciousness arising from one's position in the hierarchical structure of the organisation, one's relations with peers, seniors, juniors and family background—all these deeply affect one's ability to communicate both as a sender and receiver.

Status consciousness is widely known to be a serious communication barrier in organisations. It leads to psychological distancing which further leads to breakdown of communication or miscommunication. Often it is seen that a man high up in an organisation builds up a wall around himself. This restricts participation of the less powerful in decision-making. In the same way one's family background formulates one's attitude and communication skills.

7. Emotions:

Emotions play a very important role in our life. Both encoding and decoding of messages are influenced by our emotions. A message received when we are emotionally worked up will have a different meaning for us than when we are calm and composed. Anger is the worst emotion and enemy of communication.

8. Selective Perception:

Most of the factors cited above lead to selective perception. It means that the receivers selectively see and hear depending upon their needs, background, motivations, experience and other personal characteristics. While decoding the messages, most of the receivers protect their own interests and expectations into process of communication leading to a particular kind of feedback that may become a communication problem.

9. Filtering:

Filtering means that the sender of a message manipulates information in such a way that it will be seen more favorably by the receiver. A manager, for example, likes to tell his boss what he feels or what his boss wants to hear. In this process, he is filtering information. The net result is that the man at the top never gets objective information.

In the same way, the people at the lower levels condense and synthesise information so as to get maximum benefits for themselves. They hold back or ignore some important part of information.

The more vertical levels in the organisation, the more chances are for filtering. This is a very frequently occurring communication problem.

10. Information Overload:

Unchecked inflow of information very often becomes another barrier to communication. It may stifle the senior executive or bore and frustrate him. When people are bogged down with too much information they are likely to make errors.

They may also delay processing or responding to information/message at least for some time. And delay may become a habit, causing serious communication problems. People may also become selective in their response, and selectivity is not communication-friendly. On the other hand it is a communication problem.

11. Poor Retention:

As a corollary to the problem mentioned above it is worth noting that people are also likely to forget messages reaching them. There from arises the necessity to repeat the message and use more than one medium to communicate the same message.

12. Poor Listening:

Poor listening may lead to serious communication problems. Too many people are interested in talking, and mostly talking about themselves. They are so much involved, with themselves that they do not have patience to listen. The result is that they are not interested in the speaker whose words go waste.

Everybody knows about the importance of listening, but very few actually practice patient, active and empathic listening. That is why so many communication problems crop up. Poor listening accounts for incomplete information and also poor retention. One may simply not get the desired result if this keeps on happening.

13. Goal Conflicts:

Very often clashes of the goals of various units and sub-units of an organisation lead to communication breakdowns. Communication should serve as a conflict-reduction exercise. But the goal conflicts act as communication reduction mechanisms.

Different units internalise their own goals, and that leads to the splitting or bifurcation of interests in the organisation. When people start competing for the fulfillment of their narrow interests communication suffers.

14. Offensive Style of Communication:

It is quite obvious that offensive style of communication leads to communication breakdown. It is a rather sensitive point. If a manager sends a message in such a way that the workers/ juniors become defensive their relations get strained and communication suffers. Hence it is absolutely necessary for the management to adopt a persuasive style of communication.

15. Insufficient Period for Adjustment:

It is a well-known fact that people respond to change in different ways. They take their own time to adjust to any news or proposal for change. While the purpose of communication is to effect change it should be kept in mind that the employees whose duties, shifts, etc. are going to be changed should be given sufficient time. Only then the communication will be effective.

16. Loss by Transmission:

Communication often suffers or gets diluted when messages pass on from person to person in a series of transmissions. They get diluted on the way. Special care has to be taken that the intended message reaches the person concerned.

Measures to Overcome the Barriers of Communication

In order to remove hindrances in the way of communication the following steps are worth consideration:

(1) Clarify Ideas before Communication:

The person sending the communication should be very clear in his mind about what he wants to say. He should know the objective of his message and, therefore, he should arrange his thoughts in a proper order.

(2) Communicate According to the Need of the Receiver:

The sender of the communication should prepare the structure of the message not according to his own level or ability but he should keep in mind the level, understanding or the environment of the receiver.

(3) Consult Others before Communication:

At the time of planning the communication, suggestions should be invited from all the persons concerned. Its main advantage will be that all those people who are consulted at the time of preparing the communication plan will contribute to the success of the communication system.

(4) Be Aware of Language, Tone and Content of Message:

The sender should take care of the fact that the message should be framed in clear and beautiful language. The tone of the message should not injure the feelings of the receiver. As far as possible the contents of the message should be brief and excessive use of technical words should be avoided.

(5) Convey Things of Help and Value to the Listener:

The subject matter of the message should be helpful to the receiver. The need and interest of the receiver should specially be kept in mind. Communication is more effective in such a situation.

(6) Ensure Proper Feedback:

The purpose of feedback is to find out whether the receiver has properly understood the meaning of the information received. In the face-to- face communication, the reaction on the face of the receiver can be understood.

But in case of written communication or some other sort of communications some proper method of feedback should be adopted by the sender.

(7) Consistency of Message:

The information sent to the receiver should not be self- contradictory. It should be in accordance with the objectives, policies, programmes and techniques of the organisation. When a new message has to be sent in place of the old one, it should always make a mention of the change otherwise it can create some doubts.

(8) Follow up Communication:

In order to make communication effective the management should regularly try to know the weaknesses of the communication system. In this context effort can be made to know whether to lay more stress upon the formal or the informal communication would be appropriate.

Similarly, suggestions can be invited in respect of the medium of communication (oral, written and gestural) to know as to which medium would be more effective and appropriate.

(9) Be a Good Listener:

It is the essence of communication that both the sender and the receiver should be good listeners. Both should listen to the each other's point of view with attention, patience and positive attitude. A sender can receive much relevant information by being a good listener.

Controlling

Definition:

George R. Terry:

"Controlling is determining what is being accomplished that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plans." In Terry's view, controlling helps in proper implementing of plans. If the plans are not progressing at a proper pace than necessary measures are taken to set the things right. Controlling is a channel through which plans may be properly implemented.

Robert N. Anthony:

"Management Control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organization's objectives." Control is a tool in the hands of management for ensuring better utilization of resources. Anthony even goes to the extent of saying that control even ensures the arrangement of required resources.

Earnest Dale:

"The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but pin-points the reason why it has happened and provides data that enables the chief executive or the departmental head to take corrective steps if he finds he is on the wrong track." Dale has enlarged the scope of control by saying that it helps in finding out the reasons for low performance and then suggesting the ways of improving it. It also gives information to the top executives to assess their performance and then take corrective measures if necessary.

Koontz and O'Donnell:

"The measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished." The accomplishment of organizational goals is the main aim of every management. The performance of subordinates should be constantly watched to ensure proper implementation of plans. Co-ordination is the channel through which goals can be achieved and necessary corrective actions may be taken if things are not going as per the objectives.

Henry Fayol:

"In an undertaking control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established." It has to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything things, people, actions, etc.

Characteristics of Control:

1. Managerial Function:

Control is one of the managerial functions. It is not only the function of chief executive but is the duty of every manager. A manager is responsible for whatever work is assigned to him. He will control the performance of his subordinates for ensuring the accomplishment of goals. Control is mainly the function of line organization but manager may ask for data from staff personnel.

2. Forward Looking:

Control is forward looking. Past is already gone thus, cannot be controlled. Measures can be devised to control future activities only. Past provides a base for determining controls for future. The manager will study the past performance in order to find out the reasons for low results. A corrective action will be taken to ensure that work in future is not adversely affected. Take for example, production for a particular month is low than the standard. Manager will not be able to do anything about the past performance. However, he may study the reasons for low production. He should take appropriate steps so that the same mistakes are not repeated and production will not suffer in future.

3. Continuous Activity:

Control is regularly exercised. It is not an activity in isolation. The manager will have to see that his subordinates perform according to plans at all the time. Once the control is withdrawn it will adversely affect the work. So control will have to be exercised continuously.

4. Control is related to Planning:

Planning is the first function of management while control is the last. Control cannot be exercised without planning. First the objectives are set and then efforts are made to see whether these are accomplished or not. Whenever there is a laxity in performance or things are not happening as per the plans then corrective measures are taken immediately. So planning provides a base for controlling.

5. Essence of Control is Action:

Whenever performance is not as per the standards the immediate action is needed to correct the things. The purpose of control will be defeated if corrective action is not taken immediately. If the sales are less than the standard set for marketing department then steps will be taken to

ensure that performance is not low in future. If no such steps are taken then there will be a lack of control. In practice, immediate action is the essence of control.

Importance of Control:

The control function helps management in various ways. It guides the 'management in achieving pre-determined goals. The efficiency of various functions is also ensured by the control process. The shortcomings in various fields are also reported for taking corrective measures.

The following are some of the advantages of control system:

1. Basis for Future Action:

Control provides basis for future action. The continuous flow of information about projects keeps the long range planning on the right track. It helps in taking corrective action in future if the performance is not up to the mark. It also enables management to avoid repetition of past mistakes.

2. Facilitates Decision-making:

Whenever there is deviation between standard and actual performance the controls will help in deciding the future course of action. A decision about follow up action is also facilitated.

3. Facilitates Decentralization:

Decentralization of authority is necessary in big enterprise. The management cannot delegate authority without ensuring proper controls. The targets or goals of various departments are used as a control technique. If the work is going on satisfactorily then top management should not worry. The 'management by exception' enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control, pre action approvals allow decentralization without losing control over activities.

4. Facilitates Co-ordination:

Control helps in coordination of activities through unity of action. Every manager will try to co-ordinate the activities of his subordinates in order to achieve departmental goals. Similarly, chief executive will co-ordinate the functioning of various departments. The controls will act as checks on the performance and proper results will be achieved only when activities are coordinated.

5. Helps in Improving Efficiency:

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency is corrected at the earliest.

6. Psychological Pressure:

Controls put psychological pressure on persons in the organization. Everybody knows that his performance is regularly evaluated and he will try to improve upon his previous work. The rewards and punishments are also linked with performance. The employees will always be under pressure to improve upon their work. Since performance measurement is one of the important tools of control it ensures that every person tries to maximize his contribution.

Limitations of Control:

Though control is essential for better performance and maintenance of good standards, there are certain limitations also.

Some of the limitations are discussed as such:

1. Influence of External Factors:

There may be an effective control system but external factors which are not in the ambit of management may have adverse effect on the working. These factors may be government policy,

technological changes, change in fashion, etc. The influence of these factors cannot be checked by the control system in the organization.

2. Expensive:

The control system involves huge expenditure on its exercise. The performance of each and every person in the organization will have to be measured and reported to higher authorities. This requires a number of persons to be employed for this purpose. If the performance cannot be quantitatively measured then it will be observed by the superiors. The exercise of control requires both time and effort.

3. Lack of Satisfactory Standards:

The performance of certain activities involving human behaviour cannot be fixed in terms of quantities. It is difficult to fix standards for activities like public relations, management development, human relations, research, etc. The evaluation of work of persons engaged in these activities will be difficult.

4. Opposition from Subordinates:

The effectiveness of control process will depend upon its acceptability by subordinates. Since control interferes with the individual actions and thinking of subordinates they will oppose it. It may also increase the pressure of work on subordinates because their performance is regularly monitored and evaluated. These factors are responsible for the opposition of controls by subordinates.

Features of Managerial Control

1. Important management function:

Control is an indispensable function of management; it is a follow up action taken to achieve the efficiency of other managerial functions.

Control is affected by other functions and in turn it affects the other functions of management. Every manager has to exercise control irrespective of the level of his authority and the nature of job.

2. Continuous process:

Control is continuous or regular process. Management has to be continuously vigilant to ensure that the enterprise is following a right path. Management must continuously review and improve upon the actual performance in order to achieve the predetermined objectives.

3. Mechanism:

It is a mechanism according to which something or somebody is directed to follow the predetermined course. In a business enterprise it is the job of a manager to control performance of work and workers placed under his charge.

4. Dynamic process:

Control is not static but flexible. A control system can be effective only when it goes on changing according to the needs and conditions of the enterprise. It includes not only a review of the performance but adjustment of plans too.

5. Forward-looking:

Control is forward looking because one can control further happenings and not the past. It seeks to improve future events through past experience. A control system is formulated to minimize wastage, losses and undesirable deviations from the fixed standards. Control also helps in innovations and improvements in the set standards.

6. Action-oriented:

The essence of control is the corrective action that brings plans and performance close to each other. The whole exercise of managerial process is taken to arrive at organizational objectives set by the planning process.

For this purpose, actions and further actions are necessary; each time there may be correction and change in the actions depending upon the information provided by control procedure.

7. Co-ordinate-integrated system:

A control system is a co-ordinate-integrated system. This stresses that data collected for one purpose may differ from those with another purpose. These data should be reconciled with one another. In this sense, control system is a single system but it is better to think of it as a set of interlocking sub-systems.

Steps Involved in Control

Control is a continuous process. It is not applied when be everything else is done. There may be some in-built controls in the exercise of managerial techniques. In spite of this there may be a difference in standards to be achieved and actual performance. This may be due to human limitations. Some control methods may have to be applied to improve performance.

There are four steps in control process:
(1) Setting of control standards,

 (2) Measurement of actual performance,

(3) Comparing actual and standard performance and

(4) Taking corrective action.

These steps are discussed in detail:

1. Setting of Control Standards:

Every enterprise plans its activities in advance. On the basis of plans, the objectives and goals of every department, branch, etc. are fixed. These, goals are converted into quantity, value, man hour etc. These are to be/achieved in future. There may also be qualitative goals. The achievement of various targets is made the responsibility of specific persons. The levels of achievement are also decided in advance. Whether a particular result is to be taken as

satisfactory, average or poor should be pre determined so that the persons responsible for that work should be able to assess their performance.

Some strategic points should be selected as controls or yardsticks. Prof. Newman has suggested four guidelines for selecting strategic points:

(i) The control points should be timely so that they may be able to reveal significant deviation in time thereby saving further losses,

(ii) Control points should be such as to permit economical observation and report.

(iii) Control points, especially for executives at higher levels should provide comprehensive courage.

(iv) Control points should be such as would promote balanced performance.

2. Measurement of Performance:

The second step in controlling process is the measurement of performance. The actual performance is measured against the standards set. This will enable management to determine whether the work is being done according to plans or not. The measurement of quantitative objectives is easy since figures of work done will be available. The qualitative performance such as human relations, employee morale, etc. can only be measured through psychological tests and surveys.

Measurement of performance is an important part of control process. If measurement is such that deviation is detected at the earliest then it will enable appropriate action well in time. If that is not possible then deviations should be detected as early as possible.

3. Comparing Actual and Standard Performance:

The next step in control process is the comparison of actual performance with the standards set.

The purpose of this comparison is:

(a) To find out deviations if any, and

(b) To determine the reasons for such deviation.

While comparing actual performance with the standard, some permissible limits are also fixed. When the deviations are within the prescribed limits then there is no cause for worry. But if the deviations are more than the allowable limits then it calls for urgent action. This is also known as 'management by exception.' When things are going as per plans or within the allowable limits then top management is not required to take any note of it. But on the other hand if performance is not up to the level then it is brought to the notice of top management for taking corrective action. If the manager gives attention to every deviation then he will not be able to give enough time for important things.

When the actual performance is not up to the level then causes for it should be pin-pointed. Necessary steps are taken so that performance is not adversely affected once again. If no efforts are made to rectify the weak areas then the whole control process will be futile. Whenever the performance is low than the standards, the reasons for it should immediately be found.

4. Taking Corrective Action:

The last but most important step in controlling process is of taking corrective action. Whenever the performance is less than the standards, efforts should be made to rectify it. Whatever the reasons for low performance, efforts are made to achieve organizational goals. No control process can automatically rectify the mistakes in a system. It is the action which is required to set the things right, sometimes the targets are not achievable even with more efforts then these will have to be revised. The control action may involve review of plans and goals, change in the methods of work, change in the assignment of task, change in existing techniques of direction and change in organization structure.

The corrective action generally involves top management. It is said by some persons that taking corrective action is not a part of control but a separate managerial function. The overlapping of control function only shows the unity of manager's job. It shows that managing process should be integrated one.

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