



**SHIVAJI UNIVERSITY, KOLHAPUR**

**CENTRE FOR DISTANCE EDUCATION**

# **Management Principles and Applications**

For

**B. Com. Part-I**

**Semester I & II**

(Academic Year 2019-20 onwards)

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Prescribed for **B. Com. Part-I**

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## **Preface**

Management is one of the core courses to be studied at various undergraduate and post-graduate levels in the faculty of Commerce. This first course, "Management Principles and Applications" is prescribed as one of the Compulsory papers at B. Com. Part-I in our University. The present book is prepared primarily to meet the needs of students pursuing the education on distance mode. The book is also useful for any one who intends to understand the fundamental concepts, principles and theories of what is generally known as professional Management. The book has following features -

- 1) Concise and precise presentation of textual material in simple but sound language and style.
- 2) Use of learning objectives, summary and questions at the end of each unit.
- 3) Use of examples, charts and graphs, tables etc.

The book covers the entire syllabus of B. Com. Part-I. The concepts and principles of management have been clearly explained. The role of manager and the managerial skills as required by changing business environment are explained in the context of globalization. It is hoped that the book would meet the needs of B.Com., B.B.A., B.C.A., B.Com. (I.T.) and such other undergraduate courses in Commerce. Any suggestions, recommendations for the improvement of this volume is welcome and highly appreciated.

**- Editor**

**Writing Team**

Writers Name	Sem. I Units	Sem. II Units
<b>Dr. R. S. Salunkhe</b> Arts, Commerce & Science College, Palus	<b>1</b>	-
<b>Dr. B. D. Girigosavi</b> The New College, Kolhapur	<b>2</b>	--
<b>Dr. P. V. Mohite</b> Arts and Commerce College, Ashta, Dist. Sangli	<b>3</b>	--
<b>Dr. S. R. Pawar</b> Arts and Commerce College, Kasegaon	<b>4</b>	-
<b>Dr. Pramod Prabhakar Kamble</b> Sahakarbhushan S. K. Patil College, Kurundwad	--	<b>1</b>
<b>Dr. Smt. M. R. Shinde</b> Smt. G. K. G. Kanya Mahavidyalaya, Jaysingpur	-	<b>2</b>
<b>Prof. S. P. Pawar</b> Shrimant Babasaheb Deshmukh Mahavidyalaya, Atpadi	--	<b>3</b>
<b>Dr. Sonappa Dajiba Goral</b> R. B. Madkholkar Mahavidyalaya, Chandgad, Kolhapur	-	<b>4</b>

■ **Editors** ■

**Dr. R. S. Salunkhe**  
Arts, Commerce & Science College,  
Palus

**Prof. (Dr.) A. M. Gurav**  
Department of Commerce &  
Management,  
Shivaji University, Kolhapur

**B. Com. Part-I**  
**MANAGEMENT PRINCIPLES AND APPLICATIONS**

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Each Unit begins with the section objectives -

Objectives are directive and indicative of :

1. what has been presented in the unit and
2. what is expected from you
3. what you are expected to know pertaining to the specific unit, once you have completed working on the unit.

The self check exercises with possible answers will help you understand the unit in the right perspective. Go through the possible answers only after you write your answers. These exercises are not to be submitted to us for evaluation. They have been provided to you as study tools to keep you in the right track as you study the unit.

Dear Students

The SIM is simply a supporting material for the study of this paper. It is also advised to see the new syllabus 2018-19 and study the reference books and other related material for the detailed study of the paper.

**Unit -1**  
**Introduction to the Management**

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- 1.0 Objectives of the Unit
- 1.1 Introduction to Management
- 1.2 Presentation of Subject Matter
  - 1.2.1 Meaning and Definitions of Management
  - 1.2.2 Need for Study
  - 1.2.3 Contribution towards development of Management Theory
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  - 1.2.4 Different Approaches to Management its use and limitations
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    - 1.2.4.2 System Approach
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- 1.5 Check your progress
- 1.6 Answers to check your progress
- 1.7 Exercise
- 1.8 Books for further reading

## **1.0 Objectives of the Unit**

After studying this unit, you will be able to :

- Understand the meaning and definitions of Management.
- Understand the need for study of Management.
- Acquaint with Contribution towards development of Management Theory.
- Familiar with different Approach to Management.

## **1.1 Introduction to Management**

Management is a key aspect of the economic life of man, which is an organized group activity. It is considered as the essential body in the modern social organization marked by scientific thought and technological innovations. Management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession. It is management that regulates man's dynamic activities through coordinated use of material resources. Without the leadership provided by management, the resources of creation remain resources and never become production. Management is the integrating force in all organized activity. Whenever, two or more people's works together to achieve a common objective, they have to coordinate their activities. They also have to organize and utilize their resources in such a way as to optimize the results. Not only in business enterprises where costs and revenues can be ascertained accurately and objectively but also in service organizations such as government, hospitals, schools, clubs, etc., scarce resources including men, machines, materials and money have to be integrated in a fruitful relationship, and utilized efficiently towards the achievement of their goals. Thus, management is not unique to business organizations but common to all kinds of social organizations Management has achieved an enviable importance in

recent times. We are all familiarly associated with many kinds of organizations, the most universal being the government, the school and the hospital. In fact, more and more of major social tasks are being organized on an institution basis. Medical care, education, recreation, irrigation, lighting, sanitation, etc. which are typically used to be the concern of the individual or the family, are now the domain of large organizations. Although, organizations other than business do not speak of management, they all need management. It is the specific organ of all kinds of organizations since they all need to utilize their limited resources most efficiently and effectively for the achievement of their goals. It is the most fundamental forces in the successful performance of all kinds of organized social activities. Importance of management for the development of underdeveloped economies has been recognized during the last one and a half decade. There is a significant gap between the management effectiveness in developed and underdeveloped countries. It is rightly held that development is the function not only of capital, physical and material resources, but also of their optimum utilization. Effective management can produce not only more outputs of goods and services with given resources, but also expand them through better use of science and technology. A higher rate of economic growth can be attained in our country through more efficient and effective management of our business and other social organizations, even with existing physical and financial resources. That is why it is now being increasingly recognized that underdeveloped countries are indeed somewhat inadequately managed countries. The emergence of management in modern times may be regarded as a significant development as the advancement of modern technology. It has made possible organization of economic activity in massive organizations like the Steel Authority of India and the Life Insurance Corporation of India. It is largely through the achievements of modern management that western countries have reached the stage of mass consumption societies, and it is largely through more effective management of our economic and social institutions that we can improve the quality of life of our people. It is the achievements of business management that hold the hope for the huge masses

in the third world countries that they can banish poverty and achieve for themselves reputable standards of living.

## **1.2 Presentation of Subject Matter**

### **1.2.1 Meaning and Definitions of Management**

Many experts have tried to define management. But, no definition of management has been universally accepted. Let us discuss some of the leading definitions of management :

Peter F. Drucker defines, "management is an organ; organs can be described and defined only through their functions."

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

According to Mc Farland, "Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinated co-operative human effort."

Henry Fayol, "To manage is to forecast and plan, to organize, to compound, to co-ordinate and to control."

Harold Koontz says, "Management is the art of getting things done through and within formally organized group."

William Spriegal, "Management is that function of an enterprise which concerns itself with direction and control of the various activities to attain

business objectives. Management is essentially an executive function; it deals with the active direction of the human effort."

Kimball and Kimball, "Management embraces all duties and functions that pertain to the initiation of an enterprise, its financing, the establishment of all major policies, the provision of all necessary equipment, the outlining of the general form of organization under which the enterprise is to operate and the selection of the principal officers."

Sir Charles Reynold, "Management is the process of getting things done through the agency of a community. The functions of management are the handling of community with a view of fulfilling the purposes for which it exists."

E. F. L. Brech, "Management is concerned with seeing that the job gets done, its tasks all centre on planning and guiding the operations that are going on in the enterprise."

Koontz and O'Donnel, "Management is the creation and maintenance of an internal environment in enterprise where individuals working in groups, can perform efficiently and effectively toward the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups."

James Lundy, "Management is principally a task of planning, co-ordinating, motivating and controlling the efforts of other towards a specific objective. It involves the combining of the traditional factors of production land, labour, capital in an optimum manner, paying due attention, of course, to the particular goals of the organization."

Wheeler, "Management is centered in the administrators or managers of the firm who integrate men, material and money into an effective operating limit."

J. N. Schulze, "Management is the force which leads guides and directs an organization in the accomplishment of a pre-determined object."

Oliver Sheldon, "Management proper is the function in industry concerned in the execution of policy, within the limits set up by the administration and the employment of the organization for the particular objectives set before it."

Keith and Gubellini, "Management is the force that integrates men and physical plant into an effective operating unit."

Newman, Summer and Warren, "The job of Management is to make co-operative Endeavour to function properly. A manager is one who gets things done by working with people and other resources in order to reach an objective."

G.E. Milward, "Management is the process and the agency through which the execution of policy is planned and supervised."

Ordway Tead, "Management is the process and agency which directs and guides the operations of an organization in the realizing of established aims."

Mary Parker Follett defines management as the "art of getting things done through people". This definition calls attention to the fundamental difference between a manager and other personnel of an organization. A manager is one who contributes to the organization's goals indirectly by directing the efforts of others not by performing the task himself. On the other hand, a person who is not a manager makes his contribution to the organization's goals directly by performing the task himself.

Sometimes, however, a person in an organization may play both these roles simultaneously. For example, a sales manager is performing a managerial role when he is directing his sales force to meet the organization's goals, but when he himself is contacting a large customers and negotiating a deal, he is performing a non-managerial role. In the former role, he is directing the efforts of others and is contributing to the organization's goals indirectly; in the latter role, he is directly utilizing his skills as a salesman to meet the organization's objectives.

## 1.2.2 Need for Study

**1. It helps in Achieving Group Goals :** It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

**2. Optimum Utilization of Resources :** Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professionals and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

**3. Reduces Costs :** It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

**4. Establishes Sound Organization :** No overlapping of efforts (smooth and coordinated functions), to establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfilment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

**5. Establishes Equilibrium :** It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

**6. Essentials for Prosperity of Society :** Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

### **1.2.3 Contribution Towards Development of Management Theory**

The field of management grew in its formalization during the latter part of the 19<sup>th</sup> Century and throughout the 20<sup>th</sup> Century along with the rise of the industrial revolution. Kautilya had offered sound principles of state administration in 320 B. C. The concept of organization and administration existed in Egypt in 1300 B.C. The Roman Catholic Church introduced the concept of staff personal in church administration, which was further carried on by military organizations. A group of German and Austrian public administrators and intellectuals emphasized the systematic administration as a source of strengths during 16<sup>th</sup> and 18<sup>th</sup> centuries. These contributions provided some insights about how resources could be utilized more effectively. However, these contributions were outside the field of business and other economic organizations. The growth of management concepts was needed to guide the growth of industrial manufacturing in the United States and Europe. In the field of business organizations, some stray contributions have come from Robert Owen, James Watt, Charles Babbage, and Henry Towne. While Owen emphasized personnel aspects in management and advocated a number of benefits to employees, other concentrated on

developing the concepts relating to effective utilization of resources at the shop the floor level. Their contributions came bit by bit and in haphazard manner and have failed to stimulate the study of management as a distinct discipline. However, their ideas created awareness about managerial problems.

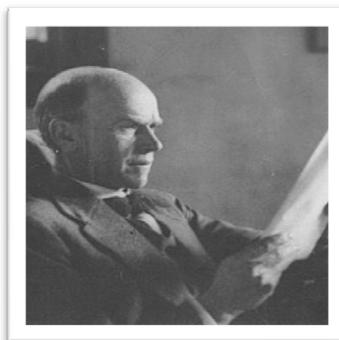
The development of principles and concepts of management encouraged the formalization of schools of business during the 20<sup>th</sup> Century. The contribution of organizational culture theory and the impact of environmental constraints is an important part of the growth of management theory over the past fifty years. Today, management emerging from a local approach to one that examines on a regional basis and with the notion of national and international linkages. The need to monitor the external environment not only locally but on an international scale is becoming a more critical element of the management literature.

Many management scientists developed lots of management theories from ancient period to modern period. Many theories, ideas, thoughts developed by them. For the study of management theories, there are three steps to be considered such as –

- A) Theories before Taylor's contribution.
- B) Scientific Management Theory.
- C) Modern Management Theory.

### **1.2.3.1 George Elton Mayo**

(26 December 1880 – 7 September 1949)



- An Australian born Psychologist industrial researcher and organizational theorist.
- Trained at the University of Adelaide,
- Bachelor of Arts Degree with First Class Honours, in Philosophy and Psychology,
- Awarded an honorary Master of Arts Degree from the University of Queensland.
- While in Queensland, served on the University's war committee and pioneered research into the Psychoanalytic treatment of shell-shock.
- As a Psychologist helped soldiers returning from World War I recover from the stresses of war and with a Brisbane physician, pioneered the Psychoanalytic treatment of shell-shock and conducted psycho-pathological tests.
- Lecturer in Psychology and Mental Philosophy at the UQ between 1911 and 1922,
- In 1926 appointed to the Harvard Business School as a professor of Industrial Research.
- 1927 to 1932 Hawthorne experiment done in Western Electric Company, Chicago.
- 1933, The Human Problems of an Industrial Civilization.
- 1945 The Social Problems of an Industrial Civilization.
- 1949 Management and the workers.
- Significant contributions to a number of disciplines, including business management, industrial sociology, philosophy, and social psychology.

## **1. Hawth-horne Experiment (1924 – 1927)**

Hawthorne experiment was conducted in Hawthorne Plant of the Western Electrical Company in Chicago, USA from 1924 to 1932. However, the so called “Hawthorne Effect” was not foreseen by the study. Instead, the Western Electrical Company wished to show that a greater level of illumination in a working area improved productivity, hence, encouraging employees to spend more money on electricity from the company. As such, they carried out a study of how productivity varied with illumination levels. In the company, there were 30000 trained and various skills acquired labours. But they were not satisfied and lots of impact shown on their efficiency. At the first stage they have estimated that work hours, recess times, working conditions, facilities and welfare schemes were the major problems among the workers. Elton Mayo studies grew out of preliminary experiments at the Hawthorne plants from 1924 to 1927 on the effect of light on productivity. Those experiments showed no clear connection between productivity and the amount of illumination but researchers began to wonder what kind of changes would influence output. Fritz Roethlisberger and White Head was two assistant for the experiment.

The Hawthorne Experiment brought out that the productivity of the employees is not the function of only physical conditions of work and money wages paid to them. Productivity of employees depends heavily upon the satisfaction of the employees in their work situation. Mayo’s idea was that logical factors were far less important than emotional factors in determining productivity efficiency. Furthermore, of all the human factors influencing employee behaviour, the most powerful were those emanating from the worker’s participation in social groups. Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee’s subjective requirement of social satisfaction at his work place.

Some of the major phases of Hawthorne experiments are as follows:

1. Illumination Experiments
2. Relay Assembly Test Room Experiments
3. Mass Interviewing Programme
4. Bank Wiring Observation Room Experiment.

1. Experiments to determine the effects of changes in illumination on productivity, illumination experiments, 1924-27.
2. Experiments to determine the effects of changes in hours and other working conditions on productivity, relay assembly test room experiments, 1927-28;
3. Conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme, 1928-30; and
4. Determination and analysis of social organisation at work, bank wiring observation room experiments, 1931-32.

## **2. Illumination Experiments (1924-27)**

Illumination experiments were undertaken to find out how varying levels of illumination (amount of light at the workplace, a physical factor) affected the productivity. The hypothesis was that with higher illumination, productivity will increase. In the first series of experiments, a group of workers was chosen and placed in two separate groups. One group was exposed to varying intensities of illumination.

Since this group was subjected to experimental changes, it was termed as experimental group. Another group, called as control group, continued to work under constant intensities of illumination. The researchers found that as they increased the illumination in the experimental group, both groups increased production. When the intensity of illumination decreased, the production continued to increase in both the groups.

The production in the experimental group decreased only when the illumination was decreased to the level of moonlight. The decrease was due to light falling much below the normal level.

Thus, it was concluded that illumination did not have any effect on productivity but something else was interfering with the productivity. At that time, it was concluded that human factor was important in determining productivity but which aspect was affecting, it was not sure. Therefore, another phase of experiments was undertaken.

### **3. Relay Assembly Test Room Experiments (1927-28)**

Relay assembly test room experiments were designed to determine the effect of changes in various job conditions on group productivity as the illumination experiments could not establish relationship between intensity of illumination and production. For this purpose, the researchers set up a relay assembly test room two girls were chosen.

These girls were asked to choose for more girls as co-workers. The work related to the assembly of telephone relays. Each relay consisted of a number of parts which girls assembled into finished products. Output depended on the speed and continuity with which girls worked. The experiments started with introducing numerous changes in sequence with duration of each change ranging from four to twelve weeks.

An observer was associated with girls to supervise their work. Before each change was introduced, the girls were consulted. They were given opportunity to express their viewpoints and concerns to the supervisor. In some cases, they were allowed to take decisions on matters concerning them.

#### **Following were the changes and resultant outcomes :-**

1. The incentive system was changed so that each girl's extra pay was based on the other five rather than output of larger group, say, 100 workers or so. The productivity increase as compared to before.
2. Two five- minute rests one in the morning session and other in evening session were introduced which were increased to ten minutes. The productivity increased.
3. The rest period was reduced to five minutes but frequency was increased. The productivity decreased slightly and the girls complained that frequent rest intervals affected the rhythm of the work.
4. The number of rest was reduced to two of ten minutes of each, but in the morning, coffee or soup was served along with the

sandwich and in the evening, snack was provided. The productivity increased.

5. Changes in working hours and workday were introduced, such as cutting an hour off the end of the day and eliminating Saturday work. The girls were allowed to leave at 4.30 p.m. instead of usual 5.00 p.m. and later at 4.00 p.m. productivity increased.

As each change was introduced, absenteeism decreased, morale increased, and less supervision was required. It was assumed that these positive factors were there because of the various factors being adjusted and making them more positive. At this time, the researchers decided to revert back to original position, that is, no rest and other benefits. Surprisingly, productivity increased further instead of going down.

This development caused a considerable amount of redirection in thinking and the result implied that productivity increased not because of positive changes in physical factors but because of the change in girls' attitudes towards work and their work group.

They developed a feeling of stability and a sense of belongings. Since there was more freedom of work, they developed a sense of responsibility and self-discipline. The relationship between supervisor and workers became close and friendly.

#### **4. Mass Interviewing Programme (1928-30)**

During the course of experiments, about 20,000 interviews were conducted between 1928 and 1930 to determine employees' attitudes towards company, supervision, insurance plans, promotion and wages. Initially, these interviews were conducted by means of direct questioning such as "do you like your supervisor?" or "is he in your opinion fair or does he have favorites?" etc. this method has disadvantage of stimulating antagonism or the oversimplified 'yes' or 'no' responses which could not get to the root of the problem, the method was changed to non- directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The

interview programme gave valuable insights about the human behaviour in the company.

**Some of the major findings of the Interviewing programme were as follows :-**

1. A complaint is not necessarily an objective recital of facts; it is a symptom of personal disturbance the cause of which may be deep seated.
2. Objects, persons or events are carriers of social meanings. They become related to employee satisfaction or dissatisfaction only as the employee comes to view them from his personal situation.
3. The personal situation of the worker is a configuration, composed of a personal preference involving sentiments, desires and interests of the person and the social reference constituting the person's social past and his present interpersonal relations.
4. The position or status of worker in the company is a reference from which the worker assigns meaning and value to the events, objects and features of his environment such as hours of work, wages, etc.
5. The social organization of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.
6. The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.

During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour. However, this conclusion was not very satisfactory and, therefore, researches decided to conduct another series of experiments. As such, the detailed study of a shop situation was started to find out the behaviour of workers in small groups.

## **5. Bank Wiring Observation Room Experiment (1931-32)**

These experiments were conducted to find out the impact of small groups on the individuals. In this experiment, a group of 14 male workers were formed into a small work group. The men were engaged in the assembly of terminal banks for the use in telephone exchanges. The work involved attaching wire with switches for certain equipment used in telephone exchanges. Hourly wage for each worker was fixed on the basis of average output of each worker. Bonus is also payable on the basis of group effort. It was expected that highly efficient workers would bring pressure on less efficient workers to increase output and take advantage of group incentive plan. However, the strategy did not work and workers established their own standard of output and this was enforced vigorously by various methods of social pressure. The workers cited various reasons for this behaviour viz. fear of unemployment, fear of increase in output; desire to protect slow workers etc. The Hawthorne experiments clearly showed that a man at work is motivated by more than the satisfaction of economic needs. Management should recognize that people are essentially social beings and not merely economic beings. As a social being, they are members of a group and the management should try to understand group attitudes and group psychology.

### **❖ Findings of Hawthorne experiments :-**

- 1. Social Unit :** A factory is not only a techno-economic unit, but also a social unit. Men are social beings. This social characteristic at work plays an important role in motivating people. The output increased in Relay Room due to effectively functioning of a social group with a warm relationship with its supervisors.
- 2. Informal Groups :** Hawthorne studies for the first time highlighted the impact of informal groups on the attitude and behaviour of workers. It is the informal relations among the workers which affect their performance more than the formal relations.

3. **Group Influence** : The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation. Their behaviour is influenced by these groups. Pressure of a group, rather than management demands, frequently has the strongest influence on how productive workers would be.
4. **Group Behaviour** : Management must understand that typical group behaviour can dominate or even succeed individual propensities.
5. **Motivation** : Human and social motivation can play even a greater role than mere monetary incentives in moving or motivating and managing employee group. Employee motivation has always been a central problem for leaders and managers. Unmotivated employees are likely to spend little or no effort in their jobs, avoid the workplace as much as possible, leave the organization if given the opportunity and produce low quality work. On the other hand, employees who feel motivated to work are likely to be persistent, creative and productive, turning out high quality work that they willingly undertake.
6. **Supervision** : The style of supervision affects worker's attitude to work and his productivity. A supervisor who is friendly with his workers and takes interest in their social problems can get co-operation and better results from the subordinates.
7. **Working Conditions** : Productivity increases as a result of improved working conditions in the organisation.
8. **Employee Morale** : Mayo pointed out that workers were not simply cogs, in the machinery, instead the employee morale (both individual and in groups) can have profound effects on productivity.

9. **Communication** : Experiments have shown that the output increases when workers are explained the logic behind various decisions and their participation in decision making brings better results.
10. **Balanced Approach** : The problems of workers could not be solved by taking one factor i.e. management could not achieve the results by emphasizing one aspect. All the things should be discussed and decision be taken for improving the whole situation. A balanced approach to the whole situation can show better results.

❖ **Criticism of Hawthorne Experiments :-**

The Hawthorne Experiments are mainly criticized on the following grounds :-

1. **Lacks Validity** : The Hawthorne experiments were conducted under controlled situations. These findings will not work in real setting. The workers under observation knew about the experiments. Therefore, they may have improved their performance only for the experiments.
2. **More Importance to Human Aspects** : The Hawthorne experiment gives too much importance to human aspects. Human aspects alone cannot improve production. Production also depends on technological and other factors.
3. **More Emphasis on Group Decision-making** : The Hawthorne experiments placed too much emphasis on group decision-making. In real situation, individual decision-making cannot be totally neglected especially when quick decisions are required and there is no time to consult others.

4. **Over Importance to Freedom of Workers** : The Hawthorne experiments give a lot of importance to freedom of the workers. It does not give importance to the constructive role of the supervisors. In reality too much of freedom to the workers can lower down their performance or productivity.
5. **Lack General Application** : Since the findings of Hawthorne experiments were based on the experiments on a small group of workers in one industry, they may not enjoy wide and general application in all kinds of work situations.
6. **Pro-Management bias** : Some critics say that the Hawthorne experiments had a pro-management bias. It was assumed that management objectives were correct and logical.
7. **Not a Scientific Enquiry** : Any scientific research methodology and techniques were not followed in conducting the Hawthorne experiments.

In spite of the above criticism, Hawthorne experiments have become a milestone in development of human relations theory. They stimulated an interest in human factor. They changed the dominant view prevailing in those times that people were no different from machines. They changed the traditional thinking of management from economics man to social man.

#### 1.2.3.2 Peter Drucker (1909-2005) M.B.O.



- Management Guru, an Austrian-American management consultant, academician, author and a self-defined “social ecologist”.
- Best known and most influential thinkers on the matter of management theory and practices.
- Born in Vienna, after completing his education at the local gymnasium he moved to Germany.
- Started working as a journalist, concurrently studying law in private,
- Receiving his doctoral degree from the University of Frankfurt.
- Moved first to London and then to the USA, becoming a naturalized citizen of the United States in 1943.
- Starting his career in the USA as an advisor to British banks and a correspondent to several journals and newspapers he soon switched to academics, continuing to write all along.
- An invitation from General Motors to analyze its organizational structure, resulting in his 1946 book, ‘Concept of the Corporation’, which offers assessment of large corporations as social institutions.
- Served as consultant to many well-known corporations, governmental departments as well as non-governmental organizations; all the while continuing to teach and write.
- Working almost till the end, he died at the age of ninety-five in Claremont, USA.

### ❖ **The Concept of Management By Objectives (MBO)**

The concept of MBO is closely connected with the concept of planning. The process of planning implies the existence of objectives and is used as a tool/technique for achieving the objectives. Modern managements are rightly

described as 'Management by Objectives' (MBO). This MBO concept was popularized by Peter Drucker. It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. This gives popular support to them and the achievement of such objectives becomes easy and quick.

Management by Objectives (MBO) is the most widely accepted philosophy of management today. It is a demanding and rewarding style of management. It concentrates attention on the accomplishment of objectives through participation of all concerned persons, i.e., through team spirit. MBO is based on the assumption that people perform better when they know what is expected of them and can relate their personal goals to organizational objectives. Superior subordinate participation, joint goal setting and support and encouragement from superior to subordinates are the basic features of MBO. It is a result-oriented philosophy and offers many advantages such as employee motivation, high morale, effective and purposeful leadership and clear objectives before all concerned persons.

MBO is a participative and democratic style of management. Here, ample a scope is given to subordinates and is given higher status and positive/participative role. In short, MBO is both a philosophy and approach to management. MBO concept is different from MBC (Management by Control) and is also superior in many respects. According to the classical theory of management, top management is concerned with objectives setting, directing and coordinating the efforts of middle level managers and lower level staff. However, achievement of organizational objectives is possible not by giving orders and instructions but by securing cooperation and participation of all persons. For this, they should be associated with the management process. This is possible in the case of MBO and hence MBO is different from MBC and also superior to MBC.

MBO is an approach (to planning) that helps to overcome these barriers. MBO involves the establishment of goals by managers and their subordinates acting together, specifying responsibilities and assigning authority for achieving the goals and finally constant monitoring of

performance. The genesis of MBO is attributed to Peter Drucker who has explained it in his book 'The Practice of Management.'

❖ **Definitions Of Management By Objectives MBO :-**

1. According to George Odime, MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."
2. According to John Humble, MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

❖ **Features Of Management By Objectives (MBO) :-**

1. **Superior-subordinate participation :** MBO requires the superior and the subordinate to recognize that the development of objectives is a joint project/activity. They must be jointly agree and write out their duties and areas of responsibility in their respective jobs.
2. **Joint goal-setting :** MBO emphasizes joint goal-setting that are tangible, verifiable and measurable. The subordinate in consultation with his superior sets his own short-term goals. However, it is examined both by the superior and the subordinate that goals are realistic and attainable. In brief, the goals are to be decided jointly through the participation of all.
3. **Joint decision on methodology :** MBO focuses special attention on what must be accomplished (goals) rather than how it is to be accomplished (methods). The superior and the subordinate

mutually devise methodology to be followed in the attainment of objectives. They also mutually set standards and establish norms for evaluating performance.

4. **Makes way to attain maximum result** : MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on attainable goals. It permits lot of freedom to subordinate to make creative decisions by him. This motivates subordinates and ensures good performance from them.
5. **Support from superior** : When the subordinate makes efforts to achieve his goals, superior's helping hand is always available. The superior acts as a coach and provides his valuable advice and guidance to the subordinate. This is how MBO facilitates effective communication between superior and subordinates for achieving the objectives/targets set.

❖ **Steps In Management By Objectives :-**

1. **Goal Setting** : The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas' (KRA).
2. **Manager-Subordinate involvement** : After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. In this way, everyone gets involved in the goal setting.
3. **Matching goals and resources** : Management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals. Allocation of resources should also be done in consultation with the subordinates.

4. **Implementation of plan** : After objectives are established and resources are allocated, the subordinates can implement the plan. If any guidance or clarification is required, they can contact their superiors.
5. **Review and appraisal of performance** : This step involves periodic review of progress between manager and the subordinates. Such reviews would determine if the progress is satisfactory or the subordinate is facing some problems. Performance appraisal at these reviews should be conducted, based on fair and measurable standards.

❖ **Advantages of Management By Objectives (MBO) :-**

1. **Develops result-oriented Philosophy** : MBO is a result-oriented philosophy. It does not favour management by crisis. Managers are expected to develop specific individual and group goals, develop appropriate action plans, properly allocate resources and establish control standards. It provides opportunities and motivation to staff to develop and make positive contribution in achieving the goals of an Organisation.
2. **Formulation of dearer goals** : Goal-setting is typically an annual feature. MBO produces goals that identify desired/expected results. Goals are made verifiable and measurable which encourage high level of performance. They highlight problem areas and are limited in number. The meeting is of minds between the superior and the subordinates. Participation encourages commitment. This facilitates rapid progress of an Organisation. In brief, formulation of realistic objectives is the benefit of MBO.
3. **Facilitates objective appraisal** : MBO provides a basis for evaluating a person's performance since goals are jointly set by superior and subordinates. The individual is given adequate freedom to appraise his own activities. Individuals are trained to

exercise discipline and self control. Management by self-control replaces management by domination in the MBO process. Appraisal becomes more objective and impartial.

4. **Raises employee morale :** Participative decision-making and two-way communication encourages the subordinate to communicate freely and honestly. Participation, clearer goals and improved communication will go a long way in improving morale of employees.
5. **Facilitates effective planning :** MBO programmes sharpen the planning process in an Organisation. It compels managers to think of planning by results. Developing action plans, providing resources for goal attainment and discussing and removing obstacles demand careful planning. In brief, MBO provides better management and better results.
6. **Acts as motivational force :** MBO gives an individual or group, opportunity to use imagination and creativity to accomplish the mission. Managers devote time for planning results. Both appraiser and appraisee are committed to the same objective. Since MBO aims at providing clear targets and their order of priority, employees are motivated.
7. **Facilitates effective control :** Continuous monitoring is an essential feature of MBO. This is useful for achieving better results. Actual performance can be measured against the standards laid down for measurement of performance and deviations are corrected in time. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.
8. **Facilitates personal leadership :** MBO helps individual manager to develop personal leadership and skills useful for efficient management of activities of a business unit. Such a manager enjoys better chances to climb promotional ladder than a non-MBO type.

❖ **Limitations of Management By Objectives :-**

- 1. Time-consuming :** MBO is time-consuming process. Objectives, at all levels of the Organisation, are set carefully after considering pros and cons which consumes lot of time. The superiors are required to hold frequent meetings in order to acquaint subordinates with the new system. The formal, periodic progress and final review sessions also consume time.
- 2. Reward-Punishment approach :** MBO is pressure-oriented programme. It is based on reward-punishment psychology. It tries to indiscriminately force improvement on all employees. At times, it may penalize the people whose performance remains below the goal. This puts mental pressure on staff. Reward is provided only for superior performance.
- 3. Increases paper-work :** MBO programmes introduce ocean of paper-work such as training manuals, newsletters, instruction booklets, questionnaires, performance data and report into the Organisation. Managers need information feedback, in order to know what is exactly going on in the Organisation. The employees are expected to fill in a number of forms thus increasing paper-work. In the words of Howell, "MBO effectiveness is inversely related to the number of MBO forms.
- 4. Creates organizational problems :** MBO is far from a panacea for all organizational problems. Often MBO creates more problems than it can solve. An incident of tug-of-war is not uncommon. The subordinates try to set the lowest possible targets and superior the highest. When objectives cannot be restricted in number, it leads to obscure priorities and creates a sense of fear among subordinates. Added to this, the programme is used as a 'whip' to control employee performance.

5. **Develops conflicting objectives** : Sometimes, an individual's goal may come in conflict with those of another e.g., marketing manager's goal for high sales turnover may find no support from the production manager's goal for production with least cost. Under such circumstances, individuals follow paths that are best in their own interest but which are detrimental to the company.
6. **Problem of co-ordination** : Considerable difficulties may be encountered while coordinating objectives of the Organisation with those of the individual and the department. Managers may face problems of measuring objectives when the objectives are not clear and realistic.
7. **Lacks durability** : The first few go-around of MBO are motivating. Later it tends to become old hat. The marginal benefits often decrease with each cycle. Moreover, the programme is deceptively simple. New opportunities are lost because individuals adhere to rigidly to established goals.
8. **Problems related to goal-setting** : MBO can function successfully provided measurable objectives are jointly set and it is agreed upon by all. Problems arise when: (a) verifiable goals are difficult to set (b) goals are inflexible and rigid (c) goals tend to take precedence over the people who use it (d) greater emphasis on quantifiable and easily measurable results instead of important results and (e) over-emphasis on short-term goals at the cost of long-term goals.
9. **Lack of appreciation** : Lack of appreciation of MBO is observed at different levels of the Organization. This may be due to the failure of the top management to communicate the philosophy of MBO to entire staff and all departments. Similarly, managers may not delegate adequately to their subordinates or managers may not motivate their subordinates properly. This creates new difficulties in the execution of MBO programme.

## **1.2.4 Different Approaches to Management its use and limitations**

Management knowledge is as old as human civilization. From the beginning of 20<sup>th</sup> century serious efforts were made to develop management as a separate discipline. Contribution of Adam Smith, Charles Babbage, Robert Owen, Henry Towne, Henry Sent Simon etc was birth to pre-scientific Management approaches. From this approaches the development of management thought started. These approaches also called as classical approaches. Then the neo-classical approaches were evolved. Then modern approaches were evolved. Following is the short account of these approaches.

### **❖ Pre-scientific Management approaches :-**

Adam Smith in his Wealth of Nations (1776) introduced the concept of division of labour. Smith concluded that division of labor increased productivity by increasing each worker's skill and dexterity, by saving time that is normally lost in changing tasks, and by the creation and better use of laborsaving inventions and machinery. The general popularity today of job specialization in service jobs as well as on assembly lines is undoubtedly due to the economic advantages cited over 200 years ago by Adam Smith. In 1832, Charles Babbage, a mathematician and a teacher, wrote On the Economy of Machinery and Manufactures, in which he applied his principles to the workshop. This early work introduced the idea of using scientific techniques to improve the managing process. The theoretical foundations of management lie in the classical approach to management, which sought to formulate rational principles that would make organizations more efficient. The classical approach to management consists of two subcategories: *f* scientific management approach looked at the field from the perspective of how to improve the productivity of operative personnel. General administrative approach was concerned with the overall organization and how to make it more effective.

## ❖ **Scientific Management Approach :-**

Most writers agree that the origin of the concentrated study of management was the work performed by Frederick W. Taylor and his associates during the scientific management movement that developed around 1900. Frederic W. Taylor (1865-1915) Frederic Taylor pioneered scientific management, which suggested that systematic investigation could indicate proper methods, standards and timings for each operation in an organization's activities Henry L. Gantt (1861-1919) Henry L. Gantt, a contemporary and associate of Taylor, emphasized the psychology of the worker and the importance of morale in production. Gantt devised a wage payment system, which stimulated foremen and workers to strive for improvement in work practices. Gantt also developed a charting system for scheduling production, the "Gantt chart" that remains the basis for modern scheduling techniques. Frank and Lillian Gilbreth (1868-1924 and 1878-1972) Frank and Lillian Gilbreth, the husband-and-wife team made their contribution in fatigue and motion studies to eliminate wasteful hand-and-body motions. General Administrative Approach Henri Fayol (1841-1925) Henri Fayol was a French industrialist who put forward and popularized the concept of the 'universality of management principles', the idea that all organizations could be structured and managed according to certain rational principles. Max Weber (1864-1920) Max Weber, a German sociologist, developed a theory of authority structures and described organizational activity on the basis of authority relations. He described an ideal type of organization that he called a bureaucracy, characterized by division of labour, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships. Mary Parker Follett (1868-1933) Follett introduced many new elements to the classical management approach especially in the areas of human relations and organizational structure. The trends she initiated were further developed in the then emerging behavioural and management science approaches Elton Mayo (1880-1949) Scholars generally agree that the Hawthorne studies, undertaken at the Western Electric Company's Hawthorne works in Illinois, USA, under the leadership of Elton Mayo, had a dramatic impact on management thought

towards “Human Relations”. Abraham Maslow (1908-1970), a practicing psychologist, proposed a hierarchy of five needs: physiological, safety, social, esteem, and self-actualization. In terms of motivation, Maslow argued that each step in the hierarchy must be satisfied before the next level can be activated and that once a need was substantially satisfied, it no longer motivated behaviour. Douglas McGregor (1906-1964) formulated two sets of assumptions – Theory X and Theory Y – about human nature. Theory X presents an essentially negative view of people. It assumes that they have little ambition dislike work, want to avoid responsibility, and need to be closely supervised to work effectively. Theory Y offers a positive view, assuming that people can exercise self-direction, accept responsibility, and consider work to be as natural as rest or play.

#### ❖ **Modern Approaches to Management :-**

Peter Drucker, Michael Porter, Lawrence and Launch, Senge, C.K. Pralhad etc are the modern management thinkers, they are developed their approaches. The evolution of management approaches is a continuous process. Our discussion, however, is confined in this unit to the behavioural approach, system approach and contingency approach.

##### **1.2.4.1 Behavioural Approach**

The Behavioural approach concerns itself with the social and psychological aspects of human behaviour in organization. The behaviour of members of an organization clearly affects its structure and it’s functioning as well as the principles on which it can be managed. Behavioural researches have provided sufficient evidence that human element is the key factor in the success are failure of an organization. In several experiments, it has been observed that people prefer to be consulted rather than receive order or information. Less reliance on the use of authority is preferred. Some of the more important elements or concepts of Behavioural approach may be outlined as follows :-

1. **Individual Behaviour** : Individual behaviour is closely linked with the behaviour of the group to which he belongs. The group dictates changes in his behaviour. Individuals observe those work standards which are prescribed by the group.
2. **Informal Leadership** : Informal leadership, rather than formal authority of managers is more important for setting and enforcing group standards of performance. As a leader, a manager may be more effective and acceptable to subordinates, if he adopts the democratic style of leadership.
3. **Participation** : If the subordinates are encouraged and allowed to participate in establishing goals, there will be positive effect on their attitude towards work. If employees are involved in planning, designing the jobs and decision-making, there will be least resistance to changes effected in technology and work methods.
4. **Motivation by Self-Control and Self-Development** : Behavioral scientists maintain that by nature most people enjoy work and are motivated by self-control and self-development. Managers should try to identify and provide necessary conditions conducive to the proper and sufficient use of human potential. The managers' attitude towards human behaviour should be positive.

They should know that average man is not lazy by nature. But he is ambitious. Every man likes to work and prefers to assume responsibilities. McGregor maintains that employees favour self-direction and self-control. Behavioural scientists believe that in place of the concept of social man the concept of self-actualizing man would be more appropriate to explain human motivations.

Chester I. Bernard pointed out that material reward is of crucial significance only up to a definite point. The incentives of status, power, good physical conditions, opportunities of participation and good social (i.e., cultural interrelationships) are very important.

5. **Informal Organization** : Behavioural scientists particularly Bernard, consider informal organization as an essential part of the formal organization. Informal organization must always be taken into account while determining managerial behaviour.
6. **General Supervision Not Close One** : As regards supervision of subordinates, Behavioural scientists particularly Likert, are not in favour of close supervision. They advocate general supervision, which tends to be associated with high productivity.

❖ **Basic Assumptions of Behavioural Approach :-**

The Behavioural approach is based on certain assumptions about man and organization, which may be looked upon as their prepositions (statements of opinion or judgement) also. Those may be outlined as follows:

1. Organization is socio-technical system involving people and technology as their primary components.
2. The behaviour of the members of an organization clearly affects its structure and its functioning, as well as the principles on which it can be managed.
3. Individual's behaviour is closely linked with a greatly influenced by the behaviour of the group to which he belongs.
4. A wide range of factors influences work and interpersonal behaviour of people in the organization.
5. Congruence (agreement) between organizational goals and individual goals organizations members would be established.
6. Several individual differences in perceptions, aspirations, needs, feelings, abilities and values of people exist in the organization, such difference along with their changing nature over periods of time have to be recognized.

7. Informal leadership rather than the formal authority of supervisors is more important for increase in employee performance.
8. Democratic leadership style and participative managerial style encourage positive attitude of employee towards work and foster's high moral and initiative among them.
9. By nature most people enjoy work and are motivated by self-direction, self-control and self-development.
10. Conflict in organization may to some extent to inevitable and at times even desirable for development, innovation and creativity in certain cases. Conflicts and cooperation coexist in organizations. Conflicts are not to be suppressed, but are to be resolved and that too not always, coordinated in vital for achievement of organizational goals. The above propositions are important elements of Behavioural science thinking. Thus the Behavioral approach represents a significant advance over the human relations approach.

❖ **Use of Behavioural approach :-**

1. It is easy to put into practice
2. It is simple to understand
3. The results are usually quick
4. It uses small steps to shape the behaviour
5. It doesn't require a specialist to implement it - anyone can use the approach
6. It is based on the principle that reinforced (rewarded) behaviour will be repeated
7. The results can be measured and demonstrate progress
8. It is suitable for any age and ability.

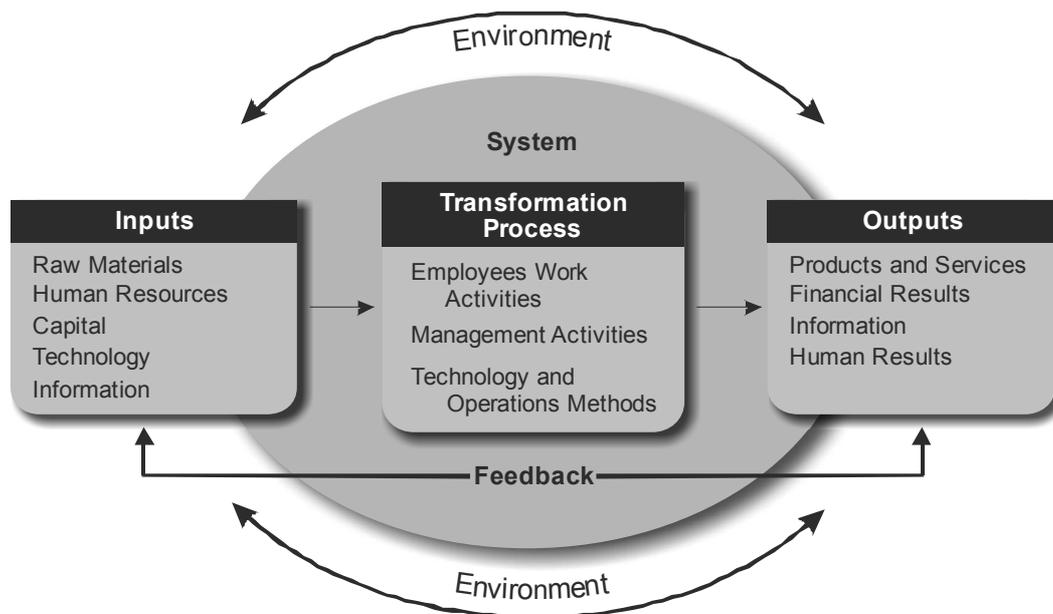
❖ **Limitations of behavioural approach :-**

1. Not always easy to get people to change their mind
2. The client may rebel against being told what to do
3. Older people may resent being 'treated like a child'
4. It doesn't consider the client's thoughts or feelings
5. It may be seen as dogmatic and a punishment
6. Punishment is often used more frequently than rewards
7. Could be seen as de-humanizing - reducing our behaviour to responses to a stimuli
8. Suggests that we are only pleasure-seeking animals

**1.2.4.2 System Approach**

A system is any set of distinct parts that interact to form a complex whole. Think of the universe. Its parts are as small as a subatomic particle and as large as galactic clusters. Each part is distinct but interacts to form the universe. An organization is also a system with parts such as employees, assets, products, resources, and information that form a complex system. Systems can be open or closed. A closed system is not affected by its environment. For example, a chunk of iron ore is not substantially affected by its environment. An open system is a system that is affected by its environment. A simple example is a living organism, such as an animal. Most theorists treat an organization as an open system. An open system consists of three essential elements. An organization receives resources such as equipment, natural resources, and the work of employees, referred to as inputs. The inputs are transformed, called throughputs, and then yield products or services called outputs. Outputs are released into the environment. Feedback loops are also an important feature of open systems. They provide information to the organization by connecting the outputs to the inputs. A negative feedback loop indicates a problem that should be corrected. For example, the

failure of product design indicated by the need to recall the product. A positive feedback loop can identify outputs that have worked well. For example, a successful marketing campaign that yields high sales. Thus, feedback loops are a means of confirming success or signalling that corrections to the system need to be made.



❖ **Features of System Approach :-**

- 1. Open or closed systems :** Systems may be either open or closed: An open system is one, which depends on the outside environment for survival. A closed system does not interact with the environment.
- 2. Subsystem :** The full system is made up of many parts. Each of these parts is called a subsystem. A system may be a subsystem of a larger system. For e.g. a department is a subsystem of a plant. A plant is a subsystem of a company. Continuous and effective interaction of sub-systems helps to attain goals of the larger system. Thus, every sub-system is a system and has sub-systems which together make an organization a set of mutually dependent parts and their sub-parts.

3. **Synergy** : Synergy means that the whole is greater than the sum of its parts. In an organization, when different departments co-operate and interact, they become more productive. This is called synergy.
4. **Defined boundaries** : Each system has a boundary that separates it from its environment. In case of a closed system, the system boundary is rigid. However, in an open system, the boundary is flexible. A business organization has boundaries with many external systems like creditors, suppliers, customers, government agencies, etc. The system is inside the boundary, the environment is outside the boundary.
5. **Feedback mechanism**: A system can adjust itself to the changing environment through the feedback mechanism. Feedback helps the system to find out and correct its mistakes.
6. **Multidisciplinary**: Management system uses information from many disciplines such as psychology, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis, etc. Therefore, it is multidisciplinary in nature.
7. **Consideration of whole system**: No part of the system can be fully studied and understood without properly understanding all of its parts. So instead of dealing separately with different parts of one organization, the manager must study the entire organization as a whole. For example, in order to understand the working of the finance, production or marketing department, he/she must understand the company as a whole. It is because the activity of any one part of the company affects the activity of its every other part.
8. **Input-output system**: A business organization is an input-output system. Inputs consist of human, physical and financial resources

obtained from the environment. These resources are converted into outputs of products and services.

❖ **Use of System approach :-**

1. System approach provides a holistic view of the organizations and emphasizes on their adaptive nature. It increases organization's adaptability to environmental changes. The organization is studied as a whole and not through its parts. This enables it to adapt to the needs of the environment. Decisions are made keeping in mind organization-environment interface.
2. It analyses the system at different levels and inter-relates and integrates it into a unified set of direction. Starting from individual goals, it focuses on overall organizational goals, synthesizes the two and converge them into global economy.
3. System approach provides a framework for effective interaction of parts of the organization in a specific arrangement for attainment of its goals. It does not focus on one part of the organization.
4. It considers the impact of environment on the organization and vice versa. Interaction of external environment with the internal environment is the most significant contribution of systems theory.

System approach, thus, analyses the organization as an adaptive and dynamic entity.

5. System approach synthesizes the classical and behavioral theories into a broader framework to solve managerial problems.

❖ **Limitations of System Approach :-**

1. Critics of this theory claim this as a theoretical approach to management. The way an organization actually works and solves problems (by applying different techniques and methods) has no appeal in the theory.

2. Relationship amongst parts of the organization is emphasized upon but the exact nature of inter-dependence is not defined.
3. Exact relationship between internal and external environment of the organization is also not defined. For example, it specifies that change in economic policies necessitates change in internal policies of the organization but what changes are required to match the changes in economic environment is not talked about.
4. System approach fails to provide uniform approach to management. Management practices change with changes in environmental variables. No standard set of principles apply to all types of organizations. It has added nothing new to the study of management. Even before this approach was introduced, managerial decisions were taken keeping in mind the environmental variables. No specific decision-making techniques are offered to deal with specific problems.
5. It fails to provide concepts that apply to all types of organizations. The small organizations are less adaptive to environmental variables than large organizations. The theory assumes that most of the organizations are big, complex and open systems. It, thus, fails to provide a unified theory.

#### **1.2.4.3 Contingency Approach :-**

Contingency approach evolved during the 1960s. The contingency approach to management emerged from the real life experience of managers who found that no single approach worked consistently in every situation. The basic idea of this approach is that no management technique or theory is appropriate in all situations. The main determinants of a contingency are related to the external and internal environment of an organization. The process, quantitative, behavioural, and systems approaches to management did not integrate the environment. They often assumed that their concepts and

techniques have universal applicability. For example the process theorists often assumes that strategic planning applies to all situations; the quantitative experts generally feel that linear programming can be used under all conditions; the behavioural theorist usually advocates participative goal setting for all superior-subordinate pairs; and the system advocates tend to emphasize the need for computerized information flows in all situations. On the other hand practicing managers find out that a particular concept or technique from the various approached just does not work effectively in various situations. The theorists accuse practitioners of not applying the technique properly, and the practitioners accuse the theorists of being unrealistic. The contingency approach does incorporate the environment and attempts to bridge this existing theory-practice gap.

Contingency approach, also known as situational approach, Environmental change and uncertainty, work technology, and the size of a company are all identified as environmental factors impacting the effectiveness of different organizational forms. According to the contingency perspective, stable environments suggest mechanistic structures that emphasize centralization, formalization, standardization, and specialization to achieve efficiency and consistency. Certainty and predictability permit the use of policies, rules, and procedures to guide decision making for routine tasks and problems. Unstable environments suggest organic structures which emphasize decentralization to achieve flexibility and adaptability. Uncertainty and unpredictability require general problem solving methods for non routine tasks and problems. Paul Lawrence and Jay Lorsch suggest that organizational units operating in differing environments develop different internal unit characteristics, and that the greater the internal differences, the greater the need for coordination between units.

Contingency approach to management advocates that managerial actions and organizational design must be appropriate to the given situation and a particular action is valid only under certain conditions. There is no one best approach to management and it all depends on the situation. In other

words, managerial action is contingent upon external environment. There is no one best approach for all situations. What a manager does depends upon a given situation and there is an active inter-relationship between the variables in a situation and the managerial action. Contingency theory attempts to analyze and understand these interrelationships with a view towards taking the specific managerial actions necessary to deal with the issue. This approach is both analytical and situational, with the purpose of developing a practical answer to the question at hand.

❖ **Features of Contingency Theory :-**

1. Management is situational in nature. The technique of management depends on complexity of the situation.
2. It is the 'if and 'then 'approach to management, 'If' represents the independent variable and 'then' represents the dependent management variable or the technique to be adopted in that situation. 'If' workers have strong physiological needs, 'then' financial motivators should be adopted and 'If' they have strong higher-order needs, 'then' non-financial motivators should be adopted.
3. Management principles are not universal in nature as there is no best style of management. Management is situational and managerial actions depend upon the environmental circumstances.
4. It helps in understanding the complex organizations as it focuses on multivariate nature of organizations. It helps an organization to operate under different environmental conditions. Rather than having a specific solution to solve problems, it provides a framework where every solution depends upon the environmental conditions. Same problem can have different solutions at different points of time and different problems can have same solution at the same point of time.

5. It provides insight into organization's adaptability to both internal and external environment. It is a matter of fitting the internal environment to its external environment.

❖ **Use of Contingency Theory :-**

This theory has proved useful for practicing managers as :

1. It is an integration of different schools of thought; classical, behavioural and systems approach. It integrates the principles of different schools of thought and applies them contingent upon the needs of the situation.
2. It is pragmatic in nature as solution to every problem is found after analyzing the situation.
3. It follows the technique of multivariate analysis. It thinks of all possible variables or factors that affect the situation and adopts the best.
4. It is adaptive in nature. It does not presume a pre-designed structure of the organization but adopts a structure that helps the organization adapt to the environment.
5. It helps to design the organization structure and plan the information decision systems. A small-sized organization may be centralized and a large-sized organization may be decentralized in structure.
6. It helps to devise motivational and leadership approaches to motivate the workers. Autocratic style may be adopted to deal with unskilled workers and participative style to deal with skilled workers. Contingency approach to management is considered as a leading branch of management thought today.

❖ **Limitations of Contingency Theory :-**

Despite the best that contingency theory offers to the management thought, following are limitations.

1. It does not follow the concept of 'universality of principles' which often apply to specific management situations.
2. It is argued that what contingency theory asserts was asserted by Fayol also. He also talked of flexibility of management principles. Therefore, the theory has added nothing new to the management thought.
3. As there is no definite solution to a problem, managers think of alternatives to arrive at the right choice. This is costly in terms of time and money. It also does not provide theoretical foundation upon which management principles will be based.
4. It is not possible for managers to determine all the factors relevant to the decision making situation. Because of constraints of time, money and ability, managers can neither collect complete information about the environment nor analyze it completely.

Besides, it is not possible to establish perfect relationship amongst these factors. Application of this theory may, therefore, be a complicated task as decisions are based on limited information. These criticisms are only theoretical in nature. The theory contributes to the development of management thought if applied rationally.

### **1.3 Summary**

Management is a key aspect of the economic life of man, which is an organized group activity. Management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession. It is management that regulates man's dynamic activities through coordinated use of material resources. The development of principles and concepts of management encouraged the formalization of schools of business during the 20<sup>th</sup> Century. The contribution of organizational culture theory and the impact of environmental constraints is

an important part of the growth of management theory over the past fifty years. Today, management emerging from a local approach to one that examines on a regional basis and with the notion of national and international linkages. The need to monitor the external environment not only locally but on an international scale is becoming a more critical element of the management literature. Hawthorne experiments have become a milestone in development of human relations theory. They stimulated an interest in human factor. They changed the dominant view prevailing in those times that people were no different from machines. They changed the traditional thinking of management from economics man to social man. The concept of MBO is closely connected with the concept of planning. The process of planning implies the existence of objectives and is used as a tool/technique for achieving the objectives. Modern managements are rightly described as 'Management by Objectives' (MBO). This MBO concept was popularized by Peter Drucker. It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. This gives popular support to them and the achievement of such objectives becomes easy and quick. The Behavioural approach concerns itself with the social and psychological aspects of human behaviour in organization. The behaviour of members of an organization clearly affects its structure and it's functioning as well as the principles on which it can be managed. Behavioral researches have provided sufficient evidence that human element is the key factor in the success or failure of an organization. A system is any set of distinct parts that interact to form a complex whole. Think of the universe. Its parts are as small as a subatomic particle and as large as galactic clusters. Each part is distinct but interacts to form the universe. An organization is also a system with parts such as employees, assets, products, resources, and information that form a complex system. Contingency approach to management advocates that managerial actions and organizational design must be appropriate to the given situation and a particular action is valid only under certain conditions. There is no one best approach to management and it all depends on the situation.

## 1.4 Terms to remember :-

- ✓ **Management** : Management is the force which leads guides and directs an organization in the accomplishment of a pre-determined object.
- ✓ **Hawthorne experiment** : The experiment was conducted in Hawthorne Plant of the Western Electrical Company in Chicago, USA from 1924 to 1932 by Elton Mayo.
- ✓ **Management by Objectives** : MBO is a process whereby superior and subordinate managers of an Organization jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."
- ✓ **Behavioural approach** : The behavioural approach emphasizes the scientific study of observable behavioural responses and their environmental determinants. In other words it's the study of the connection between our minds and behavioural.
- ✓ **System** : A system is a set of distinct parts that form a complex whole. A closed system is not affected by its environment.
- ✓ **Contingency approach** : Contingency approach to management advocates that managerial actions and organizational design must be appropriate to the given situation and a particular action is valid only under certain conditions.

## 1.5 Check Your Progress.

### A) Fill in the Gaps.

1. A ..... is a set of distinct parts that form a complex whole.

2. .... is the force which leads guides and directs an organization in the accomplishment of a pre-determined object.
3. Hawthorne experiment was conducted in Hawthorne Plant of the Western Electrical Company in Chicago, USA from 1924 to 1932 by .....
4. .... is a participative and democratic style of management.
5. The ..... approach concerns itself with the social and psychological aspects of human behaviour in organization.

**B) State True or False.**

1. Management is a functional concept.
2. Elton Mayo is known for Hawthorne Experiment.
3. Peter Drucker is known for Management by objectives.
4. The Behavioural approach not concerns itself with the social and psychological aspects of human behaviour in organization  
Answers to check your progress.
5. A open system is not affected by its environment.

## **1.6 Answers to Check to Your Progress.**

- A)**
1. System.
  2. Management.
  3. Elton Mayo.
  4. Management by objective.
  5. Behavioural.

- B)**
1. True.
  2. True.
  3. True.
  4. False.
  5. False.

## **1.7 Exercise.**

### **1. Answer in Short.**

- a) Explain the Hawthorne experiment.
- b) Explain the process of Management by Objective.
- c) State the use of system approach.
- d) State the limitations of behavioural approach.
- e) Explain the features of contingency approach.

### **2. Explain the need for study of management**

### **3. Explain the findings and limitations of Hawthorne Experiment by Elton Mayo's**

### **4. Explain the process and advantages of Management by objectives**

### **5. State the use and limitations of behavioral approach.**

### **6. State the features and limitations of system approach.**

### **7. State the use and limitations of contingency approach.**

### **8. Write short notes.**

- a) Meaning of management.
- b) Need for study of management.
- c) Hawthorne Experiment.

- d) Concept of Management by objectives.
- e) Behavioural approach.
- f) System approach.
- g) Contingency approach.

## **1.8 Books for Further Reading.**

1. **Drucker, Peter** : *“Practice of Management”*.
2. **Tripathi, P. C. and Reddy, P.N.** : *“Principles of Management”*,  
Tata McGraw Hill Publishing Ltd New Delhi.
3. **Ramasamy, T.** : *“Principles of Management”*.
4. **Shukla, M.C.** : *“Essentials of Management”*.
5. Principles and Practice of Management: Prasad L.M.
6. **Prof. (Dr.) Gurav, A. M. and (Dr.) Salunkhe, R. S.** :  
*“Management Principles and Applications”*.
7. **Prof. (Dr.) Gurav, A. M. and (Dr.) Salunkhe, R. S.** : *“Modern  
Management Practice”*.

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## Unit - 2

# Planning and Decision Making

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- 2.1 Objectives
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#### [B] Decision Making

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## **2.1 Objectives**

After studying this unit you may be able to

- 1) Understand meaning, definitions and features of planning.
- 2) Know the types of planning.
- 3) Know the process of planning.
- 4) Understand environmental analysis and diagnosis, definitions, importance SWOC analysis.
- 5) Understand decision making concept, importance and process of decision making.
- 6) Know perfect rationality and bounded rationality.
- 7) Study techniques of decision making.

## **2.2 Introduction**

Planning is a key to success and technique to achieve goals of life. It is indispensable part of human life. Knowingly and unknowingly we all are engaged in planning process. Like plan for getting-up in time at morning, having breakfast, tea, lunch, reaching office, having dinner and lastly going to

bed. As well as student's not only plans to go to school, college but they may also plan for their life goals like C.A., Doctor, Advocate, Engineer, entrepreneur, IAS and so on. Mom is busy in planning daily home routine, industrialist, businessmen plans for their goals. In this way planning is an indispensable part of life and is done by everyone on daily basis. Activities are planned by countries so as to develop it in the fields like social, economical, educational, technological, cultural, it is also a plan of the country.

In business organization planning is of utmost importance. Organizations expansion, success, efficiency, growth, profitability and productivity all are dependent on good and ideal planning. Planning is the fundamental function of management. Without planning nothing can be happened. Planning is an intellectual process and it involves what to do, when to do, how to do and who is to do it. Of course planning is a foundation of all activities. The activities of management are initiated only after planning. When manager wish to do something, he start those activities with planning. It means he has to plan first, then organizing, staffing, directing and controlling. Thus planning is a basic function; and it shows roadmap to fulfil goals of the organization.

## **2.3 Presentation of the Subject Matter**

In the present unit meaning of planning is explained. As well as definitions, types and steps in planning process are explained. Furthermore, this unit introduces the concept of environment analysis and diagnosis, definitions, importance, SWOC analysis of it. This unit also highlights on decision making concept, importance and process of decision making. Concepts of perfect rationality and bounded rationality have been presented. Decision making unit helps to understand qualitative techniques' and quantitative techniques of decision making.

### **2.3.1 Meaning of Planning**

In simple words, Planning means it is an outline of what to do, when to do, how to do and who is to do it. Planning refers to setting an organization

goal and deciding how best to achieve them. Thus it is a process of setting the goals of an organization, and overall strategy for fulfilling these goals.

### **2.3.2 Definitions of Planning**

*The definitions of planning are given by the various management thinkers, some of the important definitions are given below.*

*1. In the word of Merry Kusing Niles : “Planning is the conscious process of selecting and developing the best course of action to accomplish an objective. It is the basis from which future management actions spring.”*

*2. Koontz and ‘O’ Donnell defines that “Planning is intellectual process, the conscious determination of courses of action, the basing of decisions on purpose facts and considered estimates”*

*3. According to Luis A Allen “Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets”*

*4. M. E. Hurley “Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives.”*

*5. In view of Hart “Planning is the determination in advance of a line of action by which certain results are to be achieved.”*

### **2.3.3 Features of Planning**

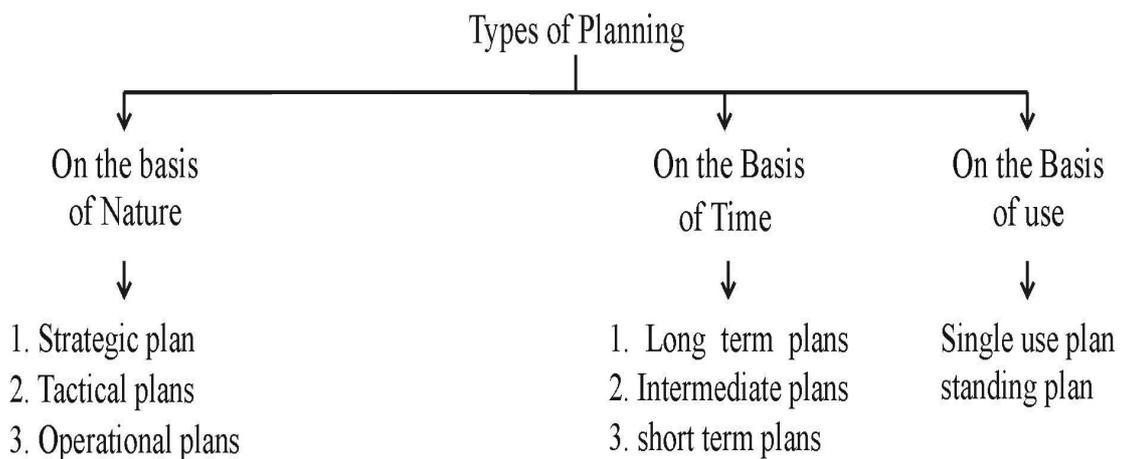
On the basis of above definitions the features of planning are as follows.

- 1] Planning is fundamental function of management. While doing any activity a manager needs to have proper plan first.
- 2] Planning is a goal oriented. Planning establishes goal of an organization and deciding how best to achieve them.

- 3] Planning by nature a pervasive function of management, because if it relates to all levels of management.
- 4] Planning is an intellectual process because it involves forecasting, decision making and thinking of future specific course of action. This needs to have talent.
- 5] Planning is ongoing process of an organization, it means it is continuous process.
- 6] Planning helps to improve the efficiency of business
- 7] Planning is a function of decision making.
- 8] Planning is an activity of future course of action.
- 9] Planning is such a function, which directs all the concern element of an organization to achieve goals.

### 2.3.4 Types of Planning

The types of planning are classified on the basis of nature, type of business, objectives duration and size. Organizational plans are roadmaps to attain organizational goals. Thus in order to attain different types of organizational goals, an organization has to adopt different types of plans. Such plans are shown as in the following chart.



## **A] On the basis of Nature**

### **1. Strategic Plan :-**

Strategic plan is the plan which is prepared by top management and Board of director. Strategic plan deals with how the organization is going to utilize its resources in order to attain its strategic goals. Usually these plans cover a longer time period for five to fifteen years. Under this plan they decide the major goals and policies of an organization. While developing this plan they have to consider all the internal factors and the risk involved in it. Strategic plans concerns with determination of strength and weaknesses, mission and control system to implement of plans of an organization as well as it deals with assessment of objectives in the light of changing environment. Hence strategic planning is system of deciding overall objectives and policies in order to fulfil those objectives.

### **2. Tactical Plans :-**

These plans are developed to attain the tactical objectives of the organization. The tactical plans are also called as functional plans. To develop tactical plans middle managers are in need of detail reports about finance, operation, market and external environment to get strategic objectives. A tactical plan provides the proper idea for executing the strategic plan. These plans are made for short time span and narrow scope, than strategic plans. Thus tactical plans relates to the process of making decisions about what to do, who is going to do it and how to do it.

### **3. Operational Plans :-**

These plans are prepared by lower level management for short term. That is for one year. The supervisor or foreman is concerned with day to day work of their team and related to implement such plans. In order to achieve long term goals the short term goals are decided for which these plans are made. Supervisions set standards, workout schedules, day to day progress

reports, proper plan of resources. The supervisors present and interpret the plans to their higher management as they apply to his unit. Operation plans help the tactical plan. It is a tool in the hand of supervisor to implement day to day, weekly and monthly activities. Hence the operational plans are detailed and specific. Usually they are concerned with functional aspects of production, finance, personnel, machinery and equipments.

## **B] On the Basis of Time**

### **1. Long term plan :-**

This plan is prepared for business mission and vision. This plan supports and directs to executives to reach their goals. Such plan is made for 5 to 15 years or more than 15 years. Capital investment plan for future expansion, plan for merger or amalgamation plan for designing and construction of plant and building etc are the examples of long term plan.

### **2. Intermediate plans :-**

There are some medium term plans prepared for medium term goals of an organization. They are made for the period of 6 months to 2 years. The departmental heads, functional managers and production line manager of the middle management are conducting these plans. In an organization intermediate plans are many times used for campaigns.

### **3. Short term plan :-**

When plans are prepared for particular period say for a week, a month or for a year then they are termed as short term plans. In other words when planning is for a short period then plan is called as short term plan. This plan is also known as tactical plan. It is concerned with available resources only and deals with the current operations of the organization. Inventory plan, "Plan for control, plan for employees training, work method are the examples of short term plan.

## **C] On the Basis of Use**

Under this type planning is classified into two types as follows

### **1. Single use plan :-**

The plan which is used for one time only is called as single used plan. This plan is specific plan. Under this type programmes are prepared in conformity with the objectives and made up of policies, procedure, schedule, budget etc. A programme involved all necessary activities for accomplishing assigned objective. Such plan is called single use plan. A plan of opening two branches in different parts of town, training program for employees for deputation and acquiring new line of business etc. are the examples of this plan.

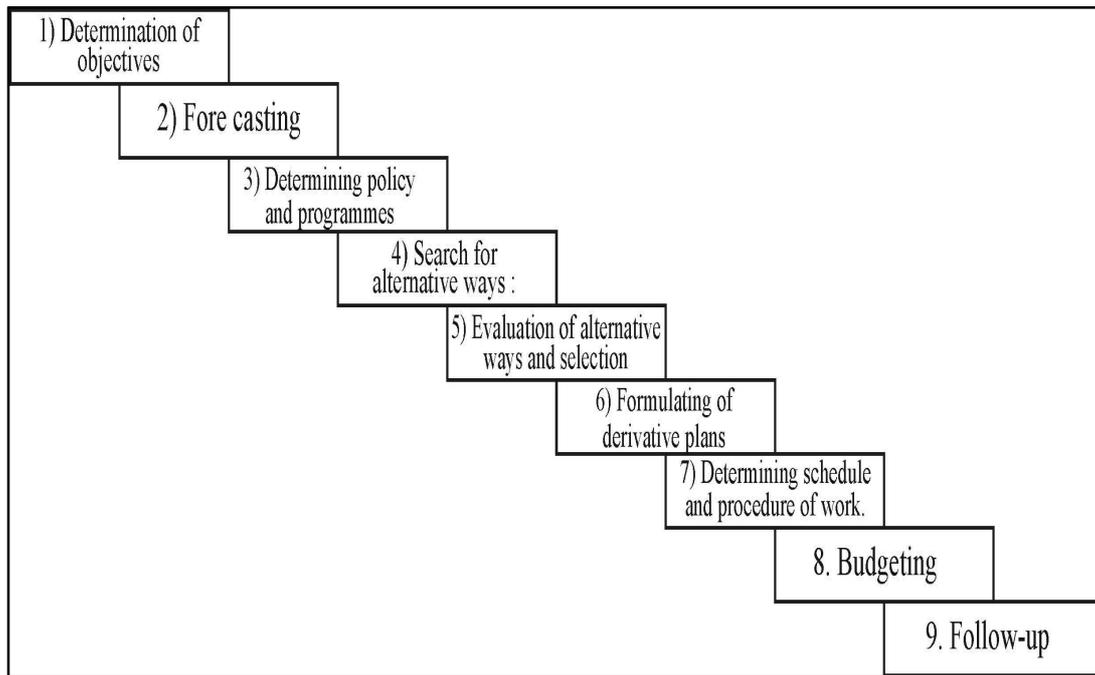
### **2. Standing plan :-**

The plan prepared for once and it is repeatedly used. This plan is called standing plan. It is also called as frequent use plan. Such plan is a long term plan. So the plan which is used frequently in similar condition is called as standing plan. Standing plan is very much useful to solve difficulties which are again and again occurring.

This plan includes objectives, policies, procedures, methods, rules and strategies. Such plans are useful to executives to minimize their work load. These plans are frequently helps to managers. So it is a standing guide to solve the difficulties of an organization.

## **2.3.5 Steps in planning**

Plan is a road map of the future course of action to attain the desired goals. To achieve such goals of an organization, the important steps consisted in planning process, which are shown in the following figure.



## 1. Determination of Objectives :-

Planning is an important function of management in which the first step is to determine objectives for the whole organization and then for each sub unit. In true sense planning is prepared to achieve some objectives. If objectives are not determined then there is nothing to plan. Therefore determining objectives is the first step in planning process. Objectives may be in form of quantity for example produce 20,000 T.V. sets or capture 10% of market share in Laptop etc. There may be other objectives like profit, sales, extension, entry in new field etc. out of these objectives which are to be achieved that is determined. In this way determination of objectives is the first step of planning process.

## 2. Forecasting :-

Forecasting is true attempt to predict future outcomes based on past events and management insight. Of course planning is for future and it is a blueprint of the future course of action to active desired objectives. Hence forecasting is the function of prediction of future environmental assumptions.

Therefore assumptions are an important step in planning. Correct assumptions or forecasting leads to accurate decisions about future course of action. In short by forecasting we can assume favourable and unfavourable situation. So without forecasting making plan is a difficult task. This is the second step involved in planning process.

### **3. Determining policy and Programmes :-**

This is the third step in planning process. In planning function policies and programmes are necessary to decide. Policies are determined in the light of objectives of an organization. There are different policies of an organization, like purchase, sales, production, marketing, finance, price, advertisement, personnel etc. All these policies are determined for specific duration and programme is decided. Programme is the action plan in which fulfilment of objectives is the ultimate goal. Programmes are determined according to departments and levels of management. As well as in which sequence functions are to be carried is decided and as per the situations programmes are changed. In short in this step policies and programs are determined.

### **4. Search for alternative ways :-**

This is the fourth step of planning process. In order to achieve objectives there is number of alternatives available in the environment for example undertaking campaign for growth in sales or reducing price or quality improve. Therefore suitable alternative way is required to be select from which organizations objectives are fulfilled, of course for selecting suitable alternative it requires imagination, foresight and talent while selecting suitable alternative manager has to evaluate merits and demerits of each alternative.

### **5. Evaluation of alternative ways and selection :-**

After searching suitable alternative the next step in planning process is evaluation of alternative ways and selection. As it is stated above in the fourth step to improve sales there are many alternatives available like undertaking

advertise campaign or reducing price without disturbing quality or increasing quality. Therefore evaluation is the function of comparative study of merits and demerits of these alternatives. After comparative study of various alternatives and having weighted merits and demerits the final stage is making a decision as to which alternative is to be selected. This is the step or point of decision making. When more than one alternative are equally good then planner may decide the fit one is selected.

#### **6. Formulating of derivative Plans :-**

After the main plan has been formulated the major goals must be translated into day to day operations are called as derivative plans. In order to achieve the objectives of main plan; derivative plans are formulated for example plan for purchasing physical resources, in which purchase of machinery, purchase of raw material and purchase of other material are included. As well as such plan is also prepared for human resources, which include employee recruitment plan, selection plan, employee training plan etc. Thus after determining derivative plans which help the main plan to fulfil the work. Derivative plans are also useful to determine procedure of department. In short in this step various plans are prepared separately for different departments, sections and units.

#### **7. Determining schedule and procedure of work :-**

This is the seventh step in planning process. In which schedule and procedure is determined. Time is very important for planning when to start the work, when to be completed the work. Within which time every work will get complete. All this is scheduled for early and easy fulfilment of objective. As well as the sequence of activity also determined in this step for successful implementation. So this is as called procedure of work.

#### **8. Budgeting :-**

After determining schedule and procedure of the work the next step is budgeting. A budget is a statement of income and expenses for a specific

period. The budget for various period and departments can be prepared to give meaning to plans and for successful execution of plans. The master budget of an organization represents the sum total of income and expenses, along with desired profit, balance sheet items like cash and capital expenditures. Therefore without budget planning will be meaningless.

## **9. Follow-up :-**

This is the final step in planning. After consideration of overall plans and derivative plans, they are brought into implementation follow-up means checking the performance of activities as per the plan. So there must be provision to verify the actual work is being executed and results are received at each stage perfectly as per the plan. And if there are some derivations between actual work and planned work, corrective actions are taken immediately. This is called follow-up or review of plan.

### **2.3.6 Environmental Analysis and Diagnosis**

It is the study of organizational environment. It is carried out for identifying those environmental factors that are largely affects the organizational operations and managers' strategic decision making. In other words environmental analysis is the study of those factors which have the big impact on organizations ability to achieve its objectives. It is a device of environmental diagnosis but in case of diagnosis that it deals with identification of the factors of causes which affecting the function of organization and it is useful as a base for developing plans or strategy to increase the dynamism and effectiveness of the organization. The main objective behind analysis and diagnosis is to identify ways in which the changes in various organizational factors may directly and indirectly affect the organization and management.

### **Organizational Environment :-**

Organization environment means all of the internal and external factors that affects on business operations like production, purchase, sales, finance. In

other sense it is a combination of internal and external factors that influence a company's operating situation. The internal factors can include factors such as objectives and policies of business, management approaches, physical resources use of technology. Whereas in external environment can include factors such as suppliers, competitors, customers mediators and social, economical, technological, political, legal, global trend etc. Business organizations are regulated and controlled by internal and external factors and are essential in planning and decision making process.

Organizations are integral part of the society and exist with their environment. It means organizations are closely associated with environment because organization's profitability, success, progress, expansion etc. is not only depend upon what the products look like, but also preferably depend upon the environment. Organizations are affected by environment. Therefore organization has to adapt to its environment in order to remain successful and prosperous. If they fails to adapt to the environment may be a big cause of organization's failure.

### **2.3.7 Definitions of organizational environment**

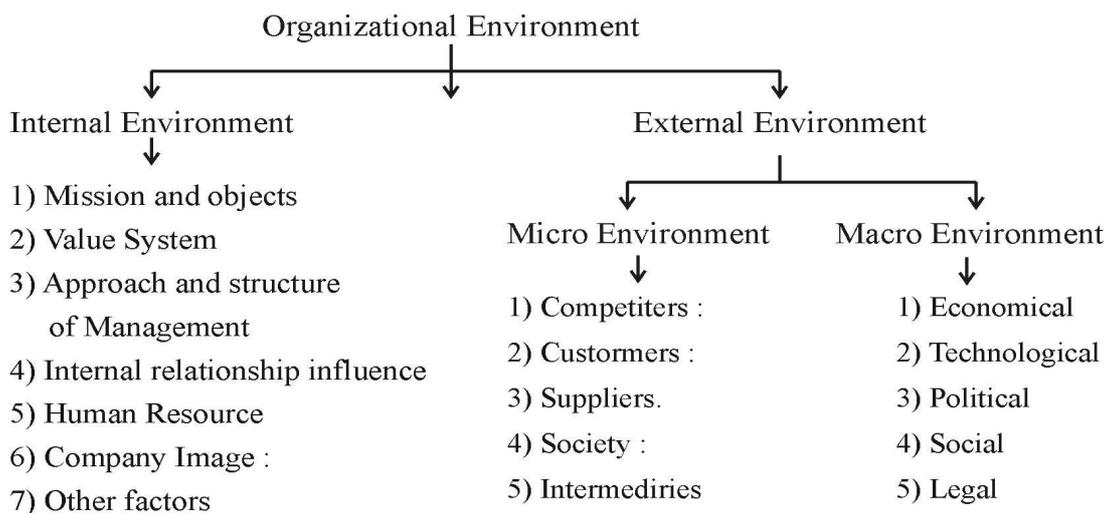
- 1) ***In the word of Arthur M. Weimer*** “*Environment encompasses the -climate’ or set of conditions, economic, social, political or institutional in which business operations are Conducted.*”
- 2) ***William Gluck and Jauch opine*** “*Environment contains the external factors that create opportunities and threats to the business. This includes socio-economic conditions, technology and political conditions.*”
- 3) ***Keith Davis defined as*** “*Business environment is the aggregate of all conditions, events and influences that surround and affect it.*”
- 4) ***Reincke and Schoell viewed*** as “*the environment of business consists of all those external things to which it is exposed and by which it may be influenced directly or indirectly.*”
- 5) ***Wheeler says that*** “*the total of all things external to firms and industries that affect the function of the organization is called business environment.*”

## Features of Business Environment

- 1) Business environment is an integral part of business
- 2) Business environment constitutes by internal and external factors of business.
- 3) External environment cannot be under control of business so as business has to adjust with this environment
- 4) As environment is dynamic, therefore there are constantly changes in business environment.
- 5) Every business has different environment; because environment is according to the nature of business.
- 6) Understanding environment is difficult and complex due to its instable and indefinite nature.
- 7) Policies of business are required to be changed as per the changes in environment
- 8) Environment analysis and diagnosis have to be understood for business success and prosperity.

## Factors of business Environment :-

The Classification of business environment is divided into two parts. It is delineated in the following chart.



## **A] Internal Business Environment :-**

Internal environment means these internal factors of the business. Thus factors are generally controllable because the business has control overall these factors. Hence business can change these factors to suit the environment. Following are the internal factors which affect the planning and decisions.

### **1. Mission and objects :-**

Mission of the business is very important internal factor. Every business must have a definite mission and objectives to be accomplished. The mission must be defined precisely so that it can guide or direct the enterprise. The objectives have to be decided to get a framework. Within which the management process take place. Hence before starting any course of action the objectives have to be clearly determined, understood and explained. Mission and objectives serves to guide the direction of development, business philosophy and business policy etc.

### **2. Value System :-**

The value system of the founders has an important influence on the choice of business as well as the mission objectives and policies of the business. It is important to note that the amount to which the value system is shared by all in the organization may contribute to the success of business.

### **3. Approach and structure of Management :-**

Approach and structure of management is an important factor which influences the business decisions. The organization structure should have definite objective to be attained and it must have formal character. Simultaneously the formation of board of directors and the level of professionalization of management is also valuable factors which affecting on business decisions.

#### **4. Internal relationship influence :-**

This internal relationship factor is also crucial which influence the business decisions. The extent of support received by the top level management from their employees, shareholders, board of directors etc. have great impact on the business decisions and their implementation. The relationship between the number of directors is also important factor as well as the role of the nominees of the financial institutions on the board of companies may also impact on the business decisions.

#### **5. Human Resource :-**

This internal factor may contribute to the strength and weakness of an organization, because the characteristics of human resources such as skill, quality morale, commitment, behaviour etc. are the important factors. Which influence on business decisions.

#### **6. Company Image :-**

The image of the company could impact on business decisions. It is immensely helpful in raising finance, soliciting marketing intermediaries, entering contracts of purchase and sales, launching new products in the market.

#### **7. Other factors :-**

There are some other factors which influence the business decisions and may contribute to the success or failure of the business.

- a) Financial Factors* : It includes financial policies; financial position, capital structure etc are some important internal environmental factors which may influence business activities plan and decision.
- b) Technological factors* : It involves research and development and technological power, which determines the company's ability to innovate and compete.

- c) **Marketing Resources** : Marketing policies and strategies, marketing personnel, brand equity, distribution network have great influence on business decisions.
- d) **Physical facilities** : It involves production capacity, use of modern technology, efficiency of machinery etc. All these factors considerable influence on the business decisions.

## **B] External Environment**

This environment is categorized into two sections as micro and macro environment. These environments are external forces which have a bearing on the functioning of business. An organization has to be adaptable with its environment in which an organization exists. The term environment mostly refers to external environment.

### **(a) Micro Environment :**

It is an external environment which means the factors which have limited control. These factors influence on the business activities and decisions. Following are the factors of micro environment.

#### **1. Competitor :**

There is a great competition in business. Business has to face competitors of the same area. This factor competitors have influence on the strategy and decisions of the business.

#### **2. Customer :**

Customer is an important micro environmental factor of business. The success of business is depending on customer's response to business. If business meets the need of customers by providing goods and services satisfactory, then its good environment for business and business fails to do so, it impacts on business environment badly.

### **3. Suppliers :**

The organizational suppliers are important factors that influence business decisions. Thus this environment includes business control on supply, alternative material supply and credit facility etc. It should be noted that these factors must be taken into account for better run of the business.

### **4. Society :**

Business is a part of social system. Modern business cannot operate in isolation of the social environment in which it exists. Therefore business must satisfy the economic and social needs of the society. Because business is exist on society's capital and human capital. The social development and business success is depend upon each other. Hence society is an important factor which influences business decisions.

### **5. Intermediaries :**

Business success is based on the function of intermediaries. Availability and functions of middle men affects on business development. This environmental factor includes making good relations with intermediates and study of them. Hence performance of intermediates affect on business decisions.

## **(b) Macro Environment :**

Macro environment is an environmental factor which has great influence on business. The main feature of this environment is that business has no control on the change in such environmental factors. These factors are influencing largely on business decisions and life of business so analysis and diagnosis of these factors is an important aspect. The macro environmental factors are as follows.

### **1. Economic Environment :**

There is a great impact of nation's economic condition and the world's economic condition and the world's economic environment on business

decisions. This environment involves present condition of economy, saving and rate of investment, supply of money, per capital income; per capital production, loans, money and capital market, economic planning, industry, agricultural, population, industrial labour etc. Economic environment is a total because business unit is one unit of the total economy. Thus all these factors have great bearing on economic environment of a business.

## **2. Technological Environment :**

Technological environment has considerable influence on business activities and functions. If technology changed need to change in business technology. Technology has a great influence on productivity and competition ability. The major effect of technology is greater productivity in terms of quality and quantity and cost reduction.

## **3. Political Environment :**

The political system of the nation decides, promotes fosters, direction and controls the business activities. A stable political system ensures stability in business. The political factors are political system, governments approach, import-export policy, industrial rules and regulations, governments' facilities and services etc. All these factors influence directly and indirectly on business decisions and activities. Hence business is largely influenced by political environment.

## **4. Social Environment :**

Social environment is a broad concept of environment. It refers to the influence of certain social factors. It involves social attitude, trust, social values, social religion, education, ethics, and social responsibility etc. influence on business. As well as other some sociological factors may also affect the environment of business for example approach about workers participation, labour mobility, class structure, individual co-operation etc all these social environmental factors influence on business strategy and decisions.

## **5. Legal Environment :**

Legal environment is considered as an important factor of macro environment. It includes taxes, laws, labour laws, GST and other business laws. These legal factors have large influence on business, production, marketing, finance and Personal. Hence legal environment is also required for analysis the business environment.

### **2.3.8 Importance of Environmental analysis**

The business environmental analysis and diagnosis is an important tool for estimating environmental situation around the business. The importance of it can be discussed with the help of following points.

#### **1. Help to know internal factors :**

Environmental analysis helps to know the internal environmental factors. Internal factors include business policies, organization, structure, resources, techniques etc. these factors affect on strategic planning and decisions. After analyze becomes easy to estimate its strength, weaknesses, opportunities and challenges.

#### **2. Identify economic system :**

Analysis helps the management to find economic system. The various types of economic systems can influence on business in different ways. Therefore it is essential to identify the role of capitalists, socialist, mixed economy for future plan.

#### **3. Important to understand economic policy :**

The environmental analysis and diagnosis help to know economic policy, it involves – import policy; price policy, monetary policy, foreign exchange policy; industrial policy etc. have much impact on business product, marketing finance.

#### **4. Understanding Market knowledge :**

Analysis is helpful to understand information's about market structure, changes in market, increase and decrease in demand and supply, monopolistic practices and government interference in business etc. with the market knowledge an enterprise can make precise plans.

#### **5. Achieving goals :**

It is helpful in achieving goals of organization. It is possible to estimating strength, weakness, opportunities and challenges.

#### **6. Identify opportunities and challenges :**

Analysis is very much useful for identifying business opportunities and challenges. Opportunities help the business to make plan for alternative response to those opportunities. Similarly identifying challenges and developing an early warning system or it determine the risks which can be faced by organization in its future operations.

#### **7. Entire growth, development and survival :**

SWOC is the best techniques of environment analysis which help in deciding the suitable course of action for management successfully negotiation. Therefore it ensures growth, development and survival of business.

### **2.3.9 SWOC Analysis**

It is an important modern technique of business environment analysis and largely used all over the world. The full form of SWOC is as below –

S = Strength

W = Weaknesses

O = Opportunities

C = Challenges



in supply of raw materials, unskilled workers, increase in production cost, shortage of capital etc. Therefore it is essential for that planning must be made by considering these weaknesses.

### **3. Opportunities :**

It is defined as the profitable factor of the environment. It is a favourable situation in business environment. Therefore it is very essential to identify and make analysis of the profitable opportunities. The favourable or profitable environment helps the organization to consolidate and strengthen its position. It involves as growing demand, rising income level, favourable government policy, tax reduction, favourable political environment, export-import policy, favourable laws favourable financial policies etc. Therefore planning and strategies are to be made to achieve large profits of these opportunities.

### **4. Challenges :**

Threats are described as a challenging situation in the business environment. It leads to create risk for business. It include the factors changes in consumer demands, new product, competition, the rate, and availability of substitute product, adverse government policies, decrease income level, depressive trend in the economy, trade union, strikes etc. can pose challenges and adversely affect the activities of production, marketing profitability. Therefore these challenges must be estimated and analyzed carefully to reduce business risk.

## **2.4 Check Your Progress**

### **A. Fill in the blanks.**

1. Planning is ..... function of management.
2. Planning by nature is a ..... function of management.
3. Business environment is an ..... part of business.

4. Business environment constitutes by ..... factors of business.
5. Opportunities is defined as the ..... factor of the environment.

**B. State true or false.**

1. Planning is ongoing process of an organization.
2. Planning helps to improve the efficiency of business.
3. Planning is not a function of decision making.
4. Planning is an activity of future course of action.
5. SWOC is an important modern technique of business environment analysis.

**C. Select the suitable alternative.**

1. In terms of the sequential relationship, the first function requiring managerial attention is .....  
(A) Planning                      (B) Coordinates  
(C) Directing                      (D) Controlling.
2. Competitor is a factor of ..... environment.  
(A) Internal                      (B) Macro                      (C) Micro.
3. .... is the first step in planning process.  
(A) Forecasting                      (B) Follow-up  
(C) Budgeting                      (D) Determination of objective
4. The plan which is frequently used is called as .....  
(A) Tactical plan                      (B) Strategic plan  
(C) Standing plan                      (D) Intermediate plan.

5. The plan which is prepared by top management and Board of director is called as.....

- (A) Single use plan
- (B) Tactical plan
- (C) Intermediate plan
- (D) Strategic plan.

**D.** How will you plan to start any small scale business.

## **2.5 Answers to check your progress**

**A.** (1) Fundamental

(2) pervasive

(3) integral

(4) internal and external

(5) profitable.

**B.** (1) True.

(2) False.

(3) True.

(4) True.

(5) True.

**C.** (1) A.

(2) B.

(3) D.

(4) C.

(5) D.

## [B] DECISION MAKING

### 2.6 Introduction

Everybody is involved in decision making in his or her life. Truly speaking making decision is a life. We cannot proceed to do any activity in life before taking decision. It may not be wrong if we say, Life's success is depending on good decision. In business decision making is very important. The success, growth, expansion, profitability, productivity, employees' satisfaction and employer – employee relations etc is based on decision. If anybody asked the question as what is the function of modern management then in simply two words the answer is 'Decision making.' Macdonald says that '**A manager by profession is decision maker**' and in the words of Simon '**Decision making and Management both the words are similar by meaning**'. A famous management thinker Peter ducker says that "**whatever a manager dose he dose through decision making**" it means all functions relating to planning, organizing, directing, coordinating and controlling are settled by managers through decisions. The objectives, goals, strategies, policies and structure all are required to be decided to regulate the performance of whole enterprise. In short the entire managerial process depends on decisions. Decisions are useful to tackle the problems and to achieve advantages of opportunities available. Right decisions reduce complexities, uncertainties and diversities of organizational environment. Decisions are necessary to solve uncountable issues and problems in each area of business like production, marketing, finance, personnel, administration etc. Decision making is a continuous process of management. Therefore this is one of the important functions of management.

Decisions are made only when there are two or more alternatives available to solve a single problem. If there is only one alternative then there is no question of decision making. It is said that the management without a decision is a man without backbone. Thus decision making process is the backbone of management.

## 2.6.1 Decision Making Concept

Decision making is the process and decision is the outcome of the process. To decide means to come to a conclusion. Decision-making is the act of making a choice among alternatives. It is a process to arrive at decision; the process by which individual or an organization chooses one action.

### Definitions :

1. **Louis A. Allen** “Decision making is the work which a manager performs to arrive at conclusion and judgment”
2. **J.Terry** “decision making is the selection based on some criteria from two or more alternatives”
3. **D.E. McFarland** “A decision is an act of choice where an executive forms a conclusion about what must not be done in a given situation. A decision re-presents behavior chosen from a number of possible alternatives.”
4. **koontz and O’ Donnel** “Decision making , the actual selection from among alternatives of a course of action ,is the core of planning.”
5. **J.L. Massie** "A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of the desired result" –

It is clear from the above definitions that decision making is the process of choosing a specific course of action from various alternatives to solve the organizational problems or difficulties.

### Feature of Decision Making :-

Considering all above definitions, there are features of decision making which are as follows.

1. Decision making is an intellectual function and concept in which deep thinking is essential.
2. Decision making is a selection of process because in which there is selection of one best alternative from among.
3. In decision making implementation of decision is involved.
4. Decision making is indispensable part of planning.
5. Decision making is objective oriented. It means every decision has its objective.
6. Decision making is a continuous process.
7. Decision making is a dynamic process.
8. Decision has two sides as positive and negative.
9. Decision making involves evaluation of decision.

### **2.6.2 Importance of Decision-Making**

Decision making is considered as the backbone of management because without taking the right decision at right time, nothing can be done. The importance of decision making can be elaborated as follows:

#### **1. Better utilization of resources :**

By having best decision organizations resources are utilized properly. Resources like human and physical which include men, money, method, material, machine, market and information. All these resources are properly used without any leakage and wastage because of right decision at right time. As a result, an organization can operate entire work at a lower cost and lower cost of product makes business profitable.

#### **2. Selecting the best alternative :**

Decision making is important for selecting the best alternative. It is a process of selecting the best alternatives from among alternatives. Decision

makers evaluate the various merits and demerits of every alternative and select the best alternative.

### **3. Facilitates in evaluating the performance :**

Decision making is not only helps to select the best alternative but also necessary for evaluating the performance of a manager. The performance of manager is based on the number of correct decision that he or she takes decision for the organizational success. Therefore, decision making is important to judge the performance of top level of management.

### **4. Employees' motivation :**

Decision making plays an important role in employee's motivation. It gives an overall framework of operation and guideline to the operating level of staffs. It also offers different types of facilities and benefits in time. As a result, employees are motivated to their job as organizations expectation. This can be possible only when the right decisions at the right time.

### **5. Integral element :**

In the word of Mac Donald a manager by profession is a decision maker and making decision is the core aspect of his function. Peter Drucker also focused on importance of decision making he said whatever a manager dose he dose through decision making. Therefore decision making is an integral element of the organizational success and growth. Therefore the entire success is dependent on decision making. Without taking the right decision at right time, nothing can be performed as per the plan. So motivation is the integral element of decision.

### **6. Goal fulfilment :**

Decision making is very important to achieve the organizational goals within given time and budget. It finds out the best alternative, proper use of resources and motivates the employees at the workplace. It is resulted into fulfilment of organizational goals as per the desired results.

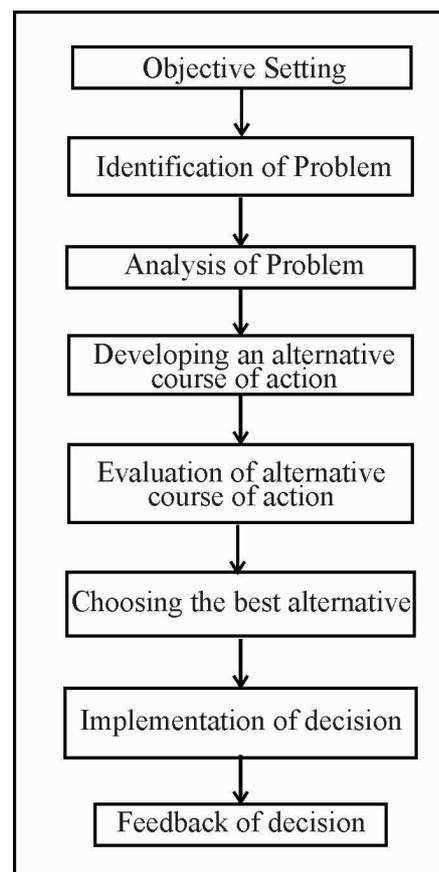
## 7. Pervasive function :

Decision-making is a pervasive function of management which is required for all levels of management to achieve goals. Decisions are taken in all managerial functions like planning, organizing, motivating, directing and controlling and in all functional areas such as production, marketing, finance, personnel, research and development. It implies that the decision-making is spread over entire areas of the organization. Therefore decision making is a pervasive function of management.

### 2.6. 3 Steps in Decision-Making

Decision making process involves the selection of one course of action from two or more alternative courses of action. Decision making is imperative element of management process. Every manager has to make decision in time. Timely decisions help the organization to achieve its goals. He has to take right decisions at right time otherwise nothing can be performed as per the expectations. The process of decision making should not be rigid or fixed one. Thus in order to make rational decisions managers should follow a sequential set of steps. The following figure shows steps involved in decision making process.

**Steps in Decision Making Process**



### **1. Objectives setting :**

The first step in decision making is setting of objectives. There must be some specific objective for a decision. It is an initial point of decision making to determine the need of decision. A decision is essential to achieve some objective. Every enterprise has some objective. Therefore setting of specific objective is the outcome of earlier decision. Nevertheless the objective setting is an outcome of earlier decision, this should not be taken into account as the first step of decision process. But it gives framework for the decision.

### **2. Identification of problem :**

Identification of problem is the significant aspect of decision making. Decision making is to identify, what the exact problem that needs decision making. The problem may arise due to the gap between thinking and do the process. The reason of problems may be internal or external. Decision makers should identify the correct problems before taking any decision. It is not an easy task. Therefore, decision maker may use his own knowledge, skills, experience and collect information from internal and external sources. It is regarded that identification of the correct problem is almost half part of the decision-making process.

### **3. Analysis of problem :**

This is a the third step in decision making in which decision maker should analyze the problem properly and scientifically in terms of cost, time, legality, organizational resources and short-term and long- term effects of the problem. While analyzing the problem decision maker can apply various financial, accounting and statistical tools and techniques.

### **4. Developing an alternative course of action :**

Under this fourth step of decision making process decision maker should develop various possible alternatives for a better decision. As we know that a problem has number of alternatives for solving the problem. While

developing the alternative course of action decision maker must use his own knowledge, skill, experience and technical support from professional experts.

#### **5. Evaluation of alternative course of action :-**

This one is the fifth step involved in process of decision making. In which after developing various possible alternatives, the decision maker has to evaluate all alternatives for a better decision. In this step decision maker needs to identify the answers to the following questions :-

1. Is the alternative feasible in terms of cost, time, legality and other organizational resources or not?
2. Is the alternative satisfactory for solving the problems or not?
3. Are the features of alternatives suitable to the objectives of the business or not?

#### **6. Choosing the best alternative :**

After evaluating alternatives the next step in decision making process is choosing or selecting the best alternative. In this step decision maker has to choose the best alternative from the various alternatives. While selecting the best alternative decision maker has to consider the short-term and long term impacts. In order to get decision maker may use his skill, experience, and his own knowledge. He can also discuss with other concerns for a better decision.

#### **7. Implementation of decision :**

Under this step decision is to be implemented. Implementation is the act that decision maker or manager has to transform decision into action. While implementing decision he has to communicate with their subordinate and manage the various additional resources for the implementation of the business decision.

#### **8. Feedback of decision :**

This is final step of decision making. In which decision making process is to get review or follow-up from other concerns of the organization. If

feedback is favourable then the decision making process is successful. On the other hand if unfavourable then decision maker has to go through the first step to take a new organizational decision.

## **2.6.4 Rationality in decision making**

### **A) Perfect Rationality :-**

Under perfect rationality decisions are based on the scientific method. Manager applies scientific process for decision making. Perfect rationality includes diagnosis the problem, determining the order of problem, searching alternative ways, evaluation of alternative ways, selecting the best alternative and follow-up. Perfect rationality can be referred to as a method for systematically selecting among possible choices that is based on reason and facts. In other words it is called as feasibility in decision making and favourable results are expected in perfect rationality. In order to have rational decision a decision maker have to be talent and rational in analysis the available information. Then it becomes possible to him to make prefect rational decision. Perfect rationality is more commonly used in the field game theory and similar to the concept of homo economics. In short perfect rationality in decision making means a method of selecting among possible choices that is based on reason and facts.

### **B) Bounded Rationality :-**

In 1982, American economist a Nobel laureate Herbert Simon developed the concept of bounded rationality in his book “Models of Bounded Rationality and other Topics in Economics” he explained that bounded rationality as an alternative basis for the mathematical modelling of decision making, as used in economics, political science and related disciplines. It complements "rationality as optimization", which views decision-making as a fully rational process of finding an optimal choice given the information available. Simon used the analogy of a pair of scissors, where one blade

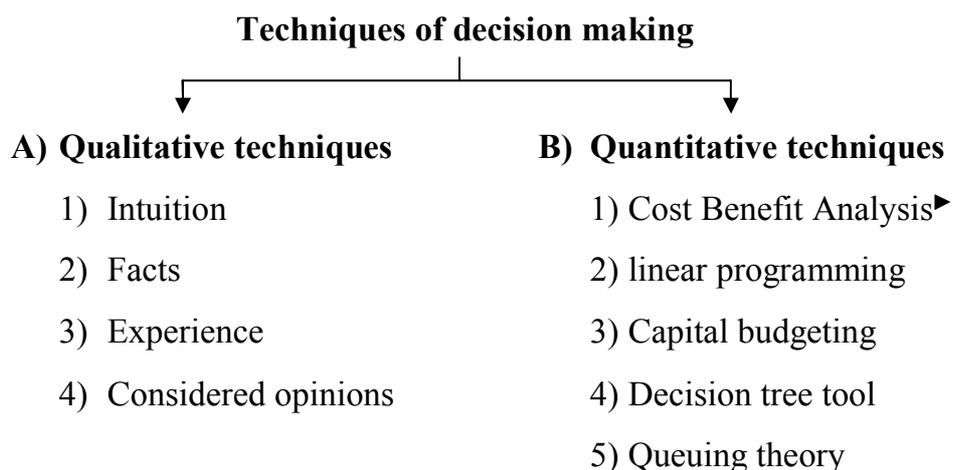
represents "cognitive limitations" of actual humans and the other the "structures of the environment", illustrating how minds compensate for limited resources by exploiting known structural regularity in the environment. Bounded or limited rationality is the idea that when individuals make decisions, their rationality is limited by the tractability of the decision problem, the cognitive limitations of their minds, and the time available to make the decision. Decision-makers in this view act as satisfiers' seeking a satisfactory solution rather than appropriate one.

Thus limited rationality is the concept that (irrespective of their level of intelligence) a manager has to make the decision under three unavoidable limitations that are : (1) only limited, often unreliable, information is available about possible alternatives and their consequences, (2) human mind has only limited capacity to evaluate and process the information that is available, and 3) only a limited amount of time is available to make a decision.

Therefore even individuals who desire to make rational choices are bound to make satisfying choices in complex situations.

## 2.6. 5 Techniques of decision making

Techniques of decision making can be classified into two parts, which are shown in following figure.



## (A) Qualitative techniques

Generally there are four qualitative techniques of decision making as -  
(1) intuition (2) facts (3) experience and (4) considered opinions.

1. **Intuition** : This technique of decision is characterized by inner feelings of the decision maker. In this technique decisions are taken as per the dictates of his conscious. He thinks about the problem and an answer is found in his mind. The decision maker had his own preferences, influences, psychological makeup and these things play a significant role in taking a decision. The past knowledge, training and experience of the decision maker plays an important role in intuition decisions. This technique decisions are taken quickly and decision making capability of person is also used. In case the intuition of the decision maker is wrong then the decision will also be wrong.
2. **Facts** : Facts are considered to be the best tool of decision making. A decision based on facts has its roots in factual data. Such decisions will be sound and proper. The increasing use of computer has helped in systematic analysis of data. The information has become a major tool in managerial decision making. It may not be possible to secure all relevant facts for taking decisions. Managers, generally, complain of insufficient information. It is also essential that facts should be properly diagnosed, classified, and interpreted. Facts alone may not be sufficient for decision making. The imagination, experience, and belief of the decision making also required to comprehend the facts in proper perspective.
3. **Experience** : Past experience of a person is taken into consideration for decisions. When a similar situation arises the manager can depend on his past experience of decisions taken similar decisions. The person understands things in terms of

concepts with which he is familiar. Experience should not be followed blindly. The new situations should be analyzed on the basis of past knowledge. Successful decisions in the past may not prove useful this time; also on the other hand a decision once failed need not be avoided for all times in future. Though past experience is good basis but present situations should be properly analyzed and assessed before taking a decision.

4. **Considered opinions** : Some manager's use considered opinions as a basis for decision making. Besides pertinent, statistics opinion are also given due weight age sometimes discussed and considered by more persons become logical and may form a sound basis for decision making. A marketing manager before deciding a whether to market a new product or not, will like to see marketing statistics as well as considered opinions before finally making choice.

## **(B) Quantitative techniques**

The modern and scientific quantitative techniques are increasingly useful for decision making. Some of the techniques are explained as follows.

### **1. Cost Benefit Analysis :-**

Cost benefit analysis is a mathematical technique for decision making to be applied to evaluate the economic cost and the social benefits concerned with a particular course of action. In this technique an efforts are made to ascertain all cost and benefits. For example this type of technique is used for in decisions on public projects in which social cost and social benefits should be taken in to account. In short cost benefit analysis is the cost effectiveness analysis. This is analysis to determine the least expensive path of reaching an objective or of obtaining the greatest possible value from a given expenditure.

## **2. Linear programming :-**

This quantitative technique is used to make decision for the optimal mix of limited resources for maximizing profit or minimizing cost. Linear programming is extension of Break Even Analysis that is very much useful in analyzing complex problems. It includes the solution of linear equations and is suitable when manager must allocate limited resources to competing projects.

## **3. Capital budgeting :-**

A manager mostly depends upon linear programming when he allocates resources to competing project. On the same way capital budgeting provides a set of techniques a manager may use to evaluate the relative attractiveness of various projects in which a lump payment is made to generate a stream of earning over a future period. For example a capital budgeting projects involves an investment in new machine that will increase profit in future by reducing cost, another example- an investment of sum money into an advertising campaign to increase sales as well as profit.

## **4. Decision tree tool :-**

The decision tree is another increasingly helpful technique in making decision. Decision tree is like expanded tree. This is basically a conceptual map of possible decisions and results in a particular situation. it is helpful in cases where decision maker is in need of making a number of sequential decisions that is where earlier decisions will impact next ones.

## **5. Queuing theory :-**

It is also regarded as waiting line theory. It helps decision maker in making decisions involving for maintaining a balance between the cost of waiting time and cost of preventing the waiting line in respect of utilization of personnel, equipment and services. It is based on the assumption that although delays are costly, eliminating them may be even more costly. This technique may be used in service organizations, hospitals and banks etc.

## 2.7 Summary

The planning has great importance in men as well as in organizations' life. Day by day importance of planning is increasing due to drastic changes in business environment such as speedy progress in all fields, globalization, privatization, liberation policy, revolution in technology, competitive world, indefinite nature of market, changing trend of life style etc. All these factors have brought increasing importance of planning. Planning plays an important role in business organizations life. Organizations expansion, success, efficiency, growth, profitability and productivity all are dependent on good planning. Planning is the fundamental function of management. Without planning none of the business can proceed ahead. Planning is an intellectual process and it involves what to do, when to do, how to do and who is to do it. Of course planning is a foundation of all activities. The activities of management are initiated only after planning. When manager wish to do something, he start those activities with planning. It means he has to plan first, then organizing, staffing, directing and controlling. Work becomes easy when properly planed. Thus planning is a basic function; and it shows roadmap to fulfill goals of the organization.

Along with planning the decision making function has also immense importance. The success, growth, expansion, profitability, productivity, employees' satisfaction and relations etc is based on decision. The management thinkers stated significance of decision making in their words as 1) Macdonald says that '**A manager by profession is decision maker**' and in the world of Simon '**Decision making and Management both the words are similar by meaning**'. 2) A famous management thinker Peter ducker says that "**whatever a manager dose he dose through decision making**" it means all functions relating to planning, organizing, directing, coordinating and controlling are settled by managers through decisions. The objectives, goals, strategies, policies and structure all are required to be decided to regulate the performance of whole enterprise. In short the entire managerial process depends on decisions. Decisions are useful to tackle the problems and to

achieve advantages of opportunities available. Right decisions reduce complexities, uncertainties and diversities of organizational environment. Decisions are necessary to solve uncountable issues and problems in each area of business like production, marketing, finance, personnel, administration etc. Decision making is a continuous process of management. Therefore this is one of the important functions of management.

## 2.8 Key Terms

1. **Planning** : Planning means in simple words, it is an outline of what to do, when to do, how to do and who is to do it. Planning refers to setting an organization goal and deciding how best to achieve them. Thus it is a process of setting the goals of an organization, and overall strategy for fulfilling these goals.

Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets.

2. **Strategic plan** : Strategic plan is the plan which is prepared by top management and Board of director. Strategic plan deals with how the organization is going to utilize its resources in order to attain its strategic goals.
3. **Environmental analysis** : It is the study of organizational environment. It is carried out for identifying those environmental factors that are largely affects the organizational operations and managers' strategic decision making.
4. **SWOC** : It is an important modern technique of business environment analysis and largely used all over the world. SWOC analysis is a strategic planning tool used to identify external as well as internal factors of business environment which influence

business success and growth. Business uses this SWOC analysis to determine the strengths, weaknesses, opportunities and challenges of the business

5. **Decision Making** : The term decision making is referred to the work which a manager performs to arrive at conclusion and judgment. In other words a decision making is the process of choosing a specific course of action from various alternatives to solve the organizational problems or difficulties.
6. **Perfect Rationality** : Perfect rationality in decision making can be referred to as systematic process of selecting the best alternative among possible choices. That is based on reasons and facts.
7. **Bounded Rationality** : Bounded rationality is also termed as limited rationality. Which means while taking decision a manager or a person has to make the decision under three a unavoidable. Limitations as –
  - 1) Only limited, often unreliable information is available about possible alternatives and their consequences.
  - 2) human and has only limited capacity to evaluate and process the information that is available and,
  - 3) Only limited time is available to make a decision.

## 2.9 Check Your Progress

### A. Fill in the blanks.

1. Decision making is ..... function.
2. Decision making is .....oriented.

3. Decision has two sides as .....
4. Decision making involves .....of decision.
5. Decision making process is the ..... of management.

**B. State True or False.**

1. Decision making is a selection of one best alternative from among.
2. In decision making implementation of decision is not involved.
3. Decision making is not a part of planning.
4. Decision making is a continuous process.
5. Decision making is a dynamic process.
6. Managers when plan, organize, lead and control are called decision makers.

**C. Select the suitable alternative.**

1. Which of the following is an assumption of rationality to rational decision making?
  - (A) Preferences are clear.
  - (B) Final choice will maximize payoff.
  - (C) The problem is clear and unambiguous.
  - (D) All of the above.
2. .... is accepting solutions that are "good enough".
  - (A) Bounded rationality.
  - (B) Satisfying.

- (C) Escalation of commitment.  
(D) None of the above.
3. Making decisions on the basis of experience, feelings and accumulated judgments is called as .....
- (A) Decision making  
(B) Structured problems.  
(C) Intuitive decision making.  
(D) None of the above.
4. .... is the first step in decision making process.
- (A) Feedback of decision.  
(B) Analysis of problem.  
(C) Identification of problem.  
(D) Objective setting.
5. The factor which is largely influence on business activities is called as ..... environment.
- (A) Internal.  
(B) Macro.  
(C) Micro.

**D. Practical**

- Think you are an entrepreneur and wanted to improve profit of your business. Explain how will you take decision ?

**2.10 Answers to Check Your Progress**

A] (1) An intellectual.

- (2) Objective.
- (3) Positive and negative.
- (4) Evaluation.
- (5) Backbone.

- B]** (1) True
- (2) False
  - (3) False
  - (4) True
  - (5) True
  - (6) True.

- C]** (1) D
- (2) B
  - (3) C
  - (4) D
  - (5) C.

## **2.11 Answers to Check Your Progress**

### **A) Long answer type questions.**

- 1) What is planning? Explain types of planning.
- 2) State the steps involved in planning process.
- 3) Define the organizational environment. Explain its internal environment.
- 4) Discuss the concept and importance of decision making.

- 5) Explain the decision making process.
- 6) Discuss the techniques of decision making in brief.

**B) Short answer types questions.**

- 1) What is planning?
- 2) Define the planning.
- 3) Explain external environment.
- 4) What is environmental analysis and diagnosis?
- 5) Explain types of plan on the basis of time.
- 6) Discuss the SWOC analysis.
- 7) Define decision making.
- 8) Discuss perfect and bounded rationality.
- 9) Explain qualitative techniques of decision making.

**C) Write Short Notes.**

- 1) Types of planning.
- 2) Steps in planning process.
- 3) Importance of environment analysis and diagnosis.
- 4) SWOC analysis.
- 5) External environments.
- 6) Concept of decision making.
- 7) Process of decision making.
- 8) Quantitative techniques of decision making.

## 2.12 Additional Reading Material

1. **C. B. Gupta** : “*Management Theory & Practrice*”, Sultan Chand and Sons, New Delhi, 2008.
2. **Prof. Suresh Bhirud, Prof. Bhaskar Naphade** : “Principles of Management” Dimond Publications, Pune, 2009.
3. **KumKum Mukherjee** : “*Principles of Management*”, Tata McGraw- Hill Education Pvt. Ltd. New Delhi, 2009.
4. **Dr. Onvir Choudhary** and **Dr. Prakash Shing** (2012) : “*Principles of Management*”, New Age International (P) Ltd., Publishers.
5. **P. C. Tripathi** and **P. N. Reddy** (2000) : “*Principles of Management*”, Tata Mc Graw-Hill Publishing Company Ltd. New Delhi.
6. **Dr. C. J. Joshi** and **Prof. K. C. Joshi** (2018) : “*Management Principles and Applications*”, Phadke Prakashan, Kolhapur.

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## Unit - 3

# Organizing

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### STRUCTURE

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Presentation of Subject Matter
  - 3.2.1 Organizing : Meaning, Process / Steps of Organization, Principles of Organizing, Organization Chart, Check your progress
  - 3.2.2 Delegation of Authority : Meaning, Elements, Difficulties in delegation, Guidelines for making delegation effective, Check your progress
  - 3.2.3 Centralization and Decentralization : Meaning, Merits and Demerits, Check your progress
  - 3.2.4 Organization Structure : Line, Line and Staff, Functional and Network Organization Structure, Check your progress
- 3.3 Summary
- 3.4 Terms to Remember
- 3.5 Answers to check your progress
- 3.6 Exercise
- 3.7 Reference for Further Study

### **3.0 Objectives**

The objectives of this unit are students should be able to –

- i) Understand the concept of Organizing, Process/Steps of Organization, Principles of Organizing, Organization Chart,
- ii) Know the Meaning of Delegation of Authority, Elements, Difficulties in delegation, Guidelines for making delegation effective
- iii) Familiar with the concepts of Centralization and Decentralization, their Merits and Demerits
- iv) Understand concept of Organization Structure, Types : Line, Line and Staff, Functional and Network Organization Structure.

### **3.1 Introduction**

Organizing is the one of the important functions of management. There are different functions of management. These functions are classified into two categories namely planning functions and executive functions. Organizing is the one of the executive functions. Organization is treated as a backbone of management. Organizing is the mechanism of execution of the planning made by the management.

### **3.2 Presentation of Subject Matter**

The subject matter is presented in four sub-points:

#### **3.2.1 Organizing : Meaning**

The concept of organizing is used in two ways – i) Organization as Function and ii) Organization as Structure.

- i) **Organization as Function** : Organizing includes various functions. It includes defining the activities, grouping the activities, delegation of authorities, guiding and directing the activities, coordinating etc.

- ii) **Organization as Structure** : As structure organization includes collecting men, materials, machines etc. and establishing the relationships among them.

Organization is treated as a backbone of management. Organizing is the mechanism of execution of the planning made by the management. To understand the concept of organization it is useful to study the various definitions given by different thinkers.

**Definitions :**

1. "Organizing is the determination of the activities necessary for action, arranging them in groups this may be assigned to individuals." - **Urwick**
2. "An identifiable group of people contributing their efforts towards the attainment of goals is called organization." – **McFarland**
3. **Terry** defines organizing as "the establishing of effective authority relationships among selected work, persons and work places in order for the group to work together efficiently."
4. "Organizing is the process of combining the work which individuals and groups have to perform with the facilities necessary for its execution that the duties so performed provide for the best channels for efficient, systematic, positive and coordinated application of efforts." - **Oliver Sheldon**
5. "Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives." - **Louis Allen**
6. **Koontz and O'Donnell** define organizing as "the grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with authority necessary to supervise."

The above definitions explain that it includes various functions as well as relationship between all the individuals. From the above definitions we can say the following :-

**Features or characteristics of organizing :-**

- 1) It is an identifiable group of individuals. The individuals in the group are interrelated with each other on the basis of authority and responsibility.
- 2) It aims at execution of planning.
- 3) Organizing divided the total work into activities and functions.
- 4) In an organization all the activities are first divided into units and co-ordination is established among correlated units.
- 5) Organization is a function which fulfils the common objective.
- 6) Organization refers to define the structure of duties and responsibilities of persons.
- 7) Organization is a functional concept.
- 8) Organization is a mechanism of management.

**Importance of Organization :**

Organization is regarded as the mechanism of management. The organization is important to complete any collective work. Coordination has a priority in the organizational work. The organization has the importance as it is coordinated in different departments, different individuals, different tasks, and is meant for the purpose. What significance of back bone in the human body has is the importance of organization in the business. Its importance lies in the systematically evolved pattern of relationships designed to set in motion the process of managerial functions. In other words, managerial functions like direction, co-ordination and control would remain abstract functions if organizational set up is not suitably designed. The importance of organizing is explained as under.

1. Organizing facilitates proper division of work. Since the whole work cannot be performed by the manager alone, the total work must be divided among staff in a well planned manner. It ensures optimum use of staff.
2. Properly designed organization structure can create conditions conducive for planned expansion and diversification of the activities of the undertaking.
3. A flexible and ideal organization structure can accommodate the changing technology in production, management and marketing etc:
4. Efficient organization provides for optimum and economical use of all physical resources such as buildings, machines, tools, materials, finance etc.
5. Proper division of work and fixed responsibilities facilitate control and co-ordination.
6. It brings unity in direction. Efficient delegation and effective communication system and well-knit relationships bring unity in command and direction.
7. Organization assures all round efficiency by bringing definiteness to the jobs and matching jobs with individuals and individuals with jobs by utilizing best skills, experiences and abilities and specialization. It avoids delays and wastage.
8. Organization based on clear cut authority and responsibility encourages creativity and initiative offers for specialized work, fosters the spirit of constructive and creative approach in management.

### **Process / Steps of Organization :-**

Organization is the most important function of management. It is an executive function. After planning, management has to do organizing. There

are different activities included in organizing which explains the process of organization. The following are the steps in organization.

**1. Review of objectives and policies :-**

Organization is a tool of achieving objectives. Objectives are determined by top management. So it is necessary to take the review of objectives and policies. Therefore it is the first step in the process of organization. By knowing exact objectives, it is possible to establish exact structure of the organization. The objectives are to be explained to the people involved in the organization. On the basis of it meaningful work division becomes possible.

**2. Determination of activities :-**

The next step under the process of organizing is to identify and list out the different activities and jobs which are undertaken in an enterprise. An exhaustive list of all activities is prepared. It is primary and basic exercise which lay down the foundation for all the further steps of organizing. The list is verified with the help of check-list and is finalized.

**3. Grouping of activities :-**

The listed out activities are grouped on the basis of inter-relation and inter-linkage. The main activity with its related sub-activities is divided into groups. Grouping and sub-grouping depends upon size, nature and competition. It is classification of activities for inter-connecting and smooth coordinating the activities. It is essential for effective supervision and even avoiding repetition.

**4. Establishing Departments :-**

Establishing departments is the next step in the process of organizing. Classifications of groups are further grouped into sub-sections, sections, sub-departments, departments and divisions as per requirement of a business. Advertising section, sales section, sales promotion section, after sales service

section, customer redressal section, credit section, market research section etc. sections may be grouped into Marketing Department. After sales service section may have sub-section such as repairs, spare part supply, customer relation, replacement, home service etc. Establishing the departments also depends on size, policy and financial provisions of a business.

#### **5. Job Specification and Man Specifications :-**

Before actual distribution of activities and jobs, job specifications and man specifications are undertaken. An expert team is appointed for this purpose. It analyses different jobs and identifies its characteristics. A team also identifies man-specifications i.e. required skill and qualities for performing a particular job. It facilitates distribution of jobs and activities which leads to matching of jobs and employees.

#### **6. Distributing jobs :-**

On the basis of job specifications and man specifications, different jobs and activities are distributed among employees of an enterprise. Skills, qualifications, experience, traits, training and qualities of an employee are major considerations for assigning jobs. This is most important phase of the process. Hence it is done thoughtfully and scientifically.

#### **7. Delegating Authority :-**

Granting necessary powers to employees is essential for performing their jobs. Hence authority is delegated as per requirement of a job assigned to an employee. Every job requires certain kind of authority. An employee can perform his job related duties effectively with authority. Of course, a quantum of authority to be delegated is decided in advance by the management. A line and span of authority is also explained to an employee which define his liberty.

#### **8. Determining Responsibilities :-**

Authority is followed by responsibility. Once necessary authority is delegated to an employee, corresponding responsibilities are clearly

determined for his job. Determinations of responsibility help him to use his authority more cautiously and carefully. Fixation of responsibility makes him more aware of his performance. Quantum of responsibility shall correspond with the quantum of authority. Otherwise it may affect his performance adversely.

#### **9. Defining Scalar Chain :-**

Defining relation among employees is important phase of organizing process, by which superior and subordinate relation is determined. Who shall issue orders to whom, who shall receive orders from whom, who shall report to whom, these relation among employees are clearly defined. These relations of superiors and subordinates constitute scalar chain in an organization. It ensures discipline and timely execution of orders.

#### **10. Coordination System :-**

A separate coordinating system is established because different jobs and activities are distributed among employees for higher efficiency and better performance. Basically all jobs/activities are inter-connected to each other. Hence proper co-ordination of different jobs which are distributed among different employees and groups is essential for attainment of ultimate objectives of a business. All these job-groups are coordinated on the basis of inter-connections among different jobs.

#### **11. Actual Executing :-**

After completing all the above steps, it constitutes an effective organization which is set for actual functioning. It means that an organization starts its working and executing orders or directives. It initiates actions by superiors and subordinates for fulfilling pre-determined goals. In fact this is last step of the process of organizing.

All these steps are interdependent, so it is necessary to think about it collectively. There may be merging of some steps and process may be shortened or may be addition of any new step. It depends on the philosophy of the enterprise.

## **Principles of Organizing :-**

Organizing is the important function of management. The success of any management depends on the success of organization. Organization works as a structure of men and resources as well as an execution function. It works for the attainment of common objectives. There should be some guidelines or rules necessary when the work is group work. Such rules are called as principles. As organizing is the group activity it also needs principles. E. L. F. Brach had explained the importance of principles of organization for establishing a strong organizational structure. The following are some of the important principles of organization.

### **1. Principle of Objectives :-**

This principle is related to understanding the objectives of enterprise. Objectives are determined by top management. So it is necessary to take the review of objectives and policies. By knowing exact objectives, it is possible to establish exact structure of the organization. The objectives are to be explained to the people involved in the organization. According to this principle the organization and every part of it should be directed towards the achievement of predetermined objectives.

### **2. Principle of Division of Labour :-**

According to this principle the total work in the organization should be divided into small tasks and jobs and each job should be assigned to an individual so that over a period of time he will specialize in that job. Thus it encourages specialization of work. It should be applied to the work performed by employees as well as by the managers. However, over-specialization should be avoided. Further it should be ensured that jobs will not become monotonous and boring.

### **3. Principle of Functional Definition :-**

This principle explains that the functions to be performed by an individual or department should be well defined. The duties and authority

relationships of various individuals in the organization should also be clearly defined to avoid overlapping and duplication of work. Further the results expected of each individual should be clearly stated.

**4. Principle of Span of Control :-**

According to this principle no executive should be required to supervise 'more subordinates than warranted by his/her, capacity. It refers to the number of subordinates working under each superior. It recognizes that no superior can control effectively a large number of sub-ordinates.

**5. Principle of Scalar Chain :-**

As per this principle there should be unbroken line of authority, or scalar —chain from the top to the lowest level. As far as possible this chain should be short. It defines the superior and subordinate relationships among the individuals in the organization. A clearly defined scalar chain leads to more effective decision making and improved organization communication.

**6. Principle of Unity of Command :-**

According to this principle each individual should receive orders from only one superior and be accountable to him for the work. Unity of command implies single source of authority over a sub-ordinate. It reduces the chances of conflict, helps to maintain discipline, creates a feeling of person a responsibility, removes uncertainty and prevents divided loyalty of employees.

**7. Principle of Bbalance :-**

There should be a balance between the various parts of an organization and no function should be given under emphasis at the cost of other functions. For creating structural balance it is necessary to maintain balance between line and staff authority between centralization and decentralization and between span of control and lines of communications.

**8. Principle of Flexibility :-**

According to this principle the organizational structure should be flexible in nature. It should be designed to permit growth and diversification of activities. It should permit quick and easy adaptation of the organization to the changing environment.

**9. Principle of Responsibility :-**

This principle clears that corresponding responsibilities are clearly determined for each job. Determinations of responsibility help an employee to use his authority more cautiously and carefully. Fixation of responsibility makes him more aware of his performance. Quantum of responsibility shall correspond with the quantum of authority. Otherwise it may affect his performance adversely.

**10. Principle of Delegation of Authority :-**

According to this principle authority delegated to an individual should be in consistent with the responsibility. It should be adequate to enable the individual to accomplish results expected of him. At the same time proper control should be exercised on each individual.

**11. Principle of Exception :-**

According to this principle each should take all decisions within the scope of his/her authority and only those matters which are beyond his/her scope of authority should be referred to higher level managers. The matters of routine decision should not be referred to the top management. The top management should look into only exceptional matters.

**12. Principle of Simplicity :-**

This principle explains that the organization should be simple. The organization should be so structured that everyone can understand it easily. There may be minimum levels in the organization.

### **13. Principle of Continuity :-**

According to this principle necessary precaution should be taken to ensure continuity of operations. Continuity is essential for the existence of the organization

There are some other principles of organization given by different experts. While forming and running any organization all these principles are not applied every time but the use of principles is dependent on the requirement.

### **Organization Chart :-**

Organization is a structure which includes different persons, machines, resources etc. The chart showing the relationship between various persons involved in the particular organization, their position, their authority and responsibility is called as organization chart. Organization chart is a design of an organization. It is a blueprint of organization, its functions, lines of authority, and key positions. It shows who the supervisor is and who is subordinate. It gives ideas about different formal relationship by showing the main lines of authority, the lines of communications, and the flow of authority as well as the flow of responsibility and accountability among all the levels of management. There are various advantages as well as limitations of organization chart which are explained as follows:

### **Advantages / Merits of organization chart :-**

1. It gives idea about the size of enterprise, distribution of work etc. to everybody.
2. It is possible to understand the levels of management as well as span of control from the organization chart.
3. There is clear picture of relationship among the various persons working on different positions.
4. It defines the scope and limitations of each position.

5. It can be possible to understand the deficiencies in the organization structure and facilitate to remove that.
6. It facilitates to coordinate and control the organization in a better manner.
7. It reveals whether the organization is evenly balanced or not.

**Limitations of Organization Chart :-**

1. It only shows the position of each person but cannot explain that whose position or responsibility is more important than other.
2. It does not indicate the organization's informal relationships and channels of communication.
3. It does not give the guarantee of efficiency of organization.
4. It may create rigidity into the relationships.

**Check Your Progress - 1**

❖ **Fill in the blanks.**

1. Organization is an important function of .....
2. The term organization has two meanings one as ..... and other as .....
3. .... principle refers to the number of subordinates working under each superior.
4. .... is a design of an organization.

**3.2.2 Delegation of Authority**

**Introduction :-**

The important tasks of management include organization. The organization is considered as 'function' as well as 'structure'. Different resources need to be collected to meet the objectives of the business. It is

called 'organization'. All of these components have to be built in a formal form. The delegation of authority has the highest importance in the formulation of organization structure or framework. Due to the delegation of authority, the people who work at different levels, their positions, rights, responsibilities, are explained in the organization structure. That is why the organization's work is done successfully and effectively to meet the objectives of the organization.

### **Delegation of Authority: Meaning :-**

To understand the concept of delegation of authority, first it is necessary to understand the four important concepts related to it. These four concepts are authority, power, responsibility and accountability.

**Authority :** The authority means right to do the work, function, or to tell others or to have the right to order in that respect. In the organization, the senior has the right to make decisions in his or her jurisdiction, according to which give order to the juniors to work and have the right to get it done properly. Authority flows from the senior towards the junior, as from the top to down. Members of the enterprise delegate the authority to the Board of Directors, from the Board of Directors to the Chief Manager, from the Chief Manager to the Regional Manager, from the Regional Manager to the junior manager, from the junior manager to the supervisor. When the junior person executes the orders given by the senior, he accepts the senior's authority.

**Power :** Power and Authority are often considered to be just similar in the practice. But it is important to understand the difference between them. Authority is the right to do something; power is the ability to do it. The word power shows the power of the superior to use the tools / means necessary to implement the authority. A senior person is using power in different ways. That ways include the promise of reward or give reward, showing the fear of losing a reward or profit, fear of being punished or punished.

**Responsibility :** It is the obligation to complete a task. There is some type of work assigned to each person in the organization. The duty to complete

the work properly is called as responsibility. It is the responsibility of the junior ones to complete the work entrusted to them by the superior.

**Accountability :** Responsibility and accountability are often used in the same sense. But there is a difference in that. It is the responsibility of fulfilling the task entrusted to the junior, and fulfilling this responsibility and submitting the report to the superior is the accountability. The accountability is flowing from the Bottom to Up. Every person in the organization is accountable to the senior.

All four components authority, power, responsibility and accountability are necessary to be balanced. If any one of these components is more or less its effect on work is adverse.

### **Definitions of Delegation of Authority :-**

The senior one in any organization cannot do all the work alone. He has to get help from many other people and to get work done from them. This is called management. Thus, the senior assigns some of his work to the junior and get fulfilled from them. The subordinate has been given some powers from the senior authority so that he can fulfil the task entrusted to him. This process is called the Delegation of Authority. Some authors have been defined Delegation of Authority as follows:

1. According to **F. C. Moore**, "Delegation means assigning work to others and giving them authority to do so."

2. "Delegation takes place when one person gives another right to perform work on his behalf and on his name and the second person accepts a corresponding duty or obligation to do that is required of him." - **O. S. Miner**.

3. "Delegation of authority means, if the manager requires his subordinate to perform the work, he must deploy him with part of the rights and powers which he otherwise would have exercised himself to get that work done." - **Louis Allen**.

The above definitions explain that delegation of authority is made from senior to the junior and given for the fulfilment of the work / responsibility. The rights of senior officials are not exhausted by delegation of authority or they do not give up their rights, it means only the limited transfer of rights required for the fulfilment of the relevant work done by the junior. Due to the delegation of authority, the senior is not become free from responsibility, but he is responsible for the fulfilment of junior's work and also in fulfilling the total work.

### **Elements of Delegation of Authority :-**

Delegation of Authority means to give orders or to give instructions or to give necessary powers to the junior to perform the work given to him. It consists of three major elements:

#### **1. Assignment of Duties to Subordinate :-**

In any organization senior alone cannot fulfil all the responsibilities. Therefore, work has to be divided in subordinates. Order or instructions have to be given about it. In assigning the responsibility of work to the junior, the senior has to make a detailed review of the total work first and to determine which of the work will be given to subordinates. Due to entrusting responsibility to the subordinates, they can be involved in the fulfilment of objective of the organization. This will create a feeling among the subordinates that they are an important component of organization.

#### **2. Delegating of Authority to Subordinate :-**

If you want to complete any work properly, you have to give them the necessary rights. When the junior is entrusted with responsibility, they have to give the necessary authority to complete it. The authority to guide others in the context of the work, the use of raw materials or tools, representing the organization etc. is delegated to subordinates. The junior has to understand the span of authority given to him/her. The authority delegated to the junior does not diminish the authority of the senior.

### **3. Creating of obligation on the part of Subordinate :-**

The third important factor in the process of delegation of authority is to create commitment to properly fulfil the work by the subordinates. The delegation of authority is not limited only to give responsibility to the junior and give them the necessary powers to fulfil them. The junior is obliged to fulfil the responsibilities entrusted with the right use of the authority, and he has to complete his work properly and submit the report to the senior. At the same time, when junior accepts responsibilities, he also accepts the commitment to fulfil it.

The delegation of authority is effective only if there is proper coordination among all the above three components.

### **Principles of Delegation of Authority :-**

Delegation of authority is a very important function. It is a valuable function to make the organization successful. To make this work effective, its principles / rules have to be considered.

#### **1. Authority and responsibilities must be equal :-**

Responsibility assigned to one person and the authority provided for it must be equal. If there is an inequality in it, the proper result is not possible. If the authority is more and the responsibility is less, the authority may be misused. On the contrary, if the responsibility is more and the authority is less, the responsibility cannot be fulfilled properly.

#### **2. Responsibility is not delegated :-**

When a senior gives authority to the subordinates and is given to complete the specific task, then the senior is not free from that responsibility. Although the work entrusted to the subordinates, ultimately the senior is responsible for it.

### **3. Unity in order :-**

The subordinates should order from the one senior. There should not be a system to give orders to subordinates by more than one senior. Because there can be confusion about whose order should obey by the subordinates.

### **4. One person one responsibility :-**

While entrusting responsibility, one junior should be given the one responsibility. There is a possibility of confusion and conflicts if one responsibility is assigned to many individuals. Responsibility can be transferred on one another.

### **5. Proper Planning :-**

Before delegating the authority to the junior, the appropriate policy and rules should be prepared. It should be explained to the juniors. Proper control should be kept. Proper planning should be done in order to properly fulfilment of the responsibilities by the junior in the right time.

### **Difficulties in Delegation :-**

Delegation of authority is a very important task. But there are many difficulties in creating an effective mechanism for delegation of authority. These problems/difficulties arise from the manager as well as from the subordinates.

#### **(A) Difficulties / Problems being created by the Administrators / Managers :-**

- 1. Feelings of superiority :** Many senior people think that I can only do better in every work. If I assign this work to others, he feels that he cannot do it as well. Therefore, they are not ready to give responsibility and authority to the juniors.
- 2. Fear of creating a competitor :** Providing rights to the subordinates will increase their confidence. They can carry out

many responsibilities efficiently. So, in the future, the senior seems to be fear of creation of competitor. So they do not want to provide authority.

3. **No faith in juniors** : Many seniors think that the subordinators will not be able to handle given responsibility properly. They do not have the confidence in juniors. So they do not delegate the authority.
4. **Lack of directing ability** : If the senior entrusted the responsibility to the junior, and if the junior asks any doubts, problems, then some senior face the problem. Due to lack of directing ability, they are not ready to give authority to subordinates.
5. **Monopolistic attitude** : If the manager's attitude is autocratic, then he is not ready to give authority. He does not like to give his rights to others.
6. **Not willing to accept the risk** : The manager has given the junior authority and entrusted the responsibility and if a mistake is made from Junior, the institution may face difficulties. The manager is not ready to accept such a risk. So he is not ready to delegate the authority.
7. **Wish to dominate the junior** : Many managers want to dominate the junior. So they are not ready to give up rights.

**(B) Difficulties / Problems being created by the Subordinates / Juniors :-**

1. **Fear of criticism** : Junior employees are not ready to accept responsibility and authority because of fear of criticism if any mistake can be done.
2. **Lack of information** : The juniors oppose to accept the responsibility and authority if there is any doubt about whether the

related information will be available to fulfill a new responsibility or not.

3. **Lack of encouragement** : If the junior does not get encouragement from the superiors to accept responsibility and authority, then they are not ready to accept the responsibility and authority.
4. **Lack of decision making** : If the juniors have doubt to make the right decisions while completing a new responsibility, then they don't accept authority.
5. **Lack of confidence** : If junior employees are lacking confidence, then they are not ready to accept any new responsibility.
6. **Weak senior-junior relations** : In the organization where senior-junior relations are weak, juniors do not accept the responsibility, because they can't get the support from seniors.
7. **Depending attitude** : Many people working at the junior level are not ready to accept any new responsibility, because they are afraid of failure. They also do not want to work hard. Therefore, they continually rely on the superior. Therefore they oppose to delegate the authority.

### **Guidelines for Making Delegation Effective :-**

Delegation of authority is a very important function, so that the organization can work effectively and fulfil its goals. For making delegation effective following guidelines are to be considered.

1. **Changes in the mentality of seniors** : There is a need to change the mentality of senior people in the organization. They have to prepare to bear the mistakes of juniors and have confidence in them.
2. **Clear and definite objectives** : Objectives of the organization should be clear and definite. So, subordinates can understand what

their basic responsibilities are and what they can contribute to the achievement of objectives of the organization.

3. **Appropriate planning** : Understanding the capabilities and skills of the juniors, proper planning of allotting the rights and responsibilities to each of them is possible. Therefore, the junior can fulfil his responsibility properly.
4. **Motivation** : If seniors take proper note of the subordinates work, supervise, explain, and support them, they will be motivated to accept responsibility.
5. **Full responsibility** : When entrusting responsibility for the junior, it is worthwhile to delegate full responsibility of a particular job. So that junior can fulfil his responsibilities freely and a senior person can focus on other important tasks.
6. **Training to juniors** : Employee training is important for providing effective authority. It is necessary to explain how to take decisions and how to use the tools. If appropriate training to junior is given, they can handle new responsibilities efficiently.
7. **Good communication system** : If a good communication system is created between the senior and the junior, then the delegation of authority can be done properly. Therefore, the senior can easily send his orders and suggestions to the juniors and they understand it properly. Also, the juniors have any doubts, problems, they can get solve it. Therefore, the responsibility is fulfilled effectively.
8. **Proper control** : Proper control systems have to be created in the organization for providing effective delegation of authority. Therefore, the supervision of juniors can be monitored and if a wrong decision is made by them in some time, then they can be corrected and prevent further losses.

## Check Your Progress - 2

### ❖ **Fill in the blanks.**

1. .... means right to do the work, function, or to have the right to order in that respect.
2. The ability to implement the authority is called as .....
3. There must be balance in ..... and .....
4. Authority flow from ..... to .....

### **3.2.3 Centralization and Decentralization : Meaning**

Centralization and decentralization are important principles of management as well as of organization. But these two principles are opposite; therefore a proper coordination between them is necessary. While forming organization whether to use centralization or decentralization or use combination of two is depend on various factors. Such factors include size and scope of business enterprises, unity in policy, availability of human resources, business environment etc. The centralization and decentralization are related to authority delegation, decision making in business organization. In short the centralization means integration of decision making rights with one or limited persons and decentralization means distribution of decision making rights with more persons at each level of management.

#### **Centralization – Meaning :-**

Centralization means integration of authority, power, and rights. These powers, rights are centralized with higher authorities. Authority is not delegated to juniors. Decisions regarding planning, organizing, directing, controlling etc. are taken over only by higher authorities and juniors have to work as per the orders given by the superiors. To understand the concept of centralization it is necessary to go through the various definitions given by different experts.

1. "Centralization is the systematic and consistent reservation of authority at central point within an organization" - **Louis Allen**.

2. "Centralization stands for concentration of authority at or near the top." - **Avasthi and Maheshwari**.

3. "Everything that goes to reduce the importance of the subordinates' role is centralization." - **Fayol**.

From the above definitions we can say that centralization means concentration of authority with top executive or at top level. Subordinates or juniors are not considered as important factor, they are not allotted any power or authority. They cannot take any decision and they are dependent on superior for each activity. They have to take orders, guidance from senior for their work.

### **Merits / Advantages of Centralization :-**

The merits/advantages of centralization are as follows:

1. Decisions regarding the functioning of the organization can be taken fast.
2. It can be kept secret about the organization's policy, objectives, future planning.
3. Efficient coordination can be done in the work of subordinates.
4. It is useful for small businesses.
5. Centralized organizational structure is simple and clear to understand.
6. Repetition in the efforts of the employees, the use of the tools can be avoided. They can be used properly.
7. It's easy to control subordinate's work
8. Used in emergency situations or difficulties because decisions are taken immediately.

9. It is useful for leadership development of seniors.
10. Subordinates can be allotted with the responsibilities as per their capacities, skills, and choice.

### **Demerits/Disadvantages of Centralization :-**

The demerits/disadvantages of centralization are as follows:

1. The decision makers are limited. It is not possible that they are experts in every respect. Therefore, it can make a decision wrong and it can be disadvantages to the organization.
2. There is no encouragement for the junior staff because they are not involved in decision making.
3. The right to decide is to have one or few people. Others just have to work according to the order. Therefore, there is load of work on juniors.
4. There is no opportunity for progress to subordinates.
5. Due to rights being centralized, it can be misused.
6. There is no proper utilization of the ability, skills and knowledge of subordinates.
7. The higher authorities have to take decisions about each and every activity, it will waste their important time, skills, abilities in unnecessary work.

### **Decentralization – Meaning :-**

Decentralization is the process opposite to centralization. Decentralization means distribution or delegation of authority to subordinates at each level of management. This authority is given to carry out the particular responsibilities. When the organization's scope is large and complex, different sections are created based on the geographical criteria, depending on the functions of the work. When the rights are divided between

officers working in these sections, they are called decentralization. While granting such rights, the rights related to some important aspects are kept centrally centric. It is necessary to go through the various definitions to understand the meaning of decentralization.

1. "Decentralization denotes dispersal of authority among a number of individuals or units." - **Avasthi and Maheshwari**.

2. Everything that goes to increase the importance of the subordinates' role is Decentralization. – **Fayol**.

3. Decentralization is wide distribution of authority and responsibility to the smallest size unit that is practical throughout the organization - **Keith Davis**.

These definitions explain that decentralization means distribution of authority. It is delegation of authority to subordinates. The organization is divided into small units or sections as per functional activities or geographical area and authority is given to the officers working at each section or each level of management. The authority is given to the subordinates to carry out the respected responsibilities. In decentralization subordinates are involved in decision making.

### **Merits / Advantages of Decentralization :-**

The merits/advantages of centralization are as follows :-

1. The workload of the senior manager is reduced so that they can focus on important work.
2. The lower level managers are given rights, which encourages them and they work more efficiently.
3. Decentralization leads to increase in employee confidence.
4. Young people get an opportunity to accept new responsibilities to make decisions. This helps in creating a manager.
5. It is possible to make maximum use of the capabilities, skills, knowledge and ideas of subordinates.

6. Decisions are taken at different stages, so the decisions can be made immediately.
7. Decentralization is important for a large-scale institution.
8. Decentralization is beneficial for organizations to succeed in the changing environment and competition.
9. Through decentralization, communication will be easy. Therefore, there is no delay in decision so it avoids red tapism.
10. Decentralization can create cordial relationship between the senior and the juniors.

**Demerits / Disadvantages of Decentralization :-**

1. In decentralization authority have been split on many levels. This increases the number of officers and increases the expenditure.
2. Different people make decisions on different levels. Therefore, there is no unity in the decision.
3. On many levels many people have got right to take decision. So it becomes difficult to coordinate their work.
4. Due to decentralization repetition occurs in the work of employees, in the use of tools etc.
5. It is not possible to make quick decisions in emergency situations
6. The need for large scale expertise is created.
7. Control is difficult because different people are making decisions independently at different levels.
8. There is no secret about the organization's policy, objectives, and future planning.

The meaning of centralization and decentralization explain that pure centralization or pure decentralization is not possible. So there must be a proper coordination or balance between these two principles.

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

❖ **Fill in the blanks.**

1. .... means for concentration of authority at or near the top.
2. .... means distribution or delegation of authority to subordinates at each level of management.
3. Centralized organizational structure is useful to ..... firm.
4. .... leads to increase in employee confidence.

### **3.2.4 Organization Structure**

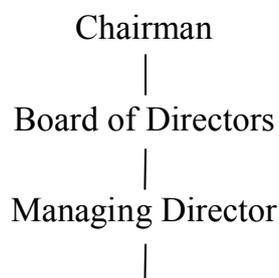
To carry out the function of organizing successfully and efficiently proper organization structure is necessary. Organization is a combination of human resource and other resources. Organization structure includes the formal framework among the persons involved in organization and their interrelationship. The formal structure of an organization is two dimensional – horizontal and vertical. The horizontal structure explains the differentiation of the total organizational job into different departments. The vertical structure refers to the hierarchy of authority relationship with a number of levels from top to bottom. Organization structures vary tremendously. It depends on the basis of function, product, place or some combination of the three. An organization's authority structure may range from highly centralized to decentralize. Determination of organization structure depends on various factors such as objectives of the enterprises, functions, size of the enterprises, economic condition of the enterprises, organizational culture etc. A good organization structure has various characteristics which include simple structure, specialization, right personnel, clear authority and responsibility relationship, flexibility, proper span of control, unity of direction and command etc. A good organization structure helps to fulfil the objectives of the enterprises. There are so many advantages of organization structure such as increase in efficiency of management and organization, facilitate the communication and control, selection of right person for right job, helpful for

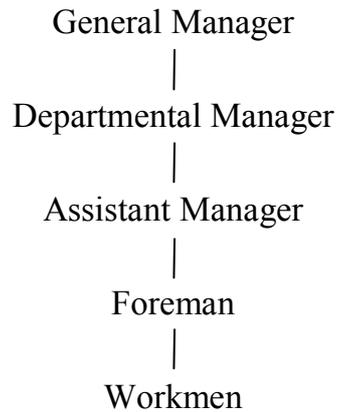
training and motivation, maintain good work environment, create healthy relations among workers etc. There are different types of organization structures. In this unit following four types are included.

- 1) Line Organization.
- 2) Line and Staff Organization.
- 3) Functional Organization.
- 4) Network Organization.

### **1. Line Organization :-**

This is the oldest type of organization structure. It is also called as military, traditional or hierarchical organization. It has used in today also. Under this system, authority flows from the men at the top to the lowest man vertically. In other words, the directions are issued by the man in-charge of the whole organization and are directly conveyed to the persons responsible for the execution of work. This makes the 'line of authority straight and vertical' In this type, each position has general authority over lower positions in the hierarchy in the accomplishment of the main operations of the firm. Authority flows directly from the chief executive to the manager, to assistant manager, to foreman and to the workmen. Each position in the organization structure enjoys general authority over all the lower positions in the hierarchy. Whereas authority flows downwards, responsibility moves upwards, but directly in a straight line. Scalar principle and the principle of unity of command are strictly followed. No subordinate is under two or more superiors. The line of authority is essentially simple mathematical sub-division. Promotion is step by step upwards. The line organization structure is as follows:





This structure is useful where the scale of business is comparatively small, and the subordinates and operatives are not too many; in process industries, such as oil refining, spinning and weaving; where work is simple and is almost of routine nature; where machinery is nearly, if not entirely, automatic and where the labour management problems are not difficult to solve. Prof. Florence explains three principles which are necessary to realize the advantages of this system, and the non-observance of which would involve inefficiency. These are commands should be given to subordinates through the immediate superior, there should be only one chain, and the number of subordinates whose work is directly commanded should be limited. The various advantages of line organization are as follows:

#### **Advantages / Merits :-**

The main advantages/merits of line organization are as under:

- i) It is the easiest to establish and simplest to explain to the employees.
- ii) It makes for unity of control thus conforming to the scalar principle of organization.
- iii) It ensures excellent discipline. This is because of unified control. The subordinates have no doubt regarding the person from whom they receive instructions.

- iv) Everybody in this type of organization knows to whom he is responsible, and who are responsible to him.
- v) The unification of authority and responsibility ensure quick and prompt decisions.
- vi) Since each executive has sole responsibility in his own position and sphere of work, he can easily adjust the organization to changes in the business situation.
- vii) It is economical and effective, because it permits of rapid decisions and effective coordination.

**Disadvantages / Demerits :-**

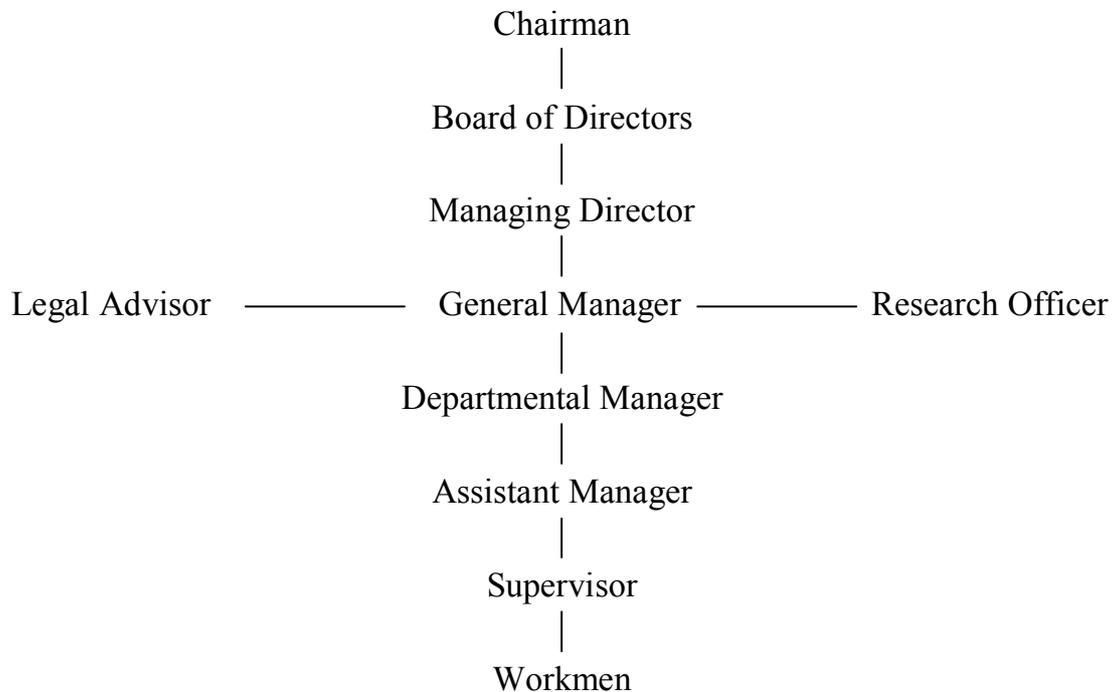
The structure has the following disadvantages/demerits:

1. It is based upon an autocratic system of management, and so business is subject to prejudiced decisions of one man.
2. The work may be divided according to the whims of the manager rather than according to any scientific plan.
3. It cramps progress and prevents effective working of the unit.
4. The foremen have so much to do that they cannot see to improvements as rapidly as is desirable.
5. It suffers from lack of specialization.
6. The stunning responsibility on the shoulder of the manager can crush him under the load of too much work-load.
7. The system has no means of rewarding the good worker and punishing the failure.
8. It is likely to encourage favouritism.
9. Line organization is rigid and inflexible. It is bureaucratic and engaged with red- tape.

## **2. Line and Staff Organization :-**

Though the line organization structure is oldest one and used on large scale, it has so many limitations. These limitations pushed to find out a new structure which is called as Line and Staff Organization. As industrial firms grew in size, the managers who worked under departmental or line form of organization found that they did not have time to give careful attention to every phase of management particularly for investigational work and solid constructive enquiry and thought. The "staff" was, therefore, instituted to discharge this work, and to advise the manager on his problems. It is the formal recognition of the Specialist or Expert in industry. In its origin staff was added purely as adviser to the line structure, with no authority to place recommendations into action. Thus, staffs refers to officers who are not in the line, but are more or less permanently detailed to special service, or to the study of someone phase of operations; and thus act as an advisory group adjunct to the line. In the industrial world, too, the staff organization came into being the result of the inability of the departmental managers to investigate, think, and plan at the same time, as they were performing the ordinary tasks of production and selling. Consequently, the work of research, investigation, recording, standardizing, and advising, i.e., the work of the expert, was wholly distinguished and separated from the direct processes of manufacturing and selling. As a result there became a clear demarcation between "thinking" and "doing" and that is, the staff being the "thinkers and the line the doers". It is to be emphasized that the staff functions are co-coordinative and cooperative, but they do not stand to one another in any order of ascending or descending scale. The manager, simply as manager, ranks and commands the sub-manager; the latter in turn commands the superintendent, who commands the foreman under whose command the operators work. That is a "line" relation, as all of them stand in a line. But the cost accountant, the expert for research and designs, and the legal and financial advisers are the "Staff" who takes no direct or executive share in carrying on the work of production and selling. The staff may be personal staff, specialized staff, or general staff.

The Line and Staff Organization structure is as under :-



### **Advantages / Merits :-**

The advantages / merits of Line and Staff Organization are as follows :-

- 1. Specialization :** In this structure planning and execution work is divided. It adds the specialist to the line. The organization can take the benefit of experts.
- 2. Effective Implementation :** The line officers can implement effectively because experts relieving the line manager of the subsidiary tasks of thinking and enabling him to concentrate on the main job of producing and selling.
- 3. Expert Advice :** The organization is benefitted with expert advice. Because establishing the staff division experienced and well qualified persons are appointed and they give advice to the line managers.

4. **Development of Staff** : It provides for better utilization of personnel. It provides opportunity to staff to work on different positions which leads to more skill development.
5. **Less Workload** : Due to division of work the line manager is relieved from the other subsidiary work. So they concentrate on their main work.
6. **Increases the Efficiency** : It provides specialization as well as division of work. Therefore the line staff effectively control and coordinate the main work and take advice from experts which increases the efficiency of the organization.

#### **Disadvantages / Demerits :-**

The structure has the following disadvantages / demerits :-

1. **Internal Clashes** : There may be internal clashes between line and staff executives because allocation of authority and responsibility may not clear as there can be confusion about the relationship between line and staff executives.
2. **Advice neglected** : The staff experts do not have the authority to implement the recommendations. Their advice may be neglected, so there is a danger of the staff experts remaining ineffective.
3. **Delay in Decisions** : Line managers are depend too much on staff experts. If the recommendations from staff are not received in time, there may be delay in decisions.
4. **No expected effect** : There may be any expected effect of expert's recommendations because the staff executives do not have the authority to implement the recommendations.
5. **Attitude of dependence** : Line managers are likely to tend to depend too much on staff experts and thus lose much of their judgment and initiative.

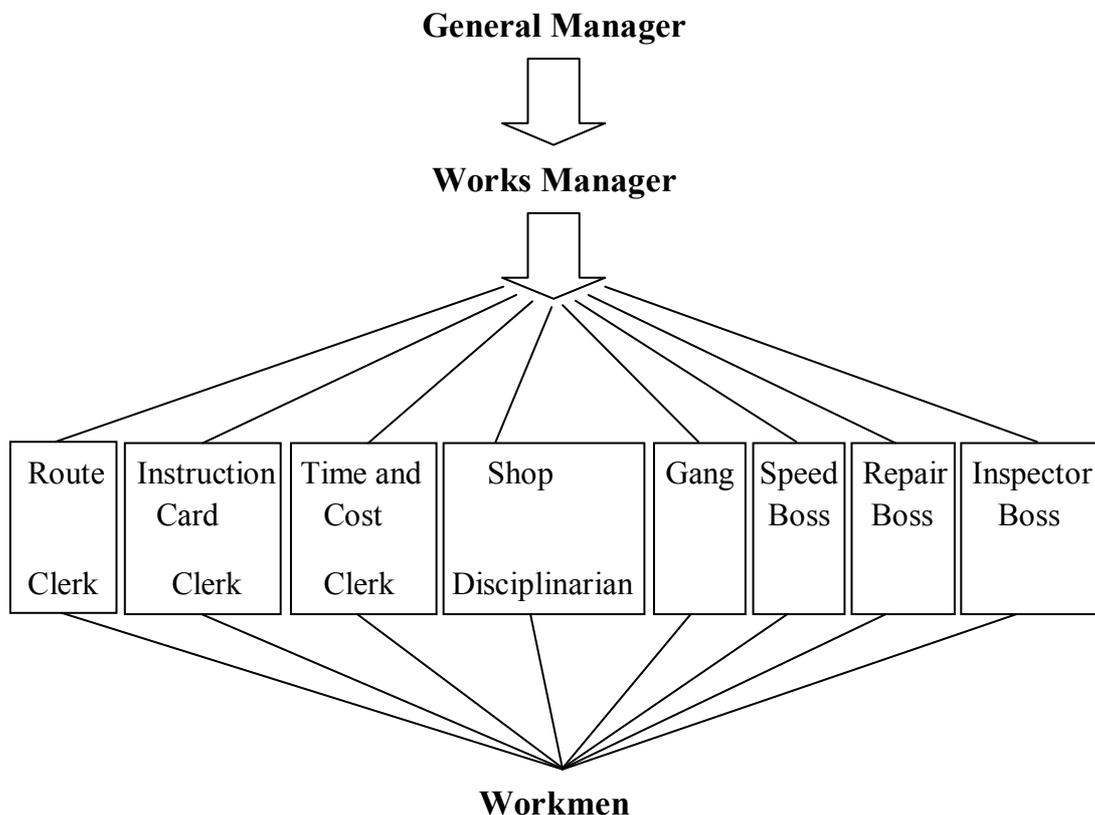
### **3. Functional Organization :-**

F. W. Taylor, the founder of Scientific Management developed the functional organization. After recognizing the limitations of the pure line organization as well as limitations of line and staff organization and appreciating the fact that there could be greater productivity and improved efficiency through the use of specialized knowledge and skill, he developed the functional organization. It is sometimes called as Functional Foremanship organization. He observed that one man, concentrating on a limited number of tasks, could become highly skilled. As part of his Scientific Management, he broke down the job of a single foreman into eight separate functions.

Its basic concept is that bifurcation of the organization should be based on functions and techniques and not on the basis of production or activities. Under this plan, specific functions common to all or several departments are each placed in the hands of a man specially qualified for his particular function. Instead of giving attention to all factors in one department, he attends to one factor in all departments. It divides personnel according to managerial functions, such as accounting, cost control, budgeting, purchasing, research, manufacturing, production control, maintenance and transport. Under the line and staff organization, the experts have no authority but under functional plan however, specialists become more than just advisers. They become executives in charge of single techniques which are common under several units of the work. The employee is no longer under one boss, but under as many bosses as his work requires. All related and similar work is done in one department under one executive. For example, the purchaser is responsible for all purchases of the company. The marketing manager will be responsible for all marketing work of company, of all the plants and for all product lines. Similarly, the Personnel manager will have direct authority over the personnel in other departments in respect personnel matters like pay, discipline, etc. The scope of the work is limited but the area of authority is unlimited.

Due to the complexity of modern, large-scale organization, the need to make the fullest use of the specialists, and the necessity to avoid burdening on

line managers arise a need for functional organization. Taylor explained it for production activity. He instead of the usual practice of putting one foreman in-charge recommended that there should be eight foremen as follows :-



The functions of all these experts are as follows:

1. **Route Clerk** : He is the person whose duty was to determine how the job was to be done and lay down the flow chart of material and to see that the production order was completed.
2. **Instruction Card Clerk** : He is the person who determines the exact method of doing a piece of work and prepares instruction cards.
3. **Time and Cost Clerk** : The person who would lay down the standard time for the completion of the work and who would compile the cost of that piece of work.

4. **Shop Disciplinarian** : He is the person who would deal with cases of breach of discipline and absenteeism and responsible for maintaining discipline throughout the works.
5. **Gang Boss** : The person whose task it would be to assemble and set up various machines, prepare schedule of the work for the machine and getting it to the worker and also providing the tools, drawings and materials for a particular job.
6. **Speed Boss** : The person whose task is to determine at what speed the machines should be run for the efficient completion of the job and supervise machine speeds and worker performance, so as to see that the job was done correctly and at the right speed.
7. **Repair Boss** : The person who was responsible for repairs and maintenance of machines and keeping the machines in efficient working order.
8. **Inspector** : The person whose task is to checks the quality of work done and provide guidance to maintain the quality.

#### **Advantages / Merits :-**

The advantages / merits of Functional Organization are as follows :-

1. **Division of Work and Specialization** : In this structure, each work is divided into small tasks. People with special skills, abilities, and qualifications are appointed for doing such tasks. This division of work and specialization benefited the organization.
2. **Expert Advice and Guidance** : An independent expert officer is appointed for each special work. The knowledge and guidance of experts become useful to the employees in the form of advice and guidance.

3. **Increases efficiency** : Employees has to perform a specific type of work differently and frequently. Therefore, their skills increase and their efficiency increases.
4. **Workload is reduced** : Because of the division of work, one person does not have to do all kinds of tasks, so the burden on them is reduced.
5. **Increase in Production** : Employee efficiency is increases due to the division of labour and specialization. Also, more work is done by the employee due to expert advice and guidance. As a result of that, the organization's production increases.
6. **Employee Benefit** : Employee gets work as per their expertise. Specialization can increase employee performance. The organization's production increases so the employee can get higher wages or compensation.
7. **Useful for large organizations** : The size and scope of business organizations has increased. Many organizations are working globally. Therefore this organizational structure is useful for such organizations.

### **Disadvantages / Demerits :-**

The structure has the following disadvantages/demerits:

1. **Excess specialization** : In this organization, many experts are appointed in each department. Discrimination can arise if everyone's opinions are different.
2. **Discipline and control difficult** : An employee has to obey orders from many superiors. This can be confusing and difficult to maintain discipline and control.
3. **Difficult to keep co-ordination** : The principles of unity of order and unity of direction are not followed. This creates confusion in

the employee. It is therefore difficult for the officers to coordinate their work.

4. **Difficult to determine the responsibility** : If the organization's objectives cannot be met, it is difficult to determine the responsibility of the employee or officer, because many are involved in the same work.
5. **Conflicts between officials** : The employee has to obey orders from many authorities. There is a possibility of misunderstanding if one officer's order is followed and the order of the second officer is delayed. It can be caused trouble to the employee, and there may be differences or conflicts between officials.
6. **More expensive** : This organizational structure becomes more expensive because many experts have to be designated in each section. This increases the number of officers and increases the cost.
7. **Complex Composition** : This organizational structure is extremely complex because it does not strictly adopt the scalar chain principle. The same person is responsible for many senior officials at the same time. Therefore, complications arise.

In short, this system has been quite successfully followed in big concerns for division of work at the top. But for division of work in various departments themselves the system has not been found to be very successful mainly because there is no clear line of authority.

#### **4. Network Organization :-**

Today's age is an era of advanced technology. There are extreme changes takes place in the field of information technology. Due to computers, personal computers, laptop, tabs, mobiles, smart phones etc. and satellites, telecommunication towers etc. any one from any place in the world can contact, communicate to other person at any other place in the world. This

revolution in technology affects every field and business organizations have no exception to this. To run any business or any institute organization is necessary and for that purpose structure is formed. There are various organizational structures in use from so many years. Line Organization, Line and Staff Organization, Functional Organization, Committee Organization, are the structures in use. But now a day, due to technological changes a new organizational structure is comes into practice as Network Organization. To establish a relationship among the different persons, different institutions, and associations by using internet is called as network. The scope of this network has become worldwide so it is called as World Wide Web (www).

Network organization means a structure formed by the business organization with the help of internet and computers and other devices. It is a virtual organizational structure based on software and hardware. Today this type of structure is used on large scale by business organizations particularly by marketing firms. It is difficult to form such type of organization in other business fields. Also it is not possible to form a pure network organization because in each organization human resource is must. There are no geographical limitations to Network organization. It is necessary to give training about computer application, hardware and software, internet process etc. to the all related stakes of network organization.

### **Advantages / Merits :-**

The advantages / merits of Network Organization are as follows:

1. There are no geographical limitations to Network organization. So any one from any place in the world can do business to other person at any other place in the world.
2. In this organization there is two way communications, therefore it will become helpful to understand the opinions, thoughts of each other.
3. Immediate contact and communication is possible.

4. The cost of forming the structure is relatively small.
5. This structure increases the efficiency of business organization.

### **Disadvantages / Demerits :-**

The structure has the following disadvantages/demerits:

1. In this organization human participation is very less it leads to monotonous and mechanical work.
2. The base of this organization is mainly technological and it requires consistency implements of technology.
3. It needs Technology, Equipments, Resources etc. and it requires more financial investment.
4. This organization is based on technology so training to all related persons is necessary.

### **Check Your Progress - 4**

#### **❖ Fill in the blanks.**

1. Line organization is the ..... type of organization structure.
2. The line department do ..... and the staff department do .....
3. .... developed the functional organization.
4. There are no geographical limitations to ..... organization.

### **3.3 Summary**

Organizing is the one of the important functions of management. There are different functions of management. These functions are classified into two categories namely planning functions and executive functions. Organizing is

the one of the executive functions. Organization is treated as a backbone of management. Organizing is the mechanism of execution of the planning made by the management. The concept of organizing is used in two ways – i) Organization as Function and ii) Organization as Structure. The organization is important to complete any collective work. Coordination has a priority in the organizational work. The organization has the importance as it is coordinated in different departments, different individuals, different tasks, and is meant for the purpose. What significance of back bone in the human body has is the importance of organization in the business. There are different activities included in organizing which explains the process of organization. The steps included in the process of organizing are review of objectives and policies, determination of activities, grouping of activities, establishing departments, job specification and man specifications, distributing jobs, delegating authority, determining responsibilities, defining scalar chain, coordination system, actual executing. There should be some guidelines or rules necessary when the work is group work. Such rules are called as principles. As organizing is the group activity it also needs principles. E. L. F. Brach had explained the importance of principles of organization for establishing a strong organizational structure. Organization is a structure which includes different persons, machines, resources etc. The chart showing the relationship between various persons involved in the particular organization, their position, their authority and responsibility is called as organization chart. Organization chart is a design of an organization.

Delegation of authority means assigning work to others and giving them authority to do so. There are four components. All four components authority, power, responsibility and accountability are necessary to be balanced. If any one of these components is more or less its effect on work is adverse. Delegation of authority is a very important task. But there are many difficulties in creating an effective mechanism for delegation of authority. These problems/difficulties arise from the manager as well as from the subordinates. Centralization and decentralization are important principles of management as well as of organization. But these two principles are opposite;

therefore a proper coordination between them is necessary. While forming organization whether to use centralization or decentralization or use combination of two is depend on various factors. Such factors include size and scope of business enterprises, unity in policy, availability of human resources, business environment etc. The centralization and decentralization are related to authority delegation, decision making in business organization. In short the centralization means integration of decision making rights with one or limited persons and decentralization means distribution of decision making rights with more persons at each level of management. To carry out the function of organizing successfully and efficiently proper organization structure is necessary. Organization is a combination of human resource and other resources. Organization structure includes the formal framework among the persons involved in organization and their interrelationship. There are different types of organization structures. In this unit four types Line Organization, Line and Staff Organization, Functional Organization, and Network Organization are included.

### 3.4 Key Words

- **Organizing** : Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives.
- **Delegation of Authority** : Delegation of authority means assigning work to others and giving them authority to do so.
- **Centralization** : Centralization stands for concentration of authority at or near the top.
- **Decentralization** : Decentralization is wide distribution of authority and responsibility to the smallest size unit that is practical throughout the organization.

### **3.5 Answers to check your progress**

**3.2.1** 1. *Management.*

2. *Structure, Function*

3. *Span of Control.*

4. *Organization Chart.*

**3.2.2.** 1. *Authority.*

2. *Power.*

3. *Authority, Responsibility.*

4. *Top, Down.*

**3.2.3.** 1. *Centralization.*

2. *Decentralization.*

3. *Small.*

4. *Decentralization.*

**3.2.4.** 1. *Oldest.*

2. *Implementation, Guidance.*

3. *F. W. Taylor.*

4. *Network.*

### **3.6 Exercise**

#### **A) Broad Questions.**

1. Define organization. Explain the process of organization.
2. Explain the principles of organization.
3. What is mean by Delegation of Authority? State the difficulties in Delegation of Authority.
4. Explain the concepts of Centralization and Decentralization.
5. Explain the Line and Staff Organization. Give merits and demerits of Line and Staff Organization.

**B) Short Answer Questions.**

1. State the elements of Delegation of Authority.
2. Explain the Guidelines for Making Delegation Effective.
3. Give merits and demerits of Centralization.
4. Explain the Line Organization with merits and limitations.
5. Define the concept of functional organization.

**C) Short Notes.**

1. Steps in Process of Organization.
2. Organization Chart.
3. Elements in Delegation of Authority.
4. Centralization.
5. Decentralization.
6. Network Organization.

**3.7 Reference for Further Study**

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**Unit - 4**  
**Direction and Communication**

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## **4.0 Objectives**

After studying Direction and Communication students can understand following points.

1. Meaning of Direction and Communication
2. Elements, Principles and Techniques of direction
3. Importance and Process of Communication
4. Process of Communication
5. Barriers in Communication Process
6. Overcoming Barriers to Communication

## **4.1 Introduction**

Direction and communication are important functions of management. All the functions of management such as planning, staffing, controlling, forecasting etc. are connected each other by Directing and Communication. Direction helps to integrate the individual efforts to achieve institutional objectives and goals. Communication is the process of transfer of information from one person to another. Communication is essential for effective functioning of all managerial functions such as planning, organizing, leading, controlling and coordinating. The importance of direction and communication is increasing day by day. In this unit, students can understand the Meaning of Direction and Communication, Elements, Principles and Techniques of direction, Importance and Process of Communication, Barriers in Communication Process, Overcoming Barriers to Communication.

## **4.2 Subject Matter**

### **4.2.1 Direction-Meaning and definition**

One of the important functions of management is Direction. All the functions of management such as planning, staffing, controlling, forecasting

etc. are connected each other by Directing. It is the heart of the management process, through which management can easily take necessary actions. It is the process of leading, instructing, motivating, executing, supervising and guiding. In simple words, directing is the process of collecting people from organization, to get maximum cooperation from them and achieve the goals and objectives of the organization. However, for the effective execution of this directing process, integration of organizational goals with individual and group goals are most essential. Functioning of each and every individual affects the work done by others and, in turn, the functioning of others is affected. In this way, each individual in the organization is interrelated with each other. From this point of view, direction helps to integrate the individual efforts to achieve institutional objectives and goals.

The physical resources like money, materials, and machine i.e. three M's are handled by fourth one i.e. Men (human being) to fulfill the functions of management. It helps to achieve the organizational goals. Every action is initiated through direction. Directing is the soul of management. Without effective and efficient direction management functions may come to worthless.

#### ❖ **Definitions :-**

Some of the following definitions point out the meaning and scope of the direction.

**William Newman and E. Kirby Warren**, *“Directing deals with the steps, manager talks to get subordinates and others to carry out plans.”*

**Theo Haimann**, *“Direction consists of the process and techniques utilizing in issuing instruction and making certain that operations are carried out as planned.”*

**Earnest Dale**, *“Direction is telling people what to do and seeing that they do it to the best of their ability.”*

**Harold Koontz and O'Donnell**, *“Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently.”*

## **Nature / Features of Directing**

Directing is the heart of management. The functions of management such as planning, forecasting, organizing, controlling, staffing etc. cannot work properly without direction. It provides boost to all these managerial functions. The nature / features of the direction is summarized as follows.

### **1. Continuous Process :-**

Direction is the continuous and endless process. Direction continues throughout the life of the organization. The successful manager needs to give order to his subordinates, lead them, motivate them and guide them continuously. As long as work in progress direction has to continue.

### **2. Every level of Management :-**

Generally superior gives direction to its subordinates. The relation of superior and subordinates is maintained at every level of management like top level, middle level or the lower level. It means the direction is the function which is performed at each and every level of management.

### **3. Important Function :-**

Basically organization involves human and non-human resources. For the purpose of getting desired results these resources should be handled in a systematic manner by management. Direction facilitates to management making optimum use of these resources. It means the potentiality and capability of every individual in the organization will be utilized properly through direction.

### **4. Multi-objectives :-**

Marshall Dimock has pointed out the correlation between direction and work performance. With the help of direction management leads and

motivates individuals in the organization to function properly. Direction helps to the management to achieve the predetermined organizational goals. Direction has multi-objectives process. It aims at getting the work done by subordinates and provides superiors opportunities for the management work done more responsibly.

#### **4.2.1.1 Elements of Direction**

According to Urwick and Breach, 'directing is the guidance, the inspiration, the leadership of those men and women that constitutes the real core of the responsibility of management'. Direction is an unending and continuous process. The direction has to continue as long as work is in progress. In the organization every subsequent top level manager needs to give order to his subordinates. However, direction is not merely issuing orders and instructions to subordinates by its superiors but according to Urwick and Breach it includes the function of leading, communicating, guiding, motivating and inspiring the subordinates.

These are the important elements of the direction, which are discussed as follows.

##### **1. Communication :-**

Communication is the first and most important element of direction. Communication is the process of sharing thoughts and meanings by people among themselves. It involves the concept of transfer the meanings and information between each other. Through communication the facts, thoughts, ideas and feelings of one person can be transfer to another person. The manager gives instructions and orders to subordinates for getting desired results from them. However, understanding of orders and instructions by subordinates is the most important aspect to perform their jobs. Hence, communication between each other is most essential. The manager or the superiors may done their work effectively only with the help of communication. It is the only way to reaching the people. Absence of communication the direction cannot passes or it may meaningless.

## **2. Leadership :-**

Leadership is the process of influencing and supporting employees to work willingly and effectively for accomplishment of managerial goals. The success of management of any business organization is mostly depending up on Leadership. Any manager cannot manage their subordinates effectively and efficiently without leadership. The successful leader is the person who motivates their subordinates to direct their efforts towards achievement of goal which are determined by the leader. The leader creates homogeneous work group and integrates the groups by making supportive environment in the organization. Appropriate leadership alone can influence the subordinates to give their best performance in the organization.

In other words, leadership can act as a spark plug for igniting the will of subordinates to work effectively and efficiently in the organization. The trust of people, respect and confidence wins only through effective leadership.

## **3. Motivation :-**

Motivation is one of the most important factors influencing human behavior and their performance. According to Robert Dubin, “Motivation is the complex forces starting and keeping a person at work in an organization. Motivation is something that moves the person to action, and continues him in the course of action already initiated.” It is the responsibility of the manager to create such an environment in organization through which subordinates may achieve organizational goals efficiently. Motivation facilitates manager to get as much as contribution of people for the achievement of predetermined objectives of the institute. An employee has ability, interest and will to do work. The manager induces, inspires and ignites the will to do work and create adequate interest in subordinate’s mind through motivation.

In other words, motivation means inspiring the subordinates to work for the accomplishment of organizational objectives and group goals.

#### **4. Supervision :-**

The watching and overseeing the work progress of the performance of immediate assistant is known as Supervision. However, the term supervision is used in two senses. According to first sense, supervision is treated as an element of direction. In this context, the term supervision refers guiding the efforts of assistants to achieve the organizational objectives and goals. In this sense George Terry and Stephen Franklin define the supervision as, ‘Guiding and directing efforts of employees and other resources to accomplish stated work outputs.’”

The Second sense of supervision is mentioned by in their definition. According to Newman and Warren, supervision is the day-to day relationship between an executive and his immediate assistant and covers training, direction, motivation, coordination, maintenance of discipline etc. In this context, supervision refers all supervisory functions such as planning, organizing, staffing, directing, controlling etc.

Generally work of supervisory management is represented by foremen, supervisors and departmental heads. They translate plans into action. At the first line managers i.e. supervisors devoted 80 percent of their time whereas top management devotes hardly 20 percent of time on supervisory work. It clears the vital role of supervision in the achievement of organizational objectives. Though the time devoted for supervision is varying from their level of management it is done at all levels of management.

##### **4.2.1.2 Principles of Direction**

Direction is an art. For accomplishment of desired results from human and non human resources involved in the organization ,the manager can be follow some principles.

These are divided into two categories; (a) principles relating to the purpose of direction and (b) principles relating to the direction process.

## **[A] Principles relating to the purpose of direction**

### **1. Principle of Maximum Individual Contribution :-**

Devotion of subordinates and wholeheartedly contribution of individuals towards organizational objectives is most essential for accomplishment of organizational objectives at maximum level. It is the responsibility of every manager to induce such type of direction technique which enhances the level of contribution of subordinates.

### **2. Principle of Harmony of Objectives :-**

Generally satisfaction of own physiological and psychological needs are basic instinct of every employee to join and working in the organization. Every worker has their own goals and objectives *i.e.* maximization of their own income. However, the objective of organization is different, *i.e.* maximization of profit. In this context, manager tries to integrate both individual and organizational objectives for accomplishment of organizational goals effectively. For this purpose manager refers appropriate direction technique.

### **3. Principle of Effectiveness of Direction :-**

As explained in the principle of harmony of objectives an individual in the organization try to satisfy their own needs. It adversely affects the organizational goals and objectives. It is the role of successful manger to direct subordinates effectively. It facilitates manager to get desired result from employees without affecting their own goals. In this context, it is necessary to develop and adopt appropriate direction techniques.

## **[B] Principles relating to the direction process**

According to Theo Haimann, “Direction consists of the process and techniques utilizing in issuing instruction and making certain that operations are carried out as planned”. In this context, following principles are considered.”

### **1. Principle of Leadership :-**

The effective leading ability is essential for effective direction. Leadership is the process of influencing employees to work willingly and effectively for achievement of the organizational goals and objectives. It is mostly depends upon efficient functioning of subordinates which is influenced through the exercise of leadership. Leadership is a unique factor of effective and efficient management of every organization. In other words, inspiring leader can act as a spark plug for igniting the will-to-work in the subordinates.

### **2. Principle of Communication :-**

The effective and efficient communication between superiors and his subordinates is the prerequisites of the success of any organization. The manager has to tell the subordinates what to do, when to do and how to do a particular job. He gives some orders and instructions for completion of allotted work to subordinates. It is mainly possible through effective communication network. Communication is only the way of reaching subordinates by transferring facts, thoughts, ideas and feeling. On the other and, through upward communication from subordinates, manager understands how employees are working in the organization. Thus, both ways communication makes direction effective.

### **3. Principle of Comprehension :-**

Direction is process of transferring orders and instructions to subordinates what they have to do, how to do and when to do. However, understanding and comprehending of what has been conveyed by manager is the key factor of the overall success and achievement of organizational goals. Thus, the correct comprehending of orders and instructions enables subordinates to get clear situation. The employees may do work what management desired as well as avoid unnecessary queries from superior only through correct comprehending of orders and instructions.

#### **4. Principle of Unity of Command :-**

“One boss for any one” may be the rule of Principle of Unity of Command. Any subordinate who work in the organization should receive orders and instructions from only one superior. It means the hierarchy of command should be followed. The subordinate should be responsible to that particular superior only who gives the orders. If the orders and instructions are given by more than one superior, then it creates conflict and confusion amongst the subordinates. It increases the chances of misuse of authorities and duties.

#### **5. Principle of Delegation of Authority :-**

Delegation of authority is the process of assigning the duties by superior to his subordinates for making decision, taking appropriate action and utilization of resources and Creation of an obligation on the part of each subordinate. Thus, to enable the subordinates to perform his job efficiently and effectively is the main purpose of delegation of authority. Subordinates should be delegate appropriate authority by his superior so as to making his job related decisions.

According to Neoman, the delegation process is includes three steps,

1. Assignment of duties by superior to his subordinates.
2. Delegation of authority for making decision, taking appropriate action and utilization of resources.
3. Creation of an obligation on the part of each subordinate.

#### **6. Principle of Use of Direction Technique :-**

There are three major techniques of direction viz.; Consultative, free rein and Automatic. Every technique has its own importance and feature. The use of technique is varying from person to person. It is mainly depends upon nature of work, size and duration of work, psychological situation and environmental situation. Thus, by considering all these factors superior can

use the appropriate direction technique for achievement of organizational goals and objectives.

#### **7. Principle of Participative Decision Making :-**

Integration of individual goals and group goals is the essential aspect for achievement of organizational objectives effectively. It is possible by involving individuals and groups in decision making process which is the responsibility of the manager. The contribution of subordinates in decision making may be taken through inviting their ideas and suggestions. The involvement of subordinates in decision making is likely to ensure effective and efficient implementation of decisions.

#### **8. Principle of Follow Up :-**

Direction is a continuous process. This process completed with follow up of work done by subordinates. The superior of the organization gives orders and instructions to subordinates. Generally he advised him about specific job allotted to subordinates. He tells him what to do, when to do and how to do a particular job. Only passing an order is not sufficient. However, it is the duty and responsibility of the manager to supervise and take review of work done by subordinates at regular interval. He should see the employees are working properly or not. If they are having any doubts or queries relating to any order and facing any difficulties in the same, the order can be changed or modified.

#### **4.2.1.3 Techniques of Direction**

There are different types of direction techniques. The manager can choose appropriate techniques of direction to get desired result in the organization. Generally, it is depends upon the nature of superior and subordinates, work environment and situational variables. There are three major direction techniques viz., consultative, free- rein and automatic. These are discussed as follows.

## **1. Consultative Direction :-**

Under Consultative Direction technique the manager discuss with his subsequent subordinates or any other employee work in the organization regarding some issues. It is nothing but to get contribution of subordinate in decision making process. In the other words, manager consults with his subordinates before taking decisions related to their job work. The participation of subordinates in management and decision making is helpful in order to encourage organizational democracy. It also boosts the morale and motivation of employees.

### **❖ Advantages :**

1. Participation of employees and subordinates at every level is increased.
2. It encourages the morale and motivation of subordinates.
3. Better communication between manager and employees at all levels.
4. Better coordination between superiors and subordinates.
5. It leads to effective results in the organization because employee will feel a sense of commitment

### **❖ Disadvantages :**

1. It is a time consuming process.
2. Consultative Direction technique is expensive as compared to other technique
3. Sometime subordinates may consider that it is their right and privilege.

## **2. Free- Rein Direction :-**

This technique is also known as laissez-faire technique. Free rein means full freedom. Under this technique full freedom is provided to subordinates

about decision making. That means there is no any rein or influence of superiors in the work of subordinates. Under this technique, manager only formulates policies and programs for action. Thereafter, manager transfer all the authority to subordinates. He handed over the entire process to subordinates. Manager just act as a liaison between work group and outsiders. He does not make any influence in the working of subordinates. The subordinates acts or works as per their own style without any botheration. The manager merely maintains contacts with outsiders and collects the information and materials and provides to the subordinates for smooth working of the organization.

❖ **Advantages :-**

1. This technique encourages team spirit and creativity among subordinates.
2. It enables the subordinates to contribute their own ideas, thoughts, talent to the solution of the problem.
3. This technique helps subordinates to develop their personality.
4. It is suitable for highly trained and professional staff.
5. It will probably get the best and quick results.

❖ **Disadvantages :-**

1. Self-managed, creative and self-motivated subordinates is the pre requisite of use of this technique.
2. This technique may results in confusion and inefficiency.
3. The contribution of manager is almost absent, which leads to difficulty in departmental contribution and team spirit.

**3. Automatic Direction :-**

Under this technique, manager gives clear and perfect orders to his subordinates. There is no ambiguity in the instructions given by superior. It

involves what to do, when to do and how to do job effectively. This technique also gets the best and quick results when subordinates are creative, self-motivated and brilliant.

### **Check Your Progress - I**

#### **(A) Choose correct alternative from the following.**

1. .... consists of the process and techniques utilizing in issuing instruction and making certain that operations are carried out as planned.

*(a) Direction (b) planning (c) Coordination (d) Staffing*

2. .... Direction technique is also known as laissez-faire technique.

*(a) Direction (b) Free-Rein (c) Coordination (d) Staffing.*

3. Under ..... Direction technique the manager discuss with his subsequent subordinates or any other employee work in the organization regarding some issues.

*(a) Automatic (b) Free-Rein (c) Consultative (d) Staffing*

#### **(B) Fill in the blanks.**

1. Communication, Leadership, Supervision and Motivation are the important elements of the .....

2. ....is the process of influencing and supporting employees to work willingly and effectively for accomplishment of managerial goals.

#### **(C) True or False.**

1. Staffing is telling people what to do and seeing that they do it to the best of their ability.

2. The watching and overseeing the work progress of the performance of immediate assistant is known as Supervision.

#### **4.2.2 Communication : Meaning and Definition**

The word “Communication” is derived from the Latin word ‘Communize’ which means ‘Common’ that stands for sharing of ideas in common. The term ‘Communication’ has varied meanings generally, it refers to various meanings of transmitting information from one person to another or from one place to another. However, the term ‘communication’ involves the concept of transfer, meanings and information.

Communication is known as the oxygen of every organization. It is a continuous process by which persons involved in organization try to share meanings through the transmission of messages. Open and free communication is essential for the smooth functioning of the organization. Communication is the process of transfer of information from one person to another. The importance of communication is increasing day by day. Communication is essential for effective functioning of all managerial functions such as planning, organizing, leading, controlling and coordinating.

Thus, in the context of organization, communication is the process through which two or more persons come together and exchange their ideas and understanding each other.

#### **❖ Definitions :-**

1. **Keith Davis**, *“Communication is the transfer of information from one person to another person. It is a way of reaching others by transmitting ideas, facts, thoughts, feelings and values”*.

2. **F.E.X. Dance**, *“Communication is defined as the process by which people seek to share meaning via the transmission of symbolic messages”*.

3. **Newman, Summer and Warren**, *“Communication is an exchange of facts, ideas, opinions or emotions by two or more persons.”*

4. **Koontz and O' Donnell**, "*Communication is a way in which one organization member shares meanings and understanding with another.*"

5. According to Oxford English Dictionary Communication means, "*The imparting , conveying or exchange of ideas, knowledge etc. , whether by speech, writing or signs.*"

Thus, from the above definition communication means interchange of ideas, messages, facts, attitude, information, feelings and emotions among two or more persons. The effective communication implies that the subordinates (*i.e.* receiver) should understand the message send by the superior (*i.e.* sender) , accept it and comply with it.

#### **4.2.2.1 Importance of Communication**

According to Haney, "*Communication is eminently essential in business, in government, military organizations, hospitals, schools, communities, homes- anywhere people deal with one another.*"

It is said that, whatever a manager does in the organization does through communication. It shows the importance of Communication in the managerial activities. The ability of manager to communicate effectively with his superiors, subordinates, peers and other persons related to organization is the key of achievement of organizational goals effectively.

##### **1. Helpful to Managerial Functions :-**

The effectiveness of all the managerial functions are depends up on Communication. For the preparation of planning various type of information is required by management. This required information is obtained by manager through communication only. All the function of management such as leading, motivating, and supervision depends upon communication.

##### **2. Enhance Managerial Efficiency :-**

Communication plays important role in enhancing the managerial efficiency. For effective management of change, organizational development

and organizational behavior communication is much essential. It is the master key to the entire process of management.

### **3. Develop Interpersonal Relations :-**

The exchange of ideas, information, opinions, views, instructions and suggestions with each other may facilitate to develop the interpersonal relations. The manager has to establish interpersonal relations with superiors, subordinates, peers and other persons related to organization. It is possible through communication only.

### **4. Boost the Moral :-**

The proper understanding of directions and instructions boost the will-to-do of the employee. The satisfaction of the subordinates, peers, superiors and all the persons related to organization is mostly depend upon sharing of instructions, views, suggestions, and experiences with each other. It create moral among them and they get motivated to do effectively. It is possible only with the help of communication. Thus, communication helps to boost the moral among people.

### **5. Way of Co-ordination :-**

The coordination among all groups, individuals and various departments is prerequisite for achievement of organizational objectives effectively. It can be obtained by sharing information, views, and suggestions etc. regularly. Communication is only the way to coordinate each other. e.g. production, sales, advertising, finance, personnel and marketing departments coordinate each other by sharing related information through communication.

### **6. Promote Trust and Confidence :-**

Job satisfaction and job security among employees create trust and confidence among them. It is mostly depend upon understanding of instructions and orders given by superior. Communication make easy to understand the instructions and orders. It increases the ability of subordinates

will to do work in the organization. Thus, communication promotes mutual trust and confidence among management and employees.

#### **7. Builds Public Image :-**

The availability of the information related to financial position, profitability, organizational policies and social responsibility of the organization are the major factors which builds positive public image of organization. The interpersonal relation of stakeholders such as customers, financiers, suppliers, government agencies etc. improved through communication.

#### **8. Helps in Feedback :-**

To measure the results with predetermined standards and to take necessary action to correct it is possible through feedback of subordinate's performance. The corrective action should again communicated to subordinates which helpful to improve their performance. Thus, communication helps to take feedback effectively.

### **4.2.2.2 Process of Communication**

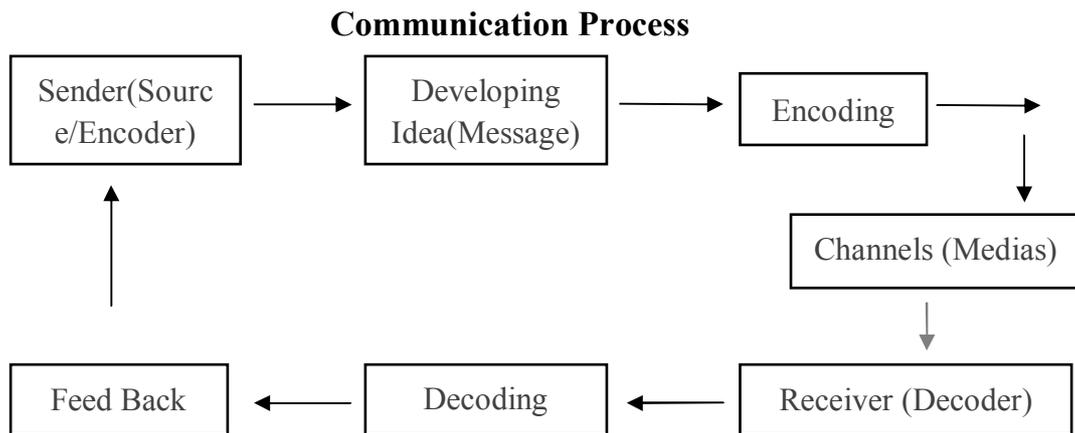
Communication has been defined as a process. Action, Continuous change in time, Progress over time and Goal are the four elements of process. For every communication, at least two persons are required i.e. a sender and a receiver. A communication is transmitted from one person to another or one place to another in any organization. The process of communication includes- sender, message, encoding, transmitting, receiving, decoding, accepting, action, receiver and feedback. These are summaries as follows.

#### **1. Sender :-**

A sender is a person who intends to make contact with the objective of passing information, ideas to other person. It is the starting point of the communication.

## 2. Generation of Idea :-

This is the subject matter of communication. It is the first and important step in communication process. The communication process begins when an idea, thought or feelings arises in the mind of the person and he wants to transmit to other person. If there is no message /information to send all other steps are useless.



## 3. Encoding :-

The ideas or subject matter of communication may be intangible. For the purpose of its transmission, the use of certain symbols such as words, actions, pictures, graphs, sounds, gestures etc. are required. The conversion of these ideas into symbols is known as encoding.

## 4. Message :-

The ideas or subject matter of communication is converted into symbols for transmission. It is known as a message. It should be clear and easily precise.

## 5. Channel and Media :-

After the message is encoded into symbols, it is transmitted by the sender through some suitable channel and media. The channel may be written form, personal contact, phone, cell, mail, fax, sound waves, speech, internet etc.

## **6. Receiver :-**

Receiver is the person to whom message is meant for. The message transmitted should be received by the receiver. The receiver may be either the superior or subordinate working in the organization.

## **7. Decoding :-**

Decoding is concerned with understanding of the message. It is opposite of encoding. The receiver receives the message in the form of symbols. The receiver converts the symbols received from the sender to give him the meaning of the message.

## **8. Feed-Back :-**

Feedback is the final step in communication process. The sender sends message and wants feedback from the receivers i.e. the receiver has received message and understood in the same sense. When receiver decodes interprets and understands the message, he conveys his response to the sender, it is called as feedback. After feedback communication process is completed.

All the above interconnected stages form a communication cycle which is presented in the following diagram.

### **4.2.2.3 Types of Communication**

The ideas, views, instructions, messages, suggestions etc. are the subject matter of communication. Generally it is not in physical form. They are in abstract or intangible form. Hence, for the effective transmission and receipt of subject matter some symbols are essential. These symbols may be in the form of words (Oral or written), pictures or non-verbal forms. For sharing these information various communication methods are used. They are classified in to three categories such as i) on the basis of Organizational Relationship, ii) on the basis of Direction and iii) on the basis of Channel or Method of Expression which are summarized as follows.

## **[I] On the basis of Organizational Relationship**

### **1. Formal Communication :-**

Under formal communication intentional efforts are made to manage the flow of communication. It make possible to flows information smoothly, accurately and timely. The various formal channels of communication are used to transfer the formal information. The forms of formal communication are as,

- (a) Departmental Meetings,
- (b) Conferences,
- (c) Telephone Calls,
- (d) Company News Bulletins,
- (e) Special Interviews etc.

The formal communication system enables the standardized information to transmit without more managerial attention. It save the valuable time of managers and it may devote on policy matters of the organization.

### **2. Informal Communication :-**

It is also known as ‘Grapevine’ communication. Under Informal Communication method informal groups invariably tend to develop their own communication system. In this method membership of the group is the prerequisite for participation in the Informal Communication process. If any employee is not the member of the group he left out from that particular Informal Communication *i.e.* grapevine. Under grapevine system the flow of communication is very fast. However, there may be ambiguity in the information *i.e.* it may be true or false, fact or imaginary, accurate or misleading. It is free from all sorts of formalities. Under this method the subordinates are free to express their view, attitude, feelings, and emotions about superiors as well as organization. Generally, the information which is not transmitted through official channel but having vital in the general interest

of organization is transmitted through informal channel. Generally this method is adopted by manager when any important information is not collected from the employees.

Though this method is beneficial it transmits distorted, inaccurate, rumours, misinterpreted information often.

### **[III] On the Basis of Direction**

#### **1. Downward Communication :-**

When Communication flows from top level to lower level i.e. from superior to subordinates is known as Downward Communication. It carries organizational and departmental objectives, policies, managerial decisions, strategies, instructions, rules, standards, guidance etc. from top level to lower level. Through Downward Communication channel orders and instructions as well as superiors guide, advice etc. are transmits to subordinates.

Katz and Khan elaborated five elements of Downward Communication viz., job instruction, rational for the tasks and their relationship with other tasks and goals, information relating to organizational policies and practices, feedback of employee performance and developing trust.

A manager has frequently used Downward Communication media. Basically it includes written, face to face, posters, bulletin boards, company magazine, employee handbook, public address system, information racks, annual reports, letters etc. It is instructive type communication. Generally it expect action and result from subordinates.

#### **2. Upward Communication :-**

Upward Communication is exactly opposite to Downward Communication .Under Upward Communication subordinates transmitting ideas, request and information to their superiors. It acts as feedback in the communication process. Through Upward Communication the subordinates

reports to his superior about his performance, problems as well as organizational policies and practices.

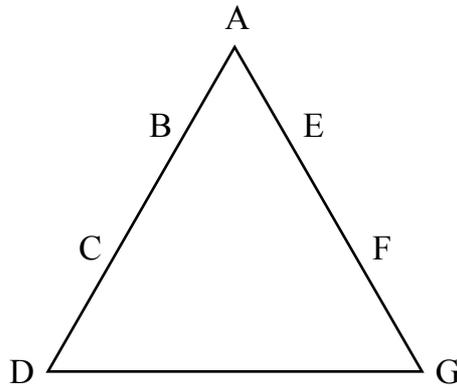
Whether messages have been transferred and received properly is determined with the help of Upward Communication. Therefore it is as much as essential the Downward Communication for effective performance of any organization. It refers task related and interpersonal messages. Task related messages include performance report, reply to query, information to planning and decision making. Interpersonal messages includes suggestions, grievances, difficulties etc. are transmitted from employees to manager. It cannot demand any action by superiors. It is non-directive communication.

The chain of command, suggestion boxes, private lines, personal contacts, attitude and moral surveys, grievance procedure, labour union etc. are the major means of Upward Communication.

### **3. Horizontal Communication :-**

The managers or executives working at same position in the organization prefer Horizontal Communication to exchange information between each other e.g. head of the various departments such as finance, marketing, production etc. are communicate with each other through Horizontal Communication method. It is also facilitate and used by various departments working at same level. This channel avoids the hierarchical channels based on superior subordinate relations.

Henry Fayol opined that the formal channel of Communications both upward and downward often caused delays and adversely affects the work performance. e.g. In the diagram shown in fig. 4.1 , if D needed some information from G, under formal communication channel , he send message to G, through C to B , B to A , A to E, E to F and F to G. If G needed some help from D, follows the same channel back again. Fayol suggested “Gangplank” between D and G. It enables D and G to communicate directly with each other.

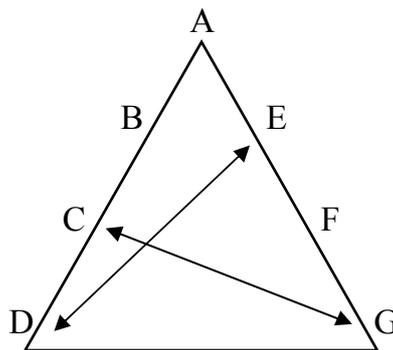


**Fig. 4.1 : Horizontal Communication**

Horizontal Communication channel is essential and helpful to take prompt decision and speedy actions. Without Horizontal Communication flows no organization can function effectively and efficiently. Thus, it facilitates smooth functioning of organization.

**4. Diagonal Communication :-**

When two or more managers working at different levels make communication each other by cutting across the hierarchical line of authority is called as Diagonal Communication. The managers involved in this communication process are responsible to report each other. In fig. 4.2, communication between D and E or C and G is the example of diagonal communication. It facilitate to management when line manager's delegates functional authority to line or staff. The horizontal and diagonal channels are most essential when organization expands in its size and volume.



**Fig. 4.2 : Diagonal Communication**

### **[III] On the Basis of Methods of Expression**

#### **1. Oral and Verbal Communication :-**

The spoken words are the main element of Oral and Verbal media of Communication. Oral and Verbal Communication may take place face to face contacts or through electronic or mechanical devices. Under this process persons involved in communication exchange their ideas, views, opinions etc. through oral words either by face –to- face contact or by electronic devices like mobile, telephone, video conferencing, wacky talky etc.

Oral and Verbal Communication system is very easy and more effective. It receives instant feedback from subordinates. This method is time saving and less expensive. Oral and Verbal Communication method is much flexible than other. It facilitate for informal communication.

Apart from above mentioned advantages this method has some limitations. It has Lack of authenticity as well as Lack of proof. Many times due to breakdown in electronic devices this method may Ineffective.

#### **2. Written Communication :-**

Written Communication refers written words, graphs, diagrams, pictures etc. The letters, circulars, notes, manuals, magazines etc. are also some forms of written communication. No any organization hasits own memory excluding information stored in computer or recorded in files or the employees remember. Therefore, written communication is very important method of providing organizational memory.

Written communication method is more advantageous because it provides written proof. This method is authentic and more accurate, precise and effective. It facilitates in distance places and also provides organizational memory. However, this method is costlier and time consuming. It carries chances of misinterpretation of words. Under this method immediate feedback is not possible.

### **3. Gestures and Nonverbal Communication :-**

When any person communicates with each other through actions or body language is considered as Gestures Communication. Generally it is used when face to face communication is going on. It refers movement of eyes, facial expression, hand and body movements etc. The gestures or actions are facilitates to modify the spoken word or enhance the meaning of words. It improved that, to accomplish organizational goals effectively, word should be supported by voice tone and body language.

Non-verbal communication refers Pictorial communication. It includes pictures, graphs, diagrams, charts, blueprints etc. The proverb, 'a picture is worth a thousand words' explicit the importance of pictorial communication.

Gestures and Nonverbal Communication helps to motivate subordinates and also provides speedy feedback.

#### **4.2.2.4 Barriers in Communication**

When a message is sent by the sender to the receiver, some time it may not be effectively understood by the receiver in the same sense as the sender intended it to. There are several reasons for its ineffectiveness called as barriers. The barriers in communication may summarize as Physical barriers, Personal Barriers, Organizational Barriers, Semantic Barriers, and Mechanical Barriers etc. They are discussed as follows.

##### **1. Poor Planning :-**

Effective communication requires perfect planning on the part of the sender. If the sender does not plan the message properly then he fails to reach his message to the receiver.

##### **2. Language :-**

The language of message may be special or technical. The language of businessman, a politician, a worker and common man can't be uniform. Lack of clarity and precision in a message makes its badly expressed. If the receiver

does not understand the message, he may not get correct meaning of the message.

### **3. Faulty transactions :-**

The leader receives various types of message from superiors and subordinates. He must translate information destined for superiors and subordinates into language suitable to them. So the message has to be put in to words appropriate to the framework in which the receiver operates. It requires high level of linguistic capacity. Faulty translation leads to impaired efficiency.

### **4. Geographic Distance :-**

If the distance between sender and receiver is more, the message cannot reach in proper time. It also takes time to clarify the doubts of receivers. Now days, this barrier is reduced due to developed communication skill.

### **5. Net work breakdown :-**

Now days, network breakdown is major barrier in communication process. It includes technical problems in computer, network failure, virus and malware problems etc. It may cause information or message will be blocked.

### **6. Emotion :-**

Emotional and psychological factors are the prime barrier in inter personal communication. It is one of the common barriers in the communication process. Unhealthy relations between subordinates and leader, bad environment in the organization may affect the psychology of the employee which hampers the communication process. Messages are interpreted differently in different emotions such as happiness, anger, sadness, depression etc.

### **7. Fear and mistrust :-**

Fear and mistrust in the mind of receiver or sender may be creating barrier in communication. Some people become extremely anxious when they

talk on phone or face to face. Due to fear and mistrust they cannot be communicate message properly.

**8. Information overload :-**

Information overload is another major barrier to effective communication. If there is overload of information it will result into confusion in processing the message. If there are number of messages, employee may confuse about preference of implementation of messages.

**9. Status :-**

Status is one of the personal barriers in communication process. Workers enjoying higher status in the organization are generally reluctant to listen seriously to the employees, who are working at lower levels.

**10. Unwillingness to communicate :-**

Sometimes, subordinates are unwilling to communicate certain information. If he feels that he is likely to be adversely affected by particular information, he is unwilling to provide such information.

**11. International Environment :-**

There are different culture, different languages, different code of conduct and values in different countries. It is major barrier of the communication at global level. e.g. Eight number is treated unlucky in India, whereas it is lucky in Japan.

**12. Different Background :-**

The different individuals interpret the same communication differently. Each individual uses his own frame of reference which is based on his experience and knowledge. The person with different experience and knowledge is the barrier of communication.

### **13. Intellectual Level :-**

Intellectual capacity of both the parties should be same. If the Intellectual level of the receiver is less than sender, then meaning of the message cannot be taken properly.

### **14. Lack of Training :-**

The training of understanding messages, coding and decoding of the messages etc. is essential. In addition to that modern technique, information regarding internet, computer is also known by employees, otherwise communication may hampered.

#### **4.2.2.5 Overcoming Barriers to Communication**

Communication is most important management tool to achieve organizational goals by transmitting various ideas, views, information, orders, opinions etc. effectively. In order to make communication process more effective and responsive, following guidelines should be considered.

##### **1. Clear Ideas :-**

Communication is the process of transmitting various ideas, views, information, orders, opinions etc. The manager should be clear about in their mind which he wants to communicate with subordinates. It is the key of success.

##### **2. Clear Objectives :-**

Getting behavioral response from the receiver is the basic objective of any communication. The manager should communicate effectively with subordinates to get desired result and to achieve the organizational goals. Therefore, he should keep in mind that why does he want to communicate and what he get from communication.

### **3. Empathically Listening :-**

Marginally listening is adversely affects the communication process. Most of times superiors are not listen to their subordinates carefully. For effective and efficient communication empathetic listening is required. Newman suggested the guides to emphatic listening such as listen the other person patiently, avoid arguments about facts, do not get emotionally involved with the communicator etc.

### **4. Empathy in Communication :-**

The manager should be sensitive towards receiver's needs, feelings, emotions etc. When he looks at the problem from receiver's point of view, it minimizes the misunderstanding. The sender of message treats himself in the view point of the receiver.

### **5. Appropriate Language :-**

The message which is communicated to subordinates may in the form of tangible or intangible. For the purpose of transmission the message is encoding into symbol. These symbols may be in the form of words, pictures, graphs, gesture etc. If the words are used for communication the language used for message simple and understandable to receiver.

### **6. Two Way Communication :-**

According to Keith Davis, Communication is the transfer of information from one person to another person. Thus it is two way communication process. It refers continuous dialogue between sender and receiver i.e. superior and subordinates.

### **7. Use of Body Language :-**

It is said that action speaks louder than words. Appropriate action supporting to words achieve objectives of communication. Generally body language includes hand movements, face expression, body movement, eye

movement etc. The use of body language in communication enhances the involvement of employees in the communication process which in turn increases the workability of the employees.

#### **8. Consultation with Subordinates :-**

As discussed above communication is two way process. The success of communication is mostly depends upon wholeheartedly participation of communicator. Consultation and participation helps to lend additional insight and objectivity to message.

#### **9. Follow up :-**

The follow up stage is the last but most important stage in the communication process. Follow up is essential for the achievement of aims and objectives of communication. The superior may follow up the communication by asking questions, encouraging the receiver to express his reactions, by follow up contacts, by subsequent review of performance etc.

### **Check Your Progress-II**

#### **(A) Choose correct alternative from the following.**

1. The proverb, 'a picture is worth a thousand words' explicit the importance of ..... communication.  
*(a) pictorial (b) verbal (c) Formal (d) informal.*
2. .... is an exchange of facts, ideas, opinions or emotions by two or more persons.  
*(a) Direction (b) Communication (c) planning (d) Coordination.*
3. Informal Communication is also known as ..... communication. Under  
*(a) Apple vine (b) Strawberry vine (c) Grape vine (d) None.*

**(B) Fill in the blanks.**

1. The spoken .....are the main element of Oral and Verbal media of Communication.
2. The .....of communication includes- sender, message, encoding, transmitting, receiving, decoding, accepting, action, receiver and feedback.
3. The term .....involves the concept of transfer, meanings and information.

**(C) True or False.**

1. Emotional and psychological factors are the prime barrier in inter personal communication.
2. When two or more managers working at different levels make communication each other by cutting across the hierarchical line of authority is called as Downward Communication.
3. Under formal communication intentional efforts are made to manage the flow of communication.

### **4.3 Summary**

All the functions of management such as planning, staffing, controlling, forecasting etc. are connected each other by Directing. It is the heart of the management process, through which management can easily take necessary actions. It is the process of leading, instructing, motivating, executing, supervising and guiding. Direction helps to integrate the individual efforts to achieve institutional objectives and goals. Communication, Leadership, Supervision and Motivation are the important elements of the direction. The manager can choose appropriate techniques of direction to get desired result in the organization. Generally, it is depends upon the nature of superior and subordinates, work environment and situational variables. There are three

major direction techniques viz., consultative, free- rein and automatic. For the success of organization the manager can be follow some principles. These are divided into two categories; a) principles relating to the purpose of direction and b) principles relating to the direction process.

Communication is the process of transfer of information from one person to another. The process of communication includes- sender, message, encoding, transmitting, receiving, decoding, accepting, action, receiver and feedback. Due to some barriers in communication, message sent by the sender, may not be effectively understood by the receiver in the same sense as the sender intended it to. For sharing the information various communication methods are used. They are classified in to three categories such as (i) on the basis of Organizational Relationship, (ii) on the basis of Direction and (iii) on the basis of Channel or Method of Expression. The barriers in communication may summarize as Physical barriers, Personal Barriers, Organizational Barriers, Semantic Barriers, and Mechanical Barriers etc.

#### 4.4 Key words

- **Communication** : Communication is the process of sharing thoughts and meanings by people among themselves.
- **Leadership** : Leadership is the process of influencing and supporting employees to work willingly and effectively for accomplishment of managerial goals.
- **Direction** : Direction is telling people what to do and seeing that they do it to the best of their ability.
- **Motivation** : Motivation means inspiring the subordinates to work for the accomplishment of organizational objectives and group goals.
- **Barriers** : The reasons for ineffectiveness of communication is called as barriers.

- **Downward Communication** : When Communication flows from top level to lower level *i.e.* from superior to subordinates is known as Downward Communication.

## 4.5 Answers to Check Your Progress

### ❖ Check Your Progress-I

- (A)
  1. Direction.
  2. Free- Rein.
  3. Consultative.
- (B)
  1. Direction.
  2. Leadership.
- (C)
  1. False.
  2. True.

### ❖ Check Your Progress-II

- (A)
  1. Pictorial.
  2. Communication.
  3. Grapevine.
- (B)
  1. Words.
  2. Process.
  3. Communication
- (C)
  1. True .
  2. False.
  3. True.

## **4.6 Exercise**

### **(A) Short Answer Type Questions.**

1. Explain the communication process.
2. Discuss the various barriers in communication.

### **(B) Broad Questions.**

1. Describe the meaning and definition of direction. Also explain the elements of direction.
2. What do you mean by direction? Discuss the principles of direction.
3. Define directing? Discuss various techniques of directions.
4. What is meant by communication? Describe the process of communication.
5. Define communication? Explain the importance of communication in management.
6. What is communication? Explain the various types of communication.
7. Define communication? Describe various barriers to communication.
8. What are the common barriers to communication? How can these be overcome?

### **(C) Short Notes.**

1. Meaning and definition of direction.
2. Principles of direction.
3. Techniques of directions.

4. Elements of direction.
5. Importance of communication.
6. Communication barriers.
7. Types of Communication.
8. Process of Communication.

#### **4.7 Books for Further Reading**

1. **Dr. T. Ramasamy** : Principles of Management.
2. **K. Natrajan and K. P. Ganesan** : Principles of Management.
3. **Manmohan Prasad** : Management concepts and practices
4. **Dr. N. V. Shaha, Dr. P. S. Rao, Dr. V. S. Patil, Dr. Babu Thomas** : Management Concepts and organizational Behaviour.
5. **Dr. J. S. Chaudhari** : Principles of Business Management
6. **Prof. Nirmal Singh** : Principles of Management
7. **R. Srinivasan and S. A .Chunawala** : Management Principles and Practices.
8. **L. M. Prasad** : Principles and Practices of Management.
9. **J. S. Chandan** : Management Theory and Practice.
10. **Prof. Valgadde B. V., Dr. Girigosavi B. D., Dr. Pawar S. R.** : Management Principles and Applications : Paper-I.

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**Unit - 1**  
**MOTIVATION**

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- 1.0 Objectives
- 1.1 Introduction
- 1.2 Motivation : Concept and Definitions
- 1.3 Characteristics of Motivation
- 1.4 Importance of Motivation
- 1.5 Types of Motivation
  - 1.5.1 Intrinsic Motivation
  - 1.5.2 Extrinsic Motivation
- 1.6 Theories of Motivation
  - 1.6.1 Abraham Maslow's Need Hierarchy Theory
  - 1.6.2 Frederick Hertzberg Two Factor Theory
  - 1.6.3 Douglas McGregor's Theory X and Theory Y
  - 1.6.4 William Ouchi's Theory Z
- 1.7 Conclusion
- 1.8 Important Terms
- 1.9 Exercise
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## 1.0 Objectives

After studying this unit, you should be able to understand the following :-

- What is motivation? Why to motivate and how to motivate employees?
- Intrinsic Motivation and Extrinsic Motivation.
- Theories of Motivation.

## 1.1 Introduction

Motivation is an emotional force behind every work. It is a managerial action to create *a will* among the employees to work in a desired way, to achieve organizational objectives. According to V S P Rao, 'people can produce wonders if they are properly motivated'. Motivation energize people, infuse enthusiasm, increase ability and stimulate them to work hard. Motivation act as a fuel in the success of individual and organization. Let's understand how motivation can make impossible to possible with the example of Wilma Rudolph.

Wilma Rudolph was born on 23 June 1940 in a poor family in Tennessee, USA. She was the 20th of 22 children born to dad Ed across his two marriages. At the age of four, she had pneumonia and scarlet fever at the same time which contracted polio. Due to which, she lost the strength of her left foot. Doctor said to her that 'you would never walk on earth henceforth'. Rudolph wore a leg brace to be able to walk. Wilma's mother was the main source of motivation to her. Wilma's mother gave her confidence and told her that 'you can achieve anything in your life with faith, determination and confidence.' Wilma said, "I want to be the "World's Fastest Woman on the earth." The motivation and confidence of Wilma led to the astonishing development in her. The doctors stunned when Wilma removed her leg braces and walked by herself at the age 9 years. At the age of 13, Wilma participated in running competition. With severe pain in foot, Wilma completed the race at last position. But she continued her efforts and one day she came first in the running competition.

At the age of fourteen, Wilma joined Tennessee State University where Ed Temple, the women's track coach recognised Wilma's potential to become a great runner. He gave training to Wilma at Tennessee State University.

The day came when Wilma participated in 1960 Summer Olympics in Rome, Italy. Wilma had taken part in three games, 100-meter, 200-meter and 400-meter running track. Wilma won her first gold medal in the 100 meters race. Then she won second gold medal in 200 meter race with a time of 24.0 seconds. The third event was the 400-meter relay competition where Wilma won her third gold medal. Wilma became the first American woman to win three gold medals in one Olympics. With the confidence, faith and motivation Wilma became "World's Fastest Woman." The Wilma Rudolph's story tell us the importance of motivation in the success of a person.

The organisation is made up of people. The motivated people or workforce is the main strength of organisation. Work force are the most valuable resources in the organisation. It is work force who uses other resources like capital, land, building, machinery etc. Without the human intervention no machine can produce goods and sell into the market by itself. It is human who use other resources to produce result. The efficiency of all other resources mostly depends on the efficiency of work force. Motivation is key to increase efficiency of employees and hence management should motivate their employees.

## **1.2 Motivation : Concept and Definitions**

Motivation is also called as inspiration or encouragement. The word motivation is derived from the Latin word movers. It means to move. Motivation is the act of inducing people to work at their best capacities. It is a process of creating a will to work among the people so as they should contributes their best to the organisational development. Motivation is the main function of management. Management is an art of getting things done through and with the people. In order to get things done, management continuously motives their employees to work for achievement of

organisational objectives. In order to motivate employees, management offers several financial and non-financial incentives to their employees. Financial incentives include salary, bonus, increments, allowances etc. Non-financial benefits include promotion, job security, recognition, honour, awards etc.

The term motivation has been defined by several management philosophers and authors. Some of the definitions have been given as follows :-

1. “A Process of stimulating people to accomplish desired goals.”  
- *William E. Scot*
2. “Motivation is something that moves the person to action and continues him in the course of action already initiated.”  
- *Robert Dubin*
3. “Motivation is the work of manager performs to inspire encourage and impel people to take required action.”  
- *Louis Allen*
4. “Motivation is the act of stimulating someone or oneself to get the desired course of action to push the right button to get a desired action.”  
- *Michael J. Jucious*
5. “Motivation can be defined as willingness to expend energy to achieve a goal or reward  
- *Dale Beach*
6. “The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways.”  
- *Delton E Mcfarland*

### **1.3 Characteristics of Motivation**

Following are the characteristics of motivation.

### **1. Psychological Concept :-**

Motivation is a psychological concept. It is concern with creating a will or stimuli in the minds of employees to perform desired actions. It is an inducement of inner feeling. Therefore manager should consider behaviour, attitude, thoughts etc. of an employee's while deciding means of motivation.

### **2. Managerial Function :-**

Management is an act of getting things done through and with the people. In order to get things done from employees, manager has to motivate their employees. Management introduces several motivational schemes, offer financial and non-financial benefits to their employees to motivate them. The success of the management to a large extent, depends on how they can motivate to their employees.

### **3. Continuous Process :-**

Motivation is a continuous process. Motivation is not a one-time activity. Managers have to motivate their employees throughout the life of organisation. The role of motivation is like the role of fuel required in vehicle. As long as fuel exists in the vehicle, the vehicle runs. Motivation is like fuel of minds. As long as it exists, employees work. Therefore employees are continuously motivated.

### **4. Needs and Wants :-**

Motivation is concern with the needs and wants of a person. Each person works to fulfil his/her needs and wants. Fulfilment of wants gives satisfaction. Unfulfilled needs regulate the behaviour of people and provide motivation. Therefore management should identify the needs of their employees and provide the means and tools to fulfil the needs so as to motivate employees.

## **5. Positive and Negative :-**

The motivation may be positive or negative. Positive motivation is in the form of pay revision, confirmation of job, recognition of good work, promotion etc., whereas negative motivation is in the form of emphasizing penalties, threat to employees for demotion or termination for non-performing the task satisfactory.

## **6. Financial and Non-financial :-**

Management gives financial and non-financial benefits to their employees to motivate them at work. The financial benefits are in monetary forms such as increment in salary, profit sharing etc. The non-financial benefits include job security, promotion, recognition etc.

## **7. Efficiency and Motivation :-**

Efficiency of the employees and their motivation are inter-related. Motivated employees try to work hard with their full capacity in order to get maximum benefits. It results in higher efficiency of employees.

## **8. Satisfaction and Motivation :-**

The term satisfaction and the term motivation are also inter-related. Every human being is in search of satisfaction and for that he/she does several works. If doing work or the completion of work gives satisfaction to the employees, it provides motivation to the employees to work. Satisfied employees try to work with zeal, enthusiasm and up to their full capacity. It results in higher efficiency of the employees.

## **9. Intrinsic and Extrinsic :-**

The motivation may be intrinsic or extrinsic. Intrinsic motivation means as inspiration for doing specific task or work is coming within. It gives inherent satisfaction to the person. Intrinsic motivation is associated with work. In other word words, work itself is motivation. Extrinsic motivation on

the other hand is an inspiration for doing specific task or work is coming from outside. Extrinsic motivation is not directly associated to work. In case of extrinsic motivation a person is motivated by external factors such as wages, fringe benefits, profit sharing etc. rather than work.

#### **10. Differs from Person to Person :-**

Motivation is interpersonal concept. The level of motivation is differs from person to person. Therefore means of motivation are also different from person to person. For *e.g.* increase in salary may be the effective tool to some employees however increase in salary may not provide motivation to other.

### **1.4 Importance of Motivation**

The importance of motivation can be explained with the help of following points

#### **1. Productive use of Resources :-**

Motivation helps better use of physical, financial and human resources. The resources itself cannot produce anything, unless employees try to put them into action. For. *E.g.* office, machinery itself cannot produce and sale goods or services unless there are employees in the office and work over the machinery produce goods and services and sale in the market. Therefore employees should be motivated to make better use of resources by developing and implementing plans, policies and programmes.

#### **2. Create Willingness to Work :-**

No work can be initiated unless the person has will to work. Willingness has greater role in the efficiency and performance. If employees are willing to perform better for personal and organisational growth, it lead to better individual efficiency and organisational performance. The major focus

of various motivational schemes is to create a willingness to work better among employees.

### **3. Sense of Belongingness and Faith :-**

Motivation helps to develop sense of belongingness and faith among workers towards organisation. Under the motivational programme, management provides several financial and non-financial benefits to the employees. It gives satisfaction to employees, build trust, and develop sense of belongingness and faith among employees. It leads to good interpersonal relations among employees.

### **4. Increase Efficiency and Output :-**

Motivation enable people to work enthusiastically and to the best of their ability. Efficiency and output not merely depends on the ability to do the task but to large extent it depends on the willingness to do the task with zeal and enthusiasm. Motivation creates a will, zeal and enthusiasm among employees to use the available resources optimally. It leads to increase in efficiency and output.

### **5. Harmonious and Cordial Relations :-**

Motivation helps to build harmonious and cordial relations among employees in an organisation. Elton Mayo in his Hawthorne experiments showed that the interpersonal relations among employees affect the performance and output of the organisation. Good and healthily interpersonal relations among employees, improve production and overall performance of the organisation. This results in smooth working of the organisation.

### **6. Reduce Employee Turnover and Absenteeism :-**

Attractive motivational schemes satisfy the need of the employees. It leads to high commitments and loyalty of employees towards work and

organisation. Satisfied and committed employees are not tempted to leave organisation and unnecessary remain absent at work. This means reduced employee turnover and absenteeism. It leads to smooth working and ensure continuity in production. It also causes reduction in the cost and higher profitability.

#### **7. Increase Ability :-**

Higher motivation not only increases the output and performance but also ability of employees of performing task. As a part of motivation programme, management gives training and guidance to their employees. Employees are also motivated to acquire knowledge and skills. Some business entities like SBI gives various incentives like pay increment, promotion to their employees for taking higher education. As a result ability of the employees increases.

#### **8. Industrial Peace :-**

Motivation helps to establish industrial peace in the country. Motivation ensures employees are satisfied at work. It leads to good interpersonal relations among superiors and sub-ordinates. Motivation promotes sense of belongingness and faith among workers. In the environment of trust and faith, employees are not ready to go on strike. Most of the labour problems are solved through discussion and dialogues between workers and management. All it helps to establish industrial peace.

#### **9. Promote Employee Initiative :-**

The feelings of initiative among employees is the key ingredient in the development and success of organisation. Initiative means employees are willing to come forward to take new responsibility, to give suggestions to solve business problems and sharing of creative ideas for organisational

development. Satisfaction, trust and co-operation are the basis of employee initiation. Motivation creates trust and confidence among employees, increase employee satisfaction and promote co-operation. As a result of this, employees are ready to take initiative.

## **10. Improvement in Quality of Work life :-**

Organisation is the second home of employees, where they spend most of their time of their life. Employee's opinions regarding various work aspects such as working conditions, salary, interpersonal relations, social environment, opportunities for growth and development etc. is known as quality of work life. Higher the level of employee's satisfaction with respect to various work aspects leads to higher quality of work life. Management gives several financial and non-financial benefits to employees to motivate them. It helps to increase the level of employee's satisfaction on various work aspects and thus higher quality of work life.

### **Check Your Progress - 1**

#### **I. Choose an appropriate alternative and rewrite the sentences.**

1. Motivation is an ..... behind every work.  
*(a) Physical Force                      (b) Emotional Force*  
*(c) Knowledge                          (d) Skill.*
  
2. Motivation is concern with the ..... of a person.  
*(a) needs and wants                  (b) Income*  
*(c) Qualification                      (c) None of the above.*
  
3. Motivation may be ..... .  
*(a) Positive or Negative              (c) Financial or Non-Financial*  
*(c) Intrinsic or Extrinsic            (d) All of the above.*



composer gets motivation to compose the music. Such motivation is known as intrinsic motivation.

Intrinsic motivation evolve in the person out of the following internal desires

- Acceptance by society.
- Curiosity to know the unknown things.
- Freedom.
- Recognition.
- Honour.
- Power.
- Social Status.

### **Characteristics of Intrinsic Motivation :-**

Following are the characteristics of intrinsic motivation :-

1. **Work itself is Motivation :** Intrinsic motivation is not separate from the work. Doing work itself is a motivation. A person likes to do work hence he/she is inspired to do work. In other word work itself gives satisfaction to the person.
2. **Natural Tendency :** Intrinsic motivation generated out of the natural tendency and passion. Due to inherent personal traits, qualities and skills, a person acquires expertise in doing specific task or action. And due to such expertise, a person is induced to perform. Such inducement is known as intrinsic motivation.
3. **From Within :** Intrinsic motivation comes from within and as a result of person's belief system and interest.

4. **Personal Wish and Ambition** : Intrinsic motivation is related with personal wish and ambitions. Desires and ambitions for personal development leads to intrinsic motivation.
5. **Intensity** : Intrinsic motivation is more intensive and more satisfying. Therefore management should identify intrinsic motivations of their staff members and canalise it for desired results.
6. **No Expectation of Financial and Non-financial Benefits** : Intrinsic motivation is associated with the task. Hence intrinsically motivated person do not expect to obtain financial and non-financial benefits as a result of accomplishment of task.
7. **Personal** : Intrinsic motivation is personal in nature. It differs from person to person. For *e.g.* someone like to work having higher risk and responsibility. Doing such risky task gives pleasure and motivation to him, but it may not be same in case of other person.
8. **Managerial Influence** : As intrinsic motivational drives generated automatically and out of natural tendency and personal interest, management do not have any influence on intrinsic motivational drives of their employees.

### 1.5.2 Extrinsic Motivation

Extrinsic motivation means an inspiration for doing specific task or work is coming from outside and for the expected benefits as a result of completion of task or work. If a person do specific task for getting the expected financial and non-financial benefits, the motivation behind such task is known as extrinsic motivation. For. *e.g.* a book seller is getting commission on sale of each book and if a seller is motivated to sell more and more book in order to get more commission. Such motivation is known as extrinsic motivation.

Following are some example of extrinsic motivation.

- Good Pay Package.
- Bonus.
- Commission.
- Promotional Opportunities.
- Awards.
- Good Working Conditions.

### **Characteristics of Extrinsic Motivation**

Following are the characteristics of extrinsic motivation

1. **External Sources:** Extrinsic motivational drives are created by external factors such as wages, fringe benefits or for from other person. For e.g. employees are motivated by an inspiring speech of manager.
2. **Separate form Work :** Extrinsic motivation is separate from work. Motivation is available after completion of work or specific task. Work may not be the satisfying activity for employees but the benefits received after completion of work gives satisfaction to employees.
3. **Intensity :** The intensity of extrinsic motivation is lower as compared to the intrinsic motivation. The intensity of extrinsic motivation depends on the benefits received as a result of completion of work.
4. **Positive and Negative :** Extrinsic motivation may be positive or negative. Positive motivation is in the form of higher pay, promotions, awards etc. and the negative means of extrinsic motivation is in the form of fear of punishment, strict supervision etc.

5. **Specific means of Motivation** : There are specific means of extrinsic motivation. These may be financial benefits or non-financial benefits. Financial means are in the form of monetary benefits and non-financial benefits are in the forms of facilities, awards, rewards etc.
6. **Managerial Influence** : Management can influence the extrinsic motivational drives of employees by applying various motivational schemes and tools.

### Exercise / Activity

1. Identify and write the motivational forces behind the successful persons and leaders like Steve Job, Sachin Tendulkar etc.
2. Identify and write your motivational force for study and your goal.

## **1.6 Theories of Motivation**

### **1.6.1 Abraham H. Maslow's Need Hierarchy Theory**

Abraham Maslow, a clinical psychologist, developed need hierarchy theory of motivation. During the period 1940 to 1950, Prof. Maslow expressed his thoughts on motivation through several research papers. In 1954, Abraham Maslow published a book "Motivation and Personality", wherein he proposed the need hierarchy theory of motivation based on his research on human needs, classification of human needs and association of human needs and motivation.

According to Prof. Abraham Maslow, human needs are innumerable and never ending. If one need is satisfied, another need emerges in that place. Human needs are the cause of human behaviour. Human needs direct the behaviour of person. In other words the behaviour and actions of a person is influenced by his/her needs. Fulfilment of need gives

satisfaction to human. Hence every person is engaged in fulfilling needs to attain satisfaction. In order to fulfil needs, person do several actions or work. Therefore management should identify the unfulfilled needs of their employees and try to avail means for fulfilling needs to their employees. Thereby management may motivate employees to work in a desirable way.

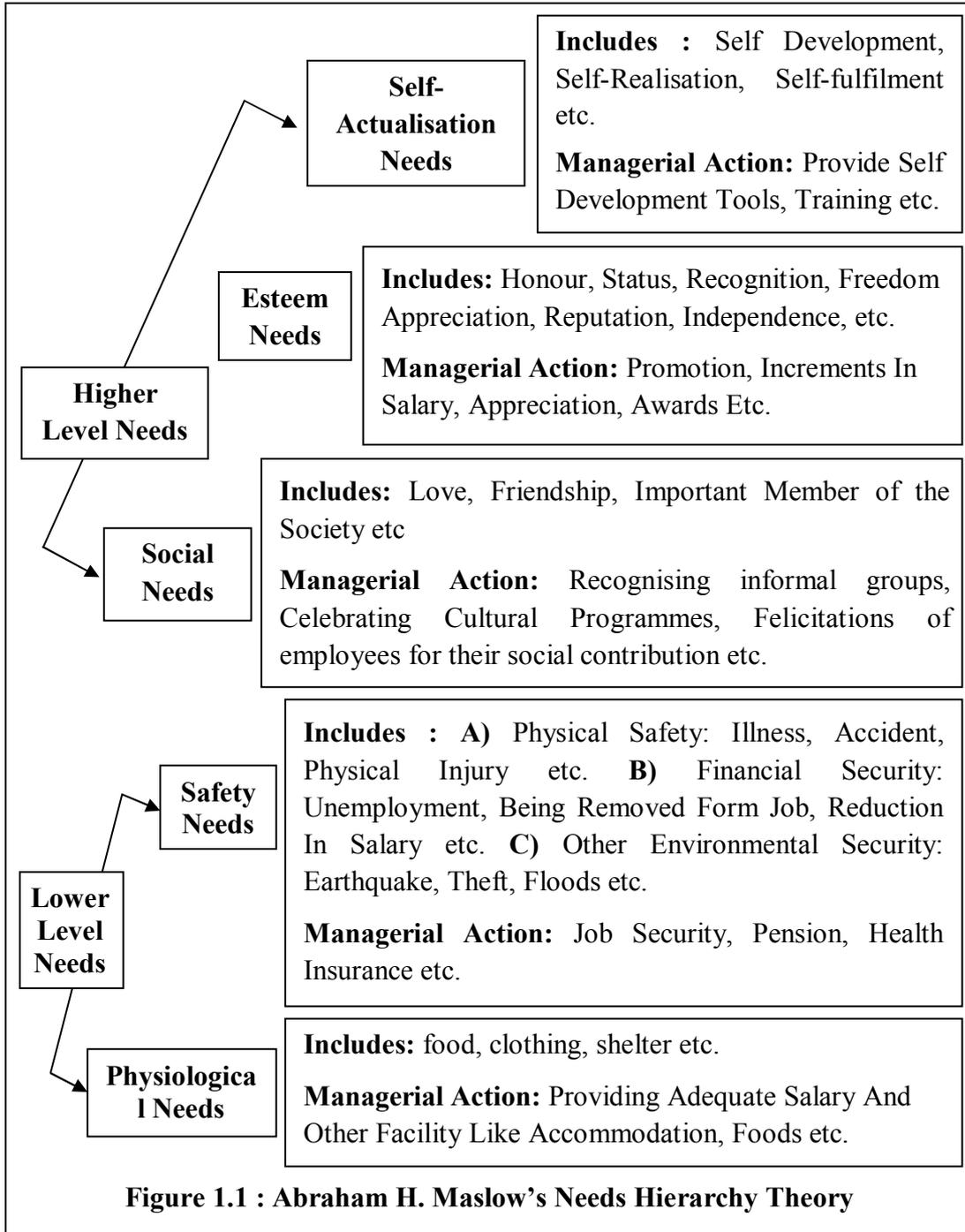
Abraham Maslow classified human needs into five categories such as 1) Physiological Needs 2) Safety Needs 3) Social Needs 4) Esteem Needs and Self Actualisation Needs. According to Maslow these needs are satisfied before higher level needs emerge. Higher level needs cannot be an active motivating force until the preceding lower level needs are satisfied.

### **Propositions :-**

Maslow's needs hierarchy theory is based on the following propositions about human behaviour:

- 1) Man is a wanting animal. His needs are innumerable and never ending.
- 2) Human needs differ in importance and can be arranged in series of levels.
- 3) Human needs occur in an order of hierarchy and therefore these needs are also satisfied in same order of hierarchy. Lower level needs are satisfied before higher level needs emerge.
- 4) Needs can never be satisfied fully. Further fulfilled needs can be emerged again and again. For e.g. hunger or thirst can occur again and again.
- 5) A satisfied needs can never be a motivator of human behaviour. Maslow says that once a person moves from lower level needs to higher level needs, lower level needs assume a less important role. Therefore only unsatisfied needs motivate behaviour.

Abraham Maslow's needs hierarchy theory can be summarised with the help of following figure.



## **Categories of Needs**

According to Maslow, within every human being, there exists a hierarchy of needs. Man's motivation occurs in terms of predetermined order of needs. Maslow classified human needs into following categories.

### **1. Physiological Needs :-**

Physiological needs are also known as basic needs or primary needs or survival needs. These are required to be satisfied to preserve human life. Physiological needs include food, clothing, shelter etc. These needs are in top priority for every human being. A man does not think any other needs, unless these needs are satisfied up to some extent. As Maslow has said "It's quite true that man lives by bread alone – when there is no bread." Physiological needs are relatively independent. In many cases they can be identified with particular organ in body. Physiological needs are finite in nature. After satisfaction of physiological needs up to some extent, they are no longer demanded and hence do not provide motivation. However physiological needs are recurring in nature. These needs occur again and again after specific time period. Management can meet physiological needs of their employees by providing adequate salary and other facility like accommodation, foods etc.

### **2. Safety Needs :-**

After satisfying physiological needs, human being try to meet safety needs. Everyone on the earth including humans want protection from accidents, loss of job, earthquakes etc. Such needs are called as safety needs. Safety needs include (a) physical safety which consists of illness, accident, physical injury etc. (b) financial security which consists of unemployment, being removed form job, reduction in salary etc. c) other environmental security which consists of earthquake, theft, floods etc. Safety needs can be satisfied by several ways such as job security, pension, health insurance etc.

### **3. Social Needs :-**

Social needs emerge after completion of lower level needs such as physiological needs and safety needs. Man is a social being. He wants to love and be loved in a society and in a family. Every person in the society feels that he should be an important part of the society, works for social development, to have friends and be associated with social groups. These needs fall in the category of social needs. Social needs are concerned with family background, culture, environment etc. Management can meet social needs of their employees through recognizing informal groups in an organization, celebrating cultural programmes, felicitations of employees for their social contribution, contribution of the organisation in social development etc.

### **4. Esteem Needs :-**

Esteem needs fall in the category of higher level needs. Esteem needs are more dominant in the senior management staff. After achieving success through hard work, skills and knowledge, people feel that they should be respected, recognised and felicitated. Esteem needs consist of honour, status, recognition, appreciation, reputation, independence, freedom etc. If intensity of esteem needs are high and if it is not fulfilled, the person gets depressed and feels anger. In order to satisfy esteem needs of the employees, the techniques like promotion, increments in salary, appreciation, awards etc. can be used.

### **5. Self Actualisation Need :-**

Self-actualisation means self-development at optimum level. According to Maslow, self-actualisation is the ultimate need of human being. It is also called as self-realisation. It is the highest state of possible development of human being. It is the mental state of highest level happiness, ecstasy, feeling of completeness and contentment. Self-actualisation refers to realise one's own potentialities for continued self-development to become creative and everything that one is capable of becoming. These needs are spiritual in

nature. Self-realisation needs are rarely fulfilled. Only few people could met these needs *e.g.* Goutam Buddha, Saint Dnyeshwar, Swami Vivekanand etc.

After detailed discussion of above five types of human needs, Maslow further classified these needs into two categories - lower level needs and higher level needs. Physiological and safety needs are categorised into lower level needs and social needs, esteem needs and self-actualisation needs are categorised into higher level needs. Most people fulfilled lower level needs whereas few ambitious persons look to satisfy higher level needs. Higher level needs are generally satisfied by intrinsic motivation whereas lower level needs are satisfied through extrinsic means of motivation. Maslow's theory says that management should consider the needs of employees, while devising the motivational schemes. For *e.g.* if employees safety needs are strong, then the motivational scheme such as job security, pension, health insurance etc. may be effective for motivating employees at work.

## **Critical Evolution**

Maslow's need hierarchy has been criticised on the following grounds.

- 1. Hierarchy of Needs :** Some authors and management thinkers have taken objection on the hierarchy of needs or order of needs suggested by Maslow. According to them the intensity of needs and order of needs may be different from person to person.
- 2. Community Needs :** Prof. Maslow have not considered community needs or the needs of group of people. Only individual needs have been considered in the Maslow's need hierarchy theory of motivation.
- 3. Classification of Needs :** Not all needs can be classified into five categories. There is no scientific way suggested in Maslow's model for classification of needs.
- 4. Complexity of Human Behaviour :** Human behaviour and human mind is so complex that it is been affected by various factors such as

perceptions, expectation, experiences, culture etc. Hence it is not appropriate to say that only human need determine human behaviour.

5. **Theoretical Difficulties:** According to V S P Rao, the needs hierarchy theory is not testable theory.
6. **No Scientific Basis:** Some researcher are of view that, Maslow's need hierarchy theory have no scientific research back-up.
7. After satisfaction of one need, second need emerges. This has no scientific basis.

The above limitations do not diminish the importance of Maslow's need hierarchy theory of motivation. This theory is widely recognised in management. Human needs and motivation are interrelated. Management can motivate employees by satisfying the needs of employees through designing several motivational schemes based on the needs of their employees. This important message is given in this theory.

### **1.6.2 Frederick Herzberg's Two Factor Theory**

Frederick Herzberg (1923-2000) was renowned psychologist, eminent researcher, and management philosopher. He worked as a professor at Case Western Reserve University and Utah's college of Business. Frederick Herzberg in his book "The Motivation to Work", presented 'Two Factor Theory of Motivation.'

The two factor theory of motivation is based on the research study conducted by Frederick Herzberg and his associates by having interview with 200 engineers and accountants working in different companies in Pittsburgh area of U.S.A. In the interview, Frederick Herzberg asked following two main questions to the employees.

"Describe the time when you felt very good at your job"

"Describe the time when you felt very bad at your job"

The responses given by the employees are analysed. From the analysis of the data, Frederick Herzberg concluded that there are some work factors which makes employees dissatisfied and angry, and there are some work factors which makes employee satisfied and happy. Frederick Herzberg classified these work factors into two categories of Hygiene Factors and Motivating Factors.

#### **A] Hygiene Factor :-**

Hygiene factors represents such factors in the work environment, the presence of which do no gives satisfaction and motivation to the employees, however the absence of these causes serious dissatisfaction among employees. In other words, the presence of the hygiene factors prevents dissatisfaction. For e.g. safe working conditions do not satisfy and motives employees. But if working condition in a factory is not safe, employees get frustrated and it leads to serious dissatisfaction among employees. Hence safe working conditions is known as hygiene factor.

Hygiene factor is also called as ‘dissatisfies’ or ‘maintenance factors’. As these factors are necessary to maintain a reasonable level of satisfaction. Hygiene factors are essential for keeping good mental health of employees. Hygiene factors are not strongly motivating, however their lack of existence would result in dissatisfaction. Improvement in hygiene factor create short term impact in the employee’s minds, and soon become these factors are expected as norms. For e.g. increase in salary might give satisfaction to employees for one month, but no more. Frederick Herzberg suggested following list of hygiene factors :-

#### **Hygiene Factors :-**

1. Company Policy and Administration.
2. Supervision.
3. Relationship with Superiors.
4. Relationship with Subordinates.

5. Relationship with Peers.
6. Salary.
7. Job Security.
8. Personal Life.
9. Work Conditions.
10. Status.

### **B] Motivating Factors :-**

Motivating factors represents such factors relating to work environment, which gives higher satisfaction and motivation to the employees. Further the absence of motivating factors does not cause dissatisfaction. For *e.g.* opportunities for promotion and growth. If in any firm, there are huge scope and good number of promotional opportunities, it may give higher motivation to employees to work hard in order to get promotions.

Motivating factors are associated with the work. The presence of motivating factors leads to higher motivation and satisfaction to the employees. The absence of motivating factors does not lead to dissatisfaction. Motivating factors gives positive feelings and energy to employees about the job. Motivating factors are also known as satisfiers. Frederick Herzberg described following motivating factors.

### **Motivating Factors :-**

1. Achievement.
2. Recognition.
3. Advancement.
4. The Work Itself.
5. Possibilities of Personal Growth.
6. Responsibilities.

### **Managerial Implications :-**

Frederick Herzberg's Two Factor Theory of motivation is useful to management in designing motivational schemes and techniques for their employees. It states exactly by what factors, employees can be motivated at work. According to this theory, management should identify the hygiene factors and motivating factors in the organisation. At first, management should provide hygiene factors to their employees. Hygiene factors will ensure elimination of dissatisfaction among employees. However, as hygiene factors do not motivate employees, management should not stress much on the hygiene factors. In order to motivate the employees, management should provide motivating factors to employees. Motivating factors will make employees satisfied, energetic and motivate to work hard.

### **Critical Evolution :-**

Two factor theories are the outcome of the scientific research done by Frederick Herzberg and his associates. It states that mere increase in hygiene factors like increase in salary, employees cannot be motivated; instead, management should focus on the motivating factors. Motivating factors give higher satisfaction and motivation to the employees. However, some authors have criticised the two factor theory on the following grounds.

1. Frederick Herzberg's two factor theory is based on the information provided by only 200 selected employees working in certain organisations in certain parts of U.S.A. Therefore, its result may not be applicable to all the organisations in the world.
2. Frederick Herzberg considered the responses of the engineers and accountants in the two factor theory. It is criticised that the findings of the theory may not be applicable to the other staff, especially workers working at lower levels.
3. Prof. Herzberg classified salary as a hygiene factor. But in the country like India, even today salary is more satisfying and motivating to the employees.

### **1.6.3 Douglas McGregor's Theory X and Theory Y**

In 1960, Prof. Douglas McGregor proposed 'Theory X' and 'Theory Y' of motivation in his famous book 'The Human Side of Enterprise'. Theory X and theory Y study the human behaviour and the attitude of employees towards work. According to this model of motivation, management should consider behaviour, attitude, thoughts etc. of employees while designing motivational schemes. Prof. Douglas McGregor developed two sets of assumptions of human characteristics and nature. Based on these assumptions Theory X and Theory Y was proposed. The assumptions of theory X and theory Y are opposite to each other.

#### **I. Theory X**

Theory X represents negative side of human behaviour. It is a traditional approach to motivate employees. According to this theory, employees have negative attitude towards work, colleagues, superiors, subordinates and every other aspect of the organisation. Therefore workers are not participated in decision making process. The philosophy of Theory X believes that the works must be coerced, controlled, directed and even threatened with punishment to get work done. This theory believes in applying negative means of motivation to direct and motivate employees. Theory X gives importance to strict supervision, centralisation of authority, autocratic leadership etc.

#### **Assumptions of Theory X**

Theory X is based on the following assumptions of human behaviour.

- 1. Dislike Work :** Theory X assumes that workers inherently dislike work. They try to avoid work. Workers find ways to postpone the work or hand over to other employees.
- 2. Laziness :** According to Theory X employees are lazy. Employees do not work willingly. Employees start to work only

when the work is allotted to them. Employees never take initiative.

3. **Fear of Punishment** : Theory X states that the fear of punishment is the main source of motivation for employees. Therefore employees should be threatened to get things done.
4. **Lack of Ambition** : Employees at work have little ambition for growth. They are not even ready to take promotions.
5. **Avoid Responsibility** : Employees are not ready to accept responsibility. As far as possible, employees avoid responsibility.
6. **Security** : Employees want security and safety above all. Employees always ensure that their job is safe and they are not being removed from the job.
7. **Work for money** : Employees work for earning money. Employees give more importance to monetary benefits like salary, bonus etc. The other aspects like nature of job, promotions etc. do not motivate employees.
8. **Prefer to be directed by others** : Employees prefer to be directed by their superiors. They seek guidance and work according to the directions given.
9. **Factor of production**: Theory X assumes that employees are the factor of production like land, machinery, capital etc. Hence employees are not given any special treatment.
10. **Avoid to take decision** : Employees avoid taking decisions. Employees depend on others for taking decisions. They seek others' advice for decisions when they are required to take decisions.
11. **Self-Centric** : According to Theory X, employees are self-centric. Employees think only for self-interest and self-benefits rather than organisational interest and benefits.

## **Managerial Implications :-**

If employees behaviour is according to the assumptions of theory X, then management should give attentions to the following aspects in order to motivate employees.

1. Theory X states that, employees lower level needs are dominant. Therefore management should attention on the lower level needs of the employees while devising motivational schemes. It is expected that management should give more financial benefits to employees for motivating them.
2. It is expected to establish strict supervision on employees at work.
3. Management should direct and guide the employees in their work.
4. Management have to be strict and authoritarian. Negative means of motivation like fear of punishment should be employed.

## **Theory Y**

Theory Y represents positive side of human behaviour. It states optimistic view of human nature. This theory gives importance to workers in the organisation. According to theory Y workers should be treated with respect. Theory Y stresses on establishing good interpersonal relations and co-operation among management and workers.

## **Assumptions of Theory Y**

Theory Y is based on the following assumptions.

1. **Like Work** : Theory Y assumes that employee like to work. Work gives pleasure and job satisfaction to the employees. Therefore employees are always ready to work.
2. **Work Itself is a Motivation** : According to the theory Y, work itself is a motivation to the employees. Employees work for

satisfaction from work and not for the other benefits as a result of completion of work.

3. **Need for Self Development** : Theory Y assumes that employees are always engaged in self-development and growth. Employees higher level needs are dominant and fulfilment of which gives satisfaction to them.
4. **Ready to Accept Responsibility** : Employees are always ready to accept responsibility. More responsibility gives higher motivation to the employees.
5. **Recognition** : Employees expect that the management should recognise their good work and achievements. If management recognises good work of their employees, it will give motivation to the employees to work hard and show good performance.
6. **Non-financial Motivation**: Non-financial means of motivation like promotion, awards, status, prestige, fringe benefits can provide higher motivation to the employees.
7. **Committed to Work** : According to Theory Y, employees are committed to work. Employees try to finish allotted work in time and by the best possible way.
8. **Initiative** : Theory Y assume that, employees takes initiatives. Employees participate in decision making. Employees gives suggestions to the management for betterment of the organisation.
9. **Direction and Motivation**: Theory Y assumes that employees are self-directed, self-motivated, self-disciplined and self-controlled.
10. **Decision Making Ability** : Theory Y employees are competent. They have decision making ability. Employees take appropriate decision as and when situation demands.

- 11. Democratic Approach :** Theory Y is based on the democratic principles. Theory Y believes in equality and gives equal opportunity to all employees.

**Managerial Implications :-**

According to the philosophy of theory Y, management should give attention on the following factors to motivate the employees.

1. Theory Y believes that the higher level needs such as (social needs, esteem needs and self-actualisation needs) of employees are dominant. Therefore management should focus on satisfying higher level needs of the employees.
2. Management should involve employees in decision making process. Management should recognise and consider employees suggestions and views.
3. According to the theory Y, employees are ready to take initiative. Therefore management should encourage employees' initiative.
4. Management should give more freedom to the employees. It will promote creative thinking among the employees.
5. Positive means of motivation like promotions, good working conditions, more responsibility, recognition etc. should be used to motivate employees.

**Conclusion :-**

Theory X and Theory Y are opposite to each other. The applicability of Theory X and Theory Y depends on the employee attitude, behaviour and circumstances. Therefore circumstances in the organisation and behaviour of the employees should be considered while applying the principles of theory X or theory Y.

### **Critical Evolution :-**

Prof. Douglas McGregor's theory of motivation have been criticised on the following grounds.

1. Some authors criticise that McGregor's Theory X and Theory Y are two extremes of human behaviours. There may be possibility that some employees have both the characteristics of theory X and theory Y.
2. Some researchers are of view that, there is nothing new in McGregor's theory of motivation.
3. Prof. Douglas McGregor's suggest that job itself is a key to motive. Some researchers think that all people do not see motivation in job. Management has to apply other external means of motivation to inspire the people at work.

### **1.6.4 William Ouchi's Theory Z**

Socio-economic development of the country, to a large extent depends on the management practices and techniques applied in that country. Japan is known as a financial super power and one of the leading developed nations in the world. Japan's economy, which was completely collapsed in the World War II, soon becomes the fastest growing economy in the world. Many management thinkers believe that, it is many because of the management practices and techniques used in various industries in Japan. Japanese management practices are known as the best management practices in the World. In early 1980's, Prof. William Ouchi conducted a research study on comparative study of Japanese management practices and American management practices and proposed 'Theory Z' in his book entitled as "Theory Z : How American Management can meet the Japanese Challenge."

Theory Z is an integrated model, containing the best of Japanese management and American management. It takes in to account the most beneficial techniques in the Japanese management (like mutual trust, concern

for employees, employees participation etc.) and the most beneficial techniques in American management (like fast decision making, risk taking skills, innovation and creativity). According to the Prof. William Ouchi, the combination of US Japanese management system is beneficial to the modern business organisation.

### **Features of Theory Z**

The salient features of theory Z are as follows.

#### **1. Trust and Openness :-**

Trust and openness are the basis of theory Z. According to Prof. William Ouchi, integrity and openness are necessary to as effective organisation. Trust and openness among workers, trade unions and management helps to build good labour relations, ensures co-operation, improve productivity and avoid conflicts.

#### **2. Life Time Employment :-**

The most important characteristic of Japanese management is life time employment. It means 100% job security should be given to the employees. Employees should be assured that, they will not be removed from the job. It helps to reduce mental stress among the employees and ensure strong bond between employees and organisation. It makes employees free from tension and stress which create such an environment that, employees will work to the best of their capacity. It promotes creative thinking and innovations in the organisation. If organisation gives life time employment to their workers, it will help to reduce employee turnover. Reduction in employee turnover leads to reduction of cost and higher profitability.

#### **3. Employee Participation :-**

According to the theory Z, employees should be participated in the decision making process. However participation doesn't mean that, employee should participate in each and every decisions taken at organisational level. It means any decision affecting to the interest of the employees in any ways

should be taken collectively after healthy discussion on it. Management should recognise employee suggestions and views, so that employees do not feel ignored. Such involvement of employees generates a sense of responsibility.

#### **4. Non-specialised Career Path :-**

Theory Z does not believe on creating specialists in the organisation. According to philosophy of theory Z, employees are given several works and task one after one. So that employees will be well versed about various aspects of the organisation and management. It also develops leadership skills including skill of handling multiple task among employees. Non-specialised career path practice makes work more interesting to the workers. And give opportunity to the workers that to learn many things instead acquired proficiency in single task over the time period.

#### **5. Collective Responsibility :-**

Collective responsibility is another key feature of theory Z. Collective responsibility means all employees in the organisation are responsible to all the decision taken in the organisation. Group or community is the central theme of theory Z. The responsibility is fixed with the group. And the credit of success is also given to the group. It will help to reduce stress among employees. It also help to develop initiatives among employees. It also help to reduce conflicts among employees.

#### **6. Employee Welfare Schemes :-**

Theory Z states employees welfare schemes are to be devised and implemented in the organisation. Betterment of the employees' family life, social life, health, retirement etc. are considered in welfare schemes.

#### **7. Concern for People :-**

Management's concern for their employees is another important feature of theory Z. The philosophy of Theory Z believes that development of the

people leads to development of the organisation. According to Prof. William Ouchi, an emphasize should be given on developing skills and knowledge among people in the organisation than technology to achieve higher productivity.

#### **8. Team Work :-**

According to the theory Z, management should try to develop team spirit and team work in the organisation. Team work is always better and more satisfying than the individual work. It helps to improve productivity and output.

#### **9. Implicit Control Mechanism :-**

The philosophy of theory Z believe on self-control rather than external control or supervision. The control mechanism are so subtle, implicit and internal that, they often appear to an outsider not to exist. Control mechanism is embodied in the philosophy of management.

#### **10. Structure-less Organisation :-**

Structure-less organisation means absence of formal relationships, specialisation positions and rigidity. Informal and friendly relations, team work and understanding are the basis of structure-less organisation. It is like the members in cricket team plays together, discuss each other, takes decision and get good result without formal structure.

#### **11. Managerial Implications :-**

Prof. William Ouchi's theory Z is an integrative model of best Japanese management practices and best American management practices. The application of theory z in the system helps to build employee loyalty, faith and belongingness. It leads to better productivity and increase in competitiveness. According to David Hampton, theory Z stimulates idea generation and creativity. This theory is being practiced by number of American companies such as IBM, Hewlett-Packard, Procter and Gample and Eastman Kodak.

Indian companies like Maruti Udyog Ltd., BHL etc. have also started experimenting few techniques of theory Z.

According to Prof. William Ouchi, in order to implement theory Z in the organisation, management should firstly understand the type Z organisation. Then management should audit the company's philosophy, mission and objectives and redefine them according to the principles of theory Z. The managerial practices in theory Z like life time employment, structure-less organisation, collective decision making etc. should be implemented step by step and with the co-operation from employees.

### **Critical Evolution :-**

Prof. William Ouchi's Theory Z has been criticised on the following grounds.

1. Cultural Differences : Theory Z is based on the Japanese management practices. The techniques and features of Japanese management practices has its root in Japanese culture and traditions. Culture of one country differs from that of another country. Therefore theory Z may not be applied universally.
2. Life time employment is impractical. Some authors criticise that, if employees are unproductive and keeping him in the organisation is nor economically viable to the company, then there is no point to retain in the company.
3. Some authors criticises on the collective decision making practices. According to them there are difficulties to seek in common consensus on all the decisions. Collective decision making is time consuming also.
4. According to some researchers, there is nothing new in theory Z. Most of the practices in the theory Z has already being in practice in most of the companies.

5. Some critics say that theory Z lacks empirical research.
6. According to some authors structureless organisation may create some operational problems.

## **1.7 Conclusion**

Organisation is made up of people. Human resources are the most valuable resources of the organisation. Because without human touch no machine can itself operate and produce goods and services and sell in the market. It is the people factor in the organisation, which uses other resources like capital, land, building, machinery etc. Motivation is an emotional force behind every work. It is a managerial action to create *a will* among the employees to work in a desired way, to achieve organisational objectives. The efficiency of all other resources mostly depends on the efficiency of work force. Motivation facilitates better use of financial physical and human resources. Motivation is a key to increase efficiency of employees. It energize people, infuse enthusiasm, increase ability and stimulate them to work hard. Motivation helps to build harmonious and cordial relations among employees in an organisation. Motivation helps to establish industrial peace in the country. Motivation promotes employee initiative in the organisation. Motivation also helps to improve quality of work life of employees. Thus motivation act as a fuel in the success of individual and organisation.

Motivation is a psychological concept and concern with the behaviour, attitude and desires of the people. Motivation is an important managerial function. Motivation may be positive or negative. Positive motivation is in the form of pay revision, recognition of good work, promotion etc. Negative motivation is in the form of threatening employees for penalties. Motivation may be intrinsic or extrinsic. Intrinsic motivation means as inspiration for doing specific task or work is coming within. It gives inherent satisfaction to the person. Intrinsic motivation is associated with work. Extrinsic motivation on the other hand is an inspiration for doing specific task or work is coming from outside. Extrinsic motivation is not directly associated to work.

Employees are given financial and non-financial benefits to provide motivation.

Several research studies have been conducted on motivation. Prof. Abraham Maslow developed need hierarchy theory of motivation. According to him human needs and motivation are interrelated. Management can motivate employees by satisfying the needs of employees through designing several motivational schemes based on the needs of their employees. Abraham Maslow classified human needs into five categories such as 1) Physiological Needs 2) Safety Needs 3) Social Needs 4) Esteem Needs and 5) Self Actualisation Needs. According to Maslow these needs are satisfied in an order. Higher level needs cannot be an active motivating force until the preceding lower level needs are satisfied. Frederick Herzberg proposed two factor theory of motivation. He classified these work factors in to two categories such as Hygiene Factors and Motivating Factors. Prof. Douglas McGregor proposed 'Theory X' and 'Theory Y' of motivation. Theory X and theory Y study human behaviour and attitude of employees towards work. Theory X represents negative side of human behaviour, whereas theory Y represents positive side of human behaviour. The applicability of Theory X and Theory Y depends on the employee attitude, behaviour and circumstances. Prof. William Ouchi conducted a research study on comparative study of Japanese management practices and American management practices and proposed 'Theory Z'. Theory Z is an integrated model, containing the best of Japanese management and American management.

## 1.8 Key Terms

1. **Motivation** : Motivation is an emotional force behind every work. It is a managerial action to create *a will* among the employees to work in a desired way, to achieve organisational objectives.
2. **Intrinsic Motivation** : Intrinsic motivation means an inspiration for doing specific task or work is coming from within and for inherent satisfaction rather than for some external benefits.

3. **Extrinsic Motivation** : Extrinsic motivation means an inspiration for doing specific task or work is coming from outside and for the expected benefits as a result of completion of task or work.
4. **Positive Motivation** : Positive motivation is in the form of pay revision, confirmation of job, recognition of good work, promotion etc.
5. **Negative Motivation** : Negative motivation is in the form of emphasizing penalties, threat to employees for demotion or termination for non-performing the task satisfactory.
6. **Hygiene Factors** : Hygiene factors represents such factors in the work environment, the presence of which do no gives satisfaction and motivation to the employees, however the absence of these causes serious dissatisfaction among employees.
7. **Motivating Factors** : Motivating factors represents such factors relating to work environment, which gives higher satisfaction and motivation to the employees. Further the absence of motivating factors does not cause dissatisfaction.
8. **Means of Motivation** : Management gives several financial and non-financial benefits to employees for motivating them to work at their best capacities which are known as means of motivation.

### **Check Your Progress - 2**

**A] Fill in the blanks with appropriate word.**

1. Lifetime employment is the characteristics of ..... Theory.
2. .... is also called as ‘dissatisfies’ or ‘maintenance factors.’
3. .... developed the need hierarchy theory of motivation.
4. .... represents such factors relating to work environment, which gives higher satisfaction and motivation to the employees.

5. .... are not strongly motivating, however their lack of existence would result in dissatisfaction.
6. Theory X represents ..... of human behaviour.
7. .... believes in applying negative means of motivation to direct and motivate employees.
8. According to the ..... work itself is a motivation to the employees.
9. .... that the higher level needs such as (social needs, esteem needs and self-actualisation needs) of employees are dominant.
10. .... is an integrated model, containing the best of Japanese management and American management.
11. .... means absence of formal relationships, specialisation positions and rigidity.
12. .... are also known as basic needs or primary needs or survival needs.

**Answers :-**

1. *Theory Z.*
2. *Two Factor Theory.*
3. *Abram Maslow.*
4. *Motivating factors.*
5. *Hygiene factors.*
6. *Negative side.*
7. *Theory X.*
8. *Theory Y.*
9. *Theory Y believes.*
10. *Theory Z.*
11. *Structure-less organisation.*
12. *Physiological needs.*

## **1.9 Exercise**

### **A] Broad Questions.**

1. Define the term motivation. Explain the importance of motivation.
2. Explain and evaluate the Theory Z propounded by William Ouchi.
3. Explain Maslow's Need-Hierarchy theory.
4. Describe Frederick Herzberg's Two Factor Theory.
5. Discuss Theory 'X' and Theory 'Y'.

### **B] Write Short Answers.**

1. Explain the characteristics of motivation.
2. Explain the importance of motivation.
3. Distinguish between intrinsic motivation and extrinsic motivation.
4. Describe the main assumptions of McGregor's Theory X.
5. Explain the main characteristics of Theory Z.
6. Distinguish between Hygiene Factors and Motivating Factors.

### **C] Write Short Notes.**

1. Concept of Motivation.
2. Importance of Motivation.
3. Intrinsic Motivation.
4. Extrinsic Motivation.
5. Hygiene Factors.
6. Motivating Factors.
7. Theory X.
8. Theory Z.

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## Unit - 2

# LEADERSHIP

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- 2.0 Objectives of the Unit
- 2.1 Introduction
- 2.2 Subject Matter
  - 2.2.1 Concept of Leadership
  - 2.2.2 Need or Importance of Leadership
  - 2.2.3 Leadership Theories
    - 2.2.3.1 (A) Lickert's Theory
    - 2.2.3.2 (B) Houses Path Goal Theory
    - 2.2.3.3 (C) Blake and Mouton Managerial Grid Theory
  - 2.2.4 Leadership Styles
  - 2.2.5
    - A) Leadership Style of Shivaji Maharaj
    - B) Leadership Style of Mahatma Gandhi
    - C) Leadership Style of Dr. Babasaheb Ambedkar
- 2.3 Summary
- 2.4 Key Words
- 2.5 Check Your Progress
- 2.6 Answers to Check Your Progress
- 2.7 Exercise
- 2.8 Books for Further Study

## **2.0 Objectives of the Unit**

After studying the Leadership students can understand following points : –

1. Meaning of Leadership.
2. Importance of Leadership.
3. Theories of Leadership.
4. Leadership Styles.
5. Leadership styles of Shivaji Maharaj, Mahatma Gandhi and Dr. Babasaheb Ambedkar.

## **2.1 Introduction**

Success of a business concern is depend upon ability of it's Leadership. Leadership exists any type of organization, whenever and in whatever situation if someone tries to influences the behaviour of another individual or group, there is Leadership.

In an organization wherever an individual has subordinates, he may act as a leader. The efforts of subordinates are to be channelized in the right direction. Leaders not only responsible for directing their followers, but also responsible for achievements of goods of organization. It is believed that leaders are born not made, at the same times, a few people also believe that leaders are not born that made. But generally Leaders are born and also made of course heart and soul of management in action is leading. Leader in an organization guide to subordinates strive willingly planned goals. Leadership represents quality in a man. A leader may or may not be business executive, but business executive must be a leader.

## **2.2 Presentation of Subject Matter**

### **2.2.1 Concept of Leadership**

#### **Definition :-**

**Koontz and O'Donnell** said, "Leadership is generally defined as influence, the art of process of influencing people so that they will strive willingly towards the achievement of group goals."

**Allen**, "Leader is one who guides and directs other people. He must give effective direction and purpose."

**Robert C. Apple** defines, "Leadership is a means of direction, it is the ability of the management to induce subordinates to work towards group ideals with confidence and keenness."

**Alford and Beatty Opines**, "Leadership is the ability to secure desirable actions from a group or followers voluntarily without the use of coercion."

**R. T. Livingston** believes, "Leadership is the ability to awaken in others the desire to follow a common objective."

### **2.2.2 Need or Importance of Leadership**

#### **1. Perfect Organisation Structure :-**

An organization structure cannot provide for all kinds of relationships, that is why, informal relationships are made to exist within the framework of formal organization structure. But the organization structure is complete or perfect with the help of effective leadership.

#### **2. Directing Group Activities :-**

The personal conduct and behaviour of a leader can direct others to achieve organisational goals. The main responsibility of a leader is to get the

work done effectively by the followers. The followers cannot work hard and effectively without leadership. A leader alone can consolidate the efforts and direct them towards the goal.

### **3. Technological, Economic and Social Changes :-**

There is frequent change in technology, economic and social structure in the present computer world. So, the organisation should change its operation and style. This is possible only with the help of effective leadership. If the changes do not take place, the organisation cannot survive.

### **4. Better utilisation of manpower :-**

A leader treats with equal importance, plans, policies and programmes of an organisation, the plans, policies and programmes do not work themselves, there is a need for a leader. The leader implements the plans, policies and programmes to utilise the available manpower effectively and get highest production with minimum human cost.

### **5. Avoiding imbalances :-**

An organisation grows in size and complexity with the imbalances. Complexity arises due to the introduction of new functions. The reason is that the introduction of new functions resulted in increased levels of management. So, there is a problem of command, co-ordination and control. A leader can tackle these problems and maintain balances.

### **6. Source of Motivation :-**

Simply, the existence of leadership does not motivate the workers, the leadership style should be utilised to motivate the workers according to the situations prevailing. The achievement of goals is doubtful in the absence of leadership.

### **7. Reconciliation of Goals :-**

An organisation has its own goals. The employees of the organisation have their own goals they are working mainly for achieving their goals instead

of achieving organisational goals. An effective leadership can reconcile the goals of organisations and employees. It is necessary for the success of an organisation.

#### **8. Developing good human relations :-**

Human relations represent the relations between the leader and the followers (subordinates). An efficient leader can develop the skill of the followers and promote self-confidence a part from motivation. Next, the leader creates opportunity to show their abilities and induces the followers to work towards the accomplishment of goals. In this way, the leader promotes the co-operative attitude of workers and maintains better relations with them.

#### **9. Promoting the spirit of Co-ordination :-**

A dynamic leader can co-ordinate the activities of the subordinate. In an organisation, workers are working in groups, so there is a need for co-ordination among the group members. A leader promotes the spirit of co-ordination among the workers.

#### **10. Fulfilling Social Responsibilities :-**

Social responsibilities refer to the high standard of living to workers, higher productivity and income to the organisation, more revenue to the government, reasonable price to consumers and fair return on investment to the investors. These could be achieved with the help of effective leadership. Only an efficient leader can get work done to fulfil social responsibilities.

### **2.2.3 Leadership Theories**

#### **2.2.3.1 (A) Lickert's Management System : Lickert's Scale Theory :-**

Reins lickert's and his associates of University of Michigam U.S.A. has studied the pattern and style of managers for three decades and have developed certain concepts and approaches important to understanding

leadership behaviour. He has given four system of management as presented below :-

<b>Leadership variable</b>	<b>System 1</b>	<b>System 2</b>	<b>System 3</b>	<b>System 4</b>
Trust and confidence in subordinate	Has not trust and confidence in subordinates		Substantial but no complete confidence & trust. Keep control of decisions	Complete confidence and trust in all matters.
Subordinates feeling of Freedom	Subordinates don't feel at all free to discuss things Job with their superiors	Subordinates	Subordinates feel rather free.	

In his management system, Lickert has taken seven variables of different management system.

There are (1) Leadership, (2) Motivation, (3) Communication, (4) Interaction, (5) Decision making, (6) Good setting, (7) Control process.

Lickert's evolved four models of management which is termed as systems of management.

System 1 : Exploitative – authoritative .

System 2 : Benevolent – authoritative.

System 3 : Consultative.

System 4 : Participative.

Within the framework Lickert's measure and evaluates actual patterns of leadership is a wide range of organization. Lickert's also isolated three variables which are representative of his concept of system-4.

These are –

- 1) The use of supportive relationship by managers.
- 2) The use of group decision-making and group methods of supervision.
- 3) His high performance goals.

Lickert's system may be discussed as follows :-

**System-1- Management :** In this system managers and organizations are highly autocratic. They get things done by issuing orders and instructions to their sub-ordinates little involvement of employees in decision-making. The relations between managers and sub-ordinates are characterised by trust and will Communication is highly formal in nature and downward in direction. major motivational devices are threats and punishment sub-ordinates are kept under control.

**System-2- Management :** It is less primitive than the first master servant relationship exist between employers and employees, decision making and goal setting are centralised at the top.

**System-3 – Management :** In this type system betting management evinces some interest in employees and their contributions. A few decisions are allowed to be made by lower level management. Communication between supervisors and sub-ordinates are open. The control system should flexible and goal oriented. Subordinates and supervisors repose substantial confidence and trust between each other.

**System-4 – Management :** This is an ideal management system. The relations between managers and subordinates are cordial and friendly. They are closely involved in decision making and goal setting. The communication

system is open and very effective; superiors adopt liberal humanistic leadership and superlative, in their attitude towards sub-ordinates, who are highly motivated for achieving goals of high performance? This system is like democratic style of leadership.

### 2.2.3.3 (C) Houses Path Goal Theory : Path-Goal Approach

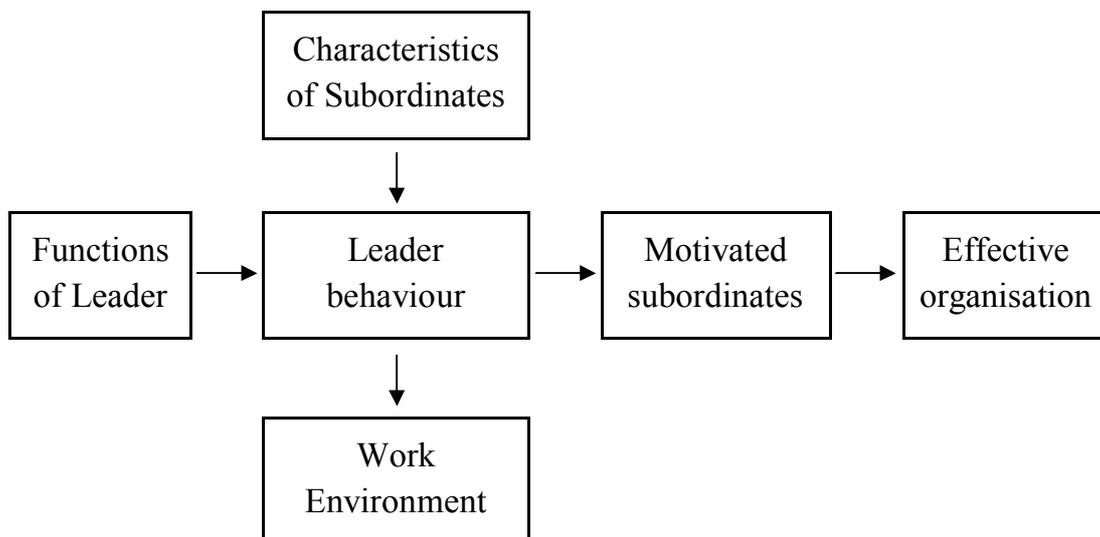
The Path-goal suggest that the main function of leader is to clarify and set goals with subordinates; help them to find best path for achieving goals and remove obstacles. Theory builds on motivational and leadership theories of others situational factors include characteristics of subordinate and work environment.

The main propositions of Path-Goal model are as –

- 1) Leader behaviour is motivational.
- 2) Leader behaviour is acceptable.

If results in the satisfaction & sub-ordinates needs, it complaints the environment of sub-ordinates by providing support guidance.

#### Path-Goal Approach to Leadership Effectiveness



## **Types of Leader Behaviour :-**

The Goal-Path Model categorized four types of leader-behaviour which as –

- 1. Instrumental or Directive :** Leader focuses on planning organizing and co-ordinating of the activities of the subordinates. Leaders gives specific guidance and clear that what is expected of them.
- 2. Supportive :** It consider needs of subordinates concern their well-being and creates pleasant organisation climate. It has greatest impacters subordinates performance, when they are frustrated.
- 3. Participative :** Which allows subordinates to influence the decision of their superiors and can result in increased motivation.
- 4. Achievement :** It involves setting challenging goals, seeking improvement of performance and having confidence that subordinates will achieve high goals.

This theory suggests that appropriate style depends on situation. Uncertain situation can be trusted for subordinates, in other words when subordinates are confused, leader may tell, what to do, and show clear path to goals. Behaviour of leader increases effort of subordinates which is motivating, for effective performance.

The key to theory is that leader influences path between behaviour and goals. The leader do this by defining positions, removing obstacles to performance increasing opportunities for personal satisfaction in work by reducing stress, by making expectations clear.

### **Check Your Progress-1**

**[A] Write Short Notes.**

1. Importance of Leadership.
2. Autocratic Leadership.
3. Free-Rein Leadership.
4. Leadership Styles.
5. House-path goal theory.

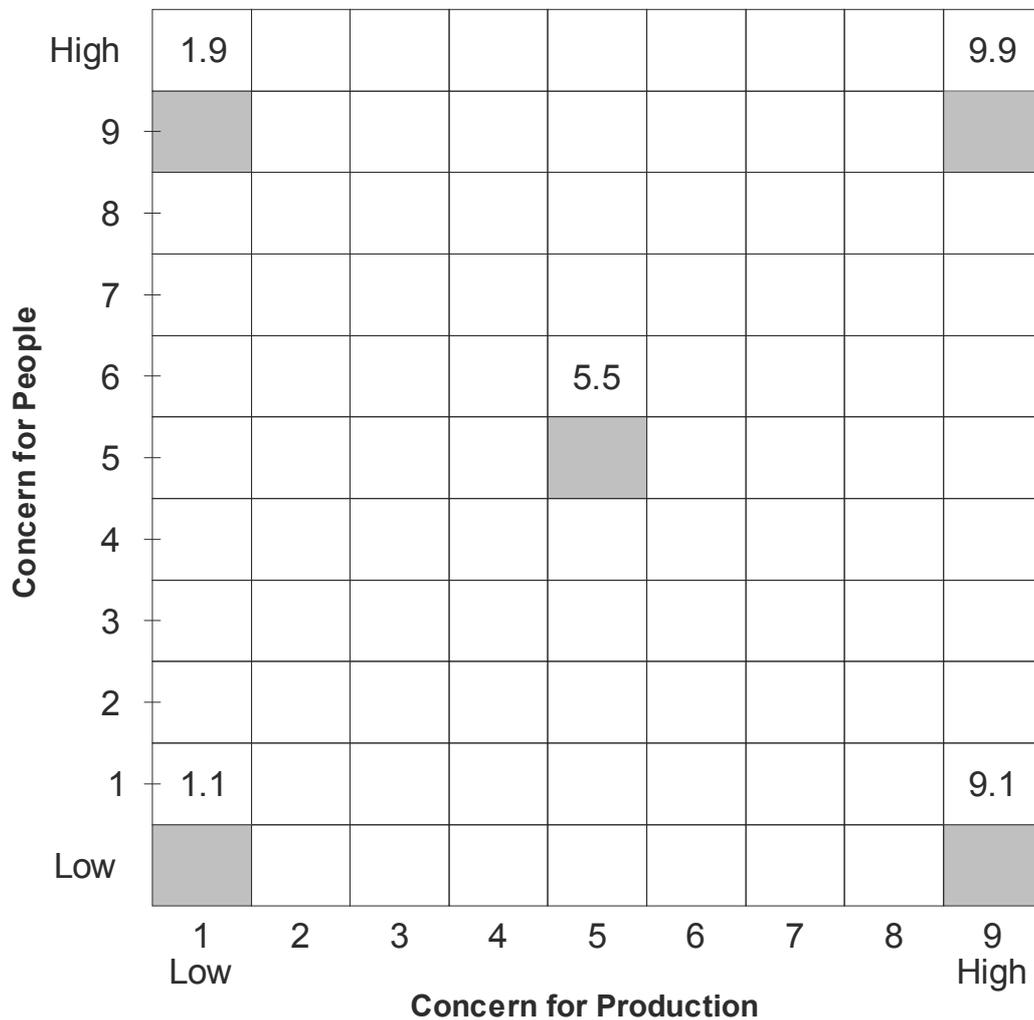
**[B] Answer the following questions in brief –**

**(Long answer type questions)**

1. Define leadership? Explain its importance.
2. What are the different Leadership styles? Explain various Leadership styles.
3. Explain Lickert's theory of Leadership.
4. Explain Blake and Mouton managerial grid theory.
5. Explain Shivaji Maharaj's Leadership Style.
6. Explain Mahatma Gandhiji's Leadership Style.
7. Explain Dr. Babasaheb Ambedkar's Leadership Style.

#### **2.2.3.2 (C) Blake and Mouton Managerial Grid Theory**

A well known approach to defining leadership styles is the managerial grid developed by Blake and Mouton.



- 1.1. Management minimum effort is required to get work done.
- 5.5. Adequate performer is achieved through balancing work requirement and maintaining satisfactory morale.
- 1.9. Thoughtful attention to needs of people leads to friendly & comfortable organisational atmosphere and workplace.
- 9.1 Management results from arranging work, that human elements have little effect.
- 9.9. Work accomplished from connected with people with interdependence through a common stake in org. purpose and with trust and respect.

The grid has two dimension concern for people and concern for production. The theory emphasizes their use to the concern for' is meant to convey how managers are concerned about product or how they are concerned about people and as how much production they are concerned about getting out of group.

Concern for production includes attitude of supervisor towards wide variety of things, quality of decisions, procedures, processes, creativeness of research quality of work efficiency and volume of output.

Concern for includes personal commitment towards goal achievement, maintenance of self esteem of workers, good working conditions and maintaining interpersonal relations.

#### **The 4 Styles :-**

Blake and Mouton recognize four extreme style. **1.1** style manages concern very little with either people or production and minimum involvement in job and only act as communicating information from superiors to subordinates.

Other extreme **9.9** managers who display their actions, at highest possible dedication both people and production. They are real 'Team managers'. Who are able to production needs of enterprise with needs of individuals?

**1.9 Management** : in which manager's have little or no. concern for production but only for people work environment is friendly relaxed and happy.

**9.1** - Managers, who are concerned only with developing an efficient operation. Who have little or no concern for people and who are quite autocratic in their style of leadership?

By using these four extreme as points of reference, enjoy managerial technique or style can be placed on grid.

**5.5** Managers, have medium concern for production and for people. They obtain adequate but not outstanding, morale and production. They don't set goal too high and are likely to have a rather autocratic attitude toward people.

The managerial grid is useful device, for identifying and classifying managerial styles, but it doesn't tell us why manager falls into one part and another of the grid. To determine the reason, one has to look at the underlying causes such as personality characteristics of the leader or followers, the ability and training of managers the enterprise environment and other situational factors that influence how leaders and followers act.

## **2.2.4 Leadership Styles**

### **1. Autocratic or Authoritarian style :-**

Under this leadership style, the leaders have full power or authority to take a decision. The leaders create a work situation under which the subordinates are expected to work, they will work no more or less than the instruction of the leader. So, the leaders have full responsibility.

The followers are not aware of organisation goals. Besides, the followers feel insecure and are afraid of the authority of the leaders. The reason is that these leaders have the desire to wield more powers.

The leader uses his power for the interest of his followers, then the productivity is increased and the followers get full satisfaction from their job.

### **❖ Advantages :-**

- 1) This leadership style provides strong motivation to the followers.
- 2) Quick decision is possible; the reason is that the leader himself takes decision for the whole group.

- 3) Less talented followers can perform their job effectively.
- 4) Followers need not take any decision.
- 5) Decision-making, planning or organising need no initiative.

❖ **Disadvantages :-**

The autocratic leadership style has some disadvantages, they are given below :-

- 1) Most of the people dislike this style, the reason is that this style has a negative motivation approach.
- 2) Frustration, low morale and conflict develop easily under autocratic leadership.
- 3) New ideas or creative ideas of the followers will not have a scope to be applied and benefits of these could not be obtained under autocratic style.
- 4) The followers have no opportunity for development.

❖ **Suitability :-**

Autocratic style is not suitable to all business organisations. It is suitable to those organisations in which the followers are uneducated and unskilled; the reason is that they are unable to take decisions. If the organisation follows the punishment principle, this leadership style may be suitable.

**2. Democratic style :-**

It is otherwise called as participative style. It is just opposite to autocratic style. The authority is decentralised. So, the followers are permitted to take decisions under this style. The decisions are taken whole heartedly; the reason is that the superior has consultation with his subordinates before taking

a decision. The subordinates know the goals of the organisation. So, they offer fruitful ideas during discussion. If a leader follows this style, he can use the force to control his followers instead of using authority.

Generally, most of the leaders follow this style. At present, the worker's participation in management is gaining popularity.

❖ **Advantages :-**

- 1) Consultation gives satisfaction to the followers. Followers are consulted before taking a decision.
- 2) Due recognition is given to the followers. So, they show more interest in increasing the company's productivity.
- 3) Followers are aware of the activities in the organisation.
- 4) A leader can improve this decision-making ability through consultation with his followers while taking a decision.
- 5) Followers get opportunity to show their ability or talent.

❖ **Disadvantages :-**

- 1) Decentralisation of power is used only when consultation is made for taking a decision. Nothing more than that is done.
- 2) Taking a decision and the implementation of it require more time. The reason is that several members are involved in taking a decision.
- 3) Followers can dominate the leader.
- 4) A leader can easily shift the responsibility to his followers for failure in taking and implementing a decision.
- 5) It requires communicating skill on the part of the leader. If does not have it, unfavourable things may happen in an organisation and the organisation may be financially and status wise ruined.

❖ **Free-Rain Style :-**

The leaders have no authority and responsibility under this style, so the followers themselves take decisions for which they get authority this style is employee-centred. Employees (followers) are free to establish their own goals and chart out the course of action. The employees train themselves and they are self-motivated.

The leader acts as a liaison officer between the employees and the outside world. He brings the information which is needed to the employees. The information is utilised by the employee's to do their job. Here, the leader fails to motivate his followers (employees).

❖ **Advantages :-**

- 1) Morale and job satisfaction of the followers are increased to some extent.
- 2) The talent of the followers is properly utilised..
- 3) The followers get full opportunity to develop their talents.

❖ **Disadvantages :-**

- 1) The leader does not care to motivate his followers.
- 2) The contribution of a leader is nothing.
- 3) The leader does not support the follower and no guidance is available to the former.

### **2.2.5 A) Leadership Style of 'Shivaji Maharaj'**

In international history Shivaji's personality is incomparable and extraordinary. His life is an ideal ambinatier of many virtues like understanding, dutifulness, good character communal harmony etc. Embodiment of such virtues as wisdom, cleverness, courage and after praise worthy human qualities he was a unique character and rare personality.

This first man child Shivaji found as his custodian, was Dadoji Konddeo, In fact he laid down, the foundations of Shivaji's life. He started his new life under guardianship of Dadoji Konddeo. A pandit was arranged to teach him religion and politics. He was also given the knowledge of Ramayana and Mahabharat. Shivaji became very trustful to his mother due to the religious education given to him.

Shivaji was a loyal officer of the Modern Kingdom's. He destroyed all the Hindu states situated around the Kingdom. Shivaji captured Torna Fort without much effort in 1646. In 1648 he captured Chakan Fort. He became independent ruler in the 25<sup>th</sup> year of his age. Shivaji was a malftalented person. He felt need of a wrong navel force after establishment. After death of Afzal Khan. Shivaji captured small Forts- Panahala, Khelanna, Rangana, Vand Vasantgarh.

### **A Great Epach Maker :-**

Shivaji was the son of a simple Jogindar. He became the founder of the Maratha Empire, on his own strength. He unified the Mawals who were considered wild and uncultured by the society. After this he united simple farmers, local Jogindars under Muslim rulers and samants of Maharashtra and established a state. First he was surrounded by three Kingdoms-Adilshahi, Qutubshahi, and Nizamshahi. His great Virtues attracted not only the Indian critics but also the foreigners. "Shivaji was not only the brave man, but also had an extra-ordinary power with which he could incultate zeal in others. Apart from these Shivaji was a great administrator (ruler). Shivaji was the last nation maker having an extraordinary knowledge of great making. He below new life into Maratha Community. Hindu community can makes a nation and can establish a state."

### **An Ideal Politician :-**

Shivaji's successes are the proof of his being an ideal politician. The whole of Shivaji's life was full of struggles and efforts. He had defeated all

his enemies through his political wisdom. Barrier had written “The man Shivaji is working with the complete personality of an independent king. He laughs at his condemnation by Mughal emperor or Sultan of Bijapur. He strikes again and again and robs all the territories from Surat to Goa. He was a great commander.

### **Extra ordinary Administrator :-**

To ran a government requires administrative skill along with good political knowledge. After establishing independent society Shivaji changed some traditional rules completely. He himself was a Jogirolars, but became an independent ruler by Virtue of his own strength, main principles of administrations.

- 1) Protection of the state through strong forts.
- 2) Cash salary for services.
- 3) Collection of revenue by trust worthy people.
- 4) Eradication of giving land on contract.
- 5) Establishment of administrative department.
- 6) Equal opportunity for all in services without discrimination of caste of creed.
- 7) To prepare annual budget in such a way that there must be some profit.

### **A Worshipper of the Indian Culture :-**

Culture is the soul of a nation. Though the universal compliance seems to be impossible, but every nationalist must be proud of his culture. Hating culture is a symbol of destruction.

Mother is called the super god in the Indian Culture. Touching mother’s feel while going somewhere or starting some work was inseparable

part of his life. Goddesses, gods, Brahmins, saints, always remained in his heart. He always supported bright aspects of culture but he was quite opposed to caste wise narrowness, conventions.

Dr. Yadunath Sarkar has written “Shivaji’s character was full of Virtues. His devotion to mothers, love for the off springs, control over senses, laboriousness, liberty to all communities, attachment to religion and luxury avoidances was incomparable. He protected the chastity of women even if he had to apply all his strength.

### **Supporter of Communal Harmony :-**

Shivaji aimed at establishing a Hindu state. Never showed hearted for Islam or any other religion, while protecting his religion. He gave equal respect to Muslim Faqirs as he gave to Hindu Saints.

“Shivaji’s character is much higher than that of his strong enemy Aurangzeb. Religion is the top priority for both of them. Aurangzeb, it was in the form of pettiest and narrowest fanaticism. Shivaji is a godly incarnation who become the cause for victory of the Hindus and the establishment of a state.”

### **A Great Social Reformer :-**

Shivaji had one another face of a social reformer. Orthodox people, who take Hinduism to be their property, can’t tolerate inclusion into their religion of a person following any other religion, but Shivaji without caring for such orthodox people did this.

Shivaji is an ideal here of the Indian history. In fact he had all the qualities of a noble hero as as mentioned in poetry. He removed only lacking of not being a ‘Kshatriya’ by his noble deeds. Shivaji is super enemy and very clever. He is surprisingly always Victorious. He captured two strong forts, Jinji and Vellore. In this matter he is no less skilful than Alexander the Greak, in fact Shivaji was great Shivaji the great due to all his virtues.

Enthusiasm was a special featured Shivaji's personality. He was always ready to face any type of hardship, but didn't mean that he was careless about security arrangement.

## **2.2.5 B) Leadership Style of 'Mahatma Gandhi'**

### **Introduction :-**

Mohandas Karamchand Gandhi was born on October 2, 1869. Mohandas Gandhi greatly admired his father, whose practical political wisdom, skill in resolving conflicts, and personal courage served as his earliest examples of social leadership he had little interest in creating personal wealth.

Gandhi attended primary school of Porbandar but showed no special flair for his studies.

### **1. Deciding :-**

Gandhi measured all decision against truth. Slavery, oppression, injustice, violence all were untruthful because they extorted belief and forced compliance, therefore these evils were to be avoided or opposed. It is a thing to decide what is truthful in one's own life and quite another, as a leader as a company, corporation.

For decision making knowing how far you can press popular leadership, the importance and persuasive power of transparency in decision making process; when to compromise, when to draw a line and how to build and maintain the courage to make decisions. Litmus test to be used in evaluating a decision or policy. Leadership is lonely done right. It covers do an decision of a single solitary human being.

### **2. The Genius of Noncooperation :-**

Noncooperation was both general tactic Gandhi introduced for undermining oppressive authentic of govt. in India and specific phase in

movements for Indian home rule and independence. For business leader of today noncooperation is a stark reminder of the need to do far more than order their employees about. Voluntary cooperation self direction towards goal is required and it is a task of managers secure it day by day.

The leadership of any CEO is not based on power - an abstract commodity- but on results.

### **3. Give everyone a stake :-**

Gandhi's campaign for universal equality was integral to the advancement of his campaign for self governing, independent India everyone with a stake in your business- customers, staff colleagues, subordinates bosses, investors and so on is given a stake in your enterprise.

The most powerful motivation is self sustaining and doesn't depend upon application of force from outside. To move your organisation in a given direction. It is always best to achieve buy in from all the stakeholders in the enterprise. Give them a stake in your goals. Make your leadership organic meaningful and desired for everyone you lead. Avoid threats. Avoid all motivational strategies that rely on fear, not just because coercion is morally bankrupt but because it is unsustainable.

### **4. Learning and Experience :-**

Experience as a lawyer taught him both power and weakness of legal system Gandhi's use of study and experience as examples any leader can apply. Gandhi came to understand that education and experience could be both liberating and containing, for him managing beneficial change depended on knowing what knowledge to use and what knowledge to look beyond modify or reject entirely. The fact is that experience is often superior to formal education. In recruiting employees, practical experience. Explore it, exploit it, reward it.

Gandhi taught that language was a powerful means of bonding people to one another as well as to authority. He believed that English was an

important language. Oxygen alone is not sufficient to sustain life, but everyone requires oxygen in order to live. Money is the oxygen of enterprise. Universal language of business is the language of money. Time is also an ally. Time doesn't stop, when you make a mistake even if it appears that way. If you are mistaken, find the time to correct your course. Look, Listen, Learn, move on, live on, create a new and improve. No error need be forever.

Pessimism and realism are any nearly apposite and optimism though certainly not synonymous will realism is actually a closer approach than pessimism to an accurate view of world. Pessimism discourage innovation, imagination, vision, and even prudent risk taking. By discouraging good business practices, the pessimistic prophecy is of self-fulfilling.

Gandhi's vision of human interaction was kinetic. Life was a continuous series of transactions, each transaction creating new reality. Gandhi explained always movement, always change.

In leading an organization toward goal, first step is to determine all the steps necessary to active the goal. These are objectives which will add up to goal, once objectives have been defined the next leadership took is delegating the work to right people and organization clearly defined set of measure by which objectives can be evaluated. Makes the good present we will take care of present and the future will take care of itself and accept dynamism of the goal.

### **2.2.5 C) Leadership Style of 'Dr. Babasaheb Ambedkar'**

According to Dr. B. R. Ambedkar According to Dr. B. R. Ambedkar each province should be given freedom to organize its own civil service. For this the all India character of the services must cease. There should be Central Civil Service recruited and maintained in response to its own needs by the Central Government to run various departments which are handed over to it by the Government of India, without imposing upon its members the liability to serve under any of the provincial Government.

Secondly, a separate and independent provincial civil service would give liberty to the Provincial Governments to alter the cadre of the services belonging to the province. The minister would have the power to abolish the post where no work is found or transfer the post to other departments where it is genuinely needed.

Dr. Ambedkar believed that for an independent and efficient functioning of civil service there should be an independent, and autonomous body to recruit the civil servants. He expressed that civil service, in order to be free from the evil effects of political influence and jobbery, should be recruited and controlled by an authority independent of the ministers. On financial considerations he suggested that every province should have a full-time officer specially charged with the consideration of service matters. He should act as a liaison officer between the public service commission and the local government.

Dr. Ambedkar favored the policy of reservation of post in civil service. Public Services in the country had become, by reason of various circumstances, a close preserve for the Brahmins and allied castes. The Non-Brahmins, the depressed classes, and the Mohammedans are virtually excluded from them. It is argued that state requires efficient administrator and therefore public posts should be filled on educational merit, proved in the competitive examination which is open to the candidates of all castes and creeds.

Dr. Ambedkar expressed that the attitude of the Brahmin and allied castes had no doubt the appearance of fairness. The system of competitive examination might result in fairness to all castes and creeds under a given set of circumstances. But those circumstances presuppose that the educational system of the state is sufficiently democratic and is such that facilities for education are sufficiently wide - spread and sufficiently used to permit all classes from which good public servants are likely to come up to compete.

Dr. Ambedkar viewed that the class rule must mean rule in terms of class interests and class prejudices. The disadvantages arising from the class

bias of the officers belonging to Brahmin and allied castes has outweighed all the advantages attending upon their efficiency and that on the total they have done more harm than good. As to the remedy, Dr. Ambedkar suggested a proper admixture of the different communities in the public service. This may perhaps import a small degree of inefficiency. But it will supply a most valuable corrective to the evils of class bias. This has become all the more necessary because of the social struggles that are now going on in the country. Being members of the struggling communities they are bound to be partisans, with the result that may be a great loss in the confidence reposed by the public in their servants.

Though the above views were expressed by Dr. Ambedkar, more than 40 years ago, still they have relevance in the modern polity. The report of the Mandal Commission is being discussed and debated inside and outside the Parliament. Depressed Classes have joined hands to fight with the government policies to get their rights which are refused to them.

### **Dr. Ambedkar on Social Democracy**

The freedom of a country does not usually mean the freedom of the people in that country. The influence and the power of the state may be concentrated in a particular class of people. Before the promulgation of the Indian Constitution the concept of the status of a particular class of people was based on birth and not on the capabilities and caliber of the people. The very vitals of the Indian social life had been eaten by the religious dogmas and the society was based on graded inequality. That was one of the fundamental causes why India was frequently invaded and captured by aliens.

### **Dr. Ambedkar' Social Ideology**

#### **➤ Achievements**

Nothing valuable in this world is achieved except by great efforts. All great things in the world were achieved by patient industry and by undergoing toil and tribulations.

➤ **Abimsa**

Ahimsa Permo Dharma is an extreme Doctrine. It is Jaina Doctrine. It is not Buddhist Doctrine. Buddha meant to make a distinction between 'will to kill\*' and 'need to kill'. What he banned was killing where there was nothing but the will to kill. Buddha made a distinction between Principle and Rule. He did not make Ahimsa a matter Rule. He enunciated it as a matter of Principle or way of life. A principal leaves you freedom to act. A rule does not. Rule either breaks you break the rule. The law should be non-violence wherever possible violence wherever necessary.

➤ **Ambition**

One should always cherish some ambition to do something in the world. They alone rise who strive.

➤ **Anarchy**

In anarchy and dictatorship, liberty is lost

➤ **Appeasement**

Appeasement means buying- off the aggressor by conniving at his acts of murder, arson and loot against innocent victims of his displeasure.

Appeasement sets no limits to the demands and aspiration of the aggressor.

➤ **Army**

The ultimate guarantee of the independence of a country is a safe army - an army on which you can rely to fight for the country at all times and in any eventuality. A safe army is better than safe border.

➤ **Back to Nature**

The call of back to nature means back to nakedness, back to squalor, back to poverty and back to ignorance for the vast mass of people.

➤ **Buddhism**

I prefer Buddhism because it gives three principles in combination which no other religion does. Buddhism teaches Prajna (understanding as against superstition and supernaturalism), Karuna (love), and Samata (equality). This is what man wants for a good and happy life.

➤ **Buddhist Culture**

Even though Buddhism is almost extinct in India, yet it has given birth to a culture which is far better and richer than the Brahminic culture. When the question of the National Flag and the National Emblem was being considered by the Constituent Assembly we could not find any suitable symbol from the Brahminic culture. Ultimately, the Buddhist culture came to our rescue and we accepted the Wheel of Law (Dharma- Chakra) as the National Symbol.

➤ **Caste and Class**

Caste System is not merely a division of labor. It is also a division of labourers. It is not merely a division of labourers which is quite different from division of labor - it is an hierarchy in which the divisions of labourers are graded one above the other.

Caste has killed public spirit. Caste has destroyed the sense of public charity. Caste has made public opinion impossible. Virtue has become caste-ridden and morality has become caste bound. There is no sympathy to the deserving. There is no appreciation of the meritorious.

Caste in the hands of the orthodox has been a powerful weapon for persecuting the reforms and for killing all reform.

The caste system is a system which is infested with the spirit of isolation and in fact it makes isolation of one Caste from another a virtue. There is isolation in the Class system. But it does not make isolation virtue nor does it prohibit social intercourse. The Class system it is true produces groups. But they are not akin to Caste groups. The groups in the Class System are only one-social

while the Castes in the Caste system are in their mutual relation definitely and positively antisocial.

➤ **Courage**

The secret of freedom is courage and courage is born in combination of individuals into a party.

➤ **Culture**

It is true that man shares the constitution and functions of animals, nutritive, reproductive, etc. But these are not distinctively human functions. The distinctively human function is reason, the purpose of which is to enable man to observe, meditate, cogitate, study and discover the beauties of the universe and enrich his life and control the animal elements in his life.

The aim of human society must be to enable every person to lead a life of culture which means the cultivation of the mind as distinguished from the satisfaction of mere physical wants.

While the ultimate goal of a brute's life is reached once his physical appetites are satisfied, the ultimate goal of a man's existence is not reached unless and until he has fully cultivated his mind.

➤ **Democracy**

Political Democracy rests on four premises which may be set out in the following terms : i) The individual is an end in himself, ii) That the individual has certain inalienable rights which must be guaranteed to him by the Constitution. iii) That the individual shall not be required to relinquish any of his constitutional rights as a precondition precedent to the receipt of a privilege. iv) That the State shall not delegate powers to private persons to govern others.

The soul of Democracy is the doctrine of one man, one value.

Democracy is a form and method of government whereby revolutionary changes in the economic and social life of the people are brought about without bloodshed.

Democracy is not merely a form of Government. It is primarily a mode of associated living of conjoined communicated experience. It is essentially an attitude of respect and reverence towards fellow men.

A democratic Government can remain democratic only if it is worked by two parties- a party in power and a party in opposition.

➤ **Dhamma**

According to the Buddha, Dhamma consists of Prajna and Karuna. Prajna is understanding. The Buddha made Prajna one of the two corner-stones of His Dhamma because he did not wish to leave any room for superstition. Karuna is Love.

➤ **Dhamma and Morality**

Morality is Dhamma and Dhamma is Morality.

In Dhamma morality takes place of God although there is no God in Dhamma.

In Dhamma there is no place for prayers, pilgrimages, rituals, ceremonies or scarifies.

Morality is the essence of Dhamma. Without it, there is no Dhamma.

Morality in Dhamma arises from the direct necessity of man to love man. It does not require the sanction of God.

It is not to please God that man has to be moral. It is for his own good that man has to love man.

➤ **Dhamma and Religion**

The purpose of religion is to explain the origin of the world. The purpose of Dhamma is to reconstruct the world.

➤ **Dhamma and Society**

Religion, it is said, is personal and one must keep it to oneself. One must not let it play its part in public life. Contrary to this, Dhamma is social.

It is fundamentally and essentially so, Dhamma is righteousness, which means right relations between man and man in all spheres of life. One man if he is alone does not need Dhamma. But when there are two men living in relation to each other they must find a place for Dhamma whether they like it or not. Neither can escape it. In other words, Society cannot do without Dhamma.

➤ **Discontentment**

Divine discontentment is the spring of all elevation.

➤ **Duty**

Blessed are those who are awakened to their duty to those among whom they are born.

The duty must be performed; let the efforts be successful or not; let the work be appreciated or not.

When a man's sincerity of purpose and capacity are proved even his enemies come to respect him.

➤ **Education**

Give up the idea that parents give 'Janma\*' to the child and not destiny (karma). They can mould the destiny of their children by giving them education.

➤ **Ethics and Economics**

History shows that where ethics and economics come in conflict, victory is always with economics. Vested interests have never been known to have willingly divested themselves unless there was sufficient force to compel them.

➤ **Equality**

Equality may be a fiction but nonetheless one must accept it as the governing principle.

➤ **Fate**

Do not believe in fate. Believe in your strength.

➤ **Force**

Force, it cannot be denied, is the medicine of the body politic and must be administered when the body politic becomes sick. But just because force is the medicine of the body politic, it cannot be allowed to become its daily bread.

➤ **Freedom**

Freedom of the nation, if it is to be a reality, must vouchsafe the freedom of the different classes comprised in it, particularly of those who are treated as the several classes.

➤ **Glory**

Glory to those who devote their time, talents and their all to the annihilation of slavery.

Glory to those who would keep on their struggle for the liberation of the enslaved in spite of heavy odds, carping humiliations, storms and dangers till the down-trodden secure their human rights.

➤ **Great Man**

A great man must be motivated by the dynamics of a social purpose and must act as the scourge and the scavenger of the society.

➤ **Happiness**

Poverty gives rise to sorrow. But removal of poverty does not necessarily give rise to happiness. Not high standard of living but a standard of culture is what gives happiness.

➤ **Hero - Worship**

Bhakti in religion may be a road to salvation of the self. But in politics, Bhakti or hero-worship is a sure road to degradation and to eventual dictatorship.

Hero-worship in the sense of expressing our unbounded admiration is one thing. To obey the hero is a totally different kind of hero-worship. There is nothing wrong in the former while the latter is no doubt a most pernicious thing. The former is only man's respect for everything which is noble and of which the Great Man is only an embodiment. The former is consistent with respect, but the latter is a sign of debasement.

**A note on Dr. Ambedkar (Economics) Liberation Economics**

Its greater emphasis is on the principles equality, both social and economic and fraternity with a view to create such human social condition which ensure free and fair development of all human beings. As such, the concept of social justice sometimes require unequal or preferential treatment for certain sections of population, who have been deprived of certain 'values' for ages, with a view to bring them on an equal footing with the other sections of population.

Dr. Ambedkar's concept of social justice stands for the liberty, equality and fraternity of all human beings. He stood for a social system which is based on right relations between man and man in all spheres of life. For the proper grasp of Dr. Ambedkar's concept of social justice, one has to go through his views about religion, particularly Hindu religion which is the source of exploitation and injustice. His concept of social justice. His concept of social justice is closely connected with his concept of social justice closely connected with his concept of religion and morality.

Dr. Ambedkar has deep faith in man and his powers. Man is the centre of his religion. He is a responsible being and he himself is responsible for all his miseries. As a responsible being, it is his duty to mitigate his own woes,

slaver sited poverty. He says "you must abolish your slavery yourself. Not depend for its abolition upon God or superman. The sooner you remove the foolish belief that your miseries are predetermined, the better, do not believe in fate. Believe in your strength.

Being empiricist, Dr. Ambedkar was concerned with man, his status and well- being in this world. Man is center of his thought and action. Men are the masters of their fate they are also captains of their souls. He says, "we will attain self- elevation only if we can learn self- help, regain our self- respect and gain self- knowledge. "According to Dr. Ambedkar, the belief in soul is also unprofitable" as the belief in God because it not only creates priesthood but it gives priesthood complete control over man from birth to death." He also rejected the theory of past karma which holds that man take birth in a rich family because of his past good karma. It is a dangerous doctrine as it creates a mentality which makes man helpless and hopeless.

Dr. Ambedkar wanted to reform and restrictive the Hindu social system which ascribes status to a man on the basis of his birth in a particular low or high caste. In this social system, individual's personal achievements have no value and his status is treated as divinely ordained. He stood for a social system in which man's status is based on his merit and achievements and where no one is noble or untouchables because of his birth. He stood for a society where human beings live a human life based on the principle of liberty of an individual is not slavery of his fellow being. He advocated the policy of preferential treatment for the socially oppressed and economically exploited people of the country. The Constitution of India, which was drafted under his Chairmanship, contains a number of provisions which enjoins the state to secure to all its citizens, justifies, social, economic and political, along with liberty, equality and fraternity. It also contains a number of provisions which guarantee a preferential treatment to the down-trodden people in various sectors or life. Dr. Ambedkar was really interested in the welfare of the down -trodden people of the country, because instead of accepting any assignment abroad he preferred to live amidst them. He was really the savior of the down- trodden people in India.

## **Dr. Ambedkar and his Educational Thoughts**

Dr. Babasaheb Ambedkar was born in Mahar family originally hailing from Konkan on April 14, 1891 at Mhow Cantonment near Indore in the State of Madhya Pradesh where his father was posted in the service of British- Indian Army. His ancestral village, Ambavade, was situated in the Ratnagiri district of Maharashtra. Rich material background of Dr. Ambedkar's ancestor's played an important role in the formation of his character. Ambedkar's family followed the preaching's of Kabir, a well known social reformer and rebel of Varanasi. It seems that this background greatly influenced the philosophy and deeds of Dr. Ambedkar. Dr. Ambedkar, the 14 th child of Ramji Sakpal, was named Bhim in early childhood. His mother's name was also Bheema Bai. She hailed from a comparatively well -to-do family of the village Murud in the Thane district of the then Bombay presidency. Her family had also a tradition of military service. Thus from both the constitution was single-handedly carried out by Dr. Ambedkar. This fact is authenticated by Shri T.T. Krishnamachary, a member of drafting committee, by his candid statement in his speech in constituent assembly on November 5, 1948.

"Ultimately the burden of drafting the Constitution fell on Dr. Ambedkar and I have no doubt that we are grateful to him for having achieved this task in a manner which is undoubtedly commendable."

Dr. Ambedkar had made use of his erudition and knowledge in law, social and economic conditions of our country, history, anthropology, Constitution of the World, Jurisprudence in drafting monumental constitution. Many members and press hailed him as 'Modern Manu' (law giver

Though Dr. Ambedkar did not have any systemic and concrete philosophy and programme of education, he was conscious of the need of education in general and specially for depressed classes. He himself was an example of what education could do to the underprivileged section of society. Education is not only a layer for their social mobility but also opens the door for their modernization.

Many provisions in the Indian Constitution bears the testimony of his concern for education. These provisions, even after 42 years are still relevant.

In the Directive Principles of the State Policy, Universal and Compulsory Education. Education for all children up to the age of 14 was included. Article 30 provides a provision for opening of the school and its administration by minority community of their choice.

Article 29 envisages equal educational rights, it prohibits every educational institution run or aided by a State Government to discriminate on the basis of caste, colour, language or religion.

Article 350-A provides a provision for imparting education in the mother tongue. This onerous responsibility lies with the state Government.

Dr. Ambedkar had viewed education as the means to open the hidden eyes of human beings to acquire knowledge and to cultivate the mind. This means was closed for the greater sections of the country due to traditional 'Varnashram' of the Caste System creating graded inequality due to the accident of birth, giving privileges to a small section of the society of the same. Dr. Ambedkar was mainly concerned about the uplift and political strength of the untouchables. He believed that education was necessary for them to shake off their mental lethargy and satisfaction with their plight. He demanded facilities for education; he demanded that a certain percentage of seats to be reserved, that hostels and schools be started and informal education gives to the untouchables.

### **Bhimrao Ambedkar and Education**

In 19<sup>th</sup> Century great men like Mahatma Gandhi, Jawarlal Nehru, Sardar Patel, Madan Mohan Malviya, Moulana Azad and Dr. Bhim Rao Ambedkar were born. Dr. Ambedkar was educationist and Professor of philosophy and at the same time he was D.Litt. in literature. He was Doctor of Science, L.L.D. and bar-at-law. Thus there was no field of knowledge where he had no say.

The revolutionary, Dr. Baba Saheb Ambedkar accepted that the Social, Economic and Political revolution is not possible unless we do not get rid of Brahminic Culture in the Society. Dr. Ambedkar seeing no welfare of the depressed classes in the Hindu Religion, thought it compulsory to get rid of Hinduism and the stereo type culture of the Society so as to bring a change in the value of life. He in 1935 in Yabalansik set fire to Manusmriti publicly and declared that I was born in Hindu family as to take birth was beyond my control but I will not die as a Hindu. In the end he left Hinduism and accepted Buddhism.

A burning question arose before Dr. Ambedkar as to how to get rid of these five conservative and stereo type parts of culture, re-birth, fatism, caste system and high and low. Ambedkar accepted and took education as important means to get rid of these five evils. Dr. Ambedkar, in meetings and conferences of depressed classes asked the untouchables to be quite aware of their rights whether it be of entering the temples by them. Ambedkar was of the opinion that education can be received through organization and struggle . That is why he laid special emphasis on the education of the down- trodden before any change in the society. In the conference of Kesara Dr. Ambedkar said to the down-trodden. "The question of bread and water equality in Hinduism and want to root out the four classes. Whatever you have lost, the other have looted it. Difficulties and trouble are not predetermined but they are due injustice and exploitation of others. So first of all, be educated, keep far away from fate and be strong after being educated and at the same time have faith in your strength."

In some other meeting he said, "struggle for your rights and get rid of illiteracy on account of which you were ruined and being ruined. Due to lack of education and self- confidence wise men cheat you and send you to your doom. You have to root out your slavery through education for the end of the slavery do not depend on God or Super -God. Dr. Ambedkar gave three things to the depressed classes as 'Be educated, be organized and agitate.' These three thoughts were influenced by Buddha's "Sharmam Gachhami" (be educated), "Sangham Sharnam Gachhami" (be) organized, "Dhamman Sharnam Gachhami" (Agitate).

Babasaheb wanted a society through education where there is no exploitation, where humanity may find equality, justice, love progress, and merit, where work is more respected than caste, where class, caste, creed, colour and religion might not be dividing the humanity.

### **Ambedkar and the Meaning of Education**

Dr. Ambedkar's three principles, 'Be educated, be organized and agitate' occupied not only the first place of in process of education by chance but it generates reason and by education only men can be self-enlightened. Education initiates and instigates to the organized and an organization is formed with interest and disinterest of the people. This can succeed in struggle to participate in the social progress. According to Dr. Ambedkar, 'Education is that which make men fearless, teach unity, make understand their birth rights and teach men to struggle and fight for the freedom.' Education is a revolution. If education can't serve these purposes, then such education is a dead one and better.it should be brunt or set to fire. According to Ambedkar that is not education which do not make capable, don't teach equality and mortality, but the true education is that which safeguards the interests of the humanity and provides bread, knowledge and feeling of equality in the society. True education really creates life in the society.

### **2.3 Summary**

Leadership represents an abstract quality in a man Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. It is the process of influencing the behaviour, activities and efforts, of an individual or group for achieving common goals. Leadership is an integral part of effective management of any enterprise. The essence of leadership is followership. People must be ready to follow the person acting as a leader.

Leader is responsible for decision making. Leader is essence of management. Leader is rescue boot to survival of the group work. Leadership

performs/convert dreams, vision and 'plans into realities. It represents dynamics of management.

In Managerial and (Blake and Mouton)

Leadership studies based on two critical, dimensions :- 1) Concern for people 2) Concern for production.

There are five styles of an managerial grid.

- 1) 9.1 is task management since emphasis is on production.
- 2) 1.9 is country club management since manager is simply concerned with happy workforce.
- 3) 1.1 – management that could not careless.
- 4) 9.9 is team management – it is optimum leadership style where manager is extremely concerned with both production and people, who work for with and for him.
- 5) '5.5' – The stastical '5.5.' manager treats each subordinates differently.

In theory of Lickert's scale, he explained for types of Leadership styles-

- 1) Authoritative Leadership style.
- 2) Autocratic Leadership style.
- 3) Consultative Leadership style.
- 4) Democratic Leadership style.

In House's path Goal Theory, he explained that, work environment and characteristics of workers are fixed and select appropriate Leadership style. He also explained directive, supportive, participative and achievement Leadership styles.

There are three (3) basic styles of Leadership – (1) Autocratic or Dictatorial Leadership, (2) Democratic Leadership, 3) Free-rain Leadership style.

In addition information about Shivaji Maharaj, Mahatma Gandhi and Dr. Babasaheb Ambedkar show's that leadership qualities from his work.

## 2.4 Key Words

1. **Leader :** The person who leads to followers for doing work successfully.
2. **Leadership :** It is the ability of influencing people to strive willingly for mutual objectives.
3. **Autocratic :** Complete and accurate information and therefore respected or complete centralized authority in Leader.
4. **Democratic :** A person or group that is in encourage or supports freedom and equally between people and groups. OR Leader delegates his authority to his subordinates.
5. **Free Rein Leadership :** Give compile freedom to subordinates.

## 2.5 Check Your Progress

### [A] Fill in the blanks.

1. .... Leadership gives full freedom to his subordinates.
2. .... is the person lead to followers for do work successfully.
3. In ..... leadership style leader delegates his authority to his subordinates.
4. In ..... leadership style. Complete centralized authority in Leader.

5. For experienced and experts employees ..... leadership style is used.

## **2.6 Answers to Check Your Progress**

1. Free rein Leadership.
2. Leader.
3. Democratic Leadership.
4. Autocratic Leadership.
5. Participative Leadership.

## **2.7 Exercise**

### **[A] Write Short Notes.**

1. Leadership – Concept and Defination.
2. Importance of Leadership.
3. Autocratic Leadership style.
4. Democratic Leadership style.
5. Free rein Leadership style.

### **[B] Answer the following questions in brief.**

1. Define the term leadership? Explain its importance.
2. Explain Likert's Scale Theory.
3. Explain Likert's and Mouten's Managerial Grid Theory.
4. Explain House's Path-Goal Theory.
5. Explain various types of Leadership styles.

6. Discuss Leadership style of Shivaji Maharaj.
7. Discuss Leadership style of Mahatma Gandhi.
8. Discuss Leadership style of Dr. Babasaheb Ambedkar.

## **2.8 Books for Further Study**

1. **S. A. Sharelekar** : Management (ralu. oriented Holistic Approach)
2. **T. Ramusamy** : Principles of Management.
3. **Manamohan Prasad** : Management Concepts and Practices.



**Unit - 3**  
**CO-ORDINATION & CONTROL**

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- 3.0 Objectives of the Unit
- 3.1 Introduction
- 3.2 Presentation of Subject Matter
  - 3.2.1 Co-Ordination
    - 3.2.1.1 Introduction
    - 3.2.1.2 Meaning and Definitions
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- 3.6 Answers to Check Your Progress
- 3.7 Exercise
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### **3.0 Objectives of the Unit**

After studying the Leadership students can understand following points : –

1. To understand Concept of Co-ordination.
2. To understand the need of Co-ordination.
3. To know the Techniques of Co-ordination.
4. To understand the Concept and Process of Co-ordination.
5. To know the Techniques of Controlling.

### **3.1 Introduction**

Co-ordination and Controlling are the most important functions of Management. In this chapter, both functions are studied. Co-ordination is the process whereby an executive develops an orderly pattern of group activities or efforts among his subordinates. Co-ordination is the essence of Management. Controlling is the process of comparing actual performance with expected performance. If the actual performance is not completed the corrective action is taken.

### **3.2 Presentation of Subject Matter**

#### **3.2.1 Co-Ordination**

##### **3.2.1.1 Introduction**

The activities of various departments of an organisation should be harmonized in order to active the desired objection. It is very necessary to

avoid the factors which can destroy the unity of action. Co-ordination implies on orderly pattern or arrangement of group efforts to ensure unity of action in the pursuit of common objectives. Co-ordination facilitates the working system and ensures harmonious relationship in the organisation. A manager creates harmonious relationship in the organisation. A manager creates harmony among all the functions of management through co-ordination without which the music of these factions will not be melodious.

Co-ordination is an important function of management. Every function of Management must in itself be co-ordinated. For example, planning is not effective unless departmental plans are properly balanced and integrated organisation would be poor if there is a lack of harmony in horizontal consistent with the needs and resources of the enterprises Direction is not sound unless orders and instructions are consistent with the need of the situation. Controlling creates harmony between plans and performance. Thus, co-ordination is inherent in all managerial functions. Each managerial function is an exercise in co-ordination. A manager active co-ordination the management process and co-ordination is the outcome of managerial functions. In fact, co-ordination makes planning more purposeful, organisation better-knit and control more regulative, it is key to the Process of Management. All the functions of management are the spokes in the wheel of co-ordination. A manager succeeds to the extent he is able to active co-ordination.

### **3.2.1.2 Meaning and Definitions**

Co-ordination is regarded as an essential act which harmonizes all the activities and functions of an organisation by facilitating its working system. Co-ordination is the task in which the efforts of various departments are blended in order to maximise contribution towards the accomplishment of common goals. According to Henri Fayol, “do co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success. In a well-coordinated enterprise, each department or division works in

harmony with others and is fully informed of its role in the organisation. The working schedules of various departments are constantly attuned to circumstances.”

Co-ordination is continuous process where different persons are united in pursuit of a common goal. The unified efforts of sub-ordinates lead to achieve organisational objectives. Co-ordination reduces in congruency between subordinates and superior, conflicts, disarrangements demand co-ordination of efforts to attain common goals. It is a process of integrating the activities of different employees and units. It is a job of seeing that tasks are performed in the proper sequence and at the proper time.

Co-ordination is defined by various writers in different ways as follows :-

1. According to **Stoner and Wankel**, “Co-ordination is the process of integrating the objectives and activities of the separate units of an organisation in order to realise the organisation’s goals efficiently.”

2. According to **William Glueck**, “Co-ordination is the set of human and structural mechanisms desired to link the parts the enterprise together to help achieve its objectives.

3. In the words of **Gray and Smeltzer**, “Co-ordination may be defined as getting the various parts of an organisation to work together towards common goals.”

4. According to **Theo Haimann**, “Co-ordination is the orderly synchronization of efforts of the sub-ordinates to provide the proper amount, timing and quality of execution, so that their unified efforts lead to the stated objective, namely, the common purpose of the enterprise.”

5. According to **D. E. Mcfarland**, “Co-ordination is the process where by an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose.”

6. According to **Koontz and O'Doneel**, "Co-ordination is the essence of management for the achievement of harmony of individual efforts towards the accomplishment of group goals."

### **3.2.2 Need of Co-ordination**

Co-ordination is the essence of management. It is an essential function, which increases the survival of the business organisation. Co-ordination is required whenever and wherever a group of persons work together to active common objections. Co-ordination is the management of interdependence in work situations. It is the orderly synchronisation or fitting together of the interdependent efforts of individual, in order to attain a common goal. For example, in a hospital, the activities of Doctors, Nurses, Ward-attendants, and lab-technicians must be properly synchronised if the patient is to receive good care. Similarly, in a modern business, which consists of a number of departments, such as production, purchase, finance, sales, stores, personnel etc. there need for all of them to properly time their interdependent activities and to efficiently reunite the sub-divided work. Henry Feyol cites co-ordinating as a distinct function. He says, "To co-ordinate is to harmonize all the activities of a concern. It is giving to the material and social, functional, organic whole such proportions as are suitable to enable it to play its part assuredly and economically."

Co-ordination becomes necessary because of the following reasons.

**1. Division of Labour :** In the large business organisation, when managers divide work in to specialised functions or departments, they, at the same time create a need for the co-ordination of these activities. Generally, the greater the division of labour, the greater the need for co-ordination. Co-ordination ensures proper synchronisation between activities of different units, avoids interruptions in operations due to reasons such as delay in the supply of material tools or vague directions or omissions, or wrong allocation of duties, and eliminates overlapping or duplication of work.

**2. Promotes human relations :** Well co-ordination results in sound human relationship. Co-ordination gives more much importance to human relations. It brings harmony of opinion, ideas and feelings. It increases mutual co-operation between the various employees. Urwick has said, “The main aim of co-ordination is a Psychological union and integration, not only of arrangements, but of will and enthusiasm.”

**3. Interdependence of Units :** In modern business, all the activities are interrelated between the various departments, then is greater interdependence so co-ordination is required in various departments. Thompson ‘points out that units can be linked in any of three ways, which includes pooled interdependence, sequential interdependence, and Reciprocal interdependence.

**4. Helps to active common goals :** Co-ordination is the process of integrating the objectives and activities of different departments of organisation which helps to achieve common goals efficiently. **James D. Mooney** has rightly said, “Co-ordination is an orderly arrangement of group efforts to provide unity of action in pursuit of a common purpose.” The process of co-ordination inevitably leads to attainment of common goals of the organisations.

**5. To Harmonise Conflicts :** There are different department in the business organisation and number of functions are divided between the various authorities and employees. In an organisation, conflict may arise between management and employees. Human nature is such that a person emphasises his own area of interest and does not want to get involved in the activities of others. Co-ordination resolves conflicts between management and workers, and inter-departmental conflicts. Co-ordination creates harmony in activities. Co-ordination avoids potential sources of conflict. Co-ordination helps to improve efficiency of operations avoiding overlapping offers, duplication of works and work at cross-purposes.

**6. Different Outlook :** Individuals often have different interests, different opinions and different ways to perform the work in the organisation. Even individual in the organisation has his own way of working and approach towards problems. Capacity, talent and speed of people differ widely. It becomes imperative to reconcile differences in approach, timing and efforts to secure unity of action. Co-ordination help to avoid the dispute between the various employees.

**7. Retention good personnel :** Co-ordination is an orderly arrangement of all employees efforts which is turn enhance job security and satisfaction. McFarland has said, “sound co-ordination has a significant effort on the development and retention of good personnel in the business. If job security and satisfaction is present, executives will tend to remain longer with the company. They will feel that they have a place in the organisation. The presence of co-ordination becomes part of their job experience and hence can form a very useful part of their training.”

**8. Advantages of Specialisation :** Division of work in specialised functions and departments leads to diversity and lack of uniformity. In various departments, specialists focus on their own works with little regards to other works. But the benefits of specialisation will be available only when the managers co-ordinate the specialized efforts into an integrated whole. Co-ordination is essential for getting the benefits of division of work.

**9. Key to other functions :** Co-ordination is also the key to other functions of management like planning, organisation, direction, motivation and control. Co-ordination creates harmony in various functions of managers. Co-ordination makes planning, organising, directing and controlling more easier and effective. In the words of **M. Banerjee**, “Co-ordination makes planning more purposeful, organisation more well-kint and control more regulative.”

**10. Unity of Direction :** There are many departments in the organisation. Each department performs different activities. Co-ordination

integrates the activities for achieving the common goals or objectives of the organisations. Co-ordination is helpful in resolving organisational conflicts and differences. Unity of direction and action is essential to attain the specified objectives. Proper co-ordination eliminates clash of command, poor direction and conflict of rights and duties co-ordination gives proper direction to all the departments of the organisation.

**11. Improves human relations :** Co-ordination gives much importance to human relations. The top level management co-ordinate the activities of middle level managers and develop good relations with them. Similarly, the middle level manager's co-ordinate the activities of Lower Level managers and develop the good relation with them. Also, the Lower Level manager's co-ordinate the activities of the workers and develop good relations with them. Thus, co-ordination, overall improves the relations in the organisation. Urwick has rightly said, "The aim of the co-ordination is a Psychological union and integration, not only of arrangements but of will and enthusiasm."

**12. Higher efficiency and economy :** Co-ordination helps to improve the efficiency of operations by avoiding overlapping efforts uncertainties and duplication of work. Integration and balancing of individual efforts provide a smooth and harmonious team work. McFarland points out, "The primary effect of adequate co-ordination is found in the efficiency of the business. It contributes to efficiency by blending the loose ends of highly specialized efforts." In such way co-ordination ensures efficiency and economy in the organisation, enterprise to ensure smooth working. It also helps in saving of time by bringing efficiency and economy to the enterprise.

**13. Promotes Employees Competence :** Co-ordination develops self-managed team and leadership-linking strategy with the individual employees knowledge by developing a knowledge pool. This helps an organisation to enhance the competence of their employees and ultimately make is possible for them to response to the competitive environment. Co-ordination builds

unity among managing and employees. It improves mutual understanding and creates trust upon each other, which helps to enhance the employee's competence.

**14. Establishing balance :** Co-ordination is important because it balances inequalities and restores teamwork. Co-ordination provides a balance between different activities, skills and resources. It also establishes balance between various sub-system like production, finance, sales research etc. It generates collective efforts and inter-departmental harmony. Through, co-ordination we enforce team-work in organisations. Team-work balances unequal factors and achieves organisational goals.

**15. To Facilitate Leadership :** There are number of functions in the business organisation in an different levels of management. The main function of a manager at different level of management is to control and motivate his sub-ordinates. So that, they may be dedicated to their responsibility. Co-ordination facilitates this task of the leader or manager. McFarland has rightly said, "In a well-coordinated business, Managers are properly performing one of their major business respect their leaders for doing their job. An uncoordinated organisation introduces stress which in turn generates uncertainties among group members. Decisions are delayed, errors are made. Success is minimized and a sense of accomplishment fades."

**16. Facilitates Management of Change :** There are some external factors such as social changes, government policies, competition, technological advances etc. which are directly and indirectly related to business. For effective working of business, managers are require to co-ordinate business functions with these external factors. Also the resistance from workers for effecting the change can be removed by co-ordinating the changes with workers : interests and benefits co-ordination leads to organisation more dynamic and competitive.

### 3.2.3 Techniques of Co-ordination

Co-ordination is a managerial function, managers are required to co-ordinate all the functions of various departments, which helps to achieve the final objectives of business. So co-ordination is a process of binding the activities of various departments and persons in the organisation so that the desired goal can be easily achieved. Management achieves its basic functions of planning, organising, staffing, directing and controlling through co-ordination. No functions of management can be efficiently performed unless the activities under the functions are co-ordinated. Most organisations have a wide variety of co-ordination problems and needs. Hence, a large number of co-ordination techniques have been developed. The following main techniques have to be adopted in practice as tools for securing better co-ordination in working of an organisation.

**1. Determination of Goals :** The first technique of co-ordination is well defined goals. The goals of organisation should be clear and well defined. Each individual in the organisation should understand the overall goals. When the goals are not well defined the co-ordination may not be effective. Well defined goals help to achieve co-ordination by ensuring that efforts of all individuals and departments are directed towards organisational goals. Terry has rightly said, "There must be a commonness of purpose in order to unity of efforts."

**2. Sound Planning :** The ideal time to bring about co-ordination is at the planning stage. The plans prepared by different individuals or divisions should be checked up to ensure that they all fit together into an integrated and balanced whole. Plans and goals provide direction for dealing with interdepartmental task problems. So co-ordination is made according to plans and policies of the organisation and departments when the plans and policies are not better designed, co-ordination is not effective in the organisation.

**3. Effective Communication :** A good communication system contributes effective co-ordination by promoting mutual understanding and co-operation among various individuals. The communication should be direct as far as possible to avoid any misunderstanding through misinterpretations. Well communication means smooth flow of orders and decisions from top level to bottom level and smooth flow of reports from bottom level to top level. James stoner has stated, “Communication is the effective key to effective co-ordination. Co-ordination is directly dependent upon the acquisition, transmission and processing of information.”

**4. Simplified Organisation :** A simple and sound organisation is an important means of co-ordination. Clear and definition helps to avoid disagreements. Good allocation of work, organisation principles, organisation charts and another, it helps to sub-divide the total task. Co-ordination can be achieved only when the authority and responsibility of each and every persons are clearly defined. In this connection, it was quoted by **J. O. Shaughnessy** as follows, “you cannot always bring together the results of department activities and expect to co-ordinate them. You must have an organisation which will permit inter-weaving all along the line.”

**5. Chain of Command :** The chain of command is one of the most important method of co-ordination. It is oldest as well as the simple device for achieving co-ordination. Authority is the supreme co-ordinating power in an organisation. A authority can issue orders and instructions to subordinates. He can solve intergroup conflicts. He brings together the different parts of an organisation and achieves a unity of action by his power. Chris Argyrols opines that this device makes individuals dependent upon and passive towards the leader.

**6. Committee :** A committee is a group of a person entrusted with functions collectively as a group. In order to co-ordinate the various activities, various types of committees may be appointed, committee provide the means for synchronizing various efforts. Committees develop better understanding and morale among the members. Dale suggests two kinds of committees

which may helpful to co-ordination. The first is the executive committee. It is permanently built into the organisations design. Some of ad hoc committees may be appointed from time to time for co-ordination purpose they are temporary and have specific objectives.

**7. Personal Contact :** Personal contact facilities the understanding of goals plans and tasks and information. It is the best mean of removing conflicts and controversies and its results in co-ordination. Manager using this device have direct relationships with peers, sub-ordinates and superiors. They maintain informed and person-to-person contacts. This is perhaps most effective means of achieving co-ordination.

**8. Executive and Staff Meetings :** The meetings and conferences provided to the staff is a platform for discussion and solution of various problems faced by the departments. Staff meetings are said to be an effective means of achieving co-ordination. At the time of meeting, authorities come in to personal contact with those connected with the actual problems. Some meetings are hold when some problems arise. Staff meeting help in solving the problems by getting information and ideas from every employees. Dimock says that, “Staff meetings can provide a forum in which friction points or areas of inadequate co-ordination are brought into the open.” Co-ordination can be achieved through regular meetings of authorities and subordinates. Problems are identified in meetings of conferences because the subordinates share their problems faced by them.

**9. Rules and Procedures :** The most simplistic method for achieving co-ordination is through rules and procedures. Routine and general problems are solved easily through rules and procedures. Rules and procedures guide the individual has he is to work. A manager must define what task his subordinate is to do and what rules and procedures are made for him. Rules and procedures provide a basis for standardization of activities and guidance for consistent actions. Rules and procedures thus provide effective guidance to achieve co-ordination.

**10. Effective Leadership :** A good co-ordination at every level can also be established through leadership. A good leader can easily co-ordinate all the activities of subordinates. Good leaders, by their personal skill and behaviour, maintain team-spirit and co-ordinated efforts among the employees. He is able to motivate, control and to encourage. Ordway lead states that top managers must assert their leadership role and that “without this nothing of co-coordinative value will occur.” McFarland writes, “The task of co-ordination is a human action task-something that the manager accomplishes by his personal activity and attitude. Thus, it is the duty of a leader to recognize and carry out his responsibilities for co-ordination.”

**11. Self Co-ordination :** Self co-ordination is the voluntary efforts of independent units or sub units of an organisation to achieve the harmonious performance of the respective responsibilities.

When every organisational unit appreciates the working of related units and modifies its own functioning to suit them. There is self-co-ordination. But self-coordination requires that individuals have sufficient knowledge of organisational goals; adequate information concerning the specific problem of co-ordination, and the motivation to do something on their own. Self co-ordination is possible in a climate of dedication and mutual co-operation. It results from mutual consultation and team-spirit among the members of the organisation.

**12. Liaison Department :** Where frequent contacts between different organisational unit is necessary, liaison officers may be appointed, which ensures co-ordination for instance, a liaison officer appointed for production and sales departments will create co-ordination between them and solve the problems of both departments. Producing manager and sales manager will be in touch with him. Special co-ordinates may be appointed in certain cases. For instance, a project co-ordinator is appointed to co-ordinate the activities of various functionaries in a project which is to be completed within a specified period of time.

**13. Co-operation :** Co-operation helps in acting co-ordination. Co-operation is voluntary actions of members to work collectively as a group. If all the members co-operative with each other, it will result of maintaining good relationship among the people in the organisation. It depends on sound policies and procedures without co-operation, co-ordination may not succeed because co-ordination is related to employees and their activities. The organisation achieves the voluntary co-operation of employees.

**14. Decision :** The group decision is a decision in which all members of the organisation are participated to make decisions. The ideas and feeling of all the members of organisations are mixed into the decision and co-ordination may succeed. McFarland has rightly remarked, “Managers must inevitably make some decisions for the purpose of co-ordination. They particularly for actions or decisions that are out of harmony with one another, for result that point to a lack of co-ordinated efforts, for sources of misunderstanding or conflict, and for necessary duplication of effort.”

**15. Incentives :** Incentives refer to something that encourages someone to do something. In the co-ordination may used to reduce the interest and to reduce conflicts. For instance, profit sharing is helpful in promoting team spirit and co-operation between employees and workers. Incentives can be attached with co-ordinated performance; these can promote better co-operation, collaborative functioning, mutuality of interest and group feeling which helps in co-ordination.

### **3.2.4 Controlling**

#### **3.2.4.1 Introduction :**

Controlling is an important function of management which all the managers are required to perform. In order to contribute towards achievement of organisational objectives a manager is required to exercise effective control over the activities of his subordinates. In other words, the meaning of

controlling function can be defined as ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that organisations resources are being used effectively and efficiently for the achievement of predetermined goals. The main object of control is to bring to light the variations between the standards set and performance and then to take necessary steps to prevent the occurrence of such variations in future. Controlling has a special role to play in management process. Strong and Smith have stated, "Theorists as well as practising executives agree that good management requires effective control. A combination of well-planned objectives, strong organisation, capable direction and motivation has little probability for success unless there exists an adequate system of control."

#### **3.2.4.2 Meaning of 'Control'**

Controlling is one of the managerial functions like planning, organizing, staffing and directing. It is an important function because it helps to check the errors and to take the corrective action., Which ensured desired results. The word control suggests the operations of checking, testing, regulation, verification, correction and adjustment. It is a process of taking the necessary corrective action so that organisational objectives are achieved. Hicks and Gullett say, "Controlling is the checking-up part of the manager's job." But it should be noted that it is a positive concept, it does not connote 'domination' or 'penalties'.

In other words, control consists of these activities which are necessary to ensure that performance take place in accordance with the targets laid down by the management. It also involves taking corrective actions in case the performance is not satisfactory.

According to modern concepts, control is a foreseeing action whereas an earlier concept of control was used only when errors were detected. Control in management means setting standards, measuring actual performance and taking corrective action.

### 3.2.4.3 Definitions

In the words of **Philip Kotler**,

“Control is the process of taking steps to bring actual results and desired results closer together.”

According to **E. F. L. Breech**,

“Control is the process of checking actual performance against the agreed standards or plans with a view to ensuring adequate progress or satisfactory performance.”

**Peter Drucker** defines controlling as,

“The management function that aims to keep activities directed in such a way that desired results are achieved. Monitoring of performance is the starting point of all control. In case performance deviates from what is expected, corrective action must be taken to get the process back on track.”

According to **Koontz of O'Donnell :-**

“Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans.”

In the words of **Henry Fayol**,

“Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established. It has for an object to point out weakness and errors in order to rectify and prevent recurrence. It operates on every things people and action.”

According to **George Terry :-**

“Controlling is determining what is being accomplished that is the performance evaluating and if necessary applying measures so that performance takes place according to plans.”

### **3.2.5 Control Process**

Controlling is the process by which management regulates the work activities according to designed plans, policies, procedures and programs so as to answer the accomplishment of organizational goals. Control guides organizational resources and people in directing reading to organisational goals. Control is the continuing process of setting standards, measuring and analysing deviations and taking the necessary corrective action. Control process has subparts, Regardless of the type or levels of control systems, any control process has four fundamental steps :-

- (1) Establishment of goals and standards.
- (2) Measurement of performance.
- (3) Comparing performance against standards.
- (4) Taking corrective action.

#### **[1] Establishment of goals and standards :-**

The first step in the control process is to establish goal, plan norm, standard or other yardsticks against which subsequent performance will be compared. Standards are the crating for judging results. Standards by themselves do not control but they are the criteria against which result can be measured. They should therefore, be stated clearly and precisely. They should be accurate, acceptable and practicable.

Standard must not be rigid rather these should be flexible. Flexibility is required due to the changes that may occur in corporate environment. Standard should be consistent, economic and understandable and it should be related to organisational goals. Standards are set on the basis of characteristics of the work because different types of work have different nature. Griffin states that a final aspect of establishing standards is to identify performance indicators. Performance indicators are measures of performance that provide

information that is directly relevant to what is being controlled. It is also important for the controlling manager to decide a range of tolerable deviation within which normal performance should lie. There are two types of standards first is quantitative standards and qualitative standards. They are explained as below.

**(A) Quantitative Standards :-**

In business where the performance can be measured in quantity, the standard should be fixed in numerical form. Thus the standards which are set in numerical form such as output, number of customers, material cost, sales revenue gross profit, net profit etc are called as quantitative standards. Quantitative standards have the following types.

**1. Physical Standard :** Physical standards are nonmonetary measurements and are common at the operating level, where materials are used, labour is employed, services are rendered, and goods are produced. They may reflect quantities such as labour hours per unit of output. Units of production per machine hour and so on.

**2. Revenue Standards :** Revenue standards arise from attaching monetary values to sales. They may include such standards as revenue per bus passenger-mile, average sales per customer and sales per capita in a given market area etc.

**3. Cost Standards :** Cost standards are monetary measurements and physical standards are common at the operating level. They attach monetary values to specific aspects of operation. Cost standard includes such as direct and indirect cost per unit produced, material cost per unit, sales cost per unit of sales etc.

**4. Time Standard :** When time is determined for particular function then it is called as time standard. It may include such as time of production per unit, and time of total unit product during a hour, a day, a month or one year etc.

**5. Capital Standard :** There are a variety of capital standards, all arising from the application of monetary measurements to physical items. Capital standards, such as the rate of return on capital invested, ratio of current assets to current liabilities etc.

**(B) Qualitative Standards :-**

This standard is called as intangible standard. More difficult to set are standard not expressed in either physical or monetary measurements. Qualitative standards deal with attitudes, behaviour, image, growth or relationship, competence of managers and employees etc.

**[2] Measurement of Performance :-**

The second major step in controlling is to measure the performance. Measurement of performance can be done by personal observation, as in the case of the subordinates being observed while they are engaged in work and by a study of various summaries of figures, reports, charts and statements etc. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms etc. measurement of intangible standards is very difficult as it can be expressed in attitude of the workers; behaviour, image, growth relationship competence etc. measurement of performance is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

According to **P.F. Drucker**, it is desirable to have a clear measurement in all the key areas of business. In his opinion, for measuring tangible and intangible performance, measurement must be;

- (i) Clear, simple and rational.
- (ii) Relevant.
- (iii) Direct attention and efforts, and

- (iv) Reliable, self-announcing, and understandable without complicated interpretation or philosophical discussion.

### **3. Comparing Performance Against Standards :-**

After standards are set and performance is measured accurately the next step is to compare them. In this step, managers are required to judge whether performance matches with the standards. If the performance matches with the standards, managers may assume that everything is under control, and if the matching does not take place, managers have to detect the causes of such deviations. The third step involves the following steps :

- (i) ***Finding the Extent of Deviation*** : If there is no deviation then the process of control is complete. If performance falls short of standards, managers must find out the extent of deviation. If minor deviation occurs for example, if stationary charges increase by a minor 5 to 10%. It can be called as a minor deviation, then it does not require much managerial attention but if major deviation takes place then it is necessary to take corrective actions by the manager.
- (ii) ***Causes of Deviation*** : After finding the extent of deviation, if major deviation takes place then manager has to find out the causes responsible for deviations. The causes can be,
  - (a) Erroneous planning.
  - (b) Defective implementation of plans,
  - (c) Careless operative performance,
  - (d) Co-ordination loosens.
  - (e) Ineffective supervision and communication etc.

### **4. Taking Corrective Action :-**

The final step is to take corrective actions if performance falls short of standards and the analysis indicates action is required. It is the most important

step in the process of control as this process is meaningless if corrective action is not taken. Taking appropriate corrective action is a basic condition for effective control. The manager must find the real cause before taking action. For this, a careful analysis is necessary. It requires managers analytic and diagnostic skills. After comparing performance against control standards, one of three actions can be taken –

- (a) ***Maintaining the status quo*** : When the performance is good and essentially matching with the standard, no action is needed. The corrective action may be to maintain status quo that is reinforcing successes.
- (b) ***Correct the deviation*** : When the performance deviates from standards the managers must take corrective action for effective control. Such corrective actions might include changes in strategy, structure, compensation policies, training programmes and the replacement of employees.
- (c) ***Revise the standard*** : Control can also reveal inappropriate standards that is set up too high or too low standard at the beginning, the corrective action card involve a change in the original standards rather than a change in performance. If the circumstances have changed, standard must be changed.

### **3.2.6 Limitations of Control**

Control systems are not free from Limitations control function as a component of management process which is controllable by the organisation. But, there are other factors which are not controllable by the organisation like government policies. Consumer behaviour, political unrest, market behaviour, changes in environment, change in technology etc. The uncountable factors may hamper the organisational efficiency if proper strategies are not adopted from time to time. Besides that, the nature of human is to resist and resent control efforts. The numbers of problems also hinder the effectiveness of control systems. These problems can be identified as under.

- (i) ***Difficulty is setting standards*** : Control system cannot effective without standards or norms. It is important to note that the setting of physical standards for productivity, employee work, wages, expenses, and materials is very easy. But the setting of standards for non-measurable work and activities such as employees morale, human behaviour, enthusiasm, satisfaction, sincerity, goodwill of the business etc. is very difficult task. Hence, these cannot be controlled in the absence of standards.
- (ii) ***No control on external factors*** : An enterprise cannot have the control on the eternal factors such as changing demands, fashion, consumer behaviour, competition, social changes, technological changes, government policies etc. managers can control only the internal factors like jobs, work relationships, materials, structure of organisation etc. When the enterprise faces these types of changes in external factors. Organisation must have taken into consideration. Organisation have no option but to agree with these.
- (iii) ***Difficulty in fixing responsibility*** : In many business organisation a particular work is performed by a number of employees due to the inter-related functional process. Any many cases, employees have joint performances. But in case of any mistake, it is not possible to fix particular responsibility on particular persons and the control becomes ineffective. Business function is a team work, number of functions are correlated to each other departments. In case of work completed by in team of employees. It is very different to fix the responsibility of particular employees which adversely affecting on control system.
- (iv) ***Workers Resistance*** : The effectiveness of control depends on the acceptance of their employees. Employees often resist control and as a result effectiveness of control reduces. Employees feel that, control reduces their freedom or curtails their rights. In that

situation, control loses its effectiveness. Employees generally avoid taking responsibility or they resist and go against the use of CC TV, Cameras, to observe them minutely.

- (v) **Costly Affair** : In order to implement the process of controlling a lot of money, time and efforts are required. A small enterprises cannot afford to have the expensive control system. Therefore, they are useful for only big organisation and for the small organisations they are simply a luxury. So managers are required to ensure that the cost involved in installing and operating a control system should not be more than the benefits expected from it.
- (vi) **Long-run results are unpredictable** : Stoner and freeman write that short run factors are overemphasised at the expense of long run factors. It is noted that long-term growth may not be given the attention they need by the control system. So it is very difficult to predict the long-term standards because of changing environment so long-run results are unpredictable.
- (vii) **Wrong Information** : When the information fed back to a control system is wrong, incorrect decisions are made. In the management, information system, the information presented at all levels of management by the various subordinates to top level management, some time may be wrong for example an inventory clerk makes an errors in counting, due to fear proposals presenting wrong information, at that time, decisions made for further through wrong information may be incorrect, which cannot be implemented in future.
- (viii) **Time Consuming** : Sometimes, control techniques proves time consuming and complex. It may delay results for example, Budgetary control. It may delay in showing effect of budgetary provisions, due to that there is limitations for taking corrective action-for future.

- (ix) ***Difficulties in Measurements*** : In the business some of the quantitative standards, measurement of quantitative standards is easy as it can be expressed in units, cost, money, terms, sales, gross profit, net profit etc. But measurement of qualitative standards is very difficult as it can be expressed in behaviour, competence, image, attitude, relationship etc. which reducing the effectiveness of control.
- (x) ***Limitation for Corrective Actions*** : In business, after comparing the actual performance with prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviation by the taking corrective action. But if the corrective findings are expensive if may be delay or such corrective findings are not accepted by the employees. As a result effectiveness of control reduces.
- (xi) ***Hurting Freedom*** : The success of control depends upon the acceptance of their employees. If the employees feel that, control reduces their freedom of function or curtails his rights and more restrictions are imposed upon them. They may resist to that change for example use of CC TV in business. In that situation control loses its effectiveness.

### **3.2.7 Principles of Effective Control**

Every successful business organisation must employ control systems. Which ensures that everything is going on properly and according to plans. There are number of essentials or requirements of adequate control. Which a manager must always keep in mind. The effective control system has certain common characteristics. The importance of these characteristics various with the situation. So effective control system is required by every manager so that all activities of an enterprise are done efficiently and the enterprise runs smoothly. In general, the effective control systems have the following characteristics.

**1. Understandable :** All the people working in an enterprise must understand what is the control system is, and what are the advantages of this system. If the control system cannot be understood by employees have no meaning. It would have adverse consequences on the employees and it may cause unnecessary mistakes, frustrate employees.

**2. Suitability :** The control system should be appropriate to the nature and needs of the activity. The techniques of control will vary with the size and type of the organisation. In other words, control should be tailored to fit the needs of the organisation. The control system should be prepared according to needs and activities of various departments in business and it should be focusing on achieving the organisational goals.

**3. Forward looking :** The control system must be directed towards the future. A good control system should take into account the possibilities of the recurrence of deviation. It should enable the manager to think ahead and plan for future. Control system should be designed not only to evaluate “after-the-fact” activities, but also to feed forward. A good control system needs to help regulate future events, rather than fix blame for post deviation.

**4. Flexible :** The control system should be flexible enough to be adjusted according to changes in needs and circumstances. Without a sufficient degree of flexibility, control will not be able to meet the requirements of new situations. **Theo Haimann** says, “A good control system must keep pace with the continuously changing pattern of a dynamic business world.” A rigid control system will always fail. Hence flexibility is necessary for a control system.

**5. Simplicity :** The control system must be very simple and easy to understand-complex control system leads to confusion in the minds of employees. Too elaborate and complicated controls are generally ineffective. The control system should be simple to administer a control system can work effectively when it is understood by all. So control system should not be complicated.

**6. Economical :** A control system must be economically justified. The benefit derived from a control system should be more than the cost involved in implementing it. In other words, anticipated earnings from it should be greater than the expected costs in its working. A small organisation cannot use the expensive control techniques applied in large enterprises. The control system must be economically feasible and reasonable to operate.

**7. Acceptability :** The control system should be acceptable to subordinates and employees of the business organisation. Managerial controls will be a waste of effort unless they induce people to change their behaviour. When standards are set unilaterally by upper level managers, there is a danger that the employees will regard these standards as unreasonable or unrealistic. **David Holt** says, “In control, standards must be attainable, and the methods used to evaluate performance should foster harmony, not cynicism.”

**8. Accurate :** Accuracy in control system is vital as it provides the basis for future actions. Good decisions made on faulty data solve nothing. Hence, information must be accurate and must be based on correct analysis. Effective control system provides factual information that's useful, reliable, valid and consistent. Accurate data and information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems.

**9. Promptness / Timeliness :** There are many problems that require immediate attention. If the information about such problem does not reach management in a timely manner, then such information becomes useless and damage may occur. To get the corrective actions in proper time the information must also be in proper time. The outdated information and outdated controlling are like out-dated medicines which cannot give positive results.

**10. Suggestive of corrective action :** A good control system should be able to take proper corrective actions to avoid the gap between standard and actual performance. It helps to improve future performance. Only finding

deviations in the performance of activities and finding causes of deviation is not the function of controlling. An effective control system not only checks and identifies deviation. It helps in programming the solutions and correcting such deviation.

**11. Motivation :** A control system is most effective when it motivates employees to high performance, it should be designed to secure positive action from the workers. Which leads to employee accept challenges of work. Controlling is based on the performance of workers. A good system of controlling should be employee centered rather than work centred. A good control system should pay more attention to the human factor. The purpose of control should be to prevent mistakes and not to punish until necessary.

**12. Reflection of Organisation Pattern :** Control system must reflect the organisation pattern. As things are controlled by controlling human behaviour, the control system should conform to the basic structure of the organisation. The control process should be acceptable on the psychological front. Organisation is not only a structure of duties and functions, it is also an important vehicle of control. Hence control system should reflect the efficiency and effectiveness of the organisation.

**13. Control by Exception :** A good control system should work on the expectation. Principle, So that only important deviations are brought to the attention of management. In other words, the manager need not bother about activities which are in accordance with plans but should concentrate on these where there are deviations. Thus control system should provide information for critical point control and control on exception.

**14. Related to Decision Centres :** Controls should be related to “decision centres” that are accountable for performance. Hicks and Gullett suggest, “Whatever and wherever the decision centres, a manager must have appropriate control information so that corrective action can be taken when necessary.” Control system and decision centre are correlated. Hence the controls should be decision centre oriented.

**15. Periodic Review :** Every control system should be periodically revealed and evaluated in relation to its objectives to see how effective and efficient the decision proved to be or why it failed. Hence control must be updated. Terry says, “Controlling should be subjected to controlling.” A periodic review of controls should be made do guarantee their applicability.

### **3.2.8 Techniques of Control**

Control techniques provide managers with the type and amount of information which is required to measure and monitor performance. The information from various control techniques must be tailored to a specific management level, department, unit or operation. Organisations have been using variety of tools and techniques over the years to control the activities. Managers use a series of control methods and systems deal with different problems and elements of their organisation. These control systems are, however, interrelated sufficiently to allow managers to coordinate the organisations activities and to keep them focussed on the organisations major objectives.

Management is an art as well as a science. So, management and its functions keep evolving to stay up with the times. Controlling functions of management also advances with passing time. So let us learn the traditional and modern techniques of managerial control.

#### **3.2.8.1 Traditional Techniques of Control**

These techniques are called as post-oriented control techniques. It is also called as post-action control. These techniques measure the results after the work is completed. It is post-mortem. Examples of such controls are not accounting records, inspection of goods and services and school grade reports. These controls can be used to plan future steps before repeating the some operation. Traditional techniques refer to the techniques that have been used by business organisation for longer period of time and are still in use. These includes :-

- (a) Budgetary Control.
- (b) Production Control.
- (c) Cost Control.
- (d) Financial Control.
- (e) Inventory Control.
- (f) Quality Control.
- (g) Statistical Control.
- (h) Audit.
- (i) Reporting.
- (j) Personal Observation.

**(a) Budgetary Control :** Budgets are a widely used techniques of managerial control. Budgets are plans in numerical form. They can provide an effective means of controlling operations. The I.C.M.A. terminology defines a budget as “A plan qualified in monetary terms prepared and approved, prior to a defined period of time, usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective.” A budget is that agreed plan for future action. It is quantitative expression of a plan of action prepared in advance.

A budget is a statement of anticipated results expressed in numerical (physical or financial) terms for a specific period of time in future. It is an estimate of expected future results and requirements. The term ‘Budget’ is define as, “A budget is a formed statement of estimated income and expenses base based on future plans and objectives.”

Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any Budgetary control involves the use of budgets

to plan, co-ordinate and control day-to-day operations of business in accordance with the overall objectives of business. The term Budgetary control defined as.

According to **Walter W. Bigg**, “The term budgetary control is applied to a system of management and accounting control by which all operations and output are forecast as far ahead as possible and the actual results. When, known, are compared with the budget estimates.”

**(b) Production Control :** Controlling costs is one of the primary duties of any business manager. Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with budgeting process. A business owner compares actual results with the budgeted expectations, and if actual costs are higher than planned, management take action. Cost control is an important factor for maintaining and growing profitability. Control through costing means controlling the various direct and indirect cost by comparing them with standard cost. The standard costs are fixed on the basis of past record. If major deviations are takes place in actual cost incurred and standard cost, then corrective steps are taken so those in future costs are under the control of management. In other onwards cost control is exercised through setting standards or norms or targets and comparing actual performance there with a view to ascertaining derivations from set targets or norms or standards and taking corrective action to ensure that future performance conforms to the set standards or norms or targets.

For an effective system of cost control, there should be effective budgetary control and there should be proper setting of standards. Budget and standard should be fixed with realism.

In every business organisation, cost of production determines the profit of an organisation. Thus control over the cost means higher profit for an organisation.

**(c) Cost Control :** All organisations irrespective of size, use of protection control to some degree. In small organisations, the production control may be performed by one person, but in large organisation the production control department is normally well-organised and highly specialised production control ensures regular and smooth flow of material and co-ordinates different manufacturing operations through the methods of programming, ordering, dispatching, progressing and inventory control. Production control aims at achieving production targets, optimum use of available resources, increased profits through productivity, better and more economic goods and services etc. An effective production control system requires reliable information, sound organisation structure, a high degree of standardization and trained personal for its successful operation.

Production control may be defined as “The process of planning-production in advance of operations, establishing the exact route of each individual item, point of assembly. Setting and finishing dates for each important item, assembly and the finished products, and releasing the necessary orders as well as initialling the required follow-up to effectuate the smooth functioning of the enterprises.”

Through the medium of production control, company understand the difference between the standard and actual results. It make it clear whether the work is performed accounting to plan. If it deviates, corrective measuring can be done. Effective production control also maintains working inventories at a minimum, making possible a real saving in both labour and material investment. Thus good production control helps a company operate and produce more efficiently and achieve lowest possible costs.

**(d) Financial Control :** An organisation will have certain objectives to achieve. A finance manager has to plan the things according to organisational objectives. After planning the finance manager has to implement the plans but sometimes these proposed plans need to changed with the changing circumstances. Thus a finance manager has to use the financial control techniques which involve the monitoring of the

implementation plans, and has to take necessary actions wherever the implemented plans deviate from the actual plans further, these controlling techniques help in appraising the performance of various departmental heads. Financial control is control of financial resources as inflow, outflow and hold by organisations. This type of control method helps managers in acquiring, allocations and evaluating the use of financial resource, such as, cash, accounts receivable, accounts payable, inventories and long term debts. These methods also enable managers to achieve acceptable liquidity, solvency and profitability standards.

**Definition :** “Financial control may be construed as the analysis of a company’s actual results, approached from different perspectives at different times, compared to its short, medium and long term objectives and business plans.”

The important financial control techniques include common size statements. Trend ratios, funds flow analysis, cash flow analysis, Ratio analysis working capital management. Capital structures, capital budgeting break even analysis, return on investment technique etc.

**(e) Inventory Control :** Inventories occupy the most prominent position in the working capital structure of manufacturing and distributive business enterprises. Understanding and properly managing inventory is essential to the growth and prosperity of any business. Inventory control is a science-based, art of ensuring that sufficient inventory is held by an organisation to meet both its internal and external demand commitments economically. Gopalan and Sandhilya are opinion that uncontrolled inventory can become an organisation's cancer. Managing the level of investment in inventory is very important for growth and development of business.

**Definition :** According to the **Merriam**, “Webster dictionary “inventory control can be defined as the “coordination and supervision of the supply, storage, distribution and recording of materials to maintain quantities adequate for current customer needs without excessive supply or loss.”

Some of the most important techniques of inventers control system are as below :-

- 1) Setting up of various stock levels.
- 2) Preparation of inventory budgets.
- 3) Maintaining perpetual inventory system.
- 4) Establishing proper purchasing procedure.
- 5) Inventory turnover ratios and
- 6) A B C analysis.

**(f) Quality Control Technique :** Quality of product and services determines success or failure of the organisation. Consumers expect the company to maintain high level of quality and consider or services is ensuring of proper designing process is followed. Quality control is a process through which a business seeks to ensure that produce qualifier is maintained or improved with either reduced or zero errors. Quality control is a process by which entities review the quality of all factors involved in production. ISO 9000 defines quality control as “A part of quality management focussed on fulfilling quality requirements.”

The term quality control as the defined as,

According to **Juran** “Quality control is the regularly process through which we measures actual quality performance, compare it will standards, and act on the difference.”

Quality control ensures that defects and errors are prevented and finally removed from the process or product. Therefore quality control should be include, planning, designing, implementations, gaps identification and impression.

**(g) Statistical Control :** Statistical quality controls refers to the use of statistical method in the monitoring and maintaining of the quality of products and services. Statistical quality control (SQC) is the term used to

describe the set of statistical tools used by quality professionals. SQC is used to analyse the quality problems and solve them. This helps to ensure that the process operates efficiently, producing more specification, conforming products with less waste. SQC techniques are being mostly used for managerial control, statistic data presented in the form of charts, groups and diagrams helps in easy and quick understanding of the problems. Statistical analysis of the various aspects of an operation and the clear presentation of statistical data in the form of averages, percentages, ratios, correlation, etc are important for managerial control. SQC techniques are often used in control areas such as production planning, inventory control, quality control, process control etc.

**(h) Audit :** Internal audits are a key management control activity that ensures the internal business process are consistent. It also enables the organisation to identify gaps in business process as well as opportunities for improvement. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing is an examination of how well an organisation is functioning. It involves a careful look at operations compared with plans. It is concerned with finding out the effectiveness of management's policies. This Haimann says, "It is a type of control which functions by measuring and evaluating the effectiveness of other types of control." Internal audit is a regular appraisal of the operations and accounts of an enterprise by its own staff. It helps in the appraisal of plans and methods of work in comparison with operations. It is an effective technique of managerial control.

**(i) Reporting :** The analysis of 'statistical reports' is a very important tool of control. Statistical analysis in the form of percentage, ratios, averages etc. in different areas provides useful information regarding performance of an organisation to its management. The statistical reports are analytical documents in the form of tables, charts, graphs etc. They provide factual data and the trends which are useful for managerial control. These reports reveal

whether the prescribed policies are being implemented or not. Information presented in statistical reports helps the management for taking decisions with regards to performance of the subordinates employees and direct corrective measures for immediate implementation.

**(j) Personal Observation :** Personal observation is the most effective method of checking the performance of subordinates. The manager or a supervisor can periodically observe his subordinates, their work methods and their results. So many problems are solved during supervision. The supervisor gets first hand information, and he has better understanding with the workers. This technique is most suitable for small sized business. This system of control is also time-consuming. Besides there may be the influence of personal bias of the observer which may affect the evaluation. However, personal observation may have a negative impact in some cases. The self motivated employees do not like to be closely supervised.

### **3.2.8.2 Modern Techniques of Control**

Modern techniques are those techniques which are very new in management world. Modern techniques of controlling are those which are of recent origin and are comparatively new in management literature. These techniques provide various new aspect for controlling the activities of an organisation. This new technique involves an integrated approach towards the planning and control functions. These are the techniques which are generally preferred by the large scale business in this modern era. Some of the modern techniques of managerial control are given below.

**(a) Programme Evaluation and Review Techniques (PERT) :** PERT is a time-event network analysis technique designed to watch how the parts of a programme fit together during the passage of time and events. PERT was first developed by the special projects office of the U.S. Navy in 1958. It involves basic network technique which includes planning, mentioning and controlling of projects PERT is an integrated management system designed to provide information of scheduling and costing of a project.

PERT is a statistical tool used in project management, which was designed to analyze and represent the tasks involved in completing a given project. PERT is a method to evaluate and estimate the time required to complete a task within deadlines. PERT serves as a management tool to analyze, define and integrate events. PERT also illustrates the activities and interdependencies in a project. The main goal of PERT is to reduce the cost and time needed to complete a project.

The following steps are to be taken to apply network techniques in project management.

1. Identification of Activities.
2. Sequential Arrangement of Activities.
3. Construct a network diagram.
4. Estimate the time required for each activity.
5. Determine the critical path.
6. Update the PERT chart as the project progresses.

PERT has certain limitations. PERT is not useful for routine planning of recurring events. It is time consuming and expensive technique. PERT is not suitable when a programme is nebulous and a reasonable estimate of time schedule is not possible.

**(b) Critical Path Method (CPM) :** Critical Path Method (CPM) is the most versatile planning and control technique used in business. It was developed by the engineers of DuPont Company, USA and was first used in missile defence construction projects. Since that time, the CPM has been adapted to other fields including hardware and software product research and development. CPM technique is applied in those projects where the duration of every activity to be constant or well-known.

In applying the CPM, there are several steps that can be summarized as follows :-

1. Define the required tasks and plot-them down in an ordered list.
2. Create a flow chart or other diagram showing each task in relation to the others.
3. Identify the critical and non-critical relationships (paths) among tasks.
4. Determine the expected completion or execution time for each task.
5. Locate or devise alternatives for the most critical paths.

The CPM technique has some limitations. CPM is not suitable for relatively simple and repetitive process such as assembly line work which are fixed sequence jobs. CPM time estimates are not based on statistical analysis.

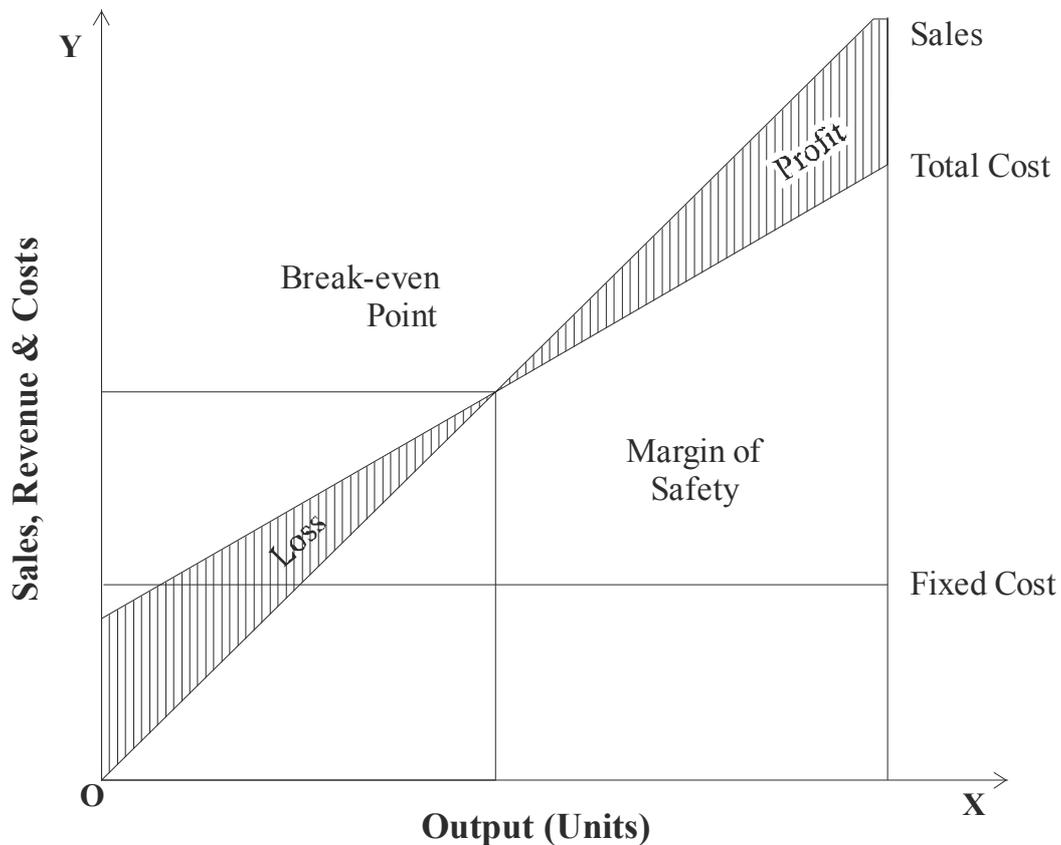
**(c) Break-Even Analysis Techniques :** A break-even analysis is a financial tool which helps you to determine at what stage your company, or a new service or a product, will be profitable. In other words, it's a financial calculation for determining the number of products or services a company should sell to cover its cost. Break-even analysis is a point at which the cost and revenue of the firm are exactly equal. It means at break-even point a firm neither earns profit nor incurs a loss.

Break-even point is defined as that volume of sale at which revenue exactly equals total cost. Mathematically, relationship can be expressed as :

$$\text{Break – even Point} = \frac{\text{Fixed Cost}}{\text{Contribution Per Unit}}$$

Contribution = Sale price per unit – variable cost per unit.

Break-even point can also be calculated graphically by break-even chart.



**(d) Zero Based Budget Techniques :** Zero-based budgeting is a method of budgeting in which all expenses for each new period must be justified. Under zero-based budgeting, no reference was or considered of previous years. Developed by Peter Pyrrh in the 1970s, zero-based budgeting starts from a 'Zero-base' at the beginning of every budget period.

Zero-based budgeting can defined as “Zero-based budgeting is the method of developing a budget from scratch, or “zero-based by examining every cost and expenses to see if they are essential to the company’s operations without regard to prior years activities.”

There are a few different steps in zero-based budgeting to keep in mind. The process of zero-based budgeting follows the same basic steps.

1. Indentify business goals.

2. Develop and analyze new way to achieve goals.
3. Discover new ways to fund business processes.
4. Prioritize funds.

**(e) Management Information System (MIS) :** a management information system is an information system used for decision making, and for the co-ordination, control, analysis and visualization of information in an organisation, especially in a company. Management Information System (MIS) is a computer based information system which provides accurate, timely and up-to-date information to the managers for taking various managerial decisions. Thus, it is an important communication tool as well as an important control technique. There are two types in MTS. First is, money event operating system, which meeting the information need of lower and middle level management generally relating to operations of business and second is management reporting system which supplies information to top level management for decision making.

### **3.3 Summary**

Co-ordination is continuous process where different persons are united in pursuit of a common goal. Co-ordination is required whenever and wherever a group of persons work together to active common objection. Co-ordination is the management of interdependence in work situations. Manager requires to co-ordinate all the function of manager requires to co-ordinate all the functions of various department. Co-ordination gives much importance to human relations. Co-ordinations helps to resolve organisational conflicts and differences. Unity of directions and action is essential to attain the specified objectives. Proper co-ordination eliminates clash of command, poor direction and conflict

of rights and duties co-ordination gives proper direction to all the departments of the organisation.

The manager needs to verify whether everything is going on according to predetermined plans. Control process includes Establishment of performance standards, measurement of Actual performance. Comparison of Actual performance with standards. Analysis of Deviation, Taking corrective Action. A number of control Techniques have been developed one time. Some control techniques are simple while some others are complex. Some are traditional in use while some others have evolved in modern times due to growing scale and complexities of business activities.

### 3.4 Key Words

1. **Co-ordination** : The process of integrating the objectives and activities of the separate units in order to realise goals efficiently.
2. **Controlling** : Measuring and bridging up the gap between expected performance and actual performance.

### 3.5 Check Your Progress

1. Co-ordination is the ..... of management.
2. .... is the process of integrating the objectives, and activities of different departments.
3. Controlling is regarded as the function of management.
4. There are ..... and ..... techniques of control.
5. Taking ..... is the last step in control process.

### **3.6 Answers to Check Your Progress**

1. essence.
2. Co-ordination.
3. last
4. traditional and modern.
5. corrective action.

### **3.7 Exercise**

#### **[A] Short Answer Type Questions.**

1. Explain in brief need of co-ordination.
2. Explain in brief the control process.
3. Explain PERT and CPM.
4. What is Break-Even Analysis.
5. What is Zero Based Budget.

#### **[B] Long Answer Type Questions.**

1. Explain the need of Co-ordination.
2. State the Techniques of Co-ordination.
3. Explain the process of controlling.
4. Explain the techniques of controlling.

#### **[C] Short Notes.**

1. Co-ordination : Concept.
2. Need of co-ordination.

3. Traditional Techniques of controlling.
4. Modern Techniques of controlling.
5. PERT and CPM.

### **3.8 Books for Further Study**

1. **J. P. Mahajan** : *“Management Theory and Practice”*, Vikas Publishing Houses Private Ltd. New Delhi.
2. **C. B. Gupta** : *“Organisation and Management”*.
3. **L. M. Prasad** : *“Principles and Practice of Management”*.
4. **M. C. Shukla** : *“Business Organisation and Management”*.
5. **Tripathi and Reddy** : *“Principles of Management”*.



## Unit - 4

# Emerging Issues in Management

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## **4.0 Objectives**

After studying this unit, you should be able to :

1. Describe the details of the Social and Ethical Issues in Management.
2. Understand the concept of Social Responsibility and meaning of Corporate Social Responsibility with its importance.
3. Study the concept of green management.
4. Explain the management of change and need for change.
5. Discuss on Kurtz Lewins's Three Stages of Planned Change.
6. Understand resistance to Change.
7. Explain the reason to overcoming resistance to change.

## **4.1 Introduction**

In this rapid changing 21<sup>st</sup> century, the concept of management is become wider, dynamic and universal. The management is playing essential role in the various sector of human life. It has its place not only business organization, but also in charitable trust, financial institution, religious bodies, health-hospitals, hostels, travel-transport, military, political, socio-economical sectors etc. In fact the management gives valuable contribution in any individual and organizational activities for determination and fulfilment of its objectives. It means management becomes indispensable for planning, organizing, directing, coordinating and controlling the group of efforts to achieve the common objectives. Therefore the great management expert Peter Drucker said; "Management is a dynamic life giving element in every organization. Without it, the resources of production remain resources and never become production". It has viewed broadly as a human activity is universal and parallels the history of man. Wherever human life exists and

efforts must be expended to satisfy wants, some form of management is necessary to obtain and to prepare the resources needed for human survival. According to Koontz and O'Donnell, said 'Management involves the creation and maintenance of an internal environment in the organizations where individuals working together in groups, can perform efficiently and effectively towards to attainment of goals.'

Though, the concept of management is significance and common to all activities involving efficient use of scarce resource, but, in the present era of hyper competitive global business environment, rapid changes in technology, changes in business practices, flexible need of customers, and increasing social responsibilities of business organization, lead to increase the opportunities as well as challenges before the management. So, in order the face the various socio-economical and ethical issues, the job of managing has become more complicated and challengeable. In this context, the present unit deals with the understanding emerging issues in management, including socio-ethical issues, corporate social responsibilities, green management, management of change and its needs.

## **4.2 Subject Matter**

### **4.2.1 Social and Ethical Issues in Management**

Management is an engine for overall development of every country. It helps for building human capital which breeds, drives and sets technological innovation and economic growth. The significance of management has increased, due to increasing awareness of the importance of the human element. As 'Appley' observes- "*Management is the development of people and not the direction of things.*" Hence, the management is recognized as a profession as well as interdisciplinary branch of knowledge. Indeed, we cannot develop an under-developed country with under-developed management science. So today, management is considered not only as an inborn ability but also as an acquired ability. The business stake holders like

investor, customer, supplier, employees, government and society at large have to handle carefully and ethically by the management.

New millennium has brought a tremendous amount of curiosity and desire for change in every walk of life. In the present changing socio-economic and ethical environment of the world, the traditional management culture has altered beyond recognition. The management today is called upon to adjust and contribute in a socially useful way in this globalized changed scenario. They are not only required to be efficient in the discharge of their duties and responsibilities but also effective and professional in solving social problems. The success of business organization is depends on the social responses. The management is not only concern to business organization, but it is essential to handle internal and external environment effectively. Because the success of business organization is depends on the contribution of social welfare and its ethics. So the effective management lies in anticipating future challenges and devising suitable strategies to convert problem into opportunities. Thus, management must continuously monitor the change in the environment and make long term planning to deal with those changes.

In fact, today's global economy is transforming to knowledge economy. The utilization of resources is being shifted from current capital resources to strategic resources in the form of information, knowledge, creative thinking and innovation. Similarly modern organizations are expected to contribute to the quality of life rather than merely making profit for shareholders. With change in science, technology and communication, the whole world become one family, increase in type and size of business, change in the organization structure and customer demands, keen market competition, unstable government policies, scarce of resources etc., are the causes to become functioning of management more complicated and critical.

Moreover, the present environment is more acute than ever. An environment is turbulent having far reaching effects on organization and their management. The various factors of environment like, social, economical,

cultural, political, ethical, legal etc., are affected on management, positively or negatively. For instance, economic liberalization in India is exposing our companies to increasing competition from foreign firm. On the contrary, the impact of management on these factors positively or negatively. Hence, it creates different opportunities as well as challenges before management.

There are many new ways to do business, but with the changing environment and growth of business organization, creates new challenges and emerging issues before management. The social and ethical issues in management are given as under :-

1. Organizational and systematic governance, with transparency in all transaction of business.
2. Secure and good rate of return on investment of investor.
3. Proper information of financial transaction.
4. Develop trust and loyalty among shareholder.
5. Discrimination in the employment practices.
6. Frequent employee performance reviews to ensure quality of product.
7. Awareness of customer satisfaction with their product or service.
8. Opposite approach between management and labour union.
9. Support of political aspirants.
10. Community conscious management or Support of charitable causes.
11. Provide support to educational institutions.
12. Marketing anti-social product / harmful product to customer health.
13. Exporting of products to unfriendly countries.
14. Violation of Government law and order.

15. Unethical and anti-social practices.
16. Adopt technical innovation and modernization.
17. Constant level of employees' enthusiasm with training opportunity.
18. Employee disputes, gossip, jealousy and poor time management.
19. Changing social promotion practices and sustainable development.
20. Prescriptive approaches of organizations' responsibilities to stakeholders.
21. Global competition without any barrier in export and import business.
22. Diversified workforce in terms of ethnicity, gender, nationality, age group, etc.

In addition to above socio-economical and ethical issues in management, there are again some vibrant issues before the management of every organization such as, resource utilization, innovation, wealth creation, income generation and regional balance, eradication of poverty, hunger and malnourished, gender inequality, provision of needful education and health, child labour, rehabilitation of orphaned, nurture of senior citizen, environment conservation, preservation of national heritage, development of socio-economic deprived group, minority and women development, protection of widowers and dependents, orientation to rural and illiterate people, natural and man-made disaster management etc. These issues are posing great challenges and opportunities before modern management.

### **Managerial Ethics :-**

Business ethics is now the word of the day, anywhere in the world; modern business is characterized by unethical practices. Some of the business organization established, run and develop by unethical practices through their

management. Due to unethical practice of some business houses, all business world is blamed. However, they come to know that, such unethical practices are not suitable for long term objectives and social well being. The competitive advantage is the main source of business ethics. Unfortunately the climate in some businesses does not encourage people to think through the ethical consequences of business decisions. Therefore the essence of managerial ethics becomes stronger for overall development of business and society at large.

The word 'Ethics' is derived from the Greek word 'ethos' which means, a person's fundamental orientation towards life. It is study of what is right or good to human conduct or it is science of ideal involved in human life. Business ethics deals with certain moral principles that can tell us whether a particular business concern is run in a morally right or wrong way. In other word, it is concerned with the application of ethical standard and values to business. Whereas the managerial ethics deals with situation to create a deeper understanding of what is good and bad, what is moral and immoral or what actions are right or wrong to the operation of business by its people. In short, managerial ethics refers to the moral standards used to govern managers' behaviour and to determine right or wrong, good or bad. Thus, ethics is to follow social code of conduct, social norms, values and attitude. It is essential for the cultivation of social values. The decisions made by managers have a broad reach both inside and outside the organization. They must follow ethical norms and consider social responsibilities. Business ethics teach the manager as how to run business on ethical lines. However, many experts expressed that, some of manager fail to apply the ethical values and principles in business due to different ethical issues are inevitable in business world. Some of them are as under :-

1. Forced and Bonded Child Labour.
2. Discrimination in work, gender, age, caste, racial etc.
3. Information manipulation .

4. Sexual harassment at workplace.
5. Environmental apathy.
6. Anti competitive behaviour .
7. Disclosure organizational secrecy.
8. Unfair employees remuneration.
9. Opportunistic exploitation.
10. Substandard working conditions.
11. Corruption and bribes.
12. Unfair advertisement and trade practices.
13. Fraud and theft.
14. Flashy and misled financial analysis.

#### **4.2.2 Concept of Social Responsibility**

The concept of social responsibility is not new. It has defined in different ways. Some people define as the obligation to consider the interest of society while performing its economic activities. Others defined it as the philanthropic and charitable activities to promote education, health, employment, rural development and other social causes. In fact Social responsibility is understood as the obligation of decision makers to take actions which project and improve the welfare of the society as a whole along with their own interests. It means, social responsibility implies responsibility to society beyond the basic economic responsibility of efficiency and profitability. Every decision taken by the businessman, and implementation, of such decision will have social implications. The decisions like diversification, expansion, opening of a new branch, closure of an existing branch, replacement of men and of machines will have their influence on the society one way or the other. Whether the issue is significant or not, the businessman should keep his social obligation in mind before contemplating any action.

Earning of profit is perhaps the main motive of any business. But it alone cannot be the sole objective of the business. Business is carried on, not by machines but by human beings. However much we boast of machine culture, an element of human is always present. Hence, a businessman cannot strictly adhere to only one objective of earning maximum profit. With the introduction of different types of organization, cooperative societies, institutions, consumerism, labor unions etc., any business firm has to build up activities which provide for the welfare of the society. So, the social responsibility transcends legal obligation and it is a voluntary basis for the genuine benefit of the society.

In the words of Peter Drucker, *“Social responsibility requires managers to consider whether their action is likely to promote the public goal, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony.”*

Koontz and O’Donnell have defined social responsibilities *“as the personal obligation of everyone, as he acts in his own interest, to assure that the rights and legitimate interests of all others are not impinged.”*

According to ‘Kith Devis’ says *“Social Responsibilities refers to the businessman’s decisions and actions taken to reasons at least partially beyond the firm’s direct economic and technical interest.”*

It is broader definition of social responsibilities and prescribes actions not related to the interests of the organization. Similarly, as per Kenith Andrews expressed, *“Social responsibility mean the intelligent and objectives concern for the welfare of society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the latter may be defined.”*

As per, Adolfe Berle has defined *“Social responsibility as the management’s responsiveness to public consensus.”*

Thus, from the above definition clears that, social responsibility means obligation of business organizations towards society, community, people, share holders, investor, supplier etc. To provide quality product at affordable price, to develop more employment opportunities, to carry out different development activities in society, to control pollution are some social responsibilities of business organizations. These activities which provide for the welfare of the society along with the economic activities or earning of profit for the firm are termed as social responsibility.

### **4.2.3 Corporate Social Responsibility**

The overall socio-economic development and sustainability cannot be accomplished in any developing or backward countries unless they have reduce the rate of illiteracy, eradicate hunger and poverty, promoting health and hygiene, protection of national heritage, gender equality and ensuring ecological balance. In this context, the world today expects the business to be more responsive to the requirements of the society. While formulating business policies and programmes the planners are expected to consider the social responsibilities cast on individual organization. They are required to include social obligation as part of their corporate plans and work towards achieving social objectives along with business objectives of maximising wealth for the organization. Hence, in this changing glocalize scenario, every company need to prepare two balance sheets, one is financial balance sheet, which help to know the financial position of business and second is social welfare balance sheet, which is used to confirmed social performance helps firms to build a positive reputation and goodwill with their external stakeholders. According to Maslow's say "*Merely earning profit is not sole objectives of business, any more than eating is the objectives of living.*" Therefore in addition to earning profit, the provision of social welfare is an emerging need of any company. Due to business exists because the societies allow existing. Thus, Corporate Social Responsibility (CSR) is changing and wider concept.

#### 4.2.3.1 Meaning of Corporate Social Responsibility :-

Although, the roots of Corporate Social Responsibilities (CSR) lie in philanthropic activities (such as donations, charity, relief work etc.) of corporations, globally the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, strategic philanthropy, shared values, corporate sustainability and business responsibility. CSR is the responsibility of the corporate sector to contribute to some activities that increase social welfare. CSR is a gesture of showing the company's concern and commitment towards society's sustainability and development. It is an ethical behaviour of a company towards society. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities and others. Some of the definition given as under :

**According to H. R. Bowen,** *“Corporate Social Responsibility refers to the obligation of businessmen to pursue those policies, to make those decisions or to follow those lines of actions which are desirable in terms of the objectives and value of our society.”*

**According to the United States,** Research and Policy Committee defines, Corporate Social Responsibility refers to *“Private business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of the society.”* (Webb, Ch. 28)

An analysis of the above definitions of CSR reveals that, any business organization is a part and parcel of society. The objectives of business organization are not to earn profit, but it deals to the welfare of the society. It is clear that, the CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impact of businesses. It is need to address the well being of all stakeholders and not just the company's shareholders. Thus, it is the continuing commitment by the company to behave ethically and contribute to socio-economic development

while improving the quality of life of the workforce and their families as well as of the local community and society at large.

CSR is a type of community investment and a process of creating social capital. Social capital is the sum of social good relations that a society generates in the course of its development. The proper CSR will create and enhance the social capital and social relations. Building a society which provides equal access to opportunities negates disparities and is a collective responsibility. In order to encourage more entities in the process of social development the Government of India has initiated concept of CSR in the new Companies Act 2013. It actually implemented from 1<sup>st</sup> April, 2014, every company (private or public), which either has a net worth of Rs 500 Crore or a turnover of Rs 1,000 Crore or net profit of Rs 5 Crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. It is the ideal practice to retain the community core values. It is the way through which a company can achieves a balance of economic, environmental and social imperative, known as Triple Bottom Line (People, planet and profit) approach. **'People'** refers to fair labour practices, the community and region where the business operates. **'Planet'** refers to sustainable environmental practices. **'Profit'** is the economic value created by the organization after deducting the cost of all inputs. This measure help the companies is more conscious of their social and moral responsibilities.

#### **4.2.3.2 Importance of Corporate Social Responsibility**

In recent years, there has been an increase in social consciousness among businessmen. Corporate Social Responsible (CSR) is vital means from which companies business should not undertake anything which is against the interests of the society. A properly implemented CSR concept can bring along a variety of competitive advantages, because in fact that *“Sharing of wealth would also mean sharing of poverty.”* Hence, the CSR is indispensable for the maximization of social wellbeing by providing different social welfare schemes. The importance of CSR is given below :-

1. ***Participation in Decision Making*** : As a social responsibility company can solve various socio-economical problems through decision making involved in concern stakeholders. It is an opportunity to stakeholders to express their views or opinion while taking decision in any social issues. It is democratic approach of decision making in the company by discussion and consent from related social factors.
2. ***Creation of Better Environment*** : It has rationalize that a better society produces environmental conditions more favourable for business operations. Rapid industrialization led to problems of pollution, depletion of resources and undermining of the climate. To control and mitigate the adverse effects of their own activities, companies have to need CSR project for better environment.
3. ***Human Resource Development*** : Employees are the back-bone of business. They are more aware about their rights and duties, including occupational hazards, fair wages, job security, incentives, promotions, industrial relation etc. Recognition and development of human factor in creating an atmosphere which would help in safeguarding long run companies' interests.
4. ***Long-term output*** : The viability and profitability of business organization is depends on the cooperation of society. CSR is a social capital, invested in the society to get desired long term output in future. Hence, it is source of current input for sustainable development.
5. ***Customers Welfare*** : The aim of CSR is to protecting the interest of consumers against any anti-social goods and services produce from the business. It is movement to insuring quantity and quality of products, reasonable price and provision after sales service etc. It helps to promote consumer satisfaction, interest and welfare.

6. ***Achievement of Social Expectations*** : One of the most important feature of CSR is that social expectations have been increase day by day from business. If the company wishes to remain viable in the long run it must respond to society's needs and give society what it wants. Hence, it is an attempt to fulfill the social needs by the company for social wellbeing.
7. ***Balance between Power and Responsibility*** : Social responsibility is that business responsibility more related to its power. Every business is a centre of social power. Social power may be misuse in the absence of social responsibility. To avoiding misuse of social power each business organization should perform its role by accepting responsibility according to the power. CSR is process to maintain balance between power and responsibility.
8. ***Improvement in Public Image*** : A good public image is a valuable asset for business. CSR, firm seeks an enhanced public image so that it may gain more customers, better employees, sound financial position, mobilization of resource and other benefits. A firm which seeks better public image should support social goals and vice-versa. Therefore, each company focusing to contribute social responsibility for social welfare and improve social reputation.
9. ***Optimum use of Resources*** : A business can have a vast pool of resources in terms of men, money, machine, material, methods, talents and expertise. With these resources business can discharge its social responsibility in a better manner. The company plays dual role (business & society) and use available resources in both sector properly.
10. ***Prevention of Social Problem*** : In fact, always prevention is better than cure. It is an obligation on companies to discharge its

social responsibilities before they develop into serious social breakdowns. So it helps the management to save their precious time for controlling and measuring the problems.

11. ***Develop Interest of Shareholders*** : Responsibility towards development of shareholder's interest is very important, because they are the owner of company. Safety of fund, fair return on investment, steady appreciation of investment, transparent on financial transaction, accurate and full information of company etc. are the aspects to develop trust and interest of shareholders.
12. ***Avoiding intervention of Government*** : Government extends always its arms to regulate business in the public interest. It has made businessmen alive to their social obligations. It is always better for the business to discharge its social obligation with required freedom and thereby avoid government intervention.

#### **4.2.4 Green Management**

Human being is the most important element of environment. But, their unlimited needs and greedy habitual creates indiscreet use of available resources. As a result, there is an effect on reducing natural resource and increasing problem on environment. Due to high standard living of people, increase in population, global warming, progress in mechanical and technical instrument etc, are adversely impact on the socio-economical, cultural and physical aspect of organization and environment too. Similarly, expansion of industrialization, leads to disturbed the various factor of environment and increase the degree of soil, water, air and noise pollution. It creates major or biggest issues before existence of humanity. In order to survive and grow humanity, the management of every organization must continually adapt to its environment which is constantly changing. Hence, there is need to develop the concept of 'Sustainable Development' or 'Green Management.' Because, preventing pollution can improve our health, protecting wildlife can continue to enjoy our natural world and reducing consumption preserves resource for

the future. It means greener working practices can also reduce cost and save money. Thus, Green Management is a process of any organizational functions where no negative impact is made on the local or global environment, the community or the economy. This concept related to forward-thinking policies for environmental concerns and policies affecting human rights. Green management of any organization should meet customer needs while, at the same time, treating the environment well with balancing stakeholders solution.

***Concept :-***

The term “Green management” concept is new. It is difficult to understand clearly and easily. Some experts focus on “Environment Management” or “Environment Management Science” are two ways to achieve desired business performance and by maintaining environment, whereas the objectives of Green Management are possible through these two ways. Hence, ‘Green Management’ is an alternative concept of ‘Corporate Environmentalism’ or ‘Environment Management’ or ‘Corporate Sustainability.’ It means Green Management is an initiative for helping continuously improving the base of environmental management, such as the development of human resource responsible for environmental management system, environmental activities, eco-information and communication and proper conservation of biodiversity. The main intension of green management is used to create a sustainable earth to each and every person on the planet, whether they will admit it or not. Green management is all about the sustainability for any business organization without compromising the future need. Sustainability in relation to business plan, mobilize and utilization of resources, effective coordination and controlling, by enhancing the quality and environment to provide long term solution. In short, the purpose of green management is to adopting an eco-friendly lifestyle and making conscious decisions is to reduce the harm to the planet and create positive conditions for the environment to flourish and thrive. Hence, green management is not a fad or a fashion, but it is a way of life.

### ***Definitions :-***

**According to Peng and Lin (2008)**, Green management of business organization means *“Practice to produce environmental friendly product and minimize the impact on the environment through green research and development, and green marketing.”*

Green Management is practice in business organization that adopted the concept of environmentalism across the various functions of the business through regular research and development work in the market. **As per the Gilbert (2007)** says *“Green Management is a process of any business activity that is performed in a manner that has either limited negative ecological impact or directly benefits the natural environment in some way.”*

Thus, the concept of green management is closely concern to sustainable development of any business activities. A sustainable business is any organization that participates in environmentally friendly or green activities to ensure that all processes, products and manufacturing activities adequately address current environmental concerns while maintaining the desired output. In other words, it is a business organization that meets the needs of the present society without compromising the ability of the future generations to meet their own needs. Green management of business organization describes as using lesser natural resources to complete the tasks needed and applying sustainable methods and materials such as recycling, reuse, renewable etc., for eco-friendly products. They also provide living alternatives to improve quality of life, with products and services that help in areas like affordable housing, sustainable agriculture, education, clean energy and efficiency, fair trade, healthy air, clean water, and more. Hence, managers need to develop systems and structures within their organization that satisfy the requirements of green business practices while still achieving strategic organization goals.

### **Characteristics of Green Management :-**

1. Green management is not a fad or a fashion, but it is a way of life.
2. It has adopted principles and practices that protect people and planet.
3. It has provided socio-economic justice, environmental sustainability and community health.
4. It is a process to overview current eco-system and develops awareness to enhance in future.
5. It insures to protect the customer health from harmful product.
6. To enhance the efficiency the natural resources *e.g.*, Solar system.
7. Use of minimum resource for maximization benefits all stakeholders.
8. Co-related local and global business environment i.e. 'Think globally and act locally' is the message.
9. It creates values for customers, investors and the environment.
10. Continuous participation and involvement process for improvement.

### **Importance of Green Management :-**

The significance of green management is very wide in socio-economic, environmental and business sector. One of the most common examples is the act of "going paperless" or sending electronic correspondence in lieu of paper when possible. Considering this, green management boost to business organization in following ways:

1. Reduce waste and decrease costs.
2. Earn Eco-friendly incentives and rebates.

3. Develop goodwill and improve brand image.
4. Attract and protect green customer for healthy product.
5. Increase sales through innovation.
6. Develop eco-friendly environmental skills.
7. Execute renewable, reuse and recycle process.
8. Avoid additional and excessive expenditure.
9. Take workers care and improve communities at large.

### **Elements of Effective Green Management :-**

There are five elements for effective green management, such as :-

1. Innovation and Technology.
2. Collaboration.
3. Process Improvement.
4. Sustainability Reporting.
5. Greening Supply Chain.

### **Check Your Progress-I**

#### **(A) Fill in the Blanks**

1. The success of business organization is depends on social .....  
(*resistance / response*)
2. The competitive ..... is the main source of business ethics.  
(*disadvantage / advantage*)
3. Corporate social responsibility is changing and ..... concept.  
(*narrow / wider*)
4. Green management is needed to avoid ..... effective on  
present and future environment. (*positive / negative*)

**(B) State TRUE or FALSE.**

1. Environment conservation is not included in the green management
2. Ethics is essential for the cultivation of social values
3. Transparency doesn't need in all transaction of business organization.
4. Every business organization is separated from society.
5. Green management is a process of sustainable development.

#### **4.2.5 Management of Change**

Change is certain. It is the main characteristic of today's era. There is a constant and permanent things in human life *i.e.*, 'Change'. Hence, change is the law of nature. Therefore, **"Change or Perish"** is the message of today's world. It is an essentials part of human and organizational life too. The pace of change has varied from place to place. According to *Anonymous* said that; *"those who change, they survive and those who don't change, they perish."* There is no underdeveloped country in the world today which is not struggling for change to become happier status. There are various types of change, change in nature, and change in season, change in organization, change in biological and physical science etc. In an ever changing environment, the mind set of peoples are changing equally fast. People seek more convenience, lower cost and time expenditures and freedom from cumbersome and problematic procedures. The breath taking pace of technological change is transforming every organization. It is human nature that we are never satisfied with the present, and hence there is cry for change in every corner of the world. Change, that induced by the internal and external forces of trade, commerce and industry through science and technology, demand rapid individual and social adjustment.

Every business organization is a dynamic and socio-economic system. All sections of the organization are interrelated and interdependent with other

sections along with environmental factors. The internal and external environment factors keep changing. Each organization has to consequently adjust itself with the changing circumstances. Thus, entire society is changing in some form or the other, either for better or for worse, though objective of change is always for better tomorrow. Meeting this challenge of change is the primary responsibility of management. An organization lacking adoptability to change has no future. Adoptability to change is a necessary quality of good management. The major problem is to understand the need for change and how to incorporate changes in the organization in order to better achieve its objectives.

**Concept :-**

Change is defined as *“to make or become different, give or begin to have a different form”*. Change is understood as making the form, nature, content etc. of something different from what is or what it would be if left alone. The term change refers to an alteration in a system. It may be physical, biological or social system, it may be as complex as introducing new technology in place of old technology; it may be as simple as replacing computer in place of typewriter. Such change may affect individuals, groups or the entire organization.

The process through which a proposed change is effected is treated as the management of change. Since the basic aim is making a change is to reap its complete benefits, it would be imperative to minimize, if possible to eliminate, any adverse reactions of all those who are affected by the proposed change. In other words, management of change mean anticipating needs for such changes, deciding upon the required changes, initiating and implementing the changes ensuring that the changes are stable and enduring. Minimization of resistance leading to maximization of the acceptance and whole hearted implementation of the proposed change is the basic strategy of the systematic approach to the management of change. In short, management of changes means to make needful changes as the changes in time, place and situation of different sectors.

### **Features of Change :-**

1. ***Continuous Process*** : A Change is a continuous process, whether it is an organizational or individual. Some changes are internal or external, some of the minor or major and some of the tangible or intangible. They may be quickly absorbed by the existing system. Sometimes required special efforts
2. ***Disturbed Past Structure or Equilibrium*** : Any changes in any part of organization affect the old equilibrium or structure positively or negatively. Such changes need to develop of new balance. New structure or equilibrium depends on the type, size and degree of change and its impact.
3. ***Full or Partial Change*** : Every change may be either full or part of organization. It may have some direct effects and some indirect effects.
4. ***Change in Several Ways*** : Any organizational change in up and down or vertical and horizontal. It may be made in its structure, technology, people or other elements.
5. ***Bipolar Changes*** : Every change by its nature tends to be bipolar. It is continuous and discontinuous, it is predictable or unpredictable, it is intrinsic as well as extrinsic to the organization.

### **4.2.6 Need for Change**

Change is the permanent rule of nature. Any change taking place in the socio-economic environments is creating a marked impact on organizations and individual too. No organization can remain stagnant in today's world. The priority and objectives of organization has change as per the needs. Change has become inevitable in any organization today. To face the challenges occurring from changing environment and to make the optimum use of available resource for achieving predetermined objectives, change is an

essential for every organization. The need for change arises due to internal and external factors, which are shown as under:



**(A) Internal Factors :-**

Change may be either by external factors or by an internal need. Any change in the internal environment, needs change in the organization. Following are some internal factors having impact on organization's working.

1. ***Change in organizations policies*** : Due to change in social culture, tradition and demand, management of organization required to change its policies for the growth and expansion, For e.g. Use of computer in place of typewriter.
2. ***Change in leadership*** : Application of professional approach and use of modern philosophy, organization need to change its leadership and style.
3. ***Change in work force*** : There is continuous changes in the work force of organization, due to retirement, promotion, transfer, death, recruitment, separation etc.

4. ***Employee attitudes*** : The performance and output of organization is depends on the devotion and dedication of employees. It leads to the changing attitude of employee.
5. ***Strategic Change*** : In order to face the market competition along with improvement in productivity and quality, some strategic changes becomes necessary.
6. ***New equipments*** : For the purpose of saving time and energy, new equipments and methods are needed in the organization to develop quality of product.

**(B) External Factors :-**

Every organization is an open system which to interact with its various environment factors. In addition to internal factors, any change in external environment makes it necessary change in the organization systems. Some of the external factors are given below :-

1. ***Economic change*** : Due to globalization the economic conditions are changing very fast. The whole world has become one market. Economical forces affect the multi-dimensional function of organization. It includes financial and non financial policies, foreign exchange reserve, interest rates, balance of trade, inflation, cost of living index, competition etc. Some economical scams create issues regarding ethical behaviour.
2. ***Technological change*** : Rapid technological changes shorten the life of product and services. Existing plants and machine become obsolete. When the organization adopts a new technology, its work structure is affected and new equilibrium has to establish. Computerization and automation is the best example which have made significant impact on organizational functioning, Now a day's Robots have been introduced to work

3. ***Market forces change*** : Today's globalization the whole world become a small village. Organization needs works in a highly competitive market place. Competitors introduce new product, better services, effective advertisement etc. Consumers' needs, habits, style etc also change. Thus organization must change to survive and grow in such market.
4. ***Environmental and Demographic changes*** : Environment degradation is a major issue before organization. Natural and ecological changes like flood, earthquake, fire, pollution etc, have directly affected working of organization. On the other hand use of electric vehicles, solar, wind energy has been increased. Demographic factor changes includes family size, population growth, gender and age distribution, literacy rate, life expectancy, economic condition of people etc have positive or negative affects the organization.
5. ***Social and Cultural changes*** : Every organization comes into exist, because society allows existing. Social and cultural changes affect the behaviour of people in the organization. Due to change in habit, tastes, tradition, beliefs, attitudes, freedom, life style, family system etc of the people have the needs to change in organization. So the organization has to make adjustment to cope up with these socio-cultural changes.
6. ***Political and Legal Changes*** : Each ruling government has its own program and policies. In democracy country like India, the power politics change after election. Political and legal changes include political stability, ideology of ruling party, Socio-economical approaches, political and legal environment, disinvestment policies etc. Hence the government makes some changes in the existing laws. All such changes in politics and law affect the working of the organization.

## **Planned Change and its Process :-**

Planned change is undertaken to improve upon the current ways of operating. The change by management is called planned change. It is calculated change, initiated to achieve a certain desirable output and to make the organization more responsive to internal and external demand. The ultimate objectives of change management process in any organization is to insure that, the changes they implement achieve the entire scope of their objectives and the outcome of effective organizational change management can have extremely positive bottom-line impacts. The need for bringing change in a planned manner is the prime responsibility of all managers who are forward looking. Planned change aims to prepare the total organization or a major portion of it, to adapt to significant changes beneficial to the organization.

According to **Thomas and Bennis** says, *“Planned change is the deliberate design and implementation of a structural innovation, a new policy or goal, or a change in operating philosophy, climate or style.”*

So a planned change related to all aspects of the organization which are closely interrelated technology, task, structure and people. The management may decide to go for planned change to cope with complex business environment. In short, in order to get benefits of changing environment, the management purposefully attempts to effect change. Generally the process of management of planned change have six steps, it includes, Identification of needs for changes, Define the Element to be change, Planning for change, Assessing changing forces, Implementing change and Follow up. However Kurt Lewin identified three phases of planned change, which are as under:

### **4.2.7 Lewins Kurtz’s Three Stages of Planned Change**

Organizational change does not occur automatically. It involves planned efforts or exercise on the part of management. Mr. Kurtz Lewin in his

book “Frontiers in Group Dynamics” recommended three phases of planned change process. These phases are as under:

### **I. Unfreezing :-**

This is the first phase of planned change. It involves reorganizing major changes in the environment and problem with the organization. It is a process of forgetting old things in order to learn new things. Once the need of change is identified, it needs to be communicated to the people concerned. In this phase manager play a role of change agent, he needs to develop a keen sensitivity towards the external and internal environment and explain the present problems and need to change. This phase creates the awareness among the individuals and organization about the demerits of present working system and accepts the expected changes. Just as a farmer must clear field before planting new seeds, so manager must help employees to clear their mind of old purposes. For example, a manger may propose computerization to replace the manual operation system. In this situation, due to competition, convenience, regulation or low cost, if people support the change are called as driving forces. On the other hand, due to lack of knowledge, shortage of resources, fear of execution, low employee morale etc, if people oppose the change, called as restraining forces. So manager should encourage driving force and prevent restraining forces. They should use several technique of unfreezing, e.g. education, communication, participation, negotiation, rewards, punishment etc.

### **II. Changing (Moving) :-**

This is the phase of learning new things. Once the sub-ordinates ready to accept or become receptive to change, the manager should introduce the proposed change in a systematic manner. The purpose is to help employees learn new concepts or point of view. Compliance or force occurs when individuals are forced to change either by rewards or by punishment. While implementation of change several unexpected problems may crop up. They should handled by manager in consulting with subordinates effectively.

Employees acquire new pattern of behaviour, develop new attitude, reduce ambiguity or confusion and they feel comfortable to perform better in a changing situation. Managers perform as role models, mentors, experts to develop as a world class organization. Encourage people learning by doing, make individuals responsible for their own change, use positive energy, develop team performance, effective coordination etc. Thus, the training is useful mechanisms to facilitate change. Proper guidance should be provide for changing attitude of organizational members.

### **III. Refreezing :-**

Refreezing means that what has been learned in integrated into actual practice. This phase is related with stabilization and institutionalization of the changes which are accepted and successfully implemented. They adopt the changed element as a permanent part of organization. Here proper coordination should make between supporting and opposite elements to increase driving forces. The new roles, relationship, behavioural pattern and changes are made permanent. However, sometimes there is tendency that individual revert back gradually to their old behaviour, in the absence of suitable reinforcement. Therefore, reinforcement is necessary for the internalization of new behaviour. Additional coaching and modelling are also used to this point to reinforce the stability of the change. Managers should get full support from top management and positive behaviour should be rewarded and repeated.

### **4.2.8 Resistance to Change**

Change is certain and common. The impact of change may be favourable or unfavourable. Individual may respond to change in three ways, i.e., acceptance, indifference and resistance, depending upon how they perceive the change. Though the change is a law of nature, the people have to change accordingly. However, resistance of change is a natural tendency of people. It may come from individual as well as from the organization. The reasons or causes for resistance to change are given below in two parts :-



**(A) Individual Reasons of Resistance :-**

There are various reasons for resistance to change at the individual levels, which are given below :-

1. ***Economic Reasons*** : People resist change when they perceive that, they will lose some economic benefits. For example, due to automation and computerization loss of existing job, fear of demotion, reduce pay, less incentives etc. If the expected loss is more, the resistance will be greater.
2. ***Obsolescence of Skills*** : Due to change employees' old skills and techniques becomes outdated. New methods of working pose a threat of replacing people with old skills. Employees resist changing because they feel that, they will not get updated knowledge and skill as per new situation.

3. ***Problem of Adjustment*** : It is major reason for resistance to change. Employees have to make possible adjustment in order to cope up with the new work setting in a changing environment. Change makes work difficult and creates stress.
4. ***Fear of Unknown*** : Changes causes uncertainty and risk during the transition period. Employees do not express any particular problem but they are fearful. Thus, the unknown poses constant threat to employees due to impact of change is unknown.
5. ***Change in Status-quo*** : Change may disturb the employees' convenience and comforts. They do not want to change their existing/ established position. Hence, due to habit or custom individual worker also resist changing.
6. ***Group Pressure*** : Each employee belongs to a specific formal group in a particular department. Though, if employee is too much loyal to their organization changes, but they resist changes because their group resist to it.
7. ***Social Displacement*** : Acceptance of change leads to disturbing the informal groups, friends and relations in existing work place. Therefore people resist changing if it is affecting their social relationship.
8. ***Past Experience*** : If the employees have bad experience on the past changed events; they will not ready to accept current changes by the management. It leads to reduce the trust in management of change.
9. ***Lack of Security*** : When changes are introduced, employees of the concern organization resist them because they are afraid of losing their job later. They feel psychological uncomfortable and loss of freedom too.

## **(B) Organizational Reasons of Resistance :-**

Beside individuals, the entire organization also may resist change. Some important reasons for organization resistance are as follows:

1. ***Rigid Organization Structure*** : Some forms of organization have rigid rules and there is no scope for making changes, for e.g., bureaucratic structure. Such organization structure is more resistant to change. Innovations are not suitable for such an organization or they are not ready to accept the change due to their conservative nature.
2. ***Resource Constraints*** : Every change requires sufficient availability of resources. But many organizations have limited resources. These resource constraints are behind resistance to change. Greater is the scarcity of resources, greater is likely to be the resistance to change.
3. ***Threat to Power and Influence*** : Change creates threat to some groups' power in the organization. When people consider change as a potential threat to their position and influence they resist it. E.g., applying participative decision making may be resisted by managers. Thus change may reduce power of some top executives. Hence, they oppose the change.
4. ***Group Norms*** : Each employee belongs to formal or informal group member. For example, member of trade union has to go on strike, though he individually differs on the issue. He must follow norms of group and resist change.
5. ***Wastage and Obsolescence*** : When the change is introduced many of fixed assets and resources become outdated and useless. The organization has to bear the cost of outdated assets and reinvest for new resources. Thus due to huge sunk cost, change is resisted.

6. **Communication Gap** : If the change is introduced suddenly and the need for change is not communicated to their employees properly, they may oppose the changes.
7. **Organizational Culture and Past Deed** : Culture change may not be possible immediately when change is introduced. For example: promotion by seniority, not by knowledge and skill. Similarly, change is difficult if an organization enter into some agreement earlier.

#### 4.2.9 Overcoming Resistance to Change

It is natural for human being to resist change. The basic problem in introducing and implementing change is to overcome resistance to change. There are various ways of overcoming resistance to change are as under:

1. **Education and Communication** : It is simple technique to overcome resistance to change. It needs to educate people, train them to adopt change, communicate and counsel them to the various aspect of change. People can educate to become familiar with nature and process of change. Many people resist change due to lack of information or misunderstanding. Therefore education and communication is very useful tool to overcome resist change.
2. **Employees Participation and Involvement** : It is the process to bring people who are likely to resist the change to understand it through discussion and dialogue. It allows the individual to express views and clear misunderstanding, reduce resistance and increase acceptance of change.
3. **Commitment** : It is step further participation and involvement. It is an agreement between change agent (Manager) and change resistors (Employees) to take active part in the actual mechanic of change. Commitments help to fulfil the objectives of change.

4. **Facilitation and Support** : For reducing the degree of resistance to change, there is need to provide facilitation and support to the employees. Physical and emotional support may be provided to deal with potential resistance. Fear and anxiety are the cause of resistance, So facilitation and support are the solution on it.
5. **Leadership** : It is a process of getting consent of employees to introduce the change effectively by reducing resistance of change. Leader can create a climate where people not only accept change but they are willing to propose change. The leadership skills are use for change without arousing any resistance.
6. **Provision of Incentives** : Offering financial and non-financial incentives to resistor is one of the fruitful ways of overcoming resistance to change. Incentives help to improve the high employee morale; it leads to reduce the resistance to change by employees.
7. **Coercion** : In this way, manager force the employees to accept change by explicit or implicit threats like termination, demotion, stopping increments, transfer etc. This method is used when immediate change is required by considerable power
8. **Training for Change** : For understanding the detailed information and procedure of introducing the accepted change, required proper training to their employees. Training is a unique method for human resource help a lot before introducing change.

### **Check Your Progress - II**

**(A) Fill in the Blanks.**

1. Change is ..... in human life
2. Change or ..... is the mantra/ message of today's world.

3. .... has given three phases / stages of planned change.
4. Resistance of change is a natural ..... of human being.

**(B) State TRUE or FALSE.**

1. The objectives of business organization have change as per the needs.
2. Refreezing is the first stages of planned change given by Kurtz Lewin.
3. In rapid technological changes shorten the life of product.
4. Workers participation is technique to overcome resistance to change

### **4.3 Summary**

Now in this globalize competition, management has to face different challenges in the rapid changing scenario for their survival. In fact, today's global economy is transforming to knowledge economy. The whole world become one family, increase in type and size of business, change in the organization structure and customer demands, keen market competition, unstable government policies, scarce resources etc., are the causes to that functioning of management more complicated and critical. The present environment is more acute than ever. An environment is turbulent having for reaching effects on organization and their management. The various factors of environment like, social, economical, cultural, political, ethical, legal etc., are affected (positively or negatively) on management. It creates different Socio-economic and ethical issues before management. It includes ecological balance, eradicating hunger, poverty and malnutrition, promoting health, hygiene and education, gender equality, setting up homes for women, orphans and the senior citizens, protection of national heritage and culture etc. For solving these problems, management needs to use CSR technique. CSR aims to embrace responsibility for corporate actions and to encourage a positive

impact on the environment and stakeholders including consumers, employees, investors, communities and others. It is a social investment for socio-economic development. The concept of green management is an initiative for helping continuously improving the base of eco-friendly sustainable development. Green management is not a fad or a fashion, but it is a way of life. Change is the permanent rule of nature. No organization can remain stagnant in today's world. Change has become inevitable in any organization today. To face the challenges occurring from changing environment and to make the optimum use of available resource for achieving objectives, management of change is an essential for every organization. They have planned change to cope with complex business issues. The need for change arises due to internal and external factors. Lewins Kurtiz's identified three phases of planned change. However, resistance to change is natural tendency of human being. So, there are various ways of overcoming resistance to change such as employee participation, commitment, facilitation and support, dynamic leadership, motivation, orientation and training for change etc. These aspects are included in this unit to understand effective management of changing various social and ethical issues in business organization.

#### **4.4 Terms to Remember**

- **Social Responsibility** : It implies responsibility to society beyond the basic economic responsibility of efficiency and profitability.
- **Business Ethics** : it is concerned with the application of ethical standard and values in the business.
- **Green Management** : It is a process of any organizational functions where no negative impact is made on the local or global environment, the community or the economy.
- **Change** : change refers to an alteration in a system; either it may be physical, biological or social system.

- **Management of Change** : It is anticipating needs for such changes, deciding upon the required changes, initiating and implementing the changes ensuring that the changes are stable and enduring.

## 4.5 Answers to Check Your Progress

- I. (a)**
1. *response.*
  2. *advantage.*
  3. *wider.*
  4. *negative.*
- (b)**
1. *False.*
  2. *True.*
  3. *False.*
  4. *False.*
  5. *True.*
- II. (a)**
1. *Permanent.*
  2. *Perish.*
  3. *Kurtz Lewin.*
  4. *Tendency.*
- (b)**
1. *True.*
  2. *False.*
  3. *True.*
  4. *True.*

## **4.6 Exercise**

### **I) Write answer in brief on the following questions.**

1. State the concept of Social Responsibility.
2. Explain the concept of Green Management.
3. State the meaning of Corporate Social Responsibility (CSR).
4. Explain the concept of Management of Change.
5. What is 'Refreezing' of change?

### **II) Write answer in details on the following questions.**

1. Explain the social and ethical issues of management.
2. State the importance of Corporate Social Responsibility (CSR).
3. What is Management of Change? State the need of change.
4. State the three phases of planned change given by Kurt Lewin.
5. Explain the reasons / causes of resistance to change.
6. How to overcome resistance to change? Explain.

### **III) Write short note.**

1. Green Management.
2. Corporate Social Responsibility (CSR).
3. Need of Change.
4. Resistance to Change.
5. Overcoming Resistance to Change.

#### 4.7 Reference for further study

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