



॥ सत्यमेव जयते ॥

Uttar Pradesh Rajarshi Tandon  
Open University

# B.B.A-101

*Bachelor of Business  
Administration  
Principal of Management*

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## **BLOCK**

# **1**

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### **UNIT 1**

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**NATURE AND SCOPE OF MANAGEMENT** **00-00**

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### **UNIT 2**

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**LEVELS OF MANAGEMENT** **00-00**

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### **UNIT 3**

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**APPROACHES TO THE STUDY OF MANAGEMENT** **00-00**

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### **UNIT 4**

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**PROCESS AND PRINCIPLES OF MANAGEMENT** **00-00**

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# UNIT - 01

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## NATURE AND SCOPE OF MANAGEMENT

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### Objectives

After going through this unit, you should be able to:

- Understand the fundamental concept of management;
- learn the need of management knowledge
- come across major management practices
- understand the discipline as a profession
- learn the functioning of various organisations

### Structure

- 1.1 Concept of Management
- 1.2 Management as a Process
- 1.3 Management as a Discipline
- 1.4 Management Vs Administration
  - 1.4.1 Management and Administration as two distinct terms
  - 1.4.2 Management and Administration as synonyms
- 1.5 Definition of Management
- 1.6 Nature of Management
- 1.7 Scope of Management
- 1.8 Management as a Science and Art
- 1.9 Management as a Profession
- 1.10 Summary
- 1.11 Key Words
- 1.12 Self-assessment Questions
- 1.13 References and further Readings

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### 1.1 CONCEPT OF MANAGEMENT

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Management in the broadest sense refers to the process of getting work done. The work may be of various kinds requiring different ways to

get it done. The learning about these different types of ways and applying them to work is termed as management. While getting the work done, there is more than the simple sum of activities involved in the process. Whatever work is done individually or collectively, the process automatically needs some attention or concentration towards the goal. This attention or concentration is essential because people want maximum output in minimum input or available resources. This process of getting work done with maximum out of minimum is generally called the management.

Management, on one hand, is to know the ways and means of getting things done and on other hand, includes the transformation of input resources like man, minutes (time), machine, efforts, money, material (raw materials), method (technology) into output as product or services. These product or services must satisfy the human need to fulfil the aim of the organisation.

Every organisation engaged in manufacturing of some product try to put the process in efficient manner, but there are few ones to bring the finest product with efficiency. It does not always mean to produce in minimum input, rather in optimum input. The optimum resource means that minimum one which maintains the desired quality of output product. This act of balancing between input and output is the key aspect of management.

The concept of management start with knowledge of means of getting work done and then learning to implement the same to realise the process of converting input into output. The first phase of getting knowledge includes the study of field of management and second phase defines the process of management.

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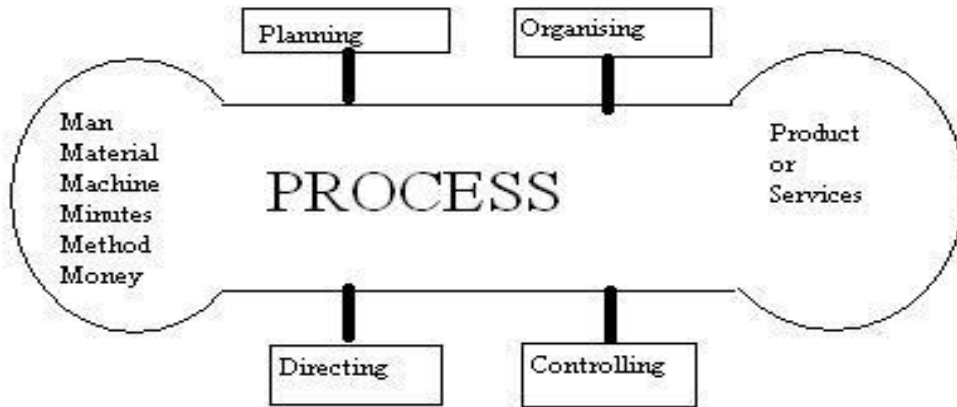
## **1.2 MANAGEMENT AS A PROCESS**

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Management as a process aims at achieving their objectives in the most effective manner by harness and employ, all the available source in an optimum manner. However, this does not means that the objective set forth are to be achieved by violating the laws of the land or by taking resource to socially unapproved practices. Management, thus, can be defined as the process of getting the objective achieved in a most effective manner by making optimum use of available resources.

The process of management includes various activities through which the input resources can be converted into the product or services to fulfil the customer need. The important aspect of this process is to cater the need of customer and satisfy the need. Therefore, the process involved sensitive segment of business. The input resources, in common, are the man, minutes (time), machine, efforts, money, material (raw materials) and method (technology). The processing of these inputs include the planning of the input, organising of the input in proper quantity, directing the process of converting input into the product or services and controlling the

quantity and quality of the product or services. Figure1. Explain management as a process in a most simple manner.



**Figure 1 : Management as a Process**

### **Activity A**

Study and analyse the process of tea making by your mother in your home and sketch down the process of planning input ingredients. Also, describe the planning, organising, directing and controlling activities in this whole process.

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## **1.3 MANAGEMENT AS A DISCIPLINE**

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As a body of knowledge making different fields of study in it to augment the area makes it a discipline like other discipline as described in Indian education system. A discipline compulsorily includes the body of knowledge to explain every happening or activity, problem and provide the solution. Likewise, management also describes every activity, its causal factors and explanations to understand the whole process.

The fundamental and traditional disciplines in Indian education system described as Science, Art and Commerce. The emerging economy

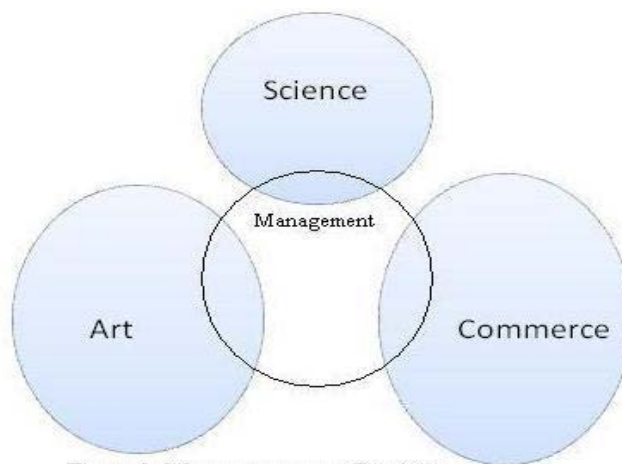
of country in mid nineties necessitated the need of management of business in a professional manner evolving business administration or business management as a discipline. Though, some of the institutions /universities consider it as part of commerce discipline as a traditional association of business knowledge to commerce body of knowledge, but the new professional environment put forth entirely different set of challenges before the managers. This made them realise the management as a separate discipline or body of knowledge dedicated to the different areas of business affairs and their key concerns. This management do have strong relationship with existing disciplines and take fundamental knowledge base from these disciplines.

The science contributes to management discipline in form of systematic study of business process with application of established principles in order to optimise the output. The operational science including statistical tools makes management more effective and efficient. Be it marketing, production or operation area of management, without need of scientific concept, it is impossible to move ahead.

The social, psychological, political and other areas of art discipline contribute to management domain in understanding behaviour of people, organisation and people in organisation, thus, making managers to take better decisions about the future course of actions. The behavioural aspect of management relies on these bodies of knowledge. The leading fields in management like human resource management or people management depend on these concepts.

The commerce as a tradition of having business base knowledge into its body keeps its position strong in management discipline. The fundamental principles of accounting, financial principles make it inevitable in management domain.

Figure 2 shows the relation of management as a discipline with other fundamental disciplines. The overlapping area shows the contribution of that discipline into the management body of knowledge.



**Figure 2 : Management as a Discipline**



## Activity B

## Nature And Scope Of Management

Learn about the one professional course offered by your university and then analyse the various subject in curriculum and their parent discipline.

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## 1.4 MANAGEMENT VS ADMINISTRATION

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The administration and management have always enjoyed the same level of importance due to its role at par. Some time, these terms synchronised as synonymous, but at some point of time, differs in big way. The need is to understand the aim of using concept in reference.

When government fails to implement some scheme, the usual reference comes as “Administration of scheme” i.e. whatever policy is formulated at top level, it has to be administered properly i.e. implemented properly. The more emphasis is on control of any deviation rather than fulfilment of aim. This means the main focus is on planning and controlling rather than on organising and directing resources to make scheme effective. The planning and control seems to be more static and rigid in nature as compare to organising and directing. In non-bureaucratic / non-government organisation i.e. corporate world, administration seems to be on other side of process. Whichever policy is formulated by top management has to be executed i.e. administered and implemented in organisation properly taking care of its objectives. The administration process is more concern with middle level management activity rather than top level management. This appears to be the part of management process. The administration is much interested to know the end result which symbolises with quantitative aspect. Thus, administration is more concern with quantitative aspect along with quality.

On other hand, management is concern with more with the output in quantity and quality. The management seeks the flexibility in order to maintain the objective(s) into focus and achieve them. Management puts more focus on execution part of the process. When some say “your management is good” it sounds a sophisticated approach with effectiveness in means of achieving the goals which symbolises the qualitative aspect. Thus, management is more concern with qualitative aspect along with desired quantity.

#### **1.4.1 MANAGEMENT AND ADMINISTRATION AS TWO DISTINCT TERMS**

Although, management and administration seems to be two different terms, but both the concept have been used interchangeably in corporate and non corporate world. The different parts of world do have different opinion on these two concepts. The European classical thinkers believe that administration and management are different in their level of existence. The European followers are of the opinion that the administration formulates the policy for the organisation and management is responsible for its implementation. In 1923, Oliver Sheldon opined that administration is concern with *decision-making* while management with *execution function*.

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### **1.5 DEFINITION OF MANAGEMENT**

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The word management do have different associations in reference to different geographical areas with its history. For example; in Italy, the people associate and link word ‘manage’ Italian word *maneggiare* which means ‘to handle’ especially a horse. The English word management evolved from the French word *mesnagement* (later management) in the 17<sup>th</sup> and 18<sup>th</sup> centuries. Likewise, Indian do have more emphasis and relation of management with literal meaning in Hindi language as “PRABANDHAN” concern with ‘prabandh’ means to organise.

The fundamental concept of management is to apply body of knowledge to get desired output. The effectiveness depends on the suitability of body of knowledge in a given situation.

“*the art of getting things done through people*” - Mary Parker Follett

“*management is the art of knowing exactly what you want (the men) to do, and then seeing that it is done in the best and cheapest way*”- F.W.Taylor

“*management is a multipurpose organ that manages business, manages managers, and manages workers and work*” - Peter F. Drucker

“*management is what a manager does*” - Louis Allen

“*management is an art of securing maximum results with a minimum of efforts so as to secure maximum prosperity for employer and employee, and give the public the best possible service*” - John F. Mee

*“management is the process of designing and maintaining an environment in which individuals, working together in a group, efficiently accomplish selected goals.*  
- Koontz and Wehrich

*“management is the process of getting things done through and with people effectively and efficiently”*  
- Stephan p. Robbins

Many authors have emphasised on the process of getting things done as core of management. The underlining issue is to what extent the output match with designated one. The outcome in right quantity and right quality at right time fulfil the objective of management. Thus, management can be understood as getting right thing done in a right manner. This involves the right decision making at each step.

The management as per the opinion of many philosophers is concern with decision making i.e. deciding what to do, how to do, when to do and why to do?

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## **1.6 NATURE OF MANAGEMENT**

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Management is all pervasive, there is no level of reality at which management is not required or it is not practiced whether it is level of individual action or at the level of groups or at the level of humanity or at the level of big organisations having inter-community network. Management is highly useful because it promotes the effectiveness over all the actions, which are taken in the direction of achievement of goals.

The management is considered to be soft in persuasive approach towards the establishment of level playing field in corporate activities. It helps in understanding the hard side of business with soft strategy in order to consider human aspect. It also helps in business policy formulation.

On other hand, the management plays a static role in policy implementation in the organisation. This shows flip side of nature as hard. The concept can be understood as a coconut concept of management. The coconut is soft from inner side to provide the best feeling while and hard from outer side to safe guard from external risk. In same way the management philosophy is dynamic and soft within organisation and rigid, static and hard from external world in order to implement the business objectives in true sense.

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## **1.7 SCOPE OF MANAGEMENT**

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The emerging environment of business in developing economies encompasses through stiff competition to pioneer the market. The increasing number of relevant factors in this competitive business is making management process complex. Hence, the organisation putting in extra efforts in formulating strategy to manage business will drive the market. This gives enormous scope for each player to innovate and practice new set of strategies in order to get edge over other. The new

managers can make or break the survival track of the participating players in the market.

The past practices in management arena have proven the role of management in handling critical issues. The business process reengineering, outsourcing, branding, retailing etc. are the outcome after applying the management innovation in order to cool down the heat of competition. None of the area is untouched from management practices in this environment. This can be understood as every professional course has included management discipline in its curriculum keeping in view the professional and corporate need of today. The phenomena can also be attributed to the need of doing Better from others which create and maintain the scope of management as a profession. India has manager-employee span very high as compared to European countries and American countries. There is still need of good management professionals to pair up with the developed countries.

### **Activity C**

Underline the scope of management education in engineering and technology India.

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## **1.8 MANAGEMENT AS A SCIENCE AND ART**

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Management is an art and science, the essence of art less in creativity, judgement and individuality. Creativity refers to the ability of a person to introduce innovation without causing any damage and with the objectives of improving the effectiveness in terms of development of organisational, employee related and society goals. Creativity requires initiative, drive and desire to do something new which may raise the level of defectiveness. Judgement refers to the capacity of sensing the entire situation in terms of various available alternatives and choosing the one which may be the best in a given situations especially in the light of the facts and values related to the situations. Individuality refers to the uniqueness of a person applying the available knowledge in a given situation to get best result. Thus, management as an art introduces desired innovations selects the most appropriate alternatives and typically applies

the existing knowledge to regulate and control the situation to obtain optimum results.

Management is a science refers to systematic approach to understand the happening to arrive at certain generalisation and principles on the basis of which similar situations may be expand and understood. The essence of science lies in systematic approach which means passing through different stages in a well defined and ordered sequence. The science of management begins with defining goals of the organisation in a systematic manner. The stages in process of management involve collecting information, analysing and interpreting it and driving certain conclusion in line of defined goals.

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## **1.9 MANAGEMENT AS A PROFESSION**

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Any profession is a kind of occasion which requires a specialised kind of knowledge, technical skills and democratic & human values for its practice. Different characteristics which a profession bears are as under:

- 1) An organised body of knowledge which can be imperatively verified and which helps in understanding & regulating the situations which professional are expected to handle.
- 2) Technical skills which enables the professions to applying knowledge into the service of client in an effective manner.
- 3) Democratic and humanitarian values are prescribed the basic concerns and underline believes of all the professionals.
- 4) Community sanctions which accords social recognition to the profession considering that it is useful for certain categories of clients based with typically defined some problems.
- 5) Professional organisations which are created by both the government and the professionals in their efforts to regulate the conduct of practitioners by lay down certain minimum standards to be observed by all professionals' institutions imparting professional education of the training and also the conduct behaviour of practitioners, particularly by de-licensing or de-recognising those which show deviation from these standards.
- 6) Code of ethics prescribed for practitioners which are evolved by the practitioners themselves through their professional organisations.

Based on the above given professional criteria, it is visible that there are certain generalisation or principles related to planning, organising, motivating, directing, controlling and coordinating, which have universal applicability and which constitute a body of knowledge acquired through systematic efforts and which enable the managers to analyse and understand the situations that confront them.

There are number of professional skills related to communication, leadership, motivation, team building etc. playing an important role in translating the knowledge into practice. The over arching values underlying key aspects of management is promotion of well being. The philosophy of management has also been embodied in “GEETA” in most appropriate manner as “YOGA KARMESHU KOUSHALAM”. It means skilled action i.e. the ‘yoga’ which means the integration of physical, mental, spiritual and social means and ends. In nutshell, the idea underlines, if action is performed skilfully, it is most likely to lead to the attainment of desired goal.

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## 1.14 SUMMARY

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Management is the process of doing right things in a right manner. It is important to bring effectiveness in performance by knowing exactly what to do and then seeing that it is done in the defined way. The knowledge of management widens the broader understanding of why to do what we intend to do. There is unearthed scope in the management further to research, experiment and devise new principles for unexplored areas. In order to bring effectiveness into system, the administration of the policy needs special attention. The management and administration differs n approach. Administration focus on planning and control where as management emphasises on effectiveness and efficiency.

The principles of management as a science remain same across the globe, only application of these one changes in different culture and environment. It is an art to learn the how to implement these principles in dynamic world of business to achieve the objectives in its fullest degree. The art and science of getting things done redefines the management as a profession. This approach necessitates the understanding of business activities in entirely different perspective.

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## 1.15 KEY WORDS

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**Bureaucracy** : a system of governing organisation or government in a set formal manner;

**Prosperity** : the state of good fortune;

**Efficiency** : the quality of being efficient

**Planning** : the process of deciding future course of action

**Organising** : the arranging the defined or required things

**Directing** : to mobilise the resources

**Controlling** : to check any deviation from defined track and correct it

**Discipline** : train to be obedient or self controlled

**Organ** : a part of a system adapted for a particular function;

<b>Pervasive</b>	:	spreading widely or present everywhere
<b>GEETA</b>	:	a methodological literature including the summary of life given by <i>Lord Krishna</i> to <i>Arjun</i> during the <i>Mahabharat</i> war;
<b>YOGA</b>	:	integration of physical, mental and spiritual means to concentrate on objective;

## Nature And Scope Of Management

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### 1.16 SELF-ASSESSMENT QUESTIONS

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1. What do you mean by management?
2. “Management is a science as well as an art”. Discuss.
3. Discuss the need of management education?
4. Describe the disciplines contributing to the management as a discipline.
5. Elaborate the process of management.
6. How is management different than administration? Explain.
7. “Management is all pervasive” Discuss.
8. How would you justify management as a profession in view of various other professions like medical, law, accountancy etc.? Discuss.

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# UNIT - 02

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## LEVELS OF MANAGEMENT

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### Objectives

After going through this unit, you should be able to:

- Understand the major functions of management;
- Learn about the different levels of management in an organization and the skill required to perform at that level.
- Know the social responsibility of business organizations
- Know the manager's job in an organization.

### Structure

- 2.1 Levels of Management and skill requirement
  - 2.1.1 Hierarchical classification of managers
  - 2.1.2 Classification of managerial skill requirement
- 2.2 Managerial functions
  - 2.2.1 Planning
  - 2.2.2 Organising
  - 2.2.3 Staffing
  - 2.2.4 Directing
  - 2.2.5 Controlling
  - 2.2.6 Coordinating
- 2.3 Social responsibilities of management
  - 2.3.1 Social Responsibilities towards different groups
  - 2.3.2 Reasons for social responsibilities
- 2.4 Stakeholders of the organization
- 2.5 Summary
- 2.6 Key Words
- 2.7 Self-assessment Questions
- 2.8 References and further Readings

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## 2.1 LEVELS OF MANAGEMENT AND SKILL REQUIREMENT

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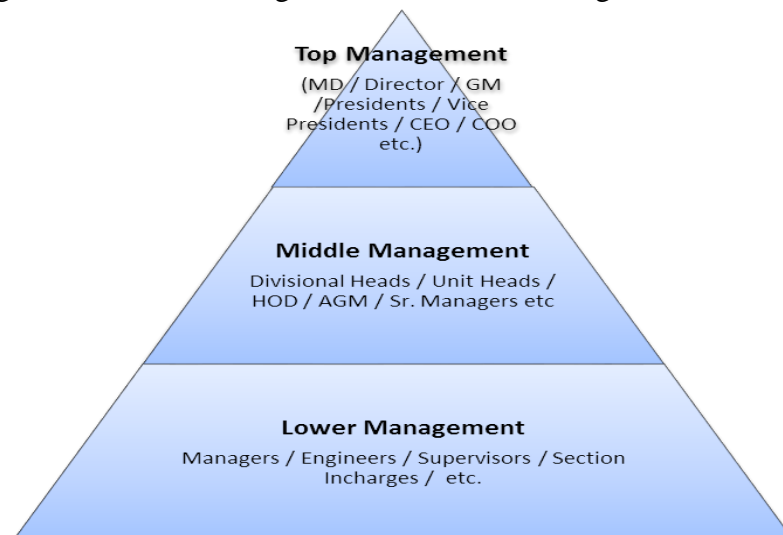
The levels of management refer to the different cadres of officials of the any organisation. In other words, it is simply a classification of management positions based on similarity and differentiation in their job. The job means the job activities assigned and the skill required to perform those activities. To maintain the code of conduct, there is need to make different cadres having clearly defined boundaries. This not only helps in smooth execution of policy and practices but also facilitate in understanding the differential skills & knowledge needed to perform at different jobs.

### 2.1.1 HIERARCHICAL CLASSIFICATION OF MANAGERS

The hierarchical classification of managers can be understood in term of various levels of management. These levels of management depend on factors like the size of organisation, ownership structure, resources etc. Each level of management in the organisation differs on role position & status, functions, authority and responsibilities.

In a small organisation, the manager position is supposed to perform all the functions needed to run the organisation. It is generally a one man affair. But as the complexity of jobs in organisation increases, it becomes very difficult for the same manager to handle all kind of activities by himself /herself. He needs some people to help or assist him. This increase in the number of managers needs to develop a hierarchy. This hierarchy can be understood from figure 2.1 shown here.

The hierarchical position of managers in an organisation is just like a pyramid. It can broadly be classified into three categories namely: Top management, Middle management and Lower Management.



**Figure 2.1: Classification of Management**

## Levels Of Management

**Top Management:** The top level people are less in numbers and responsible for the overall performance of the organisation. The top level position holder must be visionary and must have understanding of each bit of business. They must have a clear vision and missions to strive the organisation towards its set objectives. They are the people of high level experience appointed by the board of directors / trustees / governance. These positions hold the terminology like Managing Director, Director, General Manager, President, Chief Executive Officer, Chief Operating Officer etc. The top level management visualises the future needs of the market and prepare plans to convert these needs into business. The policy formulation to realise the organisational plans is one of the important functions of top level management. The main functions or activities of top management include following:

- Top management give shape to missions to visualize the organizational vision
- They make long term planning specifying the activities of the organization
- They must be sensitive enough to respond to the environmental changes whether externally or internally.
- Formulation of rules and regulations, procedures are the key functions of the top management.

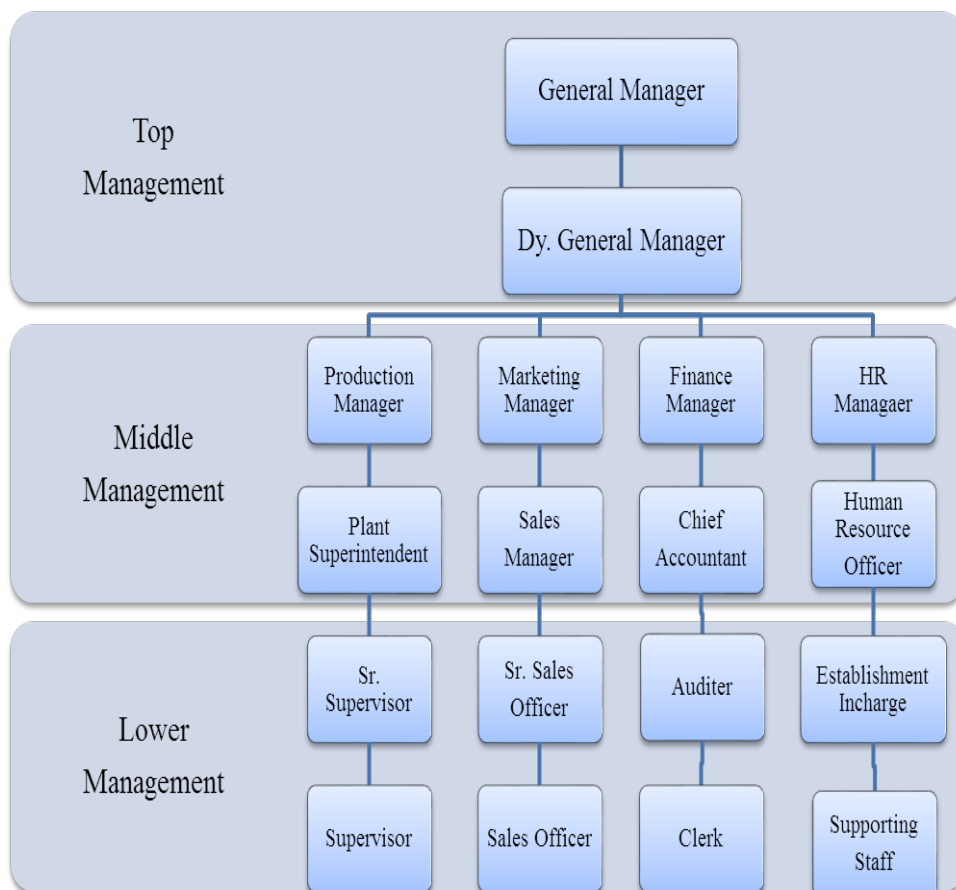


Figure 2.2: Simple Structure of an Organisation with levels of Managers

**Middle Management:** Middle management is responsible for the implementation of the plans, policies formulated by top management. Therefore, these positions are sensitive not only to understand the organisation's vision and mission, but also to sense the nature of plans and essence of policies formulated. The Divisional Heads / Unit Heads / HOD / AGM / Sr. Managers etc are the terminology used for the middle level management cadre. The middle management plays a role of bridge between top management and lower management. Thus, communicating exactly the same what top management intends to communicate is crucial to the middle management. The key functions of the middle management are discussed as below:

- The main function of middle management is to implement the planning of top management in the organization effectively;
- The middle management's key role is to organize the resources as per the organizational plans prepared by top management;
- They are mainly responsible for communicating to the front line managers to get practical problems in implementation and communicate it to the top management in order to get remedy;
- They need to be strong in managerial skills so as to handle top level pressure of target accomplishment as well as lower management's floor level issues;
- They are also responsible for reporting the performance of the different activities, business intelligence, internal and external environment threats etc.

**Lower Management:** The lower management or front line managers are responsible for the direct performance of employees or workers involved in different activities of the organisation. They are supposed to understand the actual need of customer and transform those needs into the product or services as per plan laid down by the top management. Understanding the paper policies, rules, methods and converting them into instructions, manuals and information for actual performers (skilled worker) is one of the key functions of supervisors who happens to be lower level management personnel. The key functions of the lower level management are discussed as below:

The main work of lower management is to direct and control the resources to get plans implemented effectively.

- They provide technical know-how to the operators and employees to perform at their job assigned effectively.
- They are responsible for the performance appraisal of employees and report to the higher management.
- The lower management solves the routine problems /grievances of employees arising out of settlement day to day.
- They are the people having link with end performer and end user. Therefore, it becomes their responsibility to provide first-hand

information about the performance of the organization to the concern people.

**Activity A**

Study the hierarchy structure of your college / university positions. Analyse the different levels of management people with position in your college / university.

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**2.1.2 CLASSIFICATION OF MANAGERIAL SKILL REQUIREMENT**

The different level of management in organisation bears different responsibilities as per their activity involvement. These different activities aim to produce different outcomes requiring different skills, capability and talent to perform on the job. This makes it necessity to bear different set of skills at different level. Or in other way, job needs these set of skills to actualise performance.

Generally, what a top management does is entirely different than what a lower management does. One can understand the skill differences by simply analysing the time utilisation of managers at different level. For example: if a general manager works for an average of 10 hours a day, more than half of working time, he contributes time to the activities concern with future planning. Whereas front line / lower level managers devote more than half time in execution of the policy with technicalities. This difference in job necessitates the different set of skills required to perform on the job. Figure 2.3 elaborate the concept in a simple manner.

Top Management	Conceptual Skills
Middle Management	Human Skills
Lower Management	Technical Skills

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**Figure 2.3: Level of Management and Managerial Skills**

The top management devotes much time on planning activities visualising the future condition which needs fundamental understanding of whole business model. The conceptual skills quotient at this level is required maximum to certain future uncertainties. The managerial skills required at this level of management are of different style as compared to the middle level or lower level. The top management needs to manage less people but strategically dealing. Top level management deals mainly with middle level management in routine affairs, therefore, the management style need to be different than managing employees and workers. The strategy is needed rather than rules and discipline. The quotient of technical skills required at this level is required only to understand fundamentals of technicalities in policy formulation. The expertise at this level usually comes through consultancy.

The middle level management need a different combination of skills. The conceptual skills need to understand the top level planning and decode the means to implement the planning. This level needs dynamic and strong managerial skills as they need to align with top management's expectations as well as lower management to understand their practical problems and grievances. A strong level of technical skills is required at middle management level to solve the technical problems arising out of solution at supervisor level. This is also necessary in order to maintain discipline in hierarchy.

The lower management is assigned the role of dealing with front line people. Therefore, most of the job profile includes technical problem solving at floor level with blue collar employees. The technical skills quotient needs to be very high in these positions. The conceptual skills are also necessary in order to understand the policy and strategic plan of the organisation. They must be aware of the vision and mission of the organisation and link the programmes to these policies. The human skills need is required to manage the skilled, semi skilled and unskilled workers at this level. Therefore, an in-depth understanding of human behaviour is must for the people at this level.

If the human skills are analysed at these three levels, it seems to be same in proportion, but the type of skills is varying very much. Top management need to manage professionally and technically qualified and experienced people which require soft touch to managerial approach. Whereas, lower management, in most of the cases, deals with blue collar employees whose belief, affiliation, loyalty, life philosophy and motives are entirely different than professionally qualified people. Hence, purely soft approach may not be suitable enough to get things done effectively at lower level. The middle management need to be a moderate person as they, on one hand, work with supervisor or frontline people and , on other hand, work with policy makers of organisation. In nutshell, one can understand that the conceptual skills are more important and crucial to the top management whereas technical skills are more relevant to lower level frontline managers.

### Activity B

In continuation to the Activity A, study the time devoted by each of the level of management out of in a day for the activities requiring conceptual skills, human skills and technical skills.

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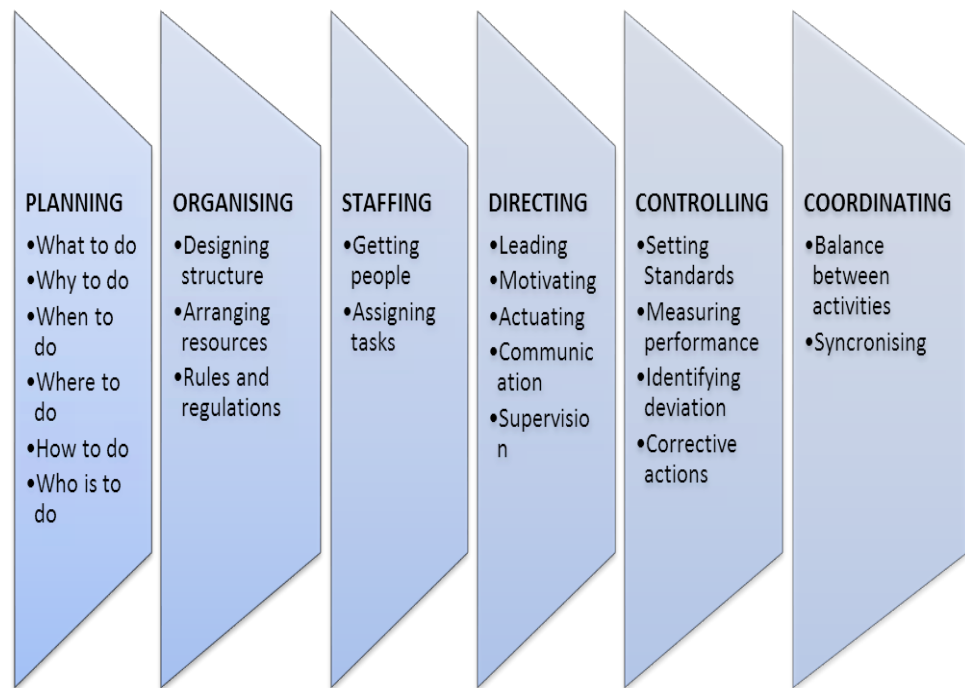
## 2.2 MANAGERIAL FUNCTIONS

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The functions of management across the globe and throughout journey of management thoughts development process has been kept on changing. There have always been discussions on recognising some activities as a function. Most of the thinkers have given activities on similar line of activities, but emphasis has been changing on different activities in different decades. *Luther Gulick* and *L. Urwick* (1937) described the managerial functions in term of the POSDCORB which stands for planning, organising, staffing, directing, coordinating, reporting and budgeting with abbreviation of each function. Thereafter, *Henry Fayol* (1949) classified the functions as planning, organising, commanding, coordinating and controlling. *Newman* and *Summer* (1965) recognised only four functions namely organising, planning, leading and controlling. *Koontz* and *O'Donnell* (1972) divided these functions into planning, organising, staffing, controlling and coordinating.

The philosopher and thinkers in management arena have been more or less suggested similar functions with minor differentiation. The most simple and inclusive functions can be taken be as follows:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling
6. Coordinating



**Figure 2.4: Managerial Functions**

### 2.2.1 PLANNING

Planning is the function that determines in advance what is to be done. It is deciding the future course of action. It also tells why to do, when to do, where to do, how to do, who is to do (the person) and how results are to be evaluated. Thus planner has to be visionary who can foresee the future developments before they happen. As a planning process, the main two activities are important in whole planning process i.e. *forecasting* and *Decision making*. The forecasting is an activity which foresees the future happening and tries to certain it to some extent. The forecasting establishes the premises, preambles and assumptions based on which the organizational plans are formulated. The plan formulation involves decision making about what is to be done, how is it to be done etc. based on essence of forecasting. The decision making is crucial as it is must to know the basic assumptions to decide the activity.

Planning is a function performed by every manager: be it at top, middle or lower level. The difference at different level may be coverage and duration based. The planning at top level is long term and at business level. The middle level planning may be shot term plans to execute the major planning in the organisation. Similarly, lower level plans may be related to day to day affairs.

### 2.2.2 ORGANISING

Organising is the second function of the management. This function mainly deals with the resource organisation. It starts with establishing an organisational structure, assigning roles, responsibilities



and tasks to different positions and establishing hierarchy of the positions. Designing an organisation structure involves creation of positions in hierarchy and filling them with right person along with establishing the code of conduct defining the relationship between different positions. Thus, many thinkers have considered staffing as an integral part of this function. The second important activity in organising is resource organisation like material, machine, money etc. Apart from creating positions and filling those positions, the arrangement of material, machine, method and money is also equally important. In the modern capitalistic approach to businesses, the money arrangement has always been a herculean task.

Hence, organisation as a function has its own importance and role in management process.

### **2.2.3 STAFFING**

The staffing is the most important activity in any organisation. After designing organisation structure and hierarchy, it is important to find the suitable person for the positions or jobs. Every job need a specific skill to perform at job, hence the person must hold the specific skill to perform the job. This is the main principle of human resource management which take care of staffing process. It includes getting right person for the right job and then placing the person on the job followed by assigning the tasks and responsibilities to them in order to do the job. Right person does not mean only match of job with skill, but also willingness of the person to do the job. This means the person must have inherent liking of job and be motivated to do the job. The core activities in staffing process involve job analysis, recruitment, selection, placing, performance appraisal, salary management, employee welfare etc.

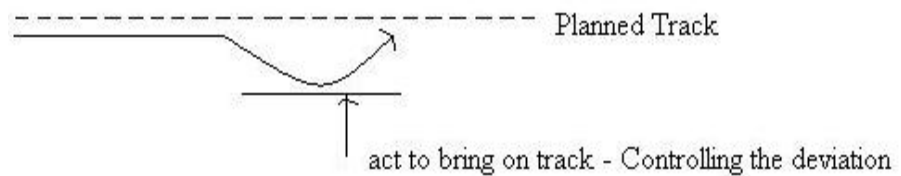
### **2.2.4 DIRECTING**

After formulation of the plans and organisation of resources, the next activity is to mobilise all the planned activities and resources organised towards accomplishment of the objectives. Different thinkers have termed this activity with different terminology like leading, motivating, actuating and directing. Three essential activities are part of directing namely communication, leading and motivation.

Communication of the plans to the position holder should be effective and in real meaning. It should be crystal clear and jargons free. Providing leadership to subordinate is also equally important. Leader should show the growth path to the subordinate in such a manner that subordinate is motivated to perform with his /her full capacity. The alignment of individual motive with organisational motive delivers the better output especially in service oriented businesses. The motivation contributes to the improvement of the performance of the organisation substantially.

## 2.2.5 CONTROLLING

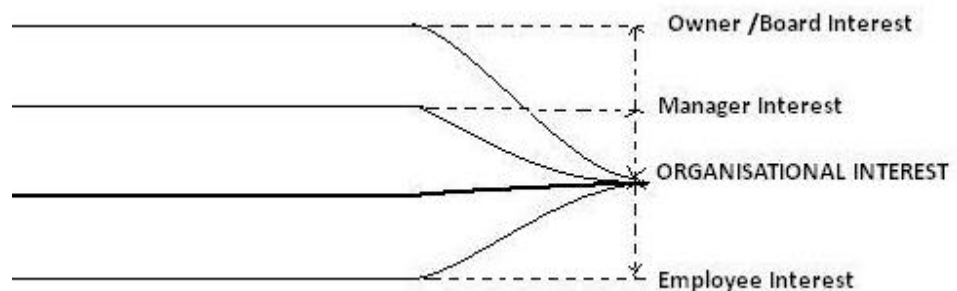
Controlling is a very crucial function of management. It includes the process of looking at the performance and identifying deviation, if any, from the planned ones, their causal factors. The corrective actions speak the level of control and effectiveness of management planning. The control system ensures that the plans have been implemented successfully. Controlling helps in identifying what is going wrong and how it can be corrected. The act to bring the process on track if any deviation occurs is control function (See Figure 2.5). This function is an important tool for budgeting and financial activities.



**Figure 2.5 Control Function**

## 2.2.6 COORDINATING

The coordinating is the nerve of all the functions of management. It is like creating a melodious music with different instruments with proper synchronisation. If one instrument breaks the rhythm, the whole music becomes a disturbance. Similarly, coordination is an activity of synchronising the various activities in such a manner that a finest product or service is produced to serve customer in best possible way. The strategy is needed to maintain the equation between various resources and create a melodious music out of it.



**Figure 2.6 Coordination: Integration of Interest**

In any organisation, the three actors namely employee, manager and owner / board have three different interests. The coordination's main function is to integrate the three interests into the organisational interest. Figure 2.6 depicts the same to clear the meaning in elaborated manner. The role of manager as a coordinator also necessitates the alignment of

interests of individual and organisation in order to create harmony and peace.

**Activity C**

Discuss with your friends groups regarding celebration of teacher day. Discuss and note down the various activities in organising the party. Write down the planning process and activities, how to organise, direct and control these activities in the event.

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**2.3 SOCIAL RESPONSIBILITIES OF MANAGEMENT**

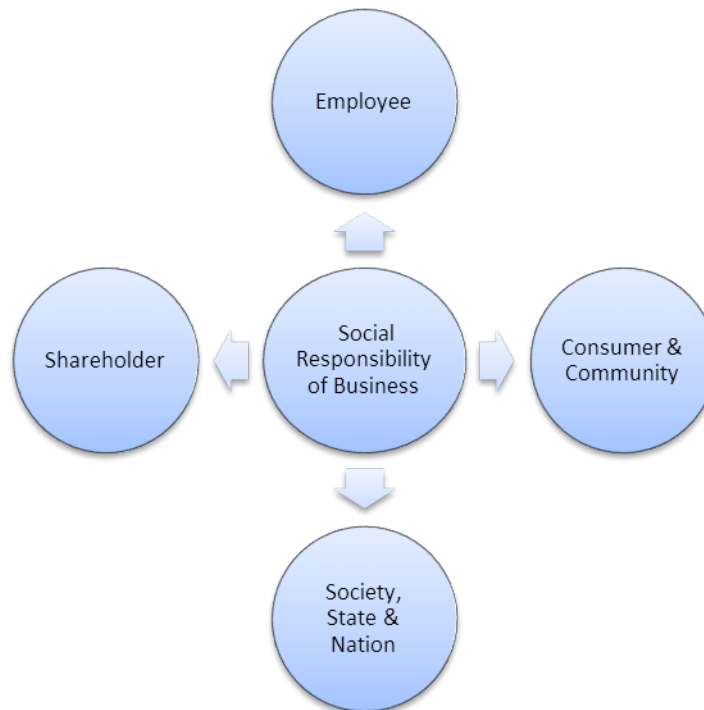
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Social responsibilities of management or business mean the response to the relation of business to the society. *Adolph Berle* has very correctly defined it as manager’s responsiveness to public consensus. The public consensus is very much dependent on the customs, religions, traditions and belief. Hence, the social responsibility does not necessarily carry same meaning and framework across the different countries due to varying customs and belief..

According to *Keith Davis*, the term social responsibility refers to two types of business obligations: (a) the socio-economic obligation, and (b) the socio-human obligation. The socio-economic obligation of every business is to see that the economic consequences of its action do not adversely affect public welfare. Thus promoting employment opportunities for affected people or area and provide alternative resource to livelihood becomes socio-economic responsibility. The socio-human obligation of every business is to nurture and develop human values.

The fundamental principle of social responsibility of business is to substitute the social compensation to the affected society where the business exists. For example: if land of a farmer is being acquired to establish a business firm, then the farmers not only loose earning source, but also lose a social tag of being land lord. The second factor is more crucial and carries more importance in social domain. Thus economic compensation as well as social compensation is must. It becomes

responsibility of the business firm to look into both the aspects and discharge social responsibility.



**Figure 2.7: Social Responsibility towards various Groups**

### **2.3.1 SOCIAL RESPONSIBILITIES TOWARDS DIFFERENT GROUPS**

There are different people associated to the business in different ways. Each of the relations demands certain code to be followed. It is simple to understand that who so ever is linked to or affected by the business comes under the domain of linked groups.

**Towards Employees:** A business organisation does have just more than a management-employee relation with the employee. If owner thinks that the wages are paid to worker for the job, than it is injustice to the worker. The business organisation have realised the fact and consider it as a social responsibility. The quality of life, self respect and self realisation comes as a part of social responsibility apart from the fair wages.

**Towards the Consumer and Community:** The business organisation's responsibility towards the consumer and community is very crucial as the consumer is the last link of business cycle. Production of better quality within the economic power of consumer not only serves the purpose of business but also the community as a whole. It is organisation's responsibility to provide all the relevant information to the customer and community in a fair manner.

**Towards Shareholders:** Promoting a healthy relations with shareholder with good governance of the business is must now a days. The healthy business practices in market with other businesses are also

important and forms a part of social responsibility. The shareholder is primarily concerned with the business performance, but apart from return on investment, shareholder's interest is to minimise the risk and uncertainties. Therefore, organisation's responsibility to provide update of risk and uncertainty status is important. No shareholder wants return at the cost of society. Hence, maintaining transparency in policy and practices fulfils the social responsibility towards the shareholders.

**Towards the Society, State and Nation:** Every business house needs to think about their responsibility towards the society, state and nation as a whole. Becoming part of political activities, social events, natural calamities to support the state and nation has been effective in making business more relevant and successful. This not only helps in business development, but strengthens the value and belief in brand. Hence, every organisation should realise this responsibility and fulfil the social need of state and nation.

### **2.3.2 REASONS FOR SOCIAL RESPONSIBILITIES**

There are many reasons for the organisations to adopt the social responsibility programmes. Some of the reasons are discussed below :

- 1. Moral Responsibility:** Every business is part of the society. The nature gives many things to the society. These resources are also utilized by the business organizations. Sometime, the utilization becomes exploitation of resources without considering that the nature has given everything in limited form. The business organization on many occasions, take these benefits at the cost of people living in that society. Hence, it becomes moral responsibility of the organizations to take care, maintain and develop these natural resources.
- 2. Government Regulations:** The government formulates the legislations time-to-time to address the social, environmental issues arising out of the business processes. If a business is not fulfilling the conditions laid down under these legislations, than government is empowered to take action against organizations.
- 3. Environmental Reasons:** There are many business processes which are responsible for ecological imbalance like climate change, water pollution, energy problems and so on. The business organizations need to be conscious about these issues and take necessary measures in order to make environment clean for sustainable development.
- 4. Image Building:** The social responsibility contributes to the image building of the organizations as the common man feel affiliated to the organization in this manner. The welfare activities and social contribution earn reputation which in turn build image of the organization.

5. **Trust Building:** The customer comes to company again not because the product is good, but the trust the customer develops on the brand. There may be many brands of same quality in market, but the trust and belief with each brand may not be of same level. Trust is build up on relationship foundation. Therefore, there is a need to be a strong relationship between business, customer and society. The social responsibility plays strong bonding in this relationship. Hence, organizations are taking this aspect on priority.
6. **Business Awareness:** The social programme also plays a role of message carrier to the consumers. Consumer becomes aware about the product or Services of the company. It can be a kind of social marketing of the business activities.

### Activity D

What social activity in which you, as a student, has participated in recent days? If not, is there any social activity your college /university organised recently?

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## 2.4 STAKEHOLDERS OF THE ORGANISATION

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A business does have many people associated with it in form of some interest or other. These people are called as stakeholders of the business. One can understand the stakeholders as any person whose interest is affected directly or indirectly with the business. There are many interest groups like owners, investors, employees, suppliers and customer directly linked to the business. The indirect people associated with business are public, competitors, government and society.



**Figure 2.8: Stakeholders of Business Organisation**

The business organisations discharge its social responsibility towards its stakeholders or interest groups gradually. Primarily, the business tries to fulfil the responsibility towards the owners and investors, and then comes the employees of the organisation. The constituents of the business like customer, suppliers, competitors and government. The society comes at last in the list of social responsibility of business.

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## **2.5 SUMMARY**

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The different level of management in an organisation requires different set of skills to perform the job. These skills include conceptual skills, human skills and technical skills. At the top level management, conceptual skills considered to be more important and similarly, technical skills at lower level management positions. The human skills at different level of management vary in style and nature. It depends on the job profile, responsibility assigned, and functions associated with the responsibility. If planning is to be done, one needs to be strong in conceptual skills. Organising and directing definitely requires strong human skills and technical skills are must for the controlling function. While performing these functions, managers are also responsible and accountable for some social cause. 'What it takes from nature must be returned to nature' philosophy must be adopted in order to look at social issues at large.

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## **2.6 KEY WORDS**

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- Hierarchy** : a sequence of increasing order of positions  
**CEO** : chief executive officer  
**COO** : chief operating officer  
**AGM** : assistant general manager

**Top Management:** the higher level positions in an organisation having authority to decide the policy and procedure with control over the business.

**Middle Management:** the senior level position in an organisation assisting the top management

**Lower management:** the front line managers /supervisors are called lower management

**Conceptual Skills:** the skills based on past experience to foresee the events of happening with justification.

**Human Skills:** the skills to manage human being in an organisation

**Technical Skills:** the skills to understand the reason of event happening and helps in understanding the process.

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## 2.7 SELF-ASSESSMENT QUESTIONS

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1. What are the different levels of management in any organization?
2. Describe different type of skills associated with different management levels / positions.
3. Discuss the major functions of management in brief.
4. What is social responsibility of business? Elaborate.
5. Explain social responsibility and social responsiveness.

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## 2.8 REFERENCES AND FURTHER READINGS

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# UNIT - 03

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## APPROACHES TO THE STUDY OF MANAGEMENT

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### Objectives

After going through this unit, you should be able to:

- Learn the beginning of management thoughts development;
- Know the historical contribution of various thinkers to management development;
- Understand various approaches to manage / administer an organisation;
- Come across some of the historical events which also directly or indirectly contributed to management

### Structure

- 3.1 Evolution of management thoughts
- 3.2 Classical Approaches
  - 3.2.1 Scientific management
  - 3.2.2 Fayol's administrative theory
  - 3.2.3 Bureaucracy
- 3.3 Neo-Classical Approaches
  - 3.3.1 Human relation approach
  - 3.3.2 Behavioural approach
  - 3.3.3 Decision theory
  - 3.3.4 Systems approach
  - 3.3.5 Contingency approach,
- 3.4 Summary
- 3.5 Key Words
- 3.6 Self-assessment Questions
- 3.7 References and further Readings

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## **3.1 EVOLUTION OF MANAGEMENT THOUGHTS**

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Management as a profession has developed over a long period of history. Different thinkers, scientists and philosophers have contributed to the development of management thoughts. Even some of the practitioners contributed, unknowingly, to the management fundamentals. These unsung heroes have practiced the fundamentals of managing events effectively, giving way to the architecture of basic principles of management. For example, there had been many instances in our historical ‘*Ramayan*’, ‘*Mahabharat*’ and many more apart from recent decades strategician ‘*chanakya*’ giving strategic and policy level fundamental concepts in “*Chanakya Neeti*”. These have been a part of global management education curriculum to extract the essence from these events. However, western thinkers have always objected on these contributions to management thoughts development. Even though, they kept on extracting these events to get some solutions to their corporate problems.

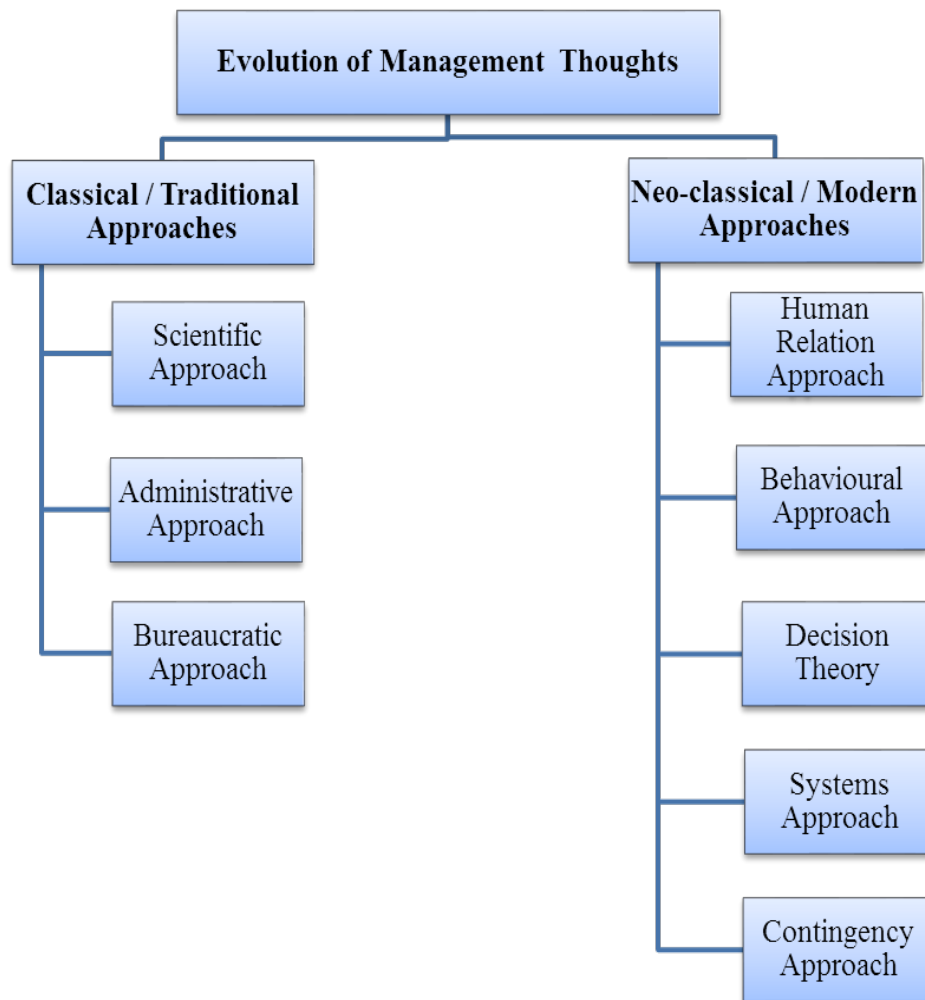
### **Early Contributions**

In true sense, the management practices were started in way back 5000 BC period with Sumerian traders making records of their business trading. The pyramids of Egypt built during 4000 – 3000 BC shows a marvellous example of planning, organising and coordination which in turn became part of management concept. The creations of these huge structures were not possible without proper planning, managing skills and practices. The chanakya’s “*Arthshashtra*” developed around 3<sup>rd</sup> century BC postulates the basics principles of governance of a kingdom. It has considerably guided many governments in principles and administrative philosophy.

### **Industrial Revolution periods**

The period of industrial revolution observed many significant contributions to the development of management thoughts before 20<sup>th</sup> century. In order to meet the increasing demand, companies had to mechanise many processes to manufacture goods on large scale. This not only helped them to increase their wealth but, paved way to make manufacturing process more economical. This period observed many small scale businesses becoming large scale production houses. This further, created a space for managing these mechanised processes effectively, thus, leading to supervision emerging as a key function. The growing size, scale, number of products made it complex process to handle with. The increasing scale had also led to the challenge of maintaining quality of products by giving more emphasis to quality management aspect. The wealth of nation by Adam Smith in 18<sup>th</sup> century included the major paradigm shift from a social approach to economic approach to business activities.

If the contribution of management thinkers across the world is analysed in order to get similarities and differences in view point, the major two philosophy comes on surface: Classical or Traditional thinkers and Neo Classical or Modern thinkers.



**Figure 3.1: Evolution of Management Thoughts**

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## **3.2 CLASSICAL APPROACHES**

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The classical approaches to the management include mainly scientific approach, administrative and bureaucratic approach. Classical thoughts or traditional thoughts of management evolved in the late 1800s and early 1900s. These approaches mainly focused on attainment of efficiency and productivity undermining the role of human in it. The major postulates of classical theories are as follows:

- a) The classical approaches had focussed on means to improve the output of organisation. The more emphasis was given to the economic rationality of the individual employee considering that the individual always choose to maximise their individual economic rewards. The approach clearly gives node to the Adam

Smith's ideology. He opined that the monetary incentives can make individual gives their best to realise their potential.

- b) The classical theorist heavenly relied on human element to make radical change in the productivity. Some time the human aspect was compromised over the economic aspect. This mechanical approach to the business was criticised on many occasions.
- c) Most of the classical thinkers were of the view that individual employee should always be in tight compartment of rules and regulation so as to realise him the organisational priorities. Thus more emphasis was on making rules and regulation keeping in view the functional approach.

### 3.2.1 SCIENTIFIC MANAGEMENT

The main profounder of the scientific management school was *Frederick Winslow Taylor* (F. W. Taylor, 1856-1915) who highlighted its basic tenets in his books "The Principles of Scientific Management". According to Taylor, "Scientific management is the management, in accordance with certain principles based on scientific investigation, the essence of scientific management lies in a complete mental revolution on the part of workers as well as managers.

Taylor experimented in industrial setup in order to maximise the output. He had given the concept of 'Work Study' including four major studies namely motion study, method study, time study and fatigue study. With the help of work study, he had increased the employee performance in loading and unloading of coal and coke over the rail car from 12 ton per day to 48 ton per day.

#### 3.2.1.1 Work Study

The work study is mainly concerned with understanding the process of doing job, technique involved, and time associated with each bit of job. Taylor conducted the work study in loading and unloading of coal and coke over the rail car. Taylor conducted the following studies in order to get insight into the job:

1. Method Study
2. Motion Study
3. Time Study
4. Fatigue Study

1. **Method Study** - In method study, Taylor analysed that work was done more efficiently by breaking the job into small parts and then specifying what to do and how to do it in specified time (Taylor, 1911). He was also of the view that planning and execution are two different activities. They need to be separated in order to bring effective implementation. He studied the methodology of loading

and unloading of coal and coke, two different items, over the rail car. He observed that the tool used to load and unload the coal and coke was same. Learning the different physical property of coal and coke, he was of the view that the same size of span will give different performance. He designed the span in scientific manner to maximise weight carrying every cycle by the employee and that too in different sizes to equate the output in case of different items like coal and coke. His contribution in development of modern shovel (used in loading building material) is an important innovation in tool designing.

2. **Motion Study** - Motion study was mainly including the hand and body parts movement during the job. Taylor got the hand and body movements recorded in video camera to analyse the relevance of movement to the job. *Frank Gilbreth* and *Lillian Gilbreth* also contributed to this study extending the work of *Taylor*. This study is also known as 'THERBLIG' in the name of Gilbreth couple (reverse spell of Gilbreth). THERBLIG included 18 hand and body movement of employee with standardising the specific movement studied and analysed during the experiment.
3. **Time Study** - Taylor in his analysis believed that the time study can become a radical change in output. He used a stopwatch to record the time taken by each worker for each activity they perform at work place whether related to work or not. Then he analysed the time taken by different employee performing on similar activities to compare with. His conclusion was that different employee takes different to perform the same or similar job. Therefore, he opined that the time should be standardised for each activity. Further, he also opined that most of the employee waste the working time in peer discussion and related individual activities rather than to contribute to job. He not only standardised time for job activities but also for individual personal activities. This helped him in achieving the goal of increasing performance of employee at work place.
4. **Fatigue Study** - Fatigue study was concerned with the study of physical exertion during the job and the remedy required redressing this exertion. This also includes the time of rest needed to continue the job. The main aim of this study is to handle with the fatigue especially in case of repetition of activity on job.

### **3.2.1.2 Principles of Scientific Management**

Taylor propounded four principles of scientific management. The main principles are discussed below:

1. **Replace old thumb rule system** - Taylor advised that the thumb rule should not be given space in organisations. He was of the view to mean rule of thumb as the guessing, traditional belief without proper reasoning, or rough estimation. He described that any

activity, process or method without a proper justification or reason can be considered as rule of thumb. Therefore, he advised the scientific rules, methods and ways to replace the thumb rule.

2. **Scientific selection and training** - Taylor propagated this principle in order to replace the system of *first come or on gate selection* method adopted for employee selection in his organisation. The method was to pair up the skill required to perform the job effectively. He was also of the view that the persons for training should be selected through a scientific method not randomly or bureaucratic manner.
3. **Sharing the responsibility** - Sharing the responsibility of the outcome was an important principle given by Taylor in scientific management. He advocated that the joint activities must have responsibility sharing. Every member of the team or committee should feel responsibility and should be held accountable for the outcome of joint efforts or operations conducted.
4. **Mutual Cooperation** - Cooperation between management and workers should be developed in order to implement change in system. Mutual confidence can boost up the morale level of both management and employees and lead to higher performance and output. In absence of mutual cooperation, the change in system may lead to inefficiency and indiscipline.

### 3.2.1.3 Contribution of Scientific Management

Apart from F. W. Taylor, Henry Gantt, Frank Gilbreth, Lillian Gilbreth, Robert Owen, and Charles Babbage also contributed to the development of scientific approach to the management development. The major contributions of the scientific management to the development of management thoughts are discussed below:

**Differential Piece Wage Rate System** - F. W. Taylor devised a new wage payment system to the workers. He established the main framework of differential piece wage rate system. He strongly advocated linking the wages to productivity to justify the performance appraisal system for employees. Differential piece wage rate system encourage employee to increase the performance in order to get more wages thus producing more.

For Example:

*Piece wage rate system:* Rs. 100/ piece for any number of pieces produced

*Differential piece wage rate system:*

Rs. 100/piece, if number of pieces produced is less than 100 pieces;

Rs.150/piece, if number of pieces produced is more than 100 and less than 150 pieces and

Rs. 200/ piece, if number of pieces produces is more than 150 pieces.

**Functional Foremanship** - Taylor advocated the functional foremanship in order to ensure that the job is performed by specialised person. The functional foremanship also aims to establish a skill based corridor for career promotion in organisations. The technical jobs require specific skills to do the specific job, hence need a specialised person to supervise these jobs. The functional foremanship facilitates the route for the process of supervision.

**Standardisation** - Standardisation of inputs, process and output was a major contribution of scientific management to the development of management thoughts. The standardisation of raw material, tools, performance standards, processes and methods, job, wages and so on, contribute to the improvement in the productivity. This concept opened new vistas of quality management in organisations.

**Activity A**

Study and analyse the current practices in wage payment system in India. Also, investigate the piece wage rate system and differential piece wage rate system into organisations around you.

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**3.2.2 FAYOL’S ADMINISTRATIVE MANAGEMENT**

This approach advocated by Henry Fayol (1941-1925), laid down the theoretical framework of administrative management. Henry Fayol’s contribution was first published in French in 1916, titled ‘*Administration Industrielle at Generale*’. His work was translated in English, titled ‘*General and Industrial Administration*’, and published in London and U.S.A. in 1949. He, first time, talked about the teaching need of management as a part of industry.

The 14 principles of administrative management outlined by Fayol in his book are as below:

<b>D</b>	–	Division of Work
<b>A</b>	–	Authority and Responsibility
<b>D</b>	–	Discipline
<b>U</b>	–	Unity of Command
<b>U</b>	–	Unity of Direction
<b>S</b>	–	Subordination of Individual interest to general interests
<b>R</b>	–	Remuneration
<b>C</b>	–	Centralisation
<b>S</b>	–	Scalar Chain
<b>O</b>	–	Order
<b>E</b>	–	Equity
<b>S</b>	–	Stability & Security
<b>I</b>	–	Initiative
<b>E</b>	–	Esprit de Corps

1. **Division of Work:** The division of work not only improve work efficiency, but also the effectiveness in production. During industrialisation period, the increased demand of the products led to increased complexity and job. This necessitated the division of work into small activities in such a manner to get final outcome after synchronising all these activities. Each division of work can be assigned to the specialised person to get better performance. Thus, the strategy to handle the work became the principle to manage the large operations.
2. **Authority and Responsibility:** Authority and responsibility should go hand in hand. Authority means power of giving orders and exercising the power to mobilise the resources. The person doing job is usually held responsible for the outcome. Therefore, Fayol advocated that the division of work need to accompany the authority related to job for effective decision making in order to make the person accountable for the job, authority given and outcome.
3. **Discipline:** To implement the planning effectively, the discipline in organisation must be maintained. The division of work leads to decentralisation of work centre leading to many points of decision making. The authority delegation also requires strong discipline in order to avoid utilisation of authority in an unfair manner. Hence, strong discipline facilitates the route of effective implementation of organisational policies.



4. **Unity of Command:** It means that every employee of organisation must get command from one superior. In case of multidiscipline departments, the unity of command is essential to avoid any conflict of interests.
5. **Unity of Direction:** There should be unity in direction in related or similar nature of jobs. The leadership and communication system should be supportive and cooperative. The instructions, guidelines and manuals should be linked to each other to avoid the conflict of organisational and departmental objectives.
6. **Subordination of Individual Interest to General Interests:** Every organisation must integrate the individual interest with organisational interest. The individual interest should be given subordinate position as against the organisational interest.
7. **Remuneration:** Employees should be given fair wages for their performance and contribution in organisation. The concept of incentive and bonus must be part of remuneration in order to compensate employee for every additional effort. Every employee must be ensured some minimum remuneration to be paid in special cases.
8. **Centralisation:** The delegation of authority should be partially made to the lower management for operational activities only. The centralisation of power is inevitable for effective control and discipline in organisation.
9. **Scalar Chain:** There should be scalar chain for communication. The policy, instruction, orders, rules etc. should flow from top to bottom. At the same time, feedback, performance and grievance must go to top in order to sound policy formulation.
10. **Order:** There should be a place for everything and everything should in its place. This means the sequence must be followed in true spirit. Every activity should have a hierarchy position in relation to other. There should be an order of activities.
11. **Equity:** There should be equal treatment to everyone irrespective of hierarchy. Equity advocates the justice, fair treatment and kindness to human being. The superior should be fair enough in making justice with kindness while performing in organisation.
12. **Stability & Security:** There should be stability of employees in organisation. The attrition rate must be kept low by giving reasonable job security to the employees. It will add to the organisation development.
13. **Initiative:** Managers must encourage and motivate their subordinates to innovate and initiate new idea development by giving them freedom of expression. This requires empowering employees to go beyond some boundaries to get something new.

- 14. Esprit de Corps:** this principle is based on the concept 'Union is having strength'. The union does not mean groups or labour unionism, but developing team spirit. The team can achieve the performance beyond the sum of individual ones.

### 3.2.3 BUREAUCRATIC MANAGEMENT

Max Weber (1864-1920) is the main contributor to the bureaucratic approach to management. Weber's idea of bureaucracy intended to develop methods to eliminate managerial inconsistency leading to ineffectiveness. He was against the ill effects of power being exercised in organisation. He advocated the development of structure, hierarchy, formal rules and regulation, responsibility for everything in organisation. He propounded 06 principles of bureaucratic management as discussed below:

- D – Division of Labour**
- A – Authority and Responsibility**
- F – Formal Selection**
- F – Formal Rules and Regulations**
- I – Impersonality**
- C – Career Development**

- 1. Division of Labour:** Max Weber was of the view that the division of work should be based on the labour or efforts required to perform the job not a quantitative division.
- 2. Authority and Hierarchy:** There should be proper alignment of authority and hierarchy in organisation. The authority should be delegated to subordinates in order of hierarchy.
- 3. Formal Selection:** The formal selection is given priority over the scientific selection. He was of the view that the equal opportunity must be given to every eligible candidate. This needs things to be organised in formal manner.
- 4. Formal Rules and Regulations:** There should be clearly laid down rules for everything. Be it small activity or big one, the model guidelines must be followed in order to ensure proper implementation.
- 5. Impersonality:** The impersonality at each level is necessary to gain belief of common man who wants things in proper manner. The honesty into the system must be inculcated to implement the formal rules and regulations.
- 6. Career Development:** The system must show a career growth path. The employee should get equal opportunity for career development.



### 3.3.1 HUMAN RELATION APPROACH

Human relation approach gave a social approach to the management of businesses. This school of management was propagated by Elton Mayo and his colleagues at Hawthorne plant of General Electric Company, America during the period 1924-1932. They conducted a series of experiments known as *Hawthorne Experiments* at Hawthorne plant during the period. The aim of these experiments was to learn about the complex nature of human at work and its impact on productivity. Moreover, it also aimed at developing a better understanding about human being and their vibrant nature. The experiments can be considered as the foundation stone of *Organisational Behaviour* as new discipline.

The three member committee was constituted to investigate the real cause of low productivity in general electric company, USA at Hawthorne plant. The committee members were Elton Mayo (the psychologist), Roethlisberger (the sociologist) and William Dickson (the company representative). The team conducted several experiments in four subsequent phases:

1. **First Phase: *Illumination Experiments*** (1924-27): The purpose of this experiment was to determine the effect of change in illumination on output. The experiment included varying the degree of illumination or intensity of light at work place and its impact on productivity. The research fails to establish a relationship between illumination and productivity of the groups.
2. **Second Phase: *Relay Assembly Test Room Experiments*** (1927-28): The relay Assembly Test Room experiments were aimed at identifying the effect of job conditions on productivity. These experiments were conducted on female workers. During the experiment, a number of changes like new incentive scheme, five and ten minute rests in working day, stoppage of rests and reduced working hours were introduced to examine the relationship between the change and productivity. As the changes were introduced, absenteeism decreased, morale increased and workers required less supervision. But, when the changes reverted back to original position, the productivity still kept on increasing. This indicated that the change in productivity was not due to changes in working condition, but due to other factors like increased belief, freedom, stability, belongingness and healthy relationship between supervisor and employee.
3. **Third Phase: *Mass Interviewing Programme*** (1928-30): The mass interviewing programme was organised to determine employees feeling towards the company, policy, programmes etc. Approximately 20,000 interviews were conducted including direct interview and indirect interview. Indirect interviews were basically to listen what employee was to say. The outcome of these interviews was analysed in form of group impact on performance rather than individual impact.

4. **Fourth Phase:** *Bank Wiring Observation Room Experiments* (1931-32): in order to establish an equation between group behaviour (as an outcome of third phase) and individual behaviour, the bank wiring room observation experiment was conducted. It was observed that the social pressure was more effective on individuals in groups making a group norm. It was clear from the experiments that there is a strong relation of group behaviour on productivity. Group norms carry more significance for employee than company rules. The reasons of these types of group norms were fear of being laid off, fear of raising standard performance or safeguarding the slower employees.

Having many limitations in experiments, the Hawthorne experiments provided many insights about the human behaviour in organisation and opens new vistas for researchers. The role of informal leadership in organisations, impact of social factors on productivity, group dynamics in organisations, and gender effect were the some of the key outcomes. There was phenomenal change in management approach after these experiments

### **3.3.2 BEHAVIOURAL APPROACH**

This approach believes in more refined way of understanding human behaviour at work place. Douglas McGregor, Abraham Maslow, Kurt Lewin, Rensis Likert, Chester Barnard, M Parker Follett and Chris Argyris are the behavioural scientists who contributed to the behavioural science approach to management.

The behavioural approach recognises the practical and situational constraints human face at work place and takes decision in a rational manner. The approach believes that the in actual practice, decision making is not only having economic concerns, but also social concerns. Sometime, social concerns are more relevant and dominating to economic concerns. The social concerns do have group at its centre to work within its defined norms. Hence, the behavioural approach to the management underlines the need of humanistic touch in administration.

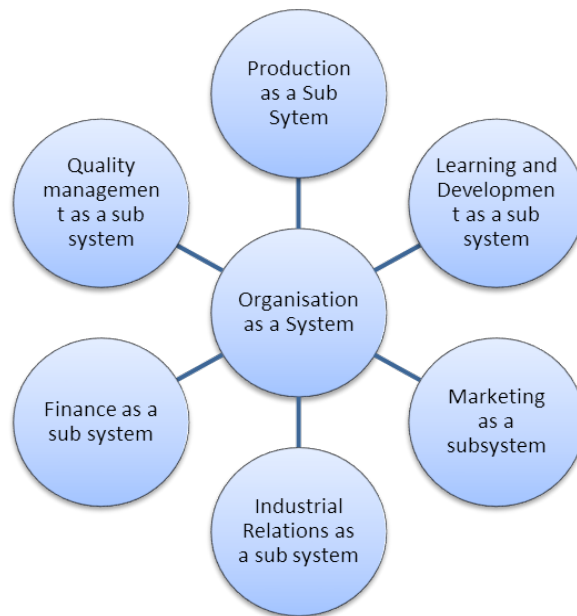
### **3.3.3 DECISION THEORY**

According to this school, management is basically a decision making process. The success of any manager in an organisation primarily depends on the capacity to take decisions at the right time. The right decision at the right time have an important role in getting the work done effectively and thereby in adding to the success of management. Right decision should be taken after considering the facts relating to the given situation at the given point of time. One must consider all its possible implications, but once a decision is taken, it should be altered only when there is some serious kind of blunder committed by decision maker.

### 3.3.4 SYSTEMS APPROACH

This approach was propagated in early 1960s by thinkers like Chester Barnard, Lawrence J. Henderson, W.G. Scott, Peter Senge, Deniel Katz and Talcot Parsons. Some of the thinkers of this philosophy were of the view that classical approaches were unable to integrate the managerial problems into organisational vision and inability to provide the solutions without any hindrances. The classical thinkers were not able to provide universal and general model of managing organisation as a system, which does have many sub-systems. Each sub-system is having uniqueness in main system.

A system is a set of many things interconnected or interdependent to form a unit. It consists of integrated parts and sub parts comprising of the smallest activity or link to the whole business process. Each sub system, its linkage to other sub system needs to be analysed to make organisation successful in its goals. For example, the production sub system is closely inter related to its sub parts maintenance sub system and if any one of the sub part or sub system does not perform well, production gets adversely affected.



**Figure 3.2: Organisation as a System**

### 3.3.5 CONTINGENCY APPROACH

According to the contingency approach, the behaviour of one sub unit is dependent on its environment and its relationship with other sub unit that have some control over the sequence desired by that sub unit (Tosi and Hammer, 1974).

This theory rejects the universality of management thesis which based on that there are certain management principles which are applicable to all kind of situations. This theory believes that management

should anticipate and comprehend environmental changes. Managers should always pay notice of changes that take place in the environment and should develop the ability to cope with the changes. However, they should always stabilise the change.

The important features of the contingency or situational approach are as discussed below:

1. It stresses that there is no standard way of doing a thing. The situation will allow the best to be fit in suitable option.
2. The external environment keeps on changing, so the managers must keep their information system strong to update the changes in order to accommodate the change and prepare strategy for the change.
3. The system need to be proactive. The policies and principles must be made flexible enough to accommodate the change in future.
4. The best solution at one point of time may not look relevant from other angle. Therefore management must have the open system.

The development of management thoughts over the period of history as passed through different stages beginning from financial incentives to be given to employees of the standardising the work in order to create higher level of motivation to human relation aspects of the organisation and it was established that informal groups also play a very important role. Later on, efforts were made to establish interrelationship among different sub systems.

Managers today, accept that there are many ways to get success. The need of hour has to be recognised in order to get success.

**Activity C**

Study the Mahabharat “*Lakshagrah Edisode*” and draw some of the management essence out of this event. Also, see if there was any role of management concept?

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### 3.4 SUMMARY

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The concept of management in business organisation started developing in the period of industrial revolution. As the complexities in business process and demand in the market started increasing, the business man started to invent new methods to fulfil the requirement. Later on good practices merged as principles of management. Like F. W. Taylor, and Henry Fayol did and established the two classical theories. The third classical theory was bureaucracy conceptualised by Max Weber. The classical approaches were considered to be more economic oriented undermining the human aspect. Therefore, the human relation concept came into existence focusing on human aspect and effect on productivity. The credit goes to Elton Mayo, a Harvard Professor. The human relation school of management was followed by behavioural sciences theory, system theory and contingency approach to the management thoughts development. These approaches include every aspect of an organisation in length and breadth. The frame of management is still very relevant and practically viable.

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### 3.5 KEY WORDS

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**Illumination** : operating on light to increase or decrease the intensity

**Therblig** : a hand and body motion study

**Impersonality** : impartial system

**Scalar Chain** : without direction chain

**Equity** : at par treatment

**Order** : sequence / position

**Esprit de Corps** : union is having strength or spirit of teamwork

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### 3.6 SELF-ASSESSMENT QUESTIONS

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1. Sketch the development of management thought process.
2. What are main contributions of F.W. Taylor to the management development?
3. Highlights the fundamental principles of scientific management.
4. Discuss the main principles of administrative theory.
5. How do classical and neo-classical approaches differ from each other?
6. Discuss the various experiments conducted in Hawthorne plants by Elton Mayo.
7. Underline the main features of systems and contingency theory.
8. What is decision science theory? Explain.



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# UNIT - 04

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## PROCESS AND PRINCIPLES OF MANAGEMENT

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### Objectives

After going through this unit, you should be able to:

- learn the process of management;
- understand the functional areas of the management and their relevance to business organisation;
- describe the principles of management;
- learn the limitations, universality of principles of management.

### Structure

- 4.1 Process of Management
  - 4.1.1 Management Process Approach
- 4.2 Functional Areas of Management
- 4.3 Principles of management
  - 4.3.1 Principles of management
  - 4.3.2 Limitations of management principles
  - 4.3.3 Are management principles universally valid?
- 4.4 Summary
- 4.5 Key Words
- 4.6 Self-assessment Questions
- 4.7 References and Further Readings:

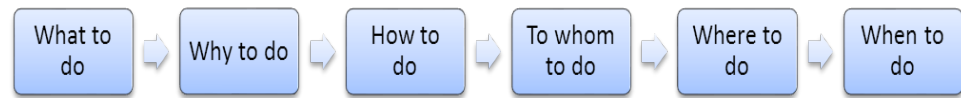
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### 4.1 PROCESS OF MANAGEMENT

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The process of management means to convert input into the output. The output is usually product or services which are required to fulfil the customer need or demand. Therefore, the concept, ideally, start with ascertaining the need of the customer. Knowing exactly what a customer or consumer wants. The input is decided as per the output demanded. The process of management includes mainly the steps of converting the input resources into the final product or services. Therefore, it is a systematic activity having different steps interconnected and interdependent. Every

next step follows the previous one. The understanding of each step with its relevance is must.

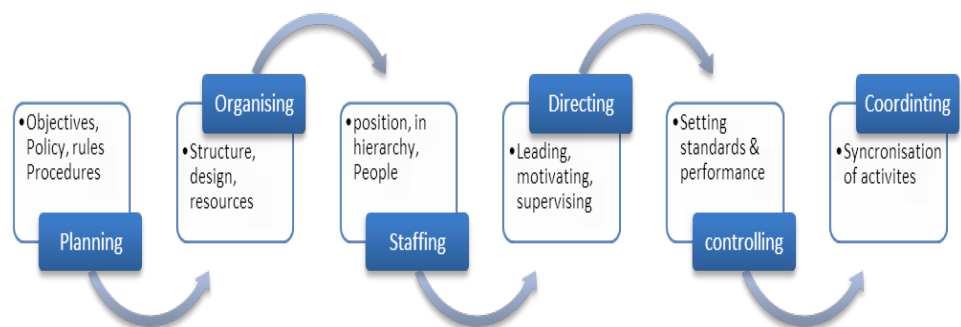


**Figure 4.1: Simple process of management**

The business, in simple terms, means generating profit. The profit can be generated once there is a transaction of some goods or services from one person to another. The goods or services must be produced in order to get profit. Thus, each activity is linked to another activity. The business cycle starts with manufacturing the product and then supplies it to the customer to earn profit.

### 4.1.1 MANAGEMENT PROCESS APPROACH

The management process approach to effective business start with effective planning. Planning is the *first* step of management process. This includes deciding the objectives of organisation, policy formulation, describing the rules and regulations. The planning step also elaborates the detailed method and strategy to achieve those objectives. The *second* step of the process is organising the organisation structure, creating position and hierarchy. The organising also includes the arrangement of the resources needed to actualise the planning. The *third* step of the process is staffing. This step involves the recruitment and selection of human resources. The basic aim of this function is to get right person for the right job. In directing, the *fourth* step, providing leadership is as important as motivating them to perform at the job. The *fifth* step, controlling, includes the setting of performance standards and measuring the performance against the set standards. If there is any deviation from the set track, the corrective actions are taken to control the process. The *sixth* step is coordinating the various activities in such a manner that helps in achieving the objectives of the organisation.



**Figure 4.2: Process of Management**

The process gives the standard steps involved in achieving the management task. The specific or highly specialised sectors may include some specific sub-steps under the model steps.

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## **4.2 FUNCTIONAL AREAS OF MANAGEMENT**

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The process of management includes various activities. Out of the all activities, the activities having similar nature are clubbed into one group called departmentalisation. To handle with similar types of activities, common code of doing those activities is described. This makes one function or operation. The common activities for any business include arrangement of money to start the process of business, getting people for the business, manufacturing the product, and selling the product. These are called the major functional areas of management namely financial management, human resource management, production management and marketing management.



**Figure 4.3: Key Functional Areas of Management**

**1. Production Management:** The production is one of the important and key activities of business. Production management is the branch of management to take care the manufacturing process. The input raw material is processed using the tools and techniques to produce the desired product or services.

Production management is defined as the process of manufacturing right quality product or services in right quantity using the right input with right tools and techniques at the right time. The functions of production management include:

- a) Production planning and design
- b) Production routing and scheduling
- c) Plant location
- d) Production control
- e) Material management
- f) Inventory management
- g) Plant maintenance services

**2. Marketing Management:** Once the product is manufactured, it needs to be sold to earn profit to make the activity a business. Marketing management is defined as getting right product at the right price at the right place through right promotion. The right product means the product as per the customer need and want. The right promotion means the promotion of the product to the customer must be a legal, through credible source using right media for promotion. It is also defined as the process of ascertaining need of customer, converting these needs into product or services and then supplying them to the customer to satisfy the need. Therefore, the success of marketing depends on the efforts to direct the product from company to customer. The major activities in marketing management include:

- a) Market segmentation
- b) Consumer behaviour
- c) Sales promotion techniques
- d) Personal promotion
- e) Advertising management
- f) Publicity
- g) Customer feedback
- h) Market analysis

**3. Financial Management:** Financial management describes the financial aspect of management. This area is considered as the life blood of organisations. Any business start with money and ends with money. It deals with the transaction of capital. Financial management is defined as the process of arranging capital required for the business, allocate the capital to different activities of business and then return to the investors and shareholders. Thus, main decisions that a finance managers takes are decisions related to deciding about the sources of finance from where organisation can take money. The second decision is to invest the money in business activities. The third decision is to decide how much money should be return to the investors and shareholders. The main function of financial management include three major functional decisions as :

- a) Financial Decisions
- b) Investment Decisions
- c) Dividend Decisions

The responsibility of finance manager is to maximise the profitability aspect of business with minimisation of the risk associated with the business. Therefore, the finance managers is required to chose those source of finance which not only brings minimum burden of liability on business, but also provide capital on minimum risk. This will also increase profitability of organisation.

**4. Human Resource Management:** This field of management deals with the people in the organisation. Human resource management is defined as getting right person for the right post at the right cost through right process. Right person means the person should be as per the requirement of job. Every job needs some knowledge, skills, experience etc. Therefore, the process of recruitment and selection must include testing of these skills, knowledge, experience etc. The performance appraisal, wage management, promotion, welfare of employees the main activities of human resource management.

- a) Human Resource Planning
- b) Recruitment & Selection
- c) Performance Appraisal System
- d) Promotion & Transfer
- e) Training & Development
- f) Salary and Wage Administration
- g) Employee welfare
- h) Retirement and superannuation process

Any organisation is considered as an organisation, only if, there are human beings. These human beings are not only the resource for the organisations, but there may be many resources in one human being. For example: a mechanical engineer in organisation may be a very good cricket player or artist. The development of these resources in an employee is also responsibility of human resources management.

### **Activity A**

Suppose, you have to start a small shop in major shopping complex, study and analyse the various the production, marketing, financial and human resource management functions for a shop. Write down the major activities under these functions.

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### 4.3 PRINCIPLES OF MANAGEMENT

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**Meaning and Nature:** Whenever some task is decided to achieve, there are certain principles which becomes necessary to follow. Without any principle, the business cannot be developed. The same can be understood in simple language as the business depends on relations. The owner is related to management in some way, management is related to the employee in some way and employee is related to the society in some way. The business cannot be visualised without this society. There must be some principles which should remain same as the principles of science remain same. Management is also a science; hence, it should follow certain principles.

The outcome of any activity application of these principles of management remains same provided the environmental conditions are not changed. Therefore, organisations need to understand these environmental conditions and their impact on business processes.

**Characteristics:** The principles of the management are generally *static*. This means the principles are not changing as the other conditions changes. There may be different practices in different continents, but the basic principles remain same. The *scientific* nature of the principles changes makes it similarity with physical sciences. As a science, the principles have been developed after number of experiments giving similar results under different business conditions. The internal *consistency* among the principles and theories is another important characteristic. There is an internal relation between principles and theories of management. The *universal* nature of principles of management makes it widely acceptable to every business organisation across the globe.

**Need for Management:** It is widely acceptable fact that business cannot run without management. The increasing complexity in business has made management a must for the business organisations. Each and every activity has the complexity and proper management need to be implemented to get desired outcome.

It is possible to do an activity without planning, but the probability of getting same result every time may not be ensured. It is only possible when the some planning is there. For example one can make a cup of tea with very good taste, but repeating the same taste definitely need to plan



about the input ingredients and / or process of preparing tea. Therefore, the need of management is now in every part of life. A person needs to manage his / her life in a systematic manner to get desired level of outcome.

The need for the management is to have *firstly* firm determination. The dilemma of thinking is very dangerous for anyone in business. *Secondly*, the belief in system is must for the getting desired outcome. The primary indication may not be inspiring in management practices as the body of knowledge does not ensure result in first instance. It may be in physical science that result comes in predicted manner, but management is a practice which may not even give positive symptoms initially, but belief in system will definitely give positive result.

### **4.3.1 PRINCIPLES OF MANAGEMENT**

F. W. Taylor first time proposed the fundamental principles of scientific management in his book '*Scientific Management*'. He focused on scientific process. The 04 principles advocated by Taylor are as follows:

- 1) Replace old thumb rule system
- 2) Scientific selection and training
- 3) Sharing the responsibilities
- 4) Mutual cooperation

For detail description, please refer to unit 3 and section 3.2.1.2 scientific management

During the same decades, Henry Fayol had propounded certain common principles of management based on vast practical experience. As a person responsible for the performance of the organisation, he had devised many techniques to get better managerial performance. The 14 principles of management outlined by Fayol in his book *General and Industrial management* are as follows:

- 1) Division of Work
- 2) Authority and Responsibility
- 3) Discipline
- 4) Unity of Command
- 5) Unity of Direction
- 6) Subordination of Individual interest to general interests
- 7) Remuneration
- 8) Centralisation
- 9) Scalar Chain

- 10) Order
- 11) Equity
- 12) Stability & Security
- 13) Initiative
- 14) Esprit de corps

For detail descriptions, please refer to the unit 3, section 3.2.2 Administrative Management by Henry Fayol.

### **4.3.2 LIMITATIONS OF MANAGEMENT PRINCIPLES**

Scientific management advocated mainly the scientific approach to management. Although, most of the principles are very useful in today in corporate world, but the principles were applicable to employee class effectively. The principles of scientific management were not very practical for the executive class of organisation. The scientific selection and differential piece wage rate system were also criticised by many thinkers. Few philosophers were of the view that this approach considered human being like machine, which was not fair treatment. These were the few limitations of the principles advocated by scientific philosophers.

The principles of management have consistently been applied in organisations across the globe to achieve goals. But, there are certain limitations to these principles too. The growing competition enforces compulsion to innovate and develop new management practices to achieve edge over others. These practices deliver different level of results in different organisations putting a need of conceptual framework integration. Some of the criticism includes that these principles mainly stressed on administrative side. The human element was also ignored in these principles. The universal applicability of these principles across the different continent has been questioned. Therefore, these are the some of the limitations of principles of management.

### **4.3.3 ARE MANAGEMENT PRINCIPLES UNIVERSALLY VALID?**

Some of the discussions have always surfaced on many platforms debating the issues whether principles of management universally valid or not. The researches have indicated that the principles across the world seem to be more or less same. The discussions talking about the differences do not have clear distinguishing line between management principles and management practices. The local culture and belief may give influential effect to management practices or trigger to some different techniques, but the guiding principles remains same across the globe. The application of management theory definitely differs across the globe to suit to the legal, local topography, culture, beliefs, and climate. For example, HR department believe to have welfare measures for the employees in organisation. The welfare in a developed country may

include a different scheme than in a developing country. The principle says it is must to have welfare provisions for employee. It is quite obvious that bonus on Christmas is must for employees in US or UK, but same may not carry much relevance in India. Similarly the working hours for female employees may be having flexibility in developed countries, but same may not be suitable due to legal or social reasons. The practices may vary keeping fundamental principles same.

**Activity B**

Study the American and Japanese style of management and find and elaborate the differentiating elements.

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**4.4 SUMMARY**

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The process of management includes knowing exactly what to do and than seeing that it is being done in a bet's possible manner. There are certain functional areas in management process like production management, marketing management, financial management and human resources management which are important to understand, learn and implement in organisation to best output out of available input. To implement these functions in true sense, the management must follow some basic principles. These principles are universally applicable but the practices may vary. This variation is due to the some factors related to environmental, business and legal conditions.

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## 4.5 KEY WORDS

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**Investor:** a person who give his /her money to business

**Shareholder:** a person who put his /her money in business and participates in business decision making.

**Dividend:** shareholder's return after investing in an organisation.

**Performance Appraisal:** assessment of performance.

**Superannuation age:** retirement age.

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## 4.6 SELF-ASSESSMENT QUESTIONS

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1. What is process of management? Explain.
2. Discuss various functional areas of management in detail.
3. What is need of management principles? Explain the main principles of management.
4. "Are management principles universally applicable" discuss.
5. Discuss the major limitations or constraints of management principles.

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# B.B.A-101

*Bachelor of Business  
Administration  
Principal of Management*

## BLOCK

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UNIT 5 00-000

**FUNDAMENTALS OF PLANNING**

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UNIT 6 00-000

**PLANS, POLICIES, SCHEDULES AND PROCEDURES**

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UNIT 7 00-000

**ORGANISING I**

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UNIT 8 00-000

**ORGANISING II**

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# UNIT - 05

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## FUNDAMENTALS OF PLANNING

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### Objectives

After going through this unit, you should be able to:

- understand the nature, importance, need and types of planning
- learn the process of planning
- get the relevance of forecasting in planning process
- know the key elements of planning
- understand the limitations of planning

### Structure

- 5.1 Planning: meaning and concept
- 5.2 Nature and characteristics of planning
- 5.3 Important of planning
- 5.4 Limitations of planning
- 5.5 The process of planning
- 5.6 Forecasting as an element of planning
- 5.7 Types of planning
- 5.8 Principles of planning
- 5.9 Summary
- 5.10 Key Words
- 5.11 Self Assessment Questions
- 5.12 References and Further Readings

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### 5.1 PLANNING : MEANING AND CONCEPT

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Planning is the most important function of management. It is an inevitable part of every one's life. It is said in management arena that success passes through effective planning. It is a first step of management process and if the first step is strong, then further course of action becomes easy to follow. It is just like the root of a success tree. If root is not strong,

the tree cannot stand tall. Even in small environmental change, it will not survive. Thus planning is an essential and crucial step of management.

Planning is the process of peeping into the future, sensing the opportunities and then devising future course of actions to exploit the opportunities. This needs a strong vision to imagine future opportunities and linked it to the present available resources. The planning is an activity to architect the future business, sensing the uncertainties associated with it and prepare the strategy to achieve it. Thus, it gives an understanding about:

- what is to be done
- why is it to be done
- how is it to be done
- when is it to be done
- who will do what

In terms of corporate / business environment, planning is the process of deciding the vision, mission, objectives and strategies to actualise the business. The few thinkers have defined planning in following words.

*“Planning is decision in advance about what to do, why to do, when to do, where to do, how to do and who is to it. Planning bridges the gap from where we are to where we want to go”* - Koontz and O’Donnell

*“Planning is fundamentally a mental predisposition to do things in an orderly way, to think before acting, and to act in light of facts rather than of guesses”* - Lyndall F Urwick

Therefore, the planning can be defined as *the process of learning the future activities, methods of doing those activities, purpose of doing those activities and strategies to justify those activities.*

It can also be defined as process of preparing the roadmap of future business opportunities. It is a blueprint of business idea.

In nutshell, one can understand that *planning is the process of extracting learning lessons from past, preparing roadmap for future opportunities by utilising present resources.*

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## **5.2 NATURE AND CHARACTERISTICS OF PLANNING**

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Form the concept of planning, it is visible that planning is a must process at every step of business across the globe. Be it small scale level shop business or big corporate houses, the planning is inevitable process. The following characteristics describe the nature of planning :



1. ***Planning is the foundation of management:*** Planning is the primary function of management. It lay down the blueprint of future business. The road map is derived from this Blueprint. If the root foundation (planning) of management is strong, then it increases the probability of getting success.
2. ***Planning is self-explanatory process:*** Planning process is self-explanatory. The planning itself tell what to do, how to do, why to do, when to do and who is to do it. Thus, process does not need any additional input to interpret it.
3. ***Planning is the beginning of management process:*** Planning is the beginning of the management process. A manager always plan before doing anything. The organising, directing and controlling process follow the planning. Without planning, other functions will not give desired output.
4. ***Planning is an intellectual process:*** The process involves intellect at each stage. Human beings, in personal life, think before acting on it. This thinking process involves intellect. Similarly, planning is the process which decides the connected and interdependent activities of future. Hence, it involves intellectual as an input every time. The planning process generally converts the idea and thoughts into business activity. Thus, *it needs to learn lesson from past, look at future opportunities by utilising present resources.* This process is not feasible without intellectual input.
5. ***Planning is objective oriented:*** When a manager plans something, there is some objective behind planning. Without any motive, no one take a step forward. Hence, planning is objective oriented process. The planning is always to make changes to existing status / level. If objectives are modified, planning also need to be modified in order to align it with objectives.
6. ***Planning is a continuous process:*** Planning gives roadmap of management. It means how to organise, direct, control and coordinate the activities in an organisation. The practical learning at the later stages must be incorporated in the plans so as to achieve objective in changed environmental conditions. Thus, plans need to be monitored and modifications, if any, must be made. This necessitates the planning as a continuous process.
7. ***Planning is a flexible process:*** As an outcome to the above citation, it can be said that the planning process is a flexible process. The modifications at later stage are obvious. The flexibility means ability to incorporate the changes in future business conditions. For example if there is any change in the customer preference, the plan must be flexible enough to adapt the change and modify the product variables to accommodate change.
8. ***Planning is all pervasive process:*** Planning is an activity required at all level in organisation. The top management plans for long

term while lower management plans for short period. The top management devotes more time in planning activity while lower management gives more time in executives those plans. But the executions also need short term planning to implement the long term plans effectively. A sales manager plan for whole year whereas sales executive break yearly plan into monthly or quarterly and then plan to achieve monthly objectives. Hence, from top to bottom, the planning varies, but it is inevitable process.

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### 5.3 IMPORTANCE OF PLANNING

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Doing an activity without planning is just like a plane in air without any pilot. You never know when external climate changes and puts you in tough situation. The outcome of poor planning or no planning may leads to time consuming, higher cost and poor quality. Therefore, it is imperative that the proper planning is done before moving ahead. The following points are necessary to iron out the wrinkles in understanding the importance of planning:

1. **Minimises risk and uncertainties:** In fast changing environment, the business decisions in light of future uncertainties increases a lot of risks in business. And if one more uncertainty adds due to random decision, then it can bring many problems. Planning helps in better management of unforeseen risk. For example, if a manager predict about the future downfall in sales due to probable market changes, he or she can prepare strategy to manage the performance of that quarter. The planning helps in developing strategies to balance the business risks due to future uncertainties.
2. **Increases probability of success:** Merely organisation of any activity does not ensure success, but effective planning definitely increases the probability of success. The business now days has become just like a war of winning customer satisfaction. Like in war, the positions of each warrior is decided strategically to counter the possible attack, the planning also anticipates all possible shortcomings and distortion factors in advance and proper strategy is made accordingly. This increases the success rate.
3. **Better Decision making:** Proper planning helps in decision making. The decision making depends on the better information and current status of activity. The planning blueprint gives the standard performance and projected performance. Therefore, it helps in understanding any deviation if any to decide whether to continue, stops, modify or correct.
4. **Effective resources management:** The planning process is important to manage resources effectively. The waste and scrap can be reduced to a significant level after proper planning. The proper planning and effective coordination can definitely minimise the HR cost to a great extent. The coordinated marketing plans can

save time, cost and efforts of any organisation. Hence, planning is helpful in effective resource utilisation.

5. **Effective control:** It is widely acceptable fact that planning and control go hand in hand. In absence of plans, manager does not know what to control, major deviations and standard measures. The control function depends on planning process. The aim of control is to ensure that plans are implemented. The control can be performed only if plan exist.
6. **Facilitates performance management:** The planning process includes the setting of standard or benchmarks, which are used to measure the performance. Hence the planning facilitates the performance appraisal and measurement. It not only helps in individual performance assessment but also in organisational performance measurement.

### **Activity A**

Analyse your daily routine minute wise and trace the activities or events based on planning whether knowingly or unknowingly.

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## **5.4 LIMITATIONS OF PLANNING**

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In spite of many advantages, planning has some limitations. Some of the limitations are discussed below:

1. **Expansive:** Planning is a process which involves many inputs from different sources. The cost of getting these inputs put a financial burden at initial stage of management process. In many cases, the experimentation phase requires much cost than organising stage. The process of planning usually foresees many potential and probable elements and includes a solution module in planning the activity. Every module is not turned to be result oriented. Hence cost associated with those modules goes wasted. Hence, the planning process does have limitation of being an expensive process.
2. **Time consuming:** The second limitation of planning is that it is a time consuming process. There are many inputs required to be

collected to make planning sound and effective. The information collection, screening and selection relevant information need time. The decision making also require time to take effective and accurate decision. There are many small scale businesses which do not have faith in planning process because of time consuming process as the small scale businesses usually cannot afford the time and cost in planning stage.

3. ***Inflexibility of administration:*** Planning lay down every step, plan, procedure, policy and instructions in advance. Once the plan is accepted, then everything has to go according to plan strictly. In case of any unforeseen environmental or business conditions change like recession or accident, the change in original plan becomes inevitable. The administration's inflexibility bounds to follow the original plan which loses relevance in changes scenario. This limitation enforces to make plan flexible enough to absorb the unforeseen happenings.
4. ***Changing business conditions:*** The customer in this vibrant world is considered as most dynamic entity in business. The customer has become demanding and organisation cannot ignore customer in competitive environment. The changing business conditions makes it necessary to change in planning accordingly, but it is not possible to make changes in planning at the rate of environmental changes. Therefore, it becomes impossible to make a perfect plan.
5. ***Depends on estimations:*** one of the important limitations is that the planning process is dependent on the estimated information about the future conditions. The future conditions are always uncertain. Therefore, it is not possible that planning fits perfectly in future situations.

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## 5.5 THE PROCESS OF PLANNING

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The process of planning includes many steps to take final shape of plan. The step by step process of planning is described in figure 5.1.

1. ***Studying and Analyzing Business Environment:*** The planning process starts with the study and analysis of business environment. The analysis of prevailing businesses, their success mantras, pattern of market change, technological development stage, government regulations, global practices in management etc. is important for future planning. Looking for a product or feature which is not available in market and demand seems to be mounting in present or future can be an opportunity for new business. This process of scanning environment in search of an opportunity is called opportunity scanning.
2. ***Defining Objectives:*** This step in planning is to determine the objectives of organisation. These objectives, mostly set by top management, includes what organisation want to achieve. Unless

and until, the objectives are not clear, the accurate plans cannot be prepared. The long term objectives are further defined in specific goals for different departments of organisation. These goals must be clear, specific, verifiable and achievable.

3. **Forecasting the Premises:** The forecasting is an important step of planning process. The forecasting about the future uncertainties and conditions which become assumptions for the planning. It is also defined as planning premises. It means the future conditions, limitations and boundaries which restricts the planning beyond it. The forecasting process is necessary not only for external environment forecasting but also for internal environment forecasting. For example, the population trend, economic conditions, market strength, financial position, government regulations etc. may include in external future conditions. The production cost, labour cost, material management, technological development, product life cycle etc. may be included in internal premises.
4. **Identifying the Alternative Courses of Action:** This step of planning process is to devise or search all the possible means of doing things. The number of alternatives ways should be chalked down in order to choose the best alternatives. For example, the product may be sold to the customer directly or through some market intermediary, the post should be filled through open process or through promotion internally etc. All the possible and probable ways of achieving objectives must be identified.



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**Figure 5.1 The Process of Planning**

5. ***Evaluating Courses of Action:*** After getting number of courses of action chalked down, the evaluation of these courses of action in light of forecasted premises (future conditions) and the objectives predefined is done to get the best and suitable course of action to achieve the objectives. The evaluation criteria may include various statistical techniques.
6. ***Selecting a Course of Action:*** The suitable alternative is selected among the other alternatives. The criteria of selecting suitable alternative may not include the best option rather than suitable alternative as the best one may not be flexible enough to absorb future uncertainty.
7. ***Preparing Derivative Plans:*** The selected plan or course of action is elaborated in micro level activities. This includes deriving the goals out of the objectives and then formulating strategies to achieve these goals. The day-to-day operational instructions, programme, guidelines are required to make it achievable to the lower level management. In corporate language, derivatives plans means procedures, programmes, rules, regulations, budgets for front line managers.
8. ***Implementing and Reviewing the Plans:*** The implementation of the decided plans is the penultimate stage of planning process. This stage is followed by reviewing the plans on actual turf. The required changes if any need to be incorporated into the plans to make planning strong.

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## 5.6 FORECASTING AS AN ELEMENT OF PLANNING

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Forecasting means predicting the future conditions related to the relevant business. The predicting about something which lies in future is crucial and difficult to assure. The planning process mainly includes two major activities: (a) predicting the future conditions of business i.e. the future assumptions and (b) deciding about these assumptions and converting them into business opportunities. The first activity is mainly the forecasting of future assumptions i.e. predicting the future happening of events and their conditions.

*Forecasting is the process of analysing the past and present happening and then projecting the future happening based on the analysis of past and present.* The forecasting helps in establishing a relation between past, present and future happenings. It portrays a pattern of happenings which can be utilised to convert the future events into a profitable business. Thus planning is incomplete without forecasting process. The following points explain the importance of forecasting in planning process:

1. Forecasting involves predicting the future premises or events based on past and present whereas planning involves taking decisions

about the future course of action based on these assumptions of forecasting process;

2. Forecasting provides an open ground of many alternatives to choose a suitable alternative which is a crucial stage of planning process. The planning process, thereafter, proceeds to prepare plans, procedures, methods, instructions etc.
3. More accurate forecasting the assumptions not only makes planning strong, but also reduces the risk of failure. If a manager is given tentative happenings, he or she can be well prepared for those happenings with better strategy.
4. The forecasting outcome future assumptions also help in controlling the management process. The outcomes of forecasting process are used to set standards (expected results) and then actual results are compared with. The managers can control the deviations if any in this manner.

### **Activity B**

Mr. Vinod joined MBA programme of a leading university. As he started studying MBA, the economic condition started worsening. After passing out MBA, he did not secure a job, where some of his colleagues secured jobs. Discuss and analyse critically the decision of Mr. Vinod to join MBA programme.

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## **5.7 TYPES OF PLANNING**

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The different types of planning depend on the level of planning. This means that planning at different level of management do have different aims to fulfil. The following types are common in business organisations:

1. Corporate Planning

2. Strategic Planning
3. Operational planning
1. **Corporate Planning:** Corporate planning is concerned with the overall planning at the corporate level. Corporate planning means the long term objectives developed by the corporate level people or top management. It is equally applicable to all the divisions, departments and sections without any difference. The corporate planning becomes guiding principle for the strategic planning. The common features of corporate planning are listed below:
  - Corporate planning is prepared for entire organisation.
  - It is long term planning.
  - Corporate planning becomes base frame for strategic planning and strategic planning becomes base for operational planning.
  - It is a long range process involving all the departmental and divisional heads.
  - It lay down the mainframe of planning and control at corporate level.
  - It also helps in aligning two or more business organisation of same group with common corporate plans.
2. **Strategic Planning:** The term ‘strategy’ comes from the Greek word ‘*strategeia*’, which means the art or science of being a general (military head). The position of general in military is important as strategy in business organisation. Just like general role to devise specific action for opponent’s position, strategy is also to devise a specific future course of action to achieve specific task.

Strategic planning is a special type of planning which involves analysing and developing the organisation’s vision, mission, objectives and goals. Strategic planning is a process of formulating comprehensive and meticulous planning which defines step-by-step actions with alternatives for future business uncertainty. The strategic planning is formulated at top level to briefly include:

- What is the purpose of the organisation?
- What does organisation need to do additional in order to get an edge over competitors?
- What specific move organisation should introduce and at what time to be remaining in competition?
- A perfect blend of resources and strategy to realize organisation vision.



As shown in Figure 5.3, the strategic planning process starts with the environmental analysis. The analysis is important to understand the overall sector performance and new elements being into process. The next step of process is to define the organisation's vision and mission. It is very clear from the vision and mission that what organisation wants to be. The fourth and fifth step includes the process of SWOT analysis. The analysis of organisations core strength and weaknesses helps in identifying the opportunities and threats in environments. Once, the SWOT analysis is done, it becomes easy to define the objectives for an organisation. The objectives are further bifurcated into the goals at lower level. To achieve these goals effectively, the strategy is formulated. The strategy implementation and evaluation is equally important to learn how much effective the plans and strategies have been and to what extent it helped organisation in achieving its objectives.



**Figure 5.3: Process of Strategic Planning**

- Operational Planning:** Operational planning is usually known as short term planning or tactical planning. Operational planning is concerned with front line job and is formulated to day-to-day routine functioning of operational level activities. The operational

planning is specific part of strategic planning or sub level strategic planning.

Thus, operational planning means the way of utilising resources on front line jobs to justify the strategic planning in order to achieve the set objectives and goals.

### **Activity C**

What type of planning is required for your end semester examinations and why?

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## **5.8 PRINCIPLES OF PLANNING**

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Some of the guiding principles in the process of planning are as discussed below:

1. Planning must contribute in achieving the objectives of organisation. The success or failure of any plan is judged in terms of achievement of objectives;
2. Planning should be based on well analysed and consistent premises. This means that there should be accurate and sound future assumptions and patterns;
3. There should be a space for limitations in every planning. The proper steps should be incorporated into the plans to manage these limitations;
4. Every planning must define the period of execution. It means that every plan should be time bounded as the future assumptions are based on projection for a particular period and conditions and plans are implemented during or / and after that period. Thus, they may not give result on expected line of objectives.

5. Every plan should have element of efficiency. The cost optimisation must be taken care in the process of planning.
6. Planning must be flexible enough to give space for modifications in the plans if any due to changes in business conditions. In general, there may be changes in business, legal, political, market or technological environment during the implementation phase. Hence, it becomes inevitable to accommodate these changes into the original planning.
7. Planning should have necessary element of exceptions. It means that the planning should be acceptable to the planner as well as person responsible for implementation of planning.
8. Planning must include the inherent scope for coordination in order. This means the proper space for different activities must be provided so that precious resources should not go waste and ultimately leads to the failure of planning.
9. The period of planning and resources utilised during planning should be taken into consideration while deciding the overall operational period and resources. These should be fully recoverable during the operational period itself.
10. Planning should establish a relation between operating environment and future expectations. This will help in interpreting the actual results in light of result expectations.

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## **5.9 SUMMARY**

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The planning is an important activity of management process which is basis of all other functions. It tells what to do, how to do, where to do, when to do and where to do. It sets the objectives at top level, strategic directions at middle level and guiding instructions at operational level. Hence, planning is an all pervasive process. Planning also helps in setting performance standards based on premises (assumptions forecasted) and control mechanism. In strategic planning, the science of comprehensive and meticulous decision making add the competitive advantage to the organisation. Plans are end results whereas planning defines means to achieve the end results. The planning as a process is inevitable part of effective management.

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## **5.10 KEY WORDS**

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**Strategy:** It is a tactic to achieve a specific task

**Derivative Plans:** These are the plans drawn up by the lower level management for their respective areas.

**Cost optimisation:** The best cost that suits best within defined conditions

**Corporate planning:** Planning for the overall organisation i.e. for every department and division.

**Operational planning:** Preparing rules and regulations, policies, procedures for operational activities.

**Premises:** The predicted environmental conditions and assumptions.

**Forecasting:** Predicting the future activities and conditions related to business.

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## 5.11 SELF ASSESSMENT QUESTIONS

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1. What do you mean by 'Planning'? Define the planning process in detail.
2. What is role of forecasting in planning process?
3. Discuss different types of planning. Is there any relevance of level of management with types planning?
4. What are the main principles of planning? Elaborate.
5. What are the common characteristics of planning? Discuss.
6. Define the strategic planning process in detail.
7. Describe various limitations in planning process.
8. "Planning is simply forecasting and decision making based on forecasting" Discuss.

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## 5.12 REFERENCES AND FURTHER READINGS

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**Fundamentals  
Of  
Planning**

RIL-003

B.B.A-101/78

# UNIT - 06

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## PLANS, POLICIES, SCHEDULES AND PROCEDURES

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### Objectives

After going through this unit, you should be able to:

- learn the plans, policies and their importance in organisation;
- understand the role of organisational strategy in implementing the plans;
- know the procedures and schedules as per the policy framework;
- define the overall objectives and road map to achieve it.

### Structure

- 6.1 Organisational plans
- 6.2 Objectives
- 6.3 Strategies
- 6.4 Policies
- 6.5 Procedures
- 6.6 Schedules
- 6.7 Summary
- 6.8 Key Words
- 6.9 Self Assessment Questions
- 6.10 References and Further Readings

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### 6.1 ORGANISATIONAL PLANS

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Planning facilitates the process of devising goals out of objectives and plans to achieve these objectives. A plan is a framework based on planning which direct all the effort towards the defined goals. It includes schedule of different activities and resources allocated to those activities. *Planning* and *Plan* though are closely related and seems synonyms, but they are different terms. Planning is a process of decision making regarding the activities, methods, technology etc. whereas plan denotes the end result of the process. Generally, manager says that ‘the plan is to do

this thing (outcome)' and 'planning is that we will do first x activity, then y activity'. Thus, planning indicates how to do that thing. Planning focus on means to achieve whereas plan is either achieved or not.

The organisational plans may be understood in form of business plan, financial plan, HR plan or marketing plan as per the function or activity. A business plan means how the goal of earning profit is planned. This means the step-by-step defining the activities, their time duration, sequence, importance and resources allocated.

### 6.1.1 TYPES OF PLANS

There are different types of plans. They can be specified on the basis of level, time, frequency and specific factor. Figure 6.1 depicts the different types of plans.

- (a) **Based on Level:** The types of plan based on level of management are classified into three categories: corporate plans, strategic plans and operational plans.

**Corporate Plans:** The top management requires planning for overall organisation. This means the common planning need to be framed for all the divisions and departments. Hence *corporate plans* are formulated.

**Strategic Plans:** The *strategic plans* help at middle level management with proper strategy for implementation of corporate plans.

**Operational Plans:** The *operational plans* are must for day-to-day operations and help the frontline managers to solve floor level problems on the spot.

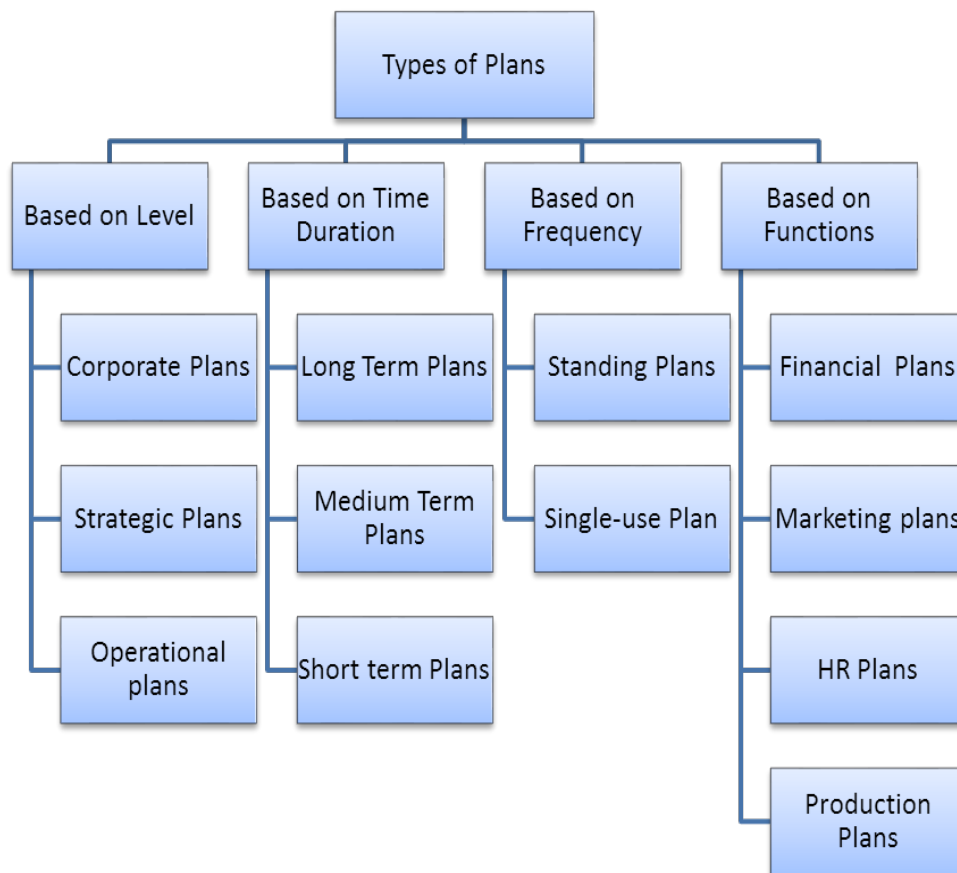
- (b) **Based on Time Duration:** Top management plan to realise the vision. Hence, *long term plans* are formulated. The middle level management gets goals of medium range between 1-3 years which need *medium term plans*. The operational activities at lower level need day-to-day accomplishment of targets. They make *short term plans* having measured in months or weeks.

- (c) **Based on Frequency:** The plans are classified into two types based on frequency of use: Standing Plans and Single use Plans.

**Standing Plans:** The *standing plans* are those plans which give answer to all the probable questions at operational level. Policies, procedures, rule and regulations are the standing plans which give the step-by-step guidelines.

**Single-use Plans:** The *single-use plans* are those plans which are designed to address a unique problem. The programmes, projects and budgets are the single use plans. They are designed for specific purpose.





**Figure 6.1 Different Types of Plans**

- (d) **Based on Functions:** There are four major functional areas of management: finance, human resource, marketing and production. The plans related to these areas are discussed below:

**Financial Plans:** A financial plan may be a plan to meet a financial goal. For example, if organisation needs some amount of capital for development purpose, then the finance department prepare a plan to arrange this capital. It may come from internal source or external source. It depends on the financial plan.

**Marketing Plans:** The marketing plan includes plan which are prepared to market the product. Be it launching of new product or accelerating the existing product sales, marketing plan is prepared. It defines detail future course of action to be executed by marketing team at different level.

**HR Plans:** HR plans are related to the human resources of organisation. Getting right person for the right job is possible only with effective plans to search potential candidates, motivate them to apply, attract them towards the organisation, select them and retain them. All this needs strong plans in place and a place for plans.

**Production Plans:** Production activity is very essential activity in any organisation. It requires a systematic conversion of raw material into the desired product. This process depends on the plans which become guiding framework leading to defining steps in order. Thus, production plans are must for effectiveness in system.

Production Plan of an Auto Company, 2011-12							
Months		April	May	June	July	August	September
Products	XUVs	100	110	95	120	115	160
	MUVs	90	80	85	90	95	100
	LUVs	150	170	160	180	140	160

**Table 6.1: a Simple Production Plan of an Auto Company**

### Activity A

Name the activities under the type of plan required to perform:

- a) Doing morning activities in time by students for first class:.....  
.....
- b) Monthly pocket budgeting  
.....
- c) Deciding whether to become engineer or doctor:.....  
.....
- (d) Fixing the goals for marketing manager .....  
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## 6.2 OBJECTIVES

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Once the organisation's vision and mission are established and defined and organisation actually know what business they are in, the second line of strategy include defining the objectives in line of vision and mission of organisation. The mission must be defined further in form of objectives and goals. These objectives and goals are so important for executing the plans that it would be almost impossible for the manager to move ahead without objectives and goals.

A key outcome of decision making process is to define objectives and goals of organisation. A goal is an expected end result of an activity. Once the goal is set as per the objectives, it becomes clear for the operational people what they have to do and in what manner.

## **6.2.1 FEATURES OF OBJECTIVES**

The objectives are the foundation of planning. There are many features which portray actual objectives organisations are benefitted with. The following features are some of the common ones:

1. ***Multiplicity of Objectives:*** At first instance, it might appear that organisations have a single objective of profit making. But, organisations usually define multiple objectives. The steward objective is given main focus, whereas other objectives may also be in place. The financial objectives are on prime positions in business organisations whereas non profit organisations do have service as prime motive. There has always been a tussle between the financial Vs non-financial objectives in every organisation.
2. ***Real Vs Defined Objectives:*** The *real objectives* are those objectives which an organisation actually pursues as indicative in their actions. The *defined objectives* are the objectives that are pre-defined or stated ones. The defined objectives are usually appears in public announcements, press release, organisation's charter, annual reports. These are usually mad as per the public expectations from an organisation. The real objectives are sometime, far away from the defined objectives.
3. ***Logical Vs Predictive Objectives:*** The logical objectives are those objectives which are defined based heavily drawn information from past and present performance. These objectives are well aligned with the available resources and conditions. The predictive objectives are the objectives which are based on the predictive or influential information drawn from future projected environment and conditions. The people in predictive position see all green grass undermining potential threats. Therefore, if manager project performance, it would always be hyped one keeping in view the best time ahead.
4. ***Multi-level Inference:*** when objectives are set at the different levels in an organisation, they are having indicative influential role of previous level in its formation. For example, top management defines: "I want to improve organisation's performance" middle management understand it and define objective: "Increase profits regardless of the means". The middle level management do have an indicative input from top level objective. But, the essence of planning might not be taken care of. Hence multi level of inference exists in objective setting which need a proper alignment.

## **6.2.2 TRADITIONAL VS MODERN OBJECTIVE SETTING**

***Traditional Objective Setting:*** The traditional objective setting process is an old technique in which the top boss says to the subordinate what he or she wants the final figure in annual report. The president of a

company to marketing manager what annual sales should reach in coming year. The main objective is decided by top management and then the same objectives are bifurcated into sub objectives at lower levels. This, in some way, put constraints in employee's behaviour. Apart from being defined in the best possible way, the objectives often become non-operational. The frontline people always feel pressure of aligning the objectives heavily influenced by the top management. For example, the lower management might perceive objectives as "do not worry about quality, just work fast" this led to widened gap between defined objectives and real objectives.

**Modern Objective Setting:** The modern objective setting process believes the objective setting based on the real performance coming from lower level or frontline performance and resource available in the organisations. It does not mean the organisation should not adopt progressive approach in objective setting. It simply aims to make more real objectives closer to real conditions. The objective setting process is a joint activity in modern approach. The performance objectives are jointly determined by the subordinates and their superiors. The progress is also review periodically. The fringe benefits like rewards, bonus and incentives are the outcome of progress review. 'Management by Objectives (MBO)' is one of the modern way of managing organisations by objectives. This approach not only helps in control, but also in directing, leading and motivating people.

### **Activity B**

Write down your career objective in detail:

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## **6.3 STRATEGIES**

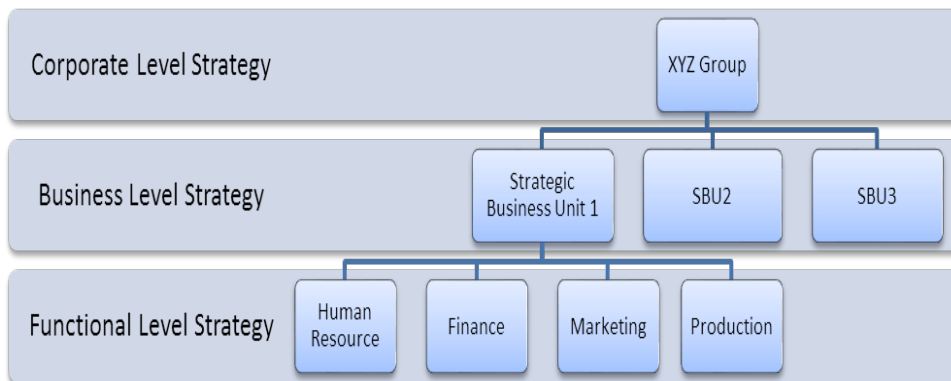
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The managers before 1990s, who made long term plans keeping in view that the better time ahead in Indian business environment, started feeling the heat of failure plans as soon as economy was opened to the global world. The multinational companies entering into Indian market with upgraded technologies were giving a tough challenge to the Indian super performers. Thus, changes in the business conditions forced the

managers to systematically analyse the business environment to sense the opportunity and threats, assess their strengths and weaknesses to convert the sensed opportunity into business plan. Thereafter, managers started learning to exploit the concept of strategic planning.

### 6.3.1 LEVELS OF STRATEGY

The levels of strategy means the strategy formulated for different levels of management. If an organisation produced a single product, the manager could make a single strategy for it. The modern era is having every business diversified into different lines. For example, Tata Group is in variety of businesses- from salt to chemical, small car 'nano' to heavy vehicle trucks, eye lenses to software. Bajaj produces electric, auto, home appliance products having different range and segments. Each of these businesses actually need separate strategy, but practically these businesses are managed by different strategies interlinked with each other at different levels defined as corporate level, business level and functional level strategies.



**Figure 6.2 Levels of Strategy**

1. **Corporate Level Strategy:** In case of organisation having more than one business, it will need a corporate level strategy. The corporate level strategy helps in making a framework of all the businesses in one and defines position of each business in corporate framework. It also establish and clarify that what business or businesses organisation should be in and which business should be flagship business.
2. **Business Level Strategy:** when an organisation have more than one business, it may not be viable to implement one successful strategy, in all the businesses, as different businesses operate in different domain and environments. Therefore, separate strategy for separate business is required. This necessitates the formulation of business level strategy. To facilitate the separate strategy for different businesses, the strategic business units (SBUs) are developed which cater the need of similar or different businesses with its own mission, objectives and strategy. Business level

strategy help in answering the questions like: How should we compete in each of our businesses?

- 3. Functional Level Strategy:** Functional level strategy believes in understanding: How do we support the business level strategy? The different functions in business unit needs specific strategy to achieve its functional objectives. For example, the Tata's corporate presence is visible in every business Tata is in. The functional strategy reflects Tata's style of functioning. When they launch new business, the core marketing team develop promotional plan, HR team develop training program, R&D team design and develop new product. The 'nano' car is one of finest example of integrated efforts and strategy at various levels to make the product successful.

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## 6.4 POLICIES

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Policy establishes parameters for decision making. Hence, it is a guiding framework in organisation to take decisions. The policy always gives a space for managers to act on it after interpretation of policy in best possible manner. The policy never tells a manager what should be done or should not be done. It only provides guiding framework. For example, each of the following statement reflects the policy of some organisation:

*“Equal pay for equal job”*

*“Our company believes in competitive wages”*

*“We care the customer to satisfy not to clarify”*

A policy related to human resource may be: Equal pay for equal job or our company believes in competitive wages. The terms like *equal* or *competitive* make policy statement an ambiguous one. The equal pay needs to define the job first and jobs relative contents across the industry, and then clarify the equal pay. Competitive term require interpretation. It never tell a manager what amount to pay, rather it does gives direction to make decision.

### Activity C

When a service centre executive says: 'It is beyond our company policy'. What does this means? Elaborate.

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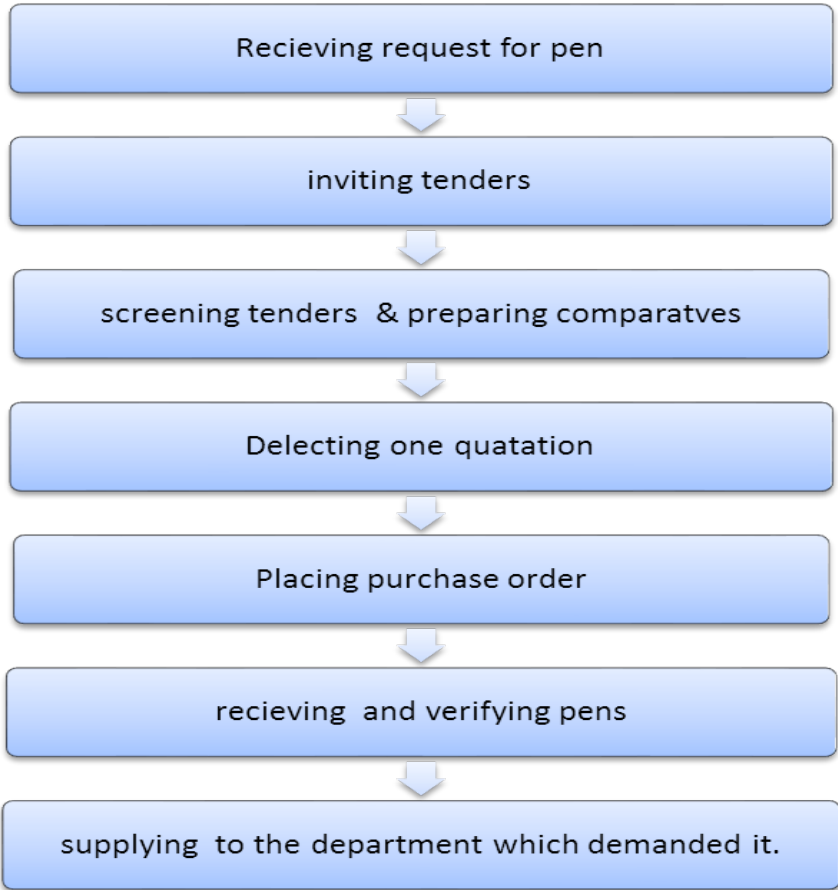
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## **6.5 PROCEDURES**

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A procedure is a series of sequential and interrelated steps which are used to reach at a result or solution. The procedure helps in solving a problem if it is diagnosed. The process of defining steps needs an understanding and reasons of event. Once, problem is known, it becomes easy to define procedure to solve it. Information technology has made the procedure simplified. The automation has been accelerated with the use of powerful softwares. If a marketing manager is asked to promote a new product via electronic media, he knows each and every step to follow. The procedure is clear with the problem or event defining.



RIL-003

**Figure 6.3 a Simple Purchase Procedure**

## Activity D

Explain the selection procedure of an employee for the position of peon in a Government department.

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## 6.6 SCHEDULES

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Schedule is a listing of all the necessary activities, their order of accomplishment, who is supposed to do what, and time, needed to complete each of the activity. Generally, the production schedule much talked about in management arena. Production schedule means a description of the different activities in an order with their occurrence and time utilisation. The scheduling process uses many tools and techniques as per the demand of system. The Gantt chart, load chart, PERT Network Analysis, Break-even Analysis, Linear Programming, Queuing Theory, Probability Theory and Simulation techniques are the common and frequently used scheduling tools and techniques in organisations at operational level.

Master Schedule for SUVs in an Auto Company									
April					May				
Weeks	1	2	3	4	5	6	7	8	
Models	<b>XE1.0</b>	5	10	15	15	0	0	10	15
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Table 6.2: A Simple Schedule in an Auto Company



## Activity E

## Plans, Policies, Schedules And Procedures

Sketch your daily schedule minute-wise in detail:

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### 6.7 SUMMARY

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The organisational plans are usually defined in different form based on different criteria. The different plans at different levels of management are corporate plans, strategic plan and operational plans. The programme, project and budgets are the single use plans whereas policy and procedures are the standing plans. The plans include the objectives setting process which defines the further goals and strategy to achieve them. A procedure helps in achieving the targeted goals with proper steps and suitable techniques. The policy, procedure and schedules have to be linked and aligned in order to supplement the overall organisational plans. The policy must pave way to procedures and procedures must opens avenues for schedule preparation. For example, the scheduling is the micro level task to achieve the plans (See Table 6.1 and 6.2)

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### 6.8 KEY WORDS

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- Strategy** : A future course of action to achieve a specific objective
- Schedule** : a sequence of activities with time required to perform the activity.
- SBU** : Strategic Business Units
- PERT** : Program Evaluation and Review Technique

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## 6.9 SELF ASSESSMENT QUESTIONS

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1. Do business organisations have only profit as major objective? How does this affect the defined goals?
2. Differentiate traditional objective setting and modern objective setting.
3. What are the different levels of strategy? Discuss.
4. Define policies and procedures in detail.
5. What is scheduling? How is it related to organisational plans?

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## 6.10 REFERENCES AND FURTHER READINGS

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# UNIT - 07

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## ORGANISING I

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### Objectives

After going through this unit, you should be able to:

- understand the organisation and its elements;
- learn the organisation as a system, its characteristics and importance;
- know the steps of organising an activity;
- learn the principles of organisation;
- develop understanding of organisation structure.

### Structure

- 7.1 Nature of organising function
- 7.2 Characteristics of organization
- 7.3 Importance of organization
- 7.4 Organisation as a system
- 7.5 Steps in the organisation process
- 7.6 Organisation structure
  - 7.6.1 Determinants of Organisation Structure
  - 7.6.2 Components of Organisation Structure
  - 7.6.3 Dimensions of Organisation Structure
- 7.7 Principles of organisation
- 7.8 Summary
- 7.9 Key Words
- 7.10 Self-assessment Questions
- 7.11 References and Further Readings

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### 7.1 NATURE OF ORGANISING FUNCTION

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The organising function is a process of identifying and grouping of the work to be performed. The grouping of the work requires authority to

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be given to the concerned person or supervisor of group work. Hence, establishing relationship of the supervisor with organisation's objective is important. The creation of structure of positions with authority to take decisions to accomplish organisation's objective as per the planning is called organising process.

The organising function is concerned with organising the resources needed to do the job, the skilled people, authority to take decisions and establish relationship between the jobs. The structure development is a bit difficult job which need structure design and development. It helps in understanding that who will work under whom and who will report to whom.

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## **7.2 CHARACTERISTICS OF ORGANIZATION**

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From the concept discussed above, one can extract the common characteristics of the organisation. The following are some of the important ones:

1. an defined objective, purpose or goal;
2. the activities needed to achieve the defined objective;
3. the classification of activities to make groups of similar activities;
4. the authority and responsibility needed for each activity;
5. relationship between the activities.

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## **7.3 IMPORTANCE OF ORGANIZATION**

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The basic purpose of organisation function is to ensure the optimum utilisation of the available resources in an organisation. The organising function is so crucial that even a small mismatch between job, people and authority can lead to a big trouble. The organising is important as:

1. it helps in establishing a clear relationship between the different positions;
2. it provide the hierarchy of roles and responsibilities in an organisation;
3. organisation defines the degree to which authority can be delegated and responsibility can be assigned;
4. it facilitates the attainment of the organisation's objective frictionless;
5. it helps in understanding the similarity of jobs leading to departmentation;
6. it is an science of defining positions and an art of establishing relation between them;

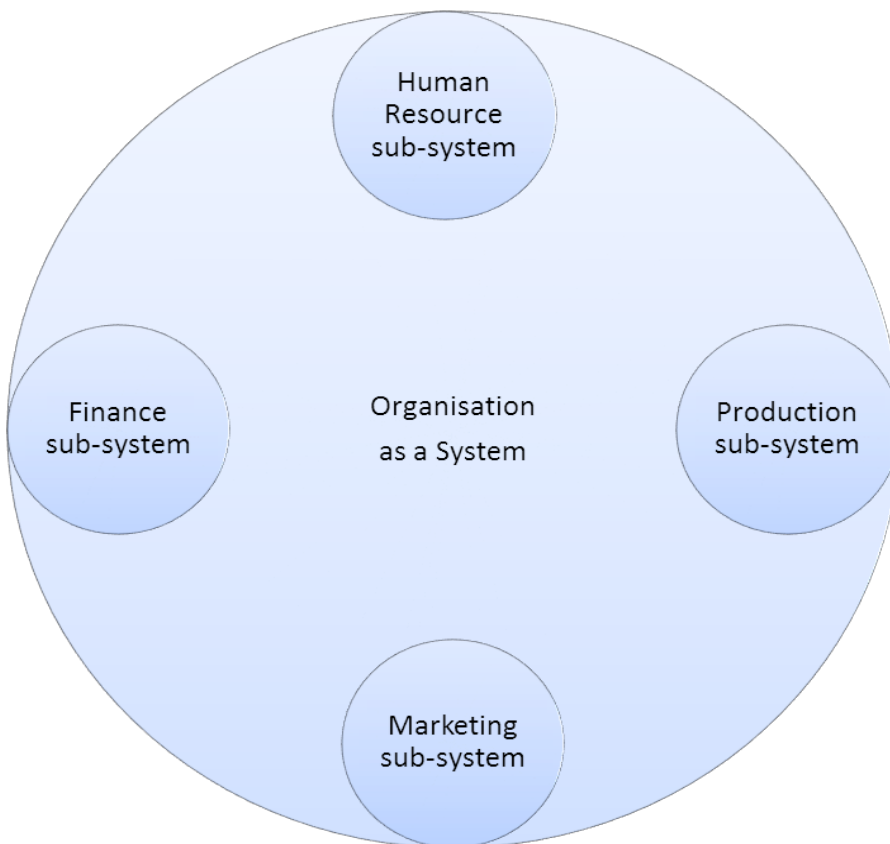
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## 7.4 ORGANISATION AS A SYSTEM

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The organisation is a system having the reason of its existence. This reason of existence necessitates the different sub-systems in the organisation. Like a human body system having different parts connected and affecting each other, the organisation is also having different parts called subsystems of the organisation. These sub-systems represent different activities connected with each other to form a complete system.

Initially the organisation as a system was defined as a *closed system*. This closed system was having sub-systems like production, marketing, finance and personnel management. Later in 1950s and after, philosophers coined the concept of *open system*. The open system was advocated as the organisations were very much influenced by the environmental changes.



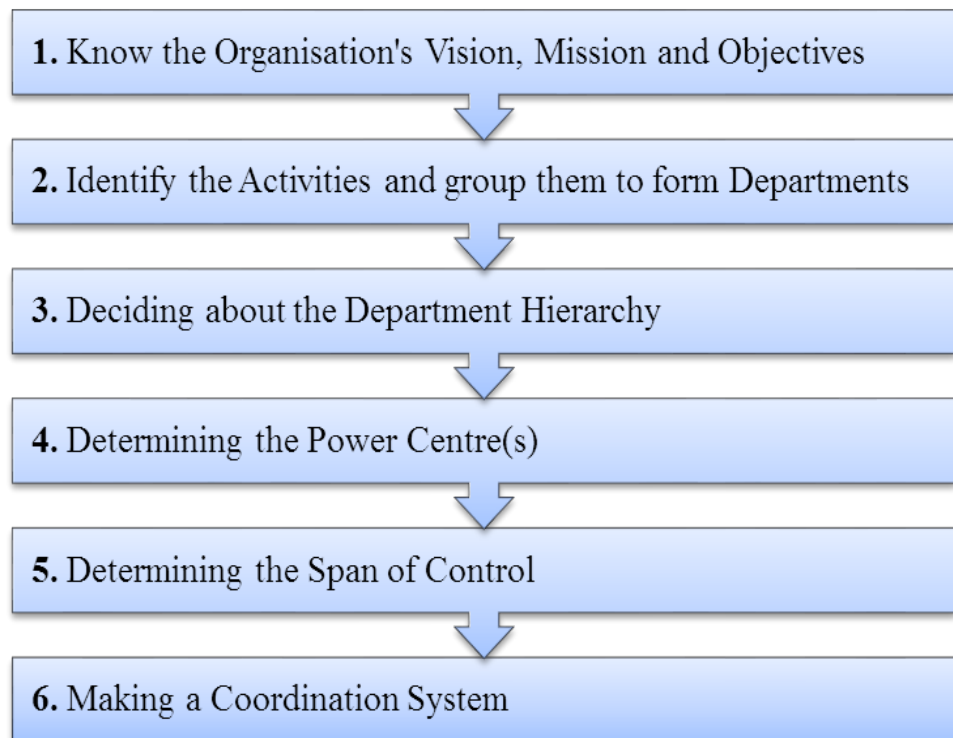
**Figure 7.1 Organisation as a System**

The closed sub-systems of organisation continuously interact with external environment and market conditions to align the internal environment with external environment. Thus organisation is a closed system within an open system. The closed system includes the process of business. As the customer need is sensed by the manager, the internal process of converting this need into product start in a closed system. This

closed system does have getting the right man for doing the job (*Human Resource sub-system*) arranging money required to manage resources (*Financial sub-system*) converting raw material into the finished product (*Production sub-system*) and then distributing it to the customer (*Marketing sub-system*). The closed system is affected by the environmental change like customer preferences, demand fluctuation, technological changes, legal and environmental changes. Thus the closed system is actually an open system.

## 7.5 STEPS IN THE ORGANISATION PROCESS

In the process of organising function, the manager usually divides the work into small jobs and then interlinks each one with the defined work. The process includes on one hand, *differentiation* of activities (jobs) and on other hand, *integration* of all the activities to get work done. The typical process of organising includes following steps as shown in Figure 7.2



**Figure 7.2: The Steps in Organisation Process**

- 1. Know the Organization's Vision, Mission and Objectives:** The organizing process start with the vision of the organization. This means where organization want to be in future. To realize this vision, defining the missions to achieve the vision is essential. The mission actually gives way to the objectives. Once the objectives are clear then the further process becomes easy. These objectives in practical, give the type, nature of activities needed to achieve those objectives.

2. **Identify the Activities and group them to form Departments:** After knowing the objectives well, the next step is to identify the activities necessary to achieve them. All the similar activities are then clubbed into one group called Department. This departmentation process is also necessary to determine the resources required for the similar activities.
3. **Deciding about the Department Hierarchy:** The grouping of the activities is not sufficient to start the job rather the hierarchy of these departments is also equally important. Deciding about which activity is prime activity and which one is secondary, is required in order to know the core departments and serving department. The key departments are directly linked to the objectives hence gain prime place among others. If prime activity is not formally decided, the management tends to dilute the efforts by focusing on minor activities. For example, the academic institution must take teaching on priority as compare to any other issue. Advertising firm must have core focus on advertising related developments. It also tells about the core business organization is in.
4. **Determining the Power Centre(s):** once the hierarchy is established, the next step is to determine the power centre, means where the decision making power lies. The major positions having authority to take decision is important. The key departments are given more authority as they are directly affecting the business of organization. The full centralization can make a decision making process slow and hence affect the efficiency of the system. On other hand, decentralization may lead to losing control on the system and thus lead to the coordination process ineffective. Therefore, it is important to decide the degree of decentralization in the system. This becomes a crucial strategic decision to be made.
5. **Determining the Span of Control:** The span of control means how many persons will work under one supervisor / boss. In simple words, it is concerned with the number of persons one man can handle effectively at a time. The wide span may lead to ineffective system whereas narrow span can make structure taller leading to long communication channel and increased expenditure with increased number of supervisors. Hence, it is important to decide the span of control strategically.
6. **Making a Coordination System:** The music cannot be melodious if every instrument is played without linking each other. The coordination is just like creating a melodious music out of different instruments (department / activities). For example, the production department has to tune his efficiency with the marketing department. If they do not, it will be mismatch in demand and supply leading to loss of business. Hence it is very important to set up a mechanism of coordination. The element of this mechanism should be imbibed into the structure.

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## 7.6 ORGANISATION STRUCTURE

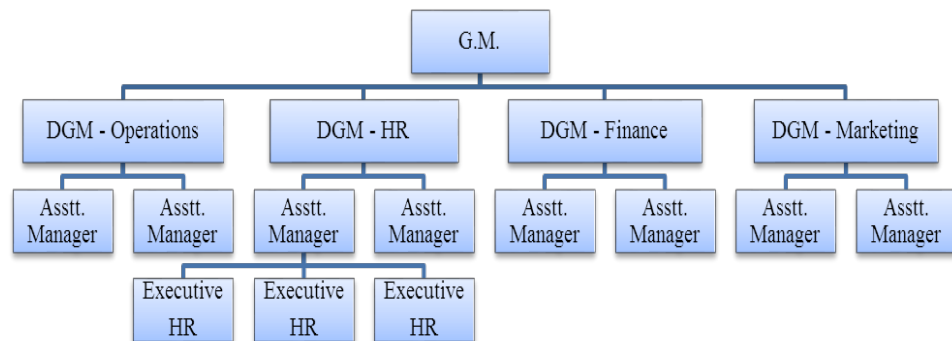
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Organisation structure refers to the organisation framework which reflects the different positions, authority and hierarchy in relation to each other. It also indicates an order or sequence of organisation system with different sub-systems based on certain parameters like functions, territory, products etc. It refers to the way tasks are divided into small jobs or activities, the work flows, the coordination of this flow and the factors and system facilitating this coordination to occur. Two fundamental requirements of an organisational structure are division of labour into distinct tasks and coordination of the labour. The division of labour leads to specialisation and specialisation need coordination among different tasks.

For the effective coordination, the informal communication plays an important role. Informal communication is a kind of free media among the employee, they talk and share freely about the organisation, job, policies etc. The sharing of information in informal channel appears to be genuine as it comes without any pressure and interest. This informal communication also helps in team building process.

Apart from informal communication, the formal hierarchy is equally important in coordinating the activities. Supervisor's role is to get updates from people and give updates to people, which is partially the function of coordination. The young employees usually do not have belief in formal traditional hierarchy system as they believe in open system. They believe more in informal rather than formal system. That is why informal communication is important in team building process.

The third point which play crucial role in effective coordination is standardisation. The standardisation in instruction and clarifying the goals to employees is must to make effective coordination. The misunderstanding in goals or process may lead to mismatch in delivery leading to ineffective coordination. The standard procedure of training and standard module also helps in improving coordination.



**Figure 7.3 a Model Organisation Structure**



## 7.6.1 DETERMINANTS OF ORGANISATION STRUCTURE

There are many crucial factors that determine the type of structure organisation can have and should have. The following factors are important which determines the structure of any organisation, types and level of structure:

- 1. Size:** The size of the organisation is important in determining the structure. If the size of organisation is small then, it can have a simple structure with few activities. For example, a shop keeper does not need a full organisation structure rather simply owner and worker(s) makes two stage structure with simple hierarchy. As the number of people in organisation increases, the division of labour / tasks to have supervision of all those activities performed by different people at different places / departments. Hence, there emerge a need of structure to define who will report to whom, who comes under whom. Therefore, the size definitely plays an important role in the determination of organisation structure.
- 2. People:** It is not only the number of people, but also the types of people determine the organisation structure. For example, financial organisation's structure will be entirely different than technical organisation's structure. More technical activities need more technical people having directly linked to the main business thus the structure will change. The span of control is also varying in technical jobs as compared to non-technical jobs. Therefore, people are also a deciding factor in structure.
- 3. Technology:** The way product or services are produced affect the organisation structure. The information technology has changed almost all the business in substantial manner. The use of latest technology brings speed with more risk appetite in business, thus, making scope for more strategic planning. The increased complexity into the system enforces the re-alignment of positions, authority and hierarchy. Hence, the technology does have an important in designing the structure of any organisation.
- 4. Environment:** The social, legal, political and economic environment definitely affects the structure. It is said that the change in operating environment decide the organisation structure. It means if the customer preferences, pollution parameters, legal framework and economic conditions changes, likewise, organisation sub-systems are required to increase or decrease the positions, technology and people. Hence, organisation must have change absorption capacity. The fixed jobs and system may not be in position to respond the environmental change. Hence flexibility in structure is always advisable to accommodate any change, if needed.

5. **Strategy:** The strategy means the specialised tools to achieve the goals. This includes the meticulous determination of the goals and allocation of the resource to them in best possible manner. Redefining the structure of Mahindra & Mahindra reflects the change in strategy of organisation. Merely a change in logo gives a message of strategic change to accommodate the business changes. If an organisation faces tough competition in strong hold than company can change the strategy to focus on small customers and areas which leads to the divisional change in structure. Hence the strategy is an important determinant of structure.

## 7.6.2 COMPONENTS OF ORGANISATION STRUCTURE

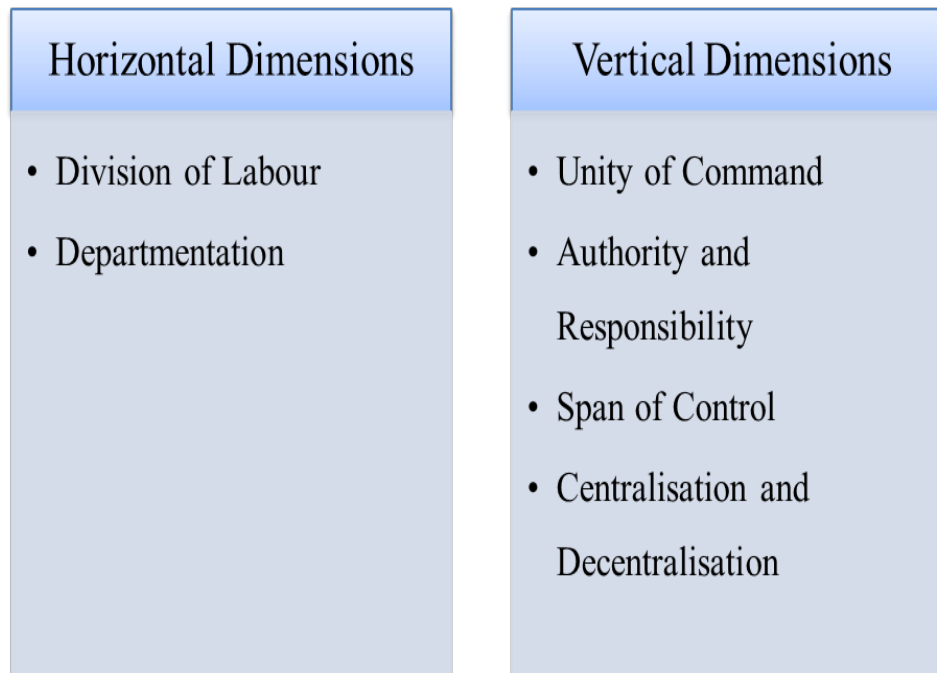
The term organisation structure describes the established framework of organisation. This framework explains the system of communication, hierarchy and authority. It is as simple to understand as a physical structure having different parts of body which can be said as tall or flat. An organisation structure can be understood well with the following components:

1. **Complexity:** The complexity means the degree of differentiation an organisation is having in its structure. The more number of activities, the more people and more positions refers to increased difficulty in coordinating between geographically dispersed activities. This will increase the horizontal as well as vertical complexity.
2. **Formalisation:** The more standard and formal system, the more effective and efficient it would be in establishing the relationship between the positions. The degree to which organisation depends on formal rules and regulations to manage the resources is called formalisation. The more formal system demands more formal structure.
3. **Centralisation:** the centralisation means the decision making power lies at what point or position. In case of small and new organisations, the owner can take risk of delegating powers to manager. Hence all the decisions are usually taken by one person. This is perfect centralised system. As the organisation grows, it becomes difficult to keep all the decision making powers concentrated at one point. Hence decentralisation of authority is required by delegating the authority to lower levels so that they can take decisions to make system efficient.

## 7.6.3 DIMENSIONS OF ORGANISATION STRUCTURE

To build a structure of any organisation, there is need to follow certain principles. Usually, the structure needs horizontal and vertical specifications to build the horizontal and vertical structure. The horizontal

dimension needs to understand the type of work, division of work and grouping of the similar tasks. The vertical structure depends on authority, position, hierarchy level, span of control and decentralisation policy. These are, although, interdependent but need to be taken care of in entirely different aspects. Figure 7.4 includes the major dimensions which are discussed as follows:

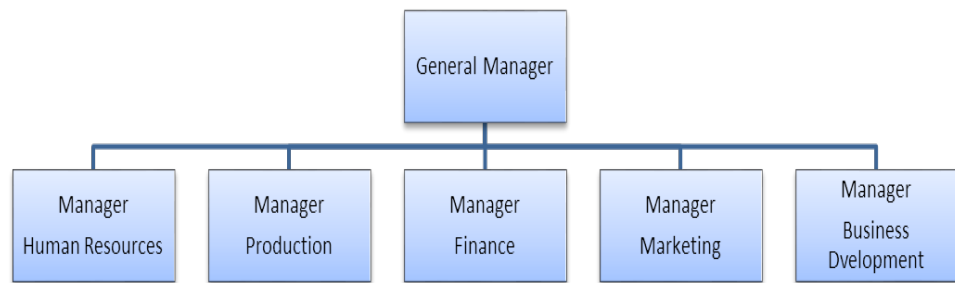


**Figure 7.4 Dimensions of Organisation Structure**

**Horizontal Dimensions:** The deciding about horizontal length of organisation relies on mainly division of labour into small jobs and how perfectly the clubbing of similar activities takes place. The division of labour and departmentalisation are the main two dimensions responsible for horizontal arm of structure discussed as follows:

1. **Division of labour:** The division of labour means the job is broken into several parts based on the labour required to perform. It is done to get each part of job being performed by specialised person rather than the whole job is being done by one individual. Each part of job is performed in a sequence and final step makes the job finally done. With division of labour, the organisation can utilise the diversified skills and capabilities of employees.
2. **Departmentalisation:** The division of the job into several parts need to be analysed in order to make supervision effective. The similar parts of the job are being clubbed into one group called Department. The process is called *Departmentalisation*. The departmentalisation is also helpful in utilising the specialist and making proper coordination. One of the common ways of

departmentalisation is based on functions performed, for example, human resource department, marketing department, production department and finance department. It may also be based on product, market, process, geographic etc.



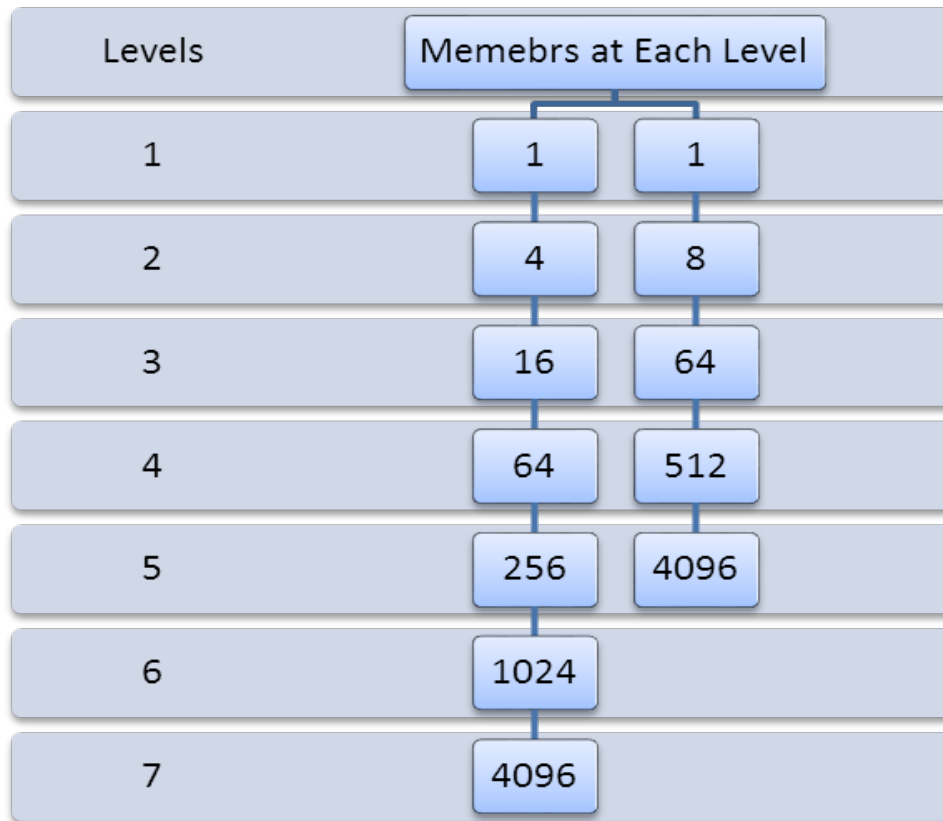
**Figure 7.5 a Common Departmentalisation in a Small Organisation**

**Vertical Dimensions:** In every organisation, the top level managers, middle managers, or front line managers are common hierarchy positions. What are the criteria to determine these positions, their hierarchy and level of authority they possess? How many people a supervisor can supervise effectively? These questions are concerned with the vertical dimensions which are important to make vertical structure of any organisation.

1. **Unity of Command:** The dimension was first described by Henry Fayol in his fourteen principles of administrative theory. This principle simply refers to the one commander system that means every employee should have one and only one superior or boss to whom he or she will report and seeks instructions. In case a person is attached to more than one activities falling under different departments having different heads, then the activities and timing must be specified in order to avoid any possibility of interest clashes or misuse of resources. In practical, it is not possible in black & white, as the informal instructions are commonly given by other than boss or superior.
2. **Authority and Responsibility:** The authority is the power to take decisions regarding the job or process. It empowers a manager to issue order and enforces employees to follow them. Therefore, this aspect is important for the managers to decide the level of authority and responsibility employee need to perform on the job. The authority is delegated to the subordinates some rights with some riders so as they can take decision as and when job requires. The authority always accompanies certain responsibility with it. If the authority is used for the wrong and irrelevant cause, the responsibility will be of that person, who is being delegated the authority.
3. **Span of Control:** The span of control means how many subordinates a manager can supervise at a time effectively. If the manager can supervise more people, than the structure would be flat and if manager supervises less people, it make structure tall.

If an organization is having 100 people, then the structure would be as depicted in figure 7.6

## Organising I



Span=4 Span=8

**Figure 7.6 Simple example of Span of Control**

The figure elaborate it very clear that if the span is reduced from 8 to 4, it may change the vertical levels from 7 to 5 with managerial positions reduced drastically from 1365 to 585.

- 4. Centralization and Decentralization:** As discussed in authority and responsibility, the authority need to be delegated to the subordinates in order to get work done in time. The amount of authority is important to determine in order to maintain the control over the business. It is like balancing the balance that means if organization is more decentralized, it may shift the risk of power centre losing the control over the business and if more centralized, it may delay in decision making and losing the business. Hence balancing between more and less is the main issue in this dimension. The structure is definitely affected by more power centre (authoritative positions) in case of decentralization leading to taller structure. Centralization leads to the flat structure.

## Activity A

To organise a party in your department, sketch the people structure needed in organising the event:

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## 7.7 PRINCIPLES OF ORGANISATION

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The organisation is a structure with people occupying positions with authority to work for achievement of organisational objectives. In order to develop an effective organisation structure, certain guidelines are necessary to tag along into the system. *E. F. L. Brech* says, “If there is to be a systematic approach to the formulation of organisation structure, there ought to be a body of accepted principles”. These principles are as follows:

**Objectives :** The objectives of the enterprise and the organisation structure are closely related and dependent on each other. Hence, the objectives of the enterprise should be clearly defined first and then process of accelerating the resources of the organisation should be started to the achievement of these objectives.

**Specialisation :** Effective organisations need every job to be performed in best manner. This leads to promote specialisation i.e. every job should be performed by expert person. Therefore, activities of the enterprises should be divided into the small jobs and assigned to persons according to their specialisation.

**Span of Control :** Span of control means span of number of employees under one supervisor. Hence, the span of control brings effectiveness to the job, which is foremost requirement. Therefore the span of control must be kept low in order to bring effectiveness in organisation. A supervisor should be asked to supervise a reasonable number of subordinates.

**Scalar Chain :** The scalar chain means that the communication channel should be bi-directional. The policy, objectives, procedures, guidelines, instructions should flow from top to bottom. The feedback, grievance and suggestions must go to top from bottom. There should be specific provision in organisation structure and design.

**Unity of Command :** There should be unity in command. It means that the employee must seek command from one person. There should not be two supervisors for one job. There should be unity in the command issued at appropriate level.

**Unity of Direction :** There should be unity in direction issued for the same or similar type of jobs. It also indicates that in case of strategic business units, the direction may come from more than person, but there should be unity in all the direction issued from different persons.

**Delegation of Authority & Responsibility:** When the work is divided into jobs and assigned to the different people, it becomes necessary to take decisions at right time. Hence they should be delegated appropriate authority in order to do the job. The authority always brings accountability which, in turn, seeks responsibility from the person. Hence the authority must be given to the person who seems to be responsible.

**Efficiency :** The work division should be done keeping in view the efficiency in the system. This means the organisation structure should be efficient enough to make justice with the organisational objectives.

**Simplicity :** This principle is important because the complex system very often face problem of delivery. Hence the organisation structure should be simple in nature.

**Flexibility :** As the planning depends on the forecasting of premises, it necessitates the planning to be flexible enough to accommodate the future change. The organisation structure also need to be flexible enough to accommodate the future change in business conditions.

**Acceptability :** The acceptability of the structure is equally important. The acceptability of policy, procedure, rules and regulations along with people acceptability is must for any organisation. If system is ready to accept it then the process of organising becomes smooth.

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## **7.8 SUMMARY**

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Organising is the process of making the Skelton of the organisation which defines each and every wing of system with hierarchy of position and authority to take decision necessary to achieve the defined objectives. The organisation as a system work like a human body with proper interlink between all the parts. Every sub-system needs to justify its position in the organisation. To learn the process of structuring, one need to know the objectives and define activities necessary to carry out the main job. Managers need to know about the major determinants and components of organisation structure along with the dimension to build a

structure. The horizontal as well as vertical dimensions to design structure are essential to make it effective. There are certain principles which need to be followed while designing the structure.

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## 7.9 KEY WORDS

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- Departmentation** : the process of clubbing the similar activities in a group
- Span of Control** : how many people can be managed by one person
- Complexity** : the amount of differentiation in an organisation
- Formalisation** : the degree to which an organisation relies on rules and regulations
- Centralisation** : the concentration of decision making authority
- Flexibility** : the characteristic of being accommodating

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## 7.10 SELF-ASSESSMENT QUESTIONS

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1. Explain the process of organising.
2. What are the main characteristics of organising? Discuss
3. “Organisation is a System” elaborate.
4. Define the element and components of organisation structure.
5. What are the different dimensions of organisation structure? Explain
6. Explain the principles of organising in brief.

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RIL-003

B.B.A-101/106

# UNIT - 08

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## ORGANISING II

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### Objectives

After going through this unit, you should be able to:

- know the span of control used in structuring an organisation;
- explore the organisational manuals, types and its importance;
- understand the formal and informal organisations, the difference, characteristics;
- come across the main functions and problem of informal organisations.

### Structure

- 8.1 Span of control
- 8.2 Organisation chart
- 8.3 Organisational manual
- 8.4 Importance of manual
- 8.5 Types of manual
- 8.6 Advantages of manual
- 8.7 Drawbacks of manual
- 8.8 Formal and informal organisations
- 8.9 Difference between formal and informal organisations
- 8.10 Characteristics of informal organisation
- 8.11 Functions of informal organisation
- 8.12 Problems of informal organisation
- 8.13 Summary
- 8.14 Key Words
- 8.15 Self-assessment Questions
- 8.16 References and Further Readings

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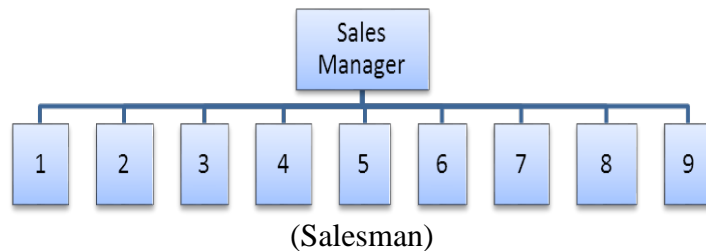
## 8.1 SPAN OF CONTROL

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The span of control is also known in term of span of management, span of supervision, span of authority or span of responsibility. It refers to the number of employees working under the supervisor or manager. The span of control is important as:

1. it is directly related to the performance;
2. it determines the capacity of a supervisor or a manager;
3. it affect the efficient utilisation of the resources;
4. it determines the type of organisation structure;
5. it builds relationship in the organisation.

Too wide span means the supervisor need to take extra pain in covering the whole span with little bit of interaction and input to the subordinates. The narrow span means the supervisor is overemphasising on few subordinates diluting the concentration of subordinates. This may lead to the underutilisation of resources of organisation. This also cost in term of more communication leading to unproductive discussions.

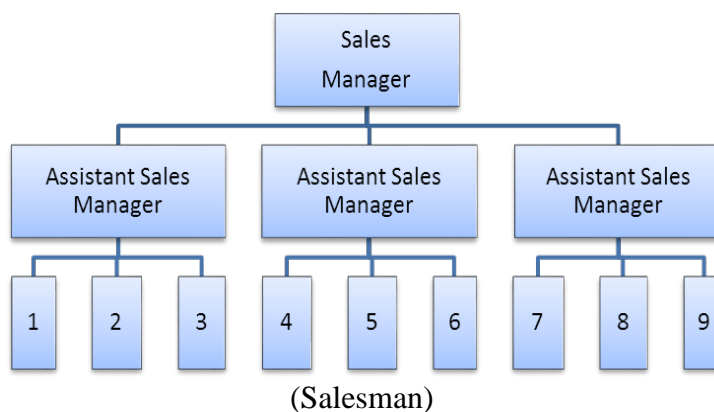


**Span of Control 1:9**

**Level: 1**

**Executive: 1**

**Figure 8.1 Wide Span of Control**



**Span of Control 1:3**

**Level: 2**

**Executive: 4**

**Figure 8.2 Narrow Span of Control**

**Wide Span of Control:** The wide span of control means a supervisor supervises more number of people. Figure 8.1 depicts the wide span of control in which a sales manager handles 9 salesmen at a time. The sales manager is the only executive or managerial personnel. Thus only one level of executive cadre is there in the structure.

**Narrow Span of Control:** The narrow span of control means a supervisor supervises less number of people. Figure 8.2 depicts the narrow span of control of 1:3 in which 03 assistant sale managers are inducted to handle 9 salesmen. Thus it makes total number of 04 executive personnel. The levels of executives are also increased to two.

There are different philosophies to decide the span of control in the organisation. Traditional thinkers had argued for small span whereas modern thinkers have emphasised on a reasonable wider span of control. There are many new tools and techniques in modern era which facilitates the supervision; hence it can be a wider one with effectiveness and efficiency.

**Activity A**

Study and analyse the span of control or management your department follows. Make a structure to understand this.

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**8.1.1 FACTORS AFFECTING THE SPAN OF CONTROL**

There are many organisations having different span of control in practice across the world and successful. Thus there exists no uniformity in span of control. The factors affecting the determination of span of control are as discussed:

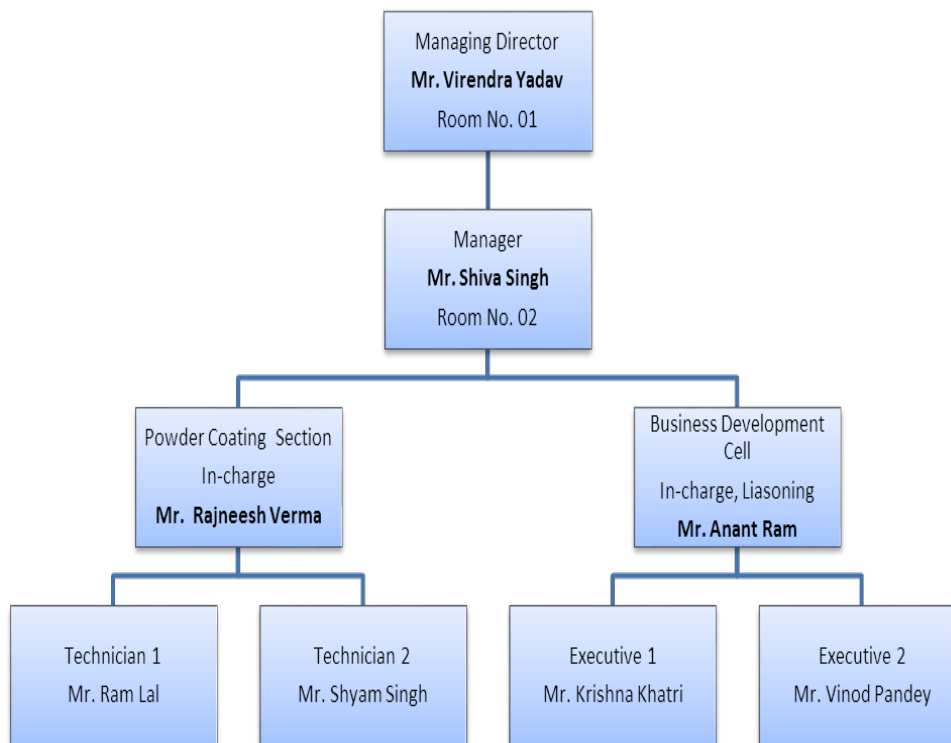
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1. **Ability of the Supervisor / Manager:** The ability of manager is definitely affects the span of control. Some managers are more capable whereas other may not. Capable managers can handle more than average span. Hence, ability of supervisor play an important role in determining the span of control.
2. **Ability of the Employee:** The more capable employee can grasp more quickly and make supervisor's job easy. In this situation, the supervisor can handle more subordinates in given time frame.
3. **Nature of Job:** The nature and type of job is also a determinant. If employees are doing similar nature job or non-technical job, the span may be wide. As the complexity of job increases, the span of control needs to be reduced.
4. **Level of Supervision:** The level of supervision means if the supervision is at low level management or frontline jobs, it may require a wide span against a narrow span at middle or top level management of supervision
5. **Authority & Responsibility:** The authority and its place do matter in span of control. If the supervisor is given authority to take decision whenever job demands, then span may be short as the subordinates may not require communicating frequently to clear rules. Further, if authority to decide on the promotion or demotion is given to supervisor / manager, the subordinate will take supervisor / manager more seriously leading to stronger discipline causing a narrow span.
6. **Communication System:** If the communication system in an organisation is strong, it may reduce frequent conflict and confusions. Hence a manager can devote same time to increase the span of control.
7. **Geographic Location:** If the subordinates are in same room or department, then manager can handle more people at same time. But if the subordinates are located geographically dispersed, then the span of control may not be effective leading to a reduced span.
8. **Economic Conditions:** The smaller span means large number of managers with added salary and perks. It depends on the economic conditions of the organisation to take load of salary of increased number of executives as a reduced span. The wide span is also not favourable to economic condition as the inefficiency would increase leading to extra costs. Hence, a balance between wider span and narrow span has to be maintained.
9. **External Factors:** The external factors include the political, legal and environmental conditions of the local business conditions and government regulations. The social factors including gender related issues are also important to determine the span of control.

## 8.2 ORGANISATION CHART

Organisational chart refers to the summarised form of the depicting the connectivity between the different departments, their physical locations, the persons in the departments and their hierarchy. The requirement of organisational chart is must to help external person to search for his /her need without any personal help. The connecting lines on the chart represent the position's relative ranking. The organisation chart is necessary:

- to assist to new person in the organisation in self learning;
- to know that who is on the position at present;
- to learn about the type of organisation structure;
- to underline the structural deficiencies;
- to show the reporting system in hierarchy.



**Figure 8.3 an Organisational (Master) Chart of a small enterprise**

However, the organisation chart never tells about the informal relationship between the positions. The chart is also unable to depict the level of power lies in one position and responsibility taken by the person at that position. The organisational chart may be prepared based on scope (*Master chart and Supplementary chart*), based on functions and based on dimensions (*Vertical Chart, Horizontal Chart and Circular Chart*).

## Activity B

Make your departmental chart:

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### 8.3 ORGANISATIONAL MANUAL

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Organisational manuals help in understanding the actual activities of the organisations. It includes the step by step procedure of doing a job with its objectives, tools used and applications used on its front level. The organisation manual is a detailed elaboration of organisational chart. The manuals are derived from the organisational chart in alignment with organisation objectives.

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### 8.4 IMPORTANCE OF MANUAL

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The organisational manuals define the blueprint of doing a job at particular level. For example, a corporate manual tell what are the major functions of a top management and steps to proceed towards discharging those duties and responsibilities. The organisational manual is important as:

1. It correct the operator where is he or she wrong.
2. It also tracks any deviation from the set or defined path and provides the corrective measures.
3. It gives instructions in a simple manner that a new person can perform on job with the help of manuals.
4. The manager can easily understand the statuesque and learn about the progress of the job.
5. The manual is must for the technical and complex processes.



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## 8.5 TYPES OF MANUAL

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If the manuals are classified, it can be usually of three types namely corporate manuals, functional manuals and operative manuals.

1. **Corporate Manuals:** Corporate manuals are the guiding principles at the corporate level policy and strategy formulation. These policies, further, elaborate the objectives and defined them. Corporate manuals include the vision, missions, objectives and strategies into its listing and details about each one of them.
2. **Functional Manuals:** Functional manuals are the manuals for the different departments having specific function to perform. Example, the HR department manual describe the step-by-step procedure of each function that HR manager is supposed to perform. The HR performance appraisal manual describe the time frame in annual calendar for assessment of performance of each employee and the methods, tools and techniques used in this process.
3. **Operative Manuals:** The operative manuals are the frontline guiding instructions that are used in day-to-day activities. It elaborates the technical aspects of job, probable issues and solutions to assist the frontline managers.

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## 8.6 ADVANTAGES OF MANUAL

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The organisational manuals are very helpful in actualising the vision, mission and objectives of the organisation. The main advantages of manuals are as follows:

1. It facilitates the organisational chart.
2. It provides clarity in organisational chart.
3. Manuals are the guiding instruments to the employees for the job assigned.
4. Manuals are important for solving day-to-day issues at operational level
5. It also provide freedom to the end user in doing his / her job

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## 8.7 DRAWBACKS OF MANUAL

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There are certain drawbacks of organisational manuals, few are listed as follows:

1. It does not indicate who has the greater authority and responsibility at similar level of management.

2. The manuals do not include the relationship of formal structure with informal structure.
3. It destroys the creativity of employees as there is no scope of experimentation during the process.
4. The manuals usually do not have a qualitative tracking of process. it can only assess quantitative aspect of process.

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## **8.8 FORMAL AND INFORMAL ORGANISATIONS**

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Organisations are classified into two types based on different approaches of its formation and guiding rules and regulations namely formal and informal organisation.

### **8.8.1 FORMAL ORGANISATION**

The formal organisation represents the group of people created in official records for the achievement of some designated goals. The formal organisations are generally created by the top management or governance. A university or company is the representative of formal organisation created with clear intention. Most of such organisations are the need based system having defined aim. In formal organisation, the roles and positions are defined in order to achieve the defined goals. It is a conscious and deliberate effort towards certain purpose. The framework designed facilitates the in describing the people, their authority, responsibility and accountability.

### **8.8.2 INFORMAL ORGANISATION**

The informal organisations exist within the confine of formal structure. The informal organisations are the unofficial groups of individuals that come together as a part of social interaction. The informal organisation are not intentionally formed but formed automatically as and when the individual interest of few people become common. This network, unrelated to organisation's formal structure, aims to fulfil social interest.

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## **8.9 DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATIONS**

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The origin of formal organisation and informal organisation can be traced down in the different approaches. The nature, characteristics, function and approach of formation differ very much. The major differences are discussed as follows:

1. Formal organisations are deliberately created with pre-defined intention whereas informal organisations are not formed. The

informal organisation evolve automatically as a part of people tendency to associate with each other for interaction;

2. Formal organisations are objective oriented systems whereas informal organisations are socially oriented.
3. There exists a system of rules and regulations which is binding force in formal organisation. The informal organisations are does not have any well defined rule or regulation.
4. The well defined structure in formal organisation makes it different than informal organisations. The informal organisations usually do not have any shape or structure.
5. In formal organisation, there is system for everything and everything is in system. The informal organisations do not have any system of activities defined.
6. The size of formal organisation may be large but informal organisations are usually smaller in size.
7. Formal organisations are more static in nature whereas informal organisations are more dynamic.
8. The formal organisations are closed system in which the entry is limited by rules. In informal organisation, the entry is not limited.
9. The formal organisations are dissolved in a systematic manner whereas the informal organisations dissolve at any moment.
10. Formal organisations are system dependent whereas informal organisations are people dependent.

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## **8.10 CHARACTERISTICS OF INFORMAL ORGANISATION**

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The major characteristics of the informal organisations are discussed as follows:

1. The informal organisations are the spontaneous structures emerged as a social trait of the people to associate with each other. Therefore, the organisation management do not have any role in emergence, evolution and functioning in informal groups / organisations
2. Informal organisations are the strong communicating channels in the formal organisations.
3. It is shapeless. The structure of informal organisations is not static and defined. It does not have any specified and permanent activity.
4. Like formal organisation, the informal organisation also has its own importance on many occasions.

- 5. The informal organisations unlike the formal organisation, forms informal hierarchy into the system. This hierarchy is seems to be more effective than formal authority.
- 6. To get actual performance feedback, organisation uses its informal channel.

### Activity C

Name some formal and some informal organisations:

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## 8.11 FUNCTIONS OF INFORMAL ORGANISATION

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Although, informal organisation does not have a formal set of function defined in systematic manner, but it plays a pivotal role in success of formal organisations.

*Social and welfare function:* Informal organisations aim for the social and welfare of employees of the organisation. When, the social need of employees is side-lined or not taken on priority basis, then the informal organisation play a crucial role to strengthen the workforce to put pressure on management. Whenever, the welfare provisions in the organisation are not given due recognition, the informal system provide a parallel system to develop momentum to install it into the system.

- 1. *Communication:* The communication is one of the important function of informal organisations. The informal channel has always been considered as the effective, reliable and authentic source of information. There are many organisations which are having the strategic use of their informal forum to get feedback and industrial relation status. It provides a fast and effective medium to communicate those things which cannot be easily possible through the formal system of communication.

2. **Learning and development Function:** The learning and development is more in an open environment. The informal organisations are free from all the formal clinches to make it an open environment. The informal organisations also facilitate the opportunity of learning and development.
3. **Grievance and Feedback Function:** The informal organisations play an important role in communicating the grievances and feedback to the formal system. In fact, there are many organisations keeping this track open to get genuine feedback.
4. **Performance Management:** The informal communication makes a better learning. An instructor can make instructions more effective in informal ways going close to the employees need and then align it to the organisational need. This helps in improving the performance of the employee.
5. **Negotiation:** The informal organisations are also responsible in developing the platform and strategies in negotiation between management and employee unions. Keeping every employee informed about the happening and convincing them to negotiate for better deal need a strong informal system.

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## 8.12 PROBLEMS OF INFORMAL ORGANISATION

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The informal organisations are like nutcrackers for the managers at higher level. There are certain problems of informal organisations like:

1. The major problem of informal organisations is the non-uniformity in functioning. Since, the rules and regulations are not defined and discussed; therefore, it becomes difficult to maintain the standards in the activities.
2. The informal organisations are usually active for the individual cause not for the common causes. Hence, it becomes difficult to maintain all the members motivated at all time.
3. There is no hierarchy or position defined in informal organisations. Hence, it is not so easy to maintain discipline in these types of organisations. The informal leadership style is generally responsible for maintaining discipline.
4. The subordination of interest is often found in the informal organisations. The members are giving priorities to their individual interest over the organisational interest.
5. Since, informal organisations do not have any blueprint for its proceedings; it is likely to create a conflict of interest among the members leading to inactive or political role in the organisation.

6. The informal organisation within the peripheral of formal structure and authority, are considered as the means to achieve short cut success. Hence the life of informal organisation is short.
7. The informal organisations are usually people dependent hence, the relationship among the members is interest oriented. Once the interest is fulfilled, the organisations are going to lose the membership.
8. Many times, the rumours are working behind the actual and sensitive issues in informal system. This too becomes detrimental to the organisations.

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## 8.13 SUMMARY

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The designing of organisation structure uses span of control as a horizontal dimension. The span of control not only describes the job nature but also gives the information about the manager's ability to handle with subordinates. The span of control is also helpful in designing the organisation chart with defining the manuals to help the end user. The manuals are very useful in making clarity in the job activities, methods, issues and solutions to common problems. Within the formal organisation, there exist informal system, which may not be created by the formal system but, formal system utilises it in a strategic manner. The formal system cannot be effective without the informal system. Sometime, formal system promotes the informal system in line of the formal objectives, but this need to be handled in a cautious manner. Although the nature of informal system leads to a greater incoherence in formal and informal structure, but the informal organisations are inevitable as a part of social need.

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## 8.14 KEY WORDS

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**Formal organisation:** organisation created deliberately to achieve certain objective

**Span of Control:** the extent of manager's ability to supervise subordinates

**Manuals:** step-by-step process of doing job

**Negotiation:** bargaining process

**Narrow span:** more vertical positions than horizontal

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## 8.15 SELF-ASSESSMENT QUESTIONS

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1. Define span of control. How span of control help on designing the horizontal structure?
2. What is organisation chart? Explain.

3. What is the aim of organisational manuals? Discuss the advantages and drawbacks of manuals.
4. How many types of manuals are common in an organisation? Describe.
5. Describe the difference between formal and informal organisation in brief.
6. Why informal group do emerges in an organisation? What organisational need do they serve?

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## **8.16 REFERENCES AND FURTHER READINGS**

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॥ सारस्वती नमः सुमनसं वन्दामहे ॥

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# B.B.A-101

*Bachelor of Business  
Administration  
Principal of Management*

**BLOCK**

# 3

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**UNIT 9** **000-000**

**DEPART MENTATION**

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**UNIT 10** **000-000**

**AUTHORITY RELATIONSHIP**

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**UNIT 11** **000-000**

**DELEGATION**

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**UNIT 12** **000-000**

**DECENTRALISATION**

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# UNIT - 09

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## DEPARTMENTATION

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### Objectives

After going through this unit, you should be able to:

- understand the concept of departmentation in an organisation
- learn the need of departmentation
- come across the different criteria of departmentation
- understand the process of departmentation

### Structure

- 9.1 Definition of Departmentation
- 9.2 Need for Departmentation
- 9.3 Bases of Departmentation
  - 9.3.1 Function based
  - 9.3.2 Product based
  - 9.3.3 Territory
  - 9.3.4 Customers based
  - 9.3.5 Process Based
- 9.4 Choosing a basis of Departmentation
- 9.5 Summary
- 9.6 Key Words
- 9.7 Self-assessment Questions
- 9.8 References and Further Readings

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### 9.1 DEFINITION OF DEPARTMENTATION

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The departmentation means the process of segregating the individuals and activities from each other and grouping them to form units of similar characteristics or job or individuals. A department is a distinct area which involves in similar types of activities within the organisation. The departmentation include a process of managerial efforts to bring the similar jobs under one unit or supervision. A manager or head of a

department does have authority to influence the way the job is performed and responsibility to own any success or failure as an outcome of the departmental performance.

Thus departmentation is a simple process of grouping the various jobs having similar nature into one to form a department so as to achieve the organisational objectives. Figure 9.1 explain the process of departmentation.

<b>Job:</b>	AMA EKEMOSIS KEKUKUE																	
<b>Division of Work</b>	A	M	A	E	K	E	M	O	S	I	S	K	E	K	U	K	U	E
<b>Grouping</b>	AA		EEEE			I	O	UU		MM		KKKK		SS				
<b>Departmentation Vowels</b>	(AA EEEE I O UU)										<b>Consonants</b>	(MM KKKK SS)						
<b>Figure 9.1 the Process of Departmentation</b>																		

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## 9.2 NEED FOR DEPARTMENTATION

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The division of labour makes it complicated the handling the similar activities by different people making more differentiation in similar activities. The need was realised that if the similar activities are performed by same or similar people, then it would be easy to align their output with organisational objectives. Not only, the activities performed by similar people, but the activities should be supervised and assessed by same person in order to make coordination smooth. Division of labour creates specialists to perform specific activity, who need coordination. This coordination can be facilitated by putting all of them in one department under the supervision of a manager. The departmentation of this kind is usually based on the nature of common activities which are put in one department.

The departmentation also helps in establishing work teams and supervision structure. The similar kinds of job, people or products need a common work environment and people discussing the problems to provide best solutions. It creates to identify the common resources and their best utilisation for the achievement of objectives. The departmentation envisage need to develop the common standards and measures of performance. A department provide scope for the informal communication within the department.

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## 9.3 BASES OF DEPARTMENTATION

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The process of departmentation indicates the nature of grouped activities which become the bases of departmentation. The work function being performed, the process being followed, the product being produced the territory covered and the customer being served with the product or

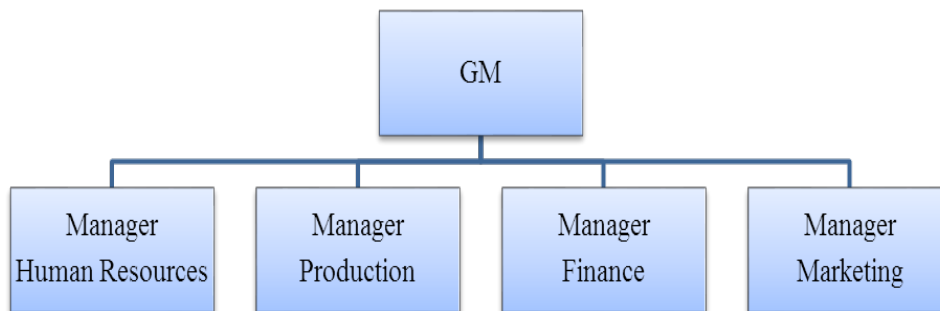
services are the common basis of departmentation. In this, the function performed by the department is one of the common bases of departmentation. The following bases are the popular bases of departmentation:

1. Based on Function or Functional Departmentation or Departmentalisation
2. Based on Product or Product Departmentalisation
3. Based on or territory or Territory Departmentalisation
4. Based on Customers or Customer Departmentalisation

The departmentation based on functions reflects the nature of activity performed whereas the product based departmentation indicates the type of product. The territory based departmentation does not have any job or product base, but the place where product is sold. Therefore, geographically close and linked areas are categorised as a territory. The customer based departmentation seems to be the modern approach of departmentation because it is based on customer which is in the centre of business. Hence, the departmentation process is based on one of the factors comprising of function performed, product, territory and customer.

**9.3.1. FUNCTION BASED DEPARTMENTATION**

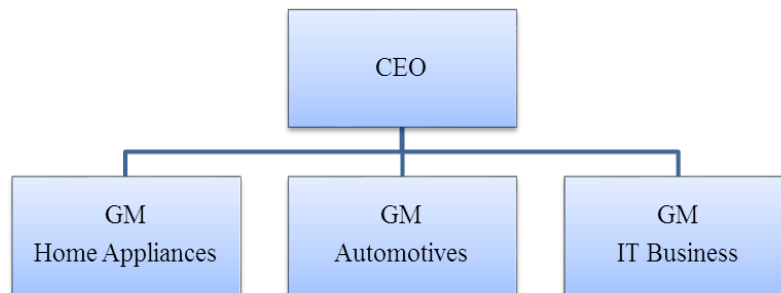
The most common method of making departments is based on the function people perform. This is one of the traditional methods of departmentation. It is based on grouping the similar processes, skills to work on processes and activities of processes. In one function, the common job profile and job specialities are matched to give better results. A general manager of a firm might organise his / her business by separating and then grouping the business into activities like production, finance, marketing and human resources to form departments. (See Figure 9.2) In an engineering firm, the same process may be performed to make engineering, accounting, manufacturing, HR, purchasing, and R&D departments.



**Figure 9.2 Functional Departmentation**

### 9.3.2 PRODUCT BASED DEPARTMENTATION

In product departmentalisation, the nature of product and uses of the product becomes the base of dividing the business and then grouping into the similar nature or use of product to form one department. For example, corporate group CEO might divide and group the business into home appliances, automotives and IT business (See Figure 9.3). A retail store might forms the department like home accessories, appliances, clothing, literature etc.

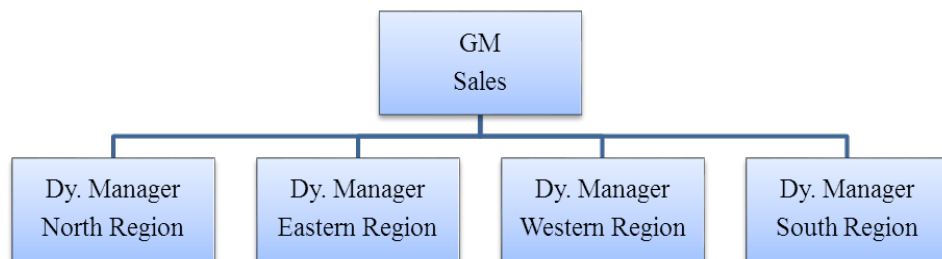


**Figure 9.3 Product Departmentation**

The need for the product departmentation was felt as to serve the customer of similar need to provide better and exhaustive options to choose from. If the product wise departmentation is not done, then the stores having large number of products into their list might not be giving due attention to all the products as they actually deserve. The customer would also get problem in getting the desired product of desired dimension form the large store. The product-wise departmentation makes it easy for the seller as well as buyer to save time in the process of transaction.

### 9.3.3 TERRITORY BASED DEPARTMENTATION

If an organisation’s customer are scattered over a large and dispersed geographical area, then it become difficult to handle the entire customer base with their unique need and demands effectively. Hence, this type of departmentation helps in formulating the specific strategy to serve the distinct area customer with different strategy. An organisation’s sales might have in all the directions, east, west, north and south. This type of territory classification is common in many organisations. (See Figure 9.4)

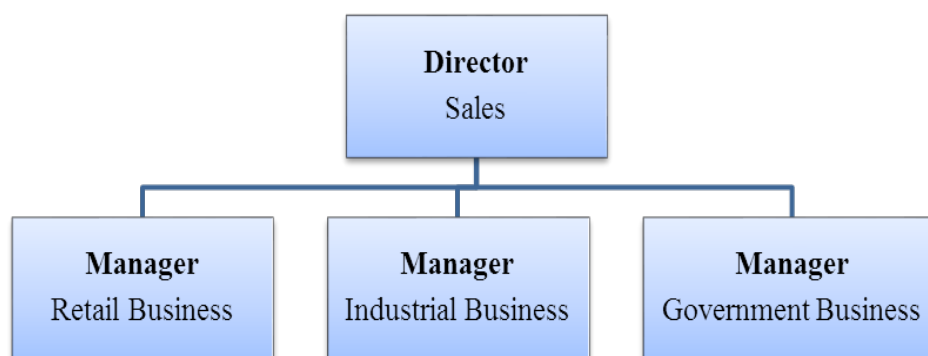


**Figure 9.4 Territory based Departmentation**

The geographical departmentation also helps in identifying the valuable customers and zone or territory so as to formulate the rewarding schemes for them. This also makes an intra-organisation competitive platform on which different in charges are usually being compared leading to development of organisation and better practices.

### **9.3.4 CUSTOMERS BASED DEPARTMENTATION**

The customer based departmentation is departmentation in which the organisation wants to reach the customer at different level. The product may be sold to a retail customer, to a customer in bulk or some time government (See Figure 9.5). The terms retail customer and industrial customer also represents the same concept of classifying customer based market. A law firm can make different departments to serve corporate and individual clients. A publishing house may classify the activities based on whether they serve the primary level education, intermediate level, higher education or technical education.

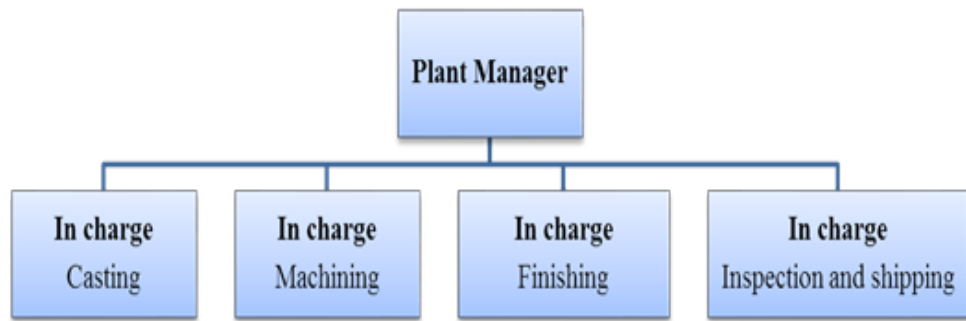


**Figure 9.5 Customer based Departmentation**

The customer based departmentation is helpful in reaching to the customer as per their expectation and providing personalised service. The customers in each department usually have the common set of problems. This type of departmentation facilitates organisations to tackle these problems by the specialists in effective manner.

### **9.3.5 PROCESS BASED DEPARTMENTATION**

The departmentation based on process involves the different processes in getting final product. The different processes are so different from each other that require a specialist to perform. For example, a metal based product manufacture in which the metal casting in huge furnaces, machining the metal jobs, finishing process and inspection and shipping need different expertise. Hence, each process needs attention which makes strong need to have separate department to look after each process perfectly and smoothly. The process based departmentation focuses on work processes. It also helps in serving the customer in a better way.



**Figure 9.6 Process based Departmentation**

**Activity A**

Suppose a small shop is converted into a big departmental store. Study the different activities and form different department in the departmental store. Also, give the basis of departmentation.

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**9.4 CHOOSING A BASIS OF DEPARTMENTATION**

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Most of the organisations rely on the classical way of departmentalisation. But the fast changing business environment and customers have forced to the organisation to opt for more flexible system rather than rigid one. The important trends to mention in modern era are how important the customer is for the organisation and their success. The customer based departmentation have been to some extent successful in addressing the customer demands. Today’s competitive environment has necessitated the importance of customer and brought it to the centre of business. In order to respond in a better way to the customer needs, many organisations have adopted the customer based departmentation having customer satisfaction as their augmented objective.



The static nature of the organisations has also faced threats from the dynamic nature of the business activities putting strong demands of making structure flexible. Expertise at different levels have also come forward to supplement the gap of being rigid in departmentation to tap every opportunity the organisation gets. This has necessitated the cross functional teams replacing the rigid departments. The cross functional teams usually have members from production, finance, marketing, research and business development etc. to make their work highly interdependent. The cross functional teams are finding their role in designing the product to finding a solution of market problem, formulating the policy and strategy to looking at the floor level implementation issues. The matrix form of organisation structure reflects the same concept based on cross functional teams.

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### 9.5 SUMMARY

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The departmentation is the process of grouping the similar activities into one department. The departmentation is a crucial process as it needs to learn the nature of job or activity, product, service or customer. The departmentation is usually based on function, product, territory, customer or process involved in the business. The different bases do have their own importance and need depending on the business. There is need to learn and chose the right base of department in order to develop the business and serve to the customer.

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### 9.6 KEY WORDS

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**Departmentalization** : the process of grouping individuals into separate units or departments to accomplish organisational goals

**Territory** : a geographical area defined as per the need and coverage.

**Industrial Business** : a business from the bulk or wholesale businesses from big organisations at one go.

**Process** : a specialised method of doing a particular job.

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### 9.7 SELF-ASSESSMENT QUESTIONS

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1. Define Departmentation? What are the different types of departmentation? Explain.
2. What is the role of division of labour and specialisation in the process of departmentation?
3. How do the functional department differ from product departments?
4. Is it possible for an organisation to have more than one type of departmentation?

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# UNIT-10

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## AUTHORITY RELATIONSHIPS

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### Objectives

After going through this unit, you should be able to:

- understand the concept of authority relationship;
- learn about the line and staff organisation;
- get Line and staff relationship;
- define role and importance of line and staff relationship in an organisation.

### Structure

- 10.1 Authority relationships
- 10.2 Line organization
- 10.3 Line and staff organisation
  - 10.3.1 Difference between Line and Staff Authority
- 10.4 Line organisation vs. Line and staff organisation
- 10.5 Line functional organisation
- 10.6 Line organisation vs. functional organisation
- 10.7 Summary
- 10.8 Key Words
- 10.9 Self-assessment Questions
- 10.10 References and Further Readings

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### 10.1 AUTHORITY RELATIONSHIPS

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The ability to influence others in their thinking, actions and behaviour is called the 'Power'. Power may be a legitimate one or illegitimate. The power of influencing others in a legitimate manner is called the 'Authority'. A person can also influence or pressurise others to think or behave in a particular manner with the muscle power, but this is not a legitimate power. It is an form of illegitimate power. There is crucial role of legitimate as well illegitimate power in the business organisations. The legitimate power is exercised within the positions, but the illegitimate

power includes the people having power more than embedded in their position.

*Henry Fayol* defines authority as “the right to give orders and power to exact obedience.” It is the right of superior to control, command and enforce the subordinate to do something even against his /her will. Similarly, *Chamber’s dictionary* defines the authority as “power derived from office or character”. Hence, authority means power to give orders and enforce obedience. It simply leads to the legitimate right to instruct person and guts to see that the person does it in desired manner.

The organisation does have the different positions embedded with certain powers. Some powers are legitimate and some are illegitimate. The legitimate powers at different positions may depend on the type and nature of position. If the position is directly related to the business process then the power will affect the business. The positions carrying this type of authority are called as ‘*Line Authority*’. The positions having power to give advice are usually called as ‘*Staff Authority*’.

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## 10.2 LINE ORGANIZATION

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The line organisation is the oldest form of organisations. It is generally used in army. The line organisation refers to the organisations which are directly linked to the main line of business. The positions in these types of organisations do have authority to command, control and expedite the main line of business. The people at each level do have authority termed as ‘*Line Authority*’. The line authority means right to direct the work of a subordinate. This relationship is called *superior-subordinate authority relationship*. This relationship expands from top management to lower level management in order of varying authority. Figure 10.1 shows the typical form of line organisation.

In line organisation, authority moves from top to bottom whereas the responsibility moves from bottom to top in line. In line organisation, every person in chain has a clear and defined role. The superior subordinate relations are regulated through the delegation of authority. The decision making is relatively fast in line organisation as compared to staff organisations. It is based on unity of command. With the line organisation, the discipline can be maintained in the organisation effectively.



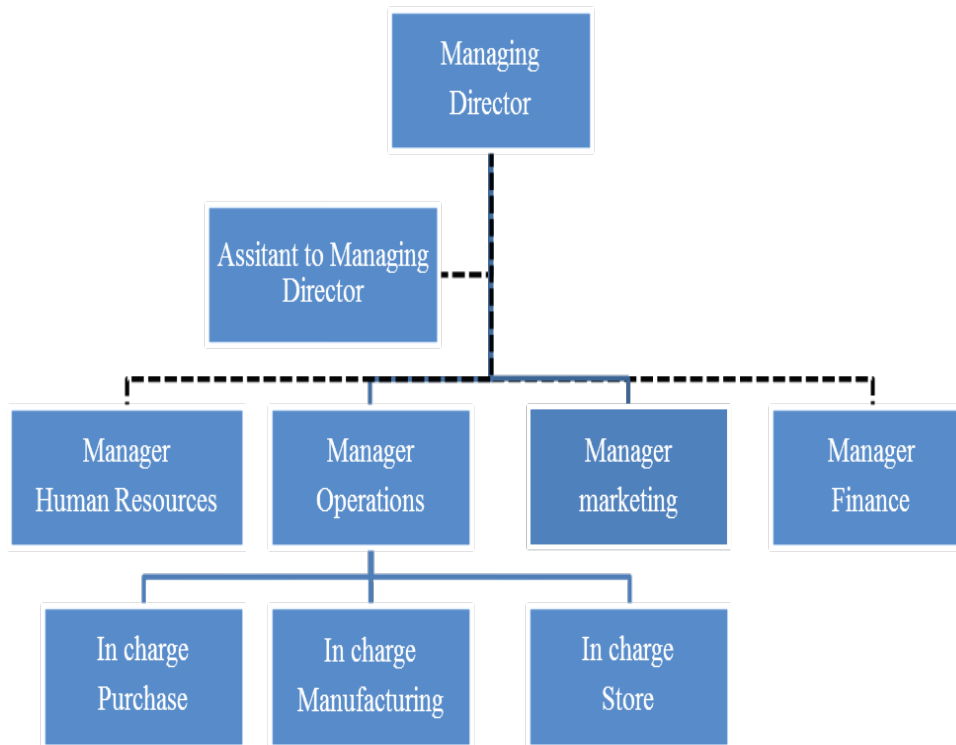
**Figure 10.1 Typical Line Organisation for HR department**

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## 10.3 LINE AND STAFF ORGANISATION

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As discussed above, the term 'Line' describes those positions whose functions contribute directly to the accomplishment of organisational objectives. In contrast, 'staff' means the positions having authority of advising, not directing. Figure 10.2 shows that the operations and marketing departments are forming the line organisation whereas HR and Finance department are part of staff organisation. The line authority (with solid line) and staff authority (with dotted line) are integral part of the organisation, but the relative position reflects that the line managers are much more powerful than staff managers.



**Figure 10.2 the Line and Staff Relationship— Line; and.... Staff**

For example, an organisation in manufacturing usually has departments like operations and marketing with direct linkage to the product. These departments are the line departments. The managers in the chain of these lines having line authority are called line managers. Operations manager and marketing managers are the line managers. The department which are supposed to facilitate these departments in accomplishing the organisational goals are staff organisations having staff authority. The HR manager and Finance Manager are called the staff managers. They have authority to advice on specific functions. A researcher, who gathers the customer feedback through extensive research to depict a trend and thus project a future trend, is a staff person. HR Manager, who undergoes into the job analysis to decipher the job specifications and job description to give the best person for the job, is using its staff authority.

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### 10.3.1 DIFFERENCE BETWEEN LINE AND STAFF AUTHORITY

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#### Line Authority

#### Staff Authority

- |  |  |
|--|--|
| 1. The right to issue command to subordinate   | 1. The right to advice on certain matter to contemporary persons                           |
| 2. The line authority do have power to influence the business                                  | 2. This authority can influence the business through line people                           |
| 3. It is an authority to decide  | 3. It is an authority of ideas   |
| 4. The role and contribution of line authority increases from top to bottom                    | 4. The role and contribution of staff authority increases from bottom to top               |
| 5. The line authority has little interfere in the staff authority as line functional authority | 5. The staff authority can interfere in the line authority with staff functional authority |

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### 10.4 LINE ORGANISATION VS. LINE AND STAFF ORGANISATION

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It has been old field of discussions that the line organisations and staff organisations cannot go hand-in-hand. They keep on criticising and blaming each other for every failure in the organisation. The following points are some of the important one to understand the line-staff relationship:

1. The staff people are always of the view that line people ignore them and do not recognise their relevance. In contrast, the line people think that staff people encroach upon their authority of decision making.
2. The staff people always afraid of the ideas not implemented whole heartily in the system as they fear that the change may make them to come out of their comfort zone. The line people think that the ideas given by staff are more theoretical and the practical relevance is very less. The line people think that they could provide a better idea than staff one in lesser resources.
3. The line and staff blame each other for the failures in system, and try to snatch the success credit every time.
4. The line managers are always of the view that staff people do not have complete understanding of business, they deliver experimental results whereas line people deliver the business results. On other hand, staff people feels that line people gets

incentive, bonus and increment based on their advice being converted into results.

- 5. As the role and importance of staff people increases from bottom to top management in every aspect, therefore, the line people think about them as irrelevant element into the system. The line people think that they are behind the whole business.

The conflict between the line and staff keep going. The only possible remedy is to let them develop a better understanding about each other in the business. The staff people need to be strategic and polite and line people should utilise the expert knowledge in best possible manner.

Analyse

### Activity A

The university or college structure you attended and sketch the line and staff relations:

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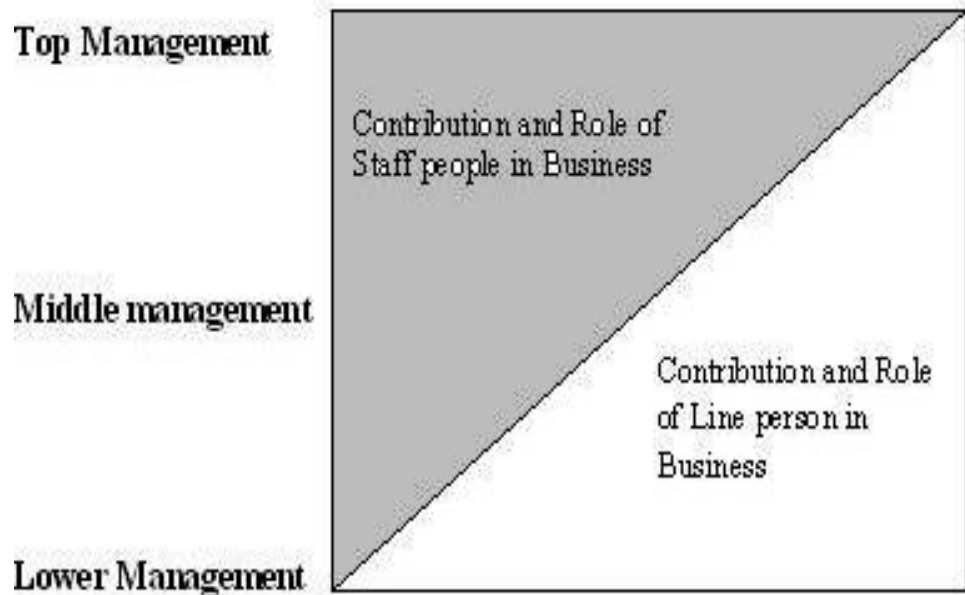
## 10.5 LINE FUNCTIONAL ORGANISATION

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The functional authority is an authority which empowers a person to influence the way work is performed not only in his /her department but also in the concerned departments. When functional authority is given to

line people, it is called line functional authority. The organisation having more line functional positions are called line functional organisations.

A staff person at the bottom in hierarchical ladder or at operational level is given least importance. His /her ideas / advices are not taken seriously by the line people at bottom line. The line managers may or may not consider the ideas. The contribution of line people at this level seems to be more than staff people (see Figure 10.3). In middle management, the role of staff advice / contribution increases to the extent that the decision cannot be taken without consulting the staff person. The staff person does have a role in decision making. The staff person enjoys a consultant position with all the responsibility of failures goes to line people. The type of authority is concurring authority. When the top management decides, they rely heavily on the advice and consultancy provided by staff person. They cannot decide without consulting the experts. Hence the role and contribution of staff person at the top management is more than the line people. This level of authority given to the staff position is called *staff functional authority*.



**Figure 10.3 Line Vs Staff Authority: Role and Contributions**

When the full authority is given to the line managers, it is called as *line functional authority*. Usually, a functional authority is given to the staff person as they are considered to be expert of certain issues. For example a HR manager is given the functional authority to design the format of performance appraisal for other department. But the line managers are also given functional authority. For example, the production manager is given the authority to get the filled appraisal forms and then forward to the HR department. Thus line and staff goes hand-in-hand. The functional organisations are important to understand the relation between line and staff.



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## 10.6 LINE ORGANISATION VS. FUNCTIONAL ORGANISATION

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The role of line authority and functional authority can clearly makes a difference in their contribution to the organisational development. The following points can clear the relative importance of line Vs functional organisation.

### Line Organisation

1. Line people are directly linked to the main product or business
2. Line people seek advice on critical points from functional people.
3. They are responsible for the product performance.
4. Line people are the executor of policy and practices
5. Line people can be given functional authority
6. Line people get preferential treatment in case of performance incentive sharing
7. Line people are responsible for the final outcome
8. Line people can give orders to their subordinates

### Functional Organisation

1. Functional people may or may not linked directly to product or business
2. The people having staff functional authority have authority to advice line people at different level.
3. They are responsible for business performance.
4. Functional people are the decision maker about the policy and practices.
5. Functional authority may be functional line or functional staff authority
6. Functional people are not given preferential treatment
7. Functional organisation is concern in making justice with the function assigned irrespective of the outcome.
8. Functional people can also give orders to other department employees.

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## 10.7 SUMMARY

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The authority relationship in an organisation is important to the extent of success of the activities in which authority is used. The concept of organisational authority is to fulfil the management's task. *Henry Fayol*

defined it rightly as “the right to give orders and power to exact obedience.” The line organisation and people have authority to give command whereas staff people have authority to give advice. The command and advice both are essential elements of an organisation to achieve its objectives. The function authority is the right to discharge its function effectively across the departments. It can be given to line as well staff organisation. Functional people can give orders to people of other department also.

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## 10.8 KEY WORDS

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**Authority :** formal right of superior to command his subordinate and seek obedience.

**Power :** ability to influence a person even against his / her will

**Line authority :** authority of superior to issue orders in relation to the business

**Staff authority :** authority to give advice

**Staff functional authority :** staff authority to issue orders directly to other department as a expert function.

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## 10.9 SELF-ASSESSMENT QUESTIONS

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1. What do you mean by authority? Explain
2. What is line organisation? How does it differ from staff organisation?
3. Describe the functions of line organisation.
4. How important staff organisation is for any organisation?
5. Sketch a structure with line and staff relation depicted in it.
6. Differentiate between line, staff and functional authority.

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# UNIT - 11

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## DELEGATION

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### Objectives

After going through this unit, you should be able to:

- understand the delegation and its importance in an organisation
- learn the elements and principles of delegation
- explore the means and barriers in effective delegation

### Structure

- 11.1 1 Delegation
- 11.2 Delegation of authority
- 11.3 Elements of delegation
- 11.4 Principles of delegation
- 11.5 Importance of delegation
- 11.6 Barriers to effective delegation
- 11.7 Means of effective delegation
- 11.8 Summary
- 11.9 Key Words
- 11.10 Self-assessment Questions
- 11.11 References and Further Readings

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### 11.1 DELEGATION

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Delegate word is taken from *Latin* word '*delegare*' which means 'send away'. It include a sense that anything which is being send away.

Delegate, as defined in Chamber's Dictionary, '*to send as a legate or representative: to entrust or commit to.*' On other hand, Oxford Dictionary defines delegate term more clearly as *authorise to act as representative; give to a less important person.* This means the delegation is process of authorising a less important person or position.

Delegation means to confer or grant which ever thing one wants. It is basically the movement of thing from one place, person, department or

organisation to another. It is shifting of one thing from higher level to lower level.

The process of delegation starts with defining the task clearly. Once the task is defines, establishing the performance standards and measures is important to architect the route of organisational success. The standard measures need to accepted and agreed upon by the superior and subordinate. The unseen agreement between them is must. The performance assessment against the performance standards is very essential to set example before the new entrant. The assessment aim should not to punish someone rather to fulfil learning objectives.

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## 11.2 DELEGATION OF AUTHORITY

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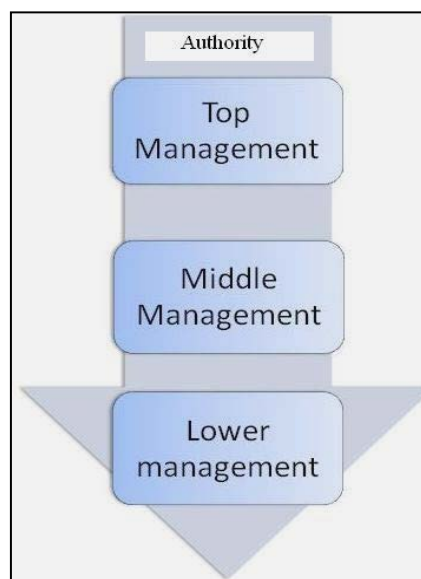
Delegation of authority means assigning the authority of decision making to subordinate along with responsibility to get things done. It allows subordinate to decide about the activities. It indicates the shifting of decision making power from top level to lower level.

*“Delegation means conferring authority from one executive or organisation unit to another in order to accomplish particular assignments”*  
- George R. Terry

*“Delegation is the process a manager follows in dividing the work assigned to him so that he performs only that part which he can perform effectively, and so gets others to help him with the remaining work.”*

- Louis Allen

Thus, delegation can be understood as the process of empowering people to do job effectively. This needs power to make others to cooperate in the job, some authority to order those people. It is not a simple process to give right to anyone. Delegation is a responsible job.



**Figure 11.1 Delegation Process**

Figure 11.1 shows that the effective delegation pushes authority down vertically through the ranks of the organisation to the bottom level. The delegation is not a participation in decision making because it is not sharing the authority rather giving to subordinate to decide on their own. Delegation is also not abdication as abdicating makes one free from possible outcomes. In delegation, the ultimate onus is on superior. Hence, delegation has to be very strategical and need based. The responsibility delegation is crucial in organisation as the authority must be delegated along with responsibility.

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### 11.3 ELEMENTS OF DELEGATION

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The delegation is a double edge weapon, the more belief led to decentralisation and losing control whereas less belief in delegation creates hindrance in process effectiveness. Hence, a manager needs to use it in proper and balance manner. Certain elements which make delegation effective or ineffective are discussed below:

1. **Objective:** The objective of delegation must be very clear. If a manager delegates as to follow delegation practices or as modern tool, then it may not be useful for the organisation. Before delegating, one must learn whether there is need to delegate.

2. **Authority & Responsibility:** The authority must accompany the responsibility to the next level. The authority delegation without responsibility may lead to ineffective use of authority. The authority must be delegated to the responsible positions only.

3. **People & Relations:** The people and their relation in the organisation are also the element of delegation which determines the level and effectiveness of delegation. If the subordinate does not have good relation with superior then it affects the delegation process and brings ineffectiveness.

4. **Leadership style:** The leadership style does matter in delegation. The democratic or free rein style of leadership believes in more delegation while autocratic style believes very less delegation. Thus, leadership style is one of the elements contributing to delegation.

5. **Environment:** The environment or business climate is important to learn the changes in business conditions put forth the future challenges. Hence the environment study helps in strategic planning to delegate the authority.

#### Activity A

When head of department goes on leave, he delegates authority to someone. Discuss and study to learn the delegation process and need of this delegation of authority.

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## 11.4 PRINCIPLES OF DELEGATION

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Although the delegation is an individual concern, but there are some common guidelines which are fundamentals of delegation. These principles provide basic guidelines of delegation. Some of these principles are listed below:

1. ***Delegation should be need based:*** The delegation should be need based. It means the authority should not be delegated to avoid the situation or outcome, but it should aim to deliver better on the job. The delegation just for the sake of delegation is dangerous to the organisation. If situation does not require, the delegation should be avoided.
2. ***Delegation should have objectives:*** Before delegating the authority, the objectives of the delegation and reasons and possible outcomes of the delegation must be made clear. It has to be object oriented process.
3. ***Develop Mutual Trust:*** The mutual trust between the superior and subordinate is very important. One should be given open hand to experiments under the guidance to commit honest mistakes and learn from these mistakes in positive direction. This will definitely makes delegation effective.
4. ***It should facilitate the organisation process:*** The delegation should facilitate the organisation in achieving its objectives. The delegation should not aim to create hindrance in normal functioning of the department or organisation.
5. ***Give back up support to the subordinate:*** It is always important for superior to provide back hand support to the subordinate in utilising the delegated powers. If he makes any honest mistake in utilising the



powers, the moral support is must to maintain and boost the confidence level in subordinate.

**6. *Never violate chain of command:*** The delegation should not violate the proper chain of command. The violation creates the indiscipline in the organisation. If it is necessary to violates, the missed chain link should be taken into confidence with proper briefing of reasons.

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## **11.5 IMPORTANCE OF DELEGATION**

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The delegation of authority and responsibility to the subordinates is so much important for a manager that the managers cannot deliver his /her best without delegation. If a manager thinks to do all kind of job by himself, then the final outcome may be of right quality, but definitely not at the right time. If delivered at right time, the quality may not be as per the set standard. Hence, a manager can give quantity and quality output only involving subordinates at different level in the job. Thus, delegation become inevitable for a manager as the complexity in job is increasing day-by-day. The manager, by delegation, can focus on more critical and crucial aspects of job to make close to perfection. The following points help in understanding of importance of delegation more clear:

1. The delegation facilitates and promotes the function of specialisation.
2. By delegation, managers can develop the next line of managers to take over the future challenges under their guidance.
3. The delegation also facilitates in validating the corporate decisions at some level
4. Delegation builds a confidence level among the subordinates and motivates to perform.
5. It helps in developing a better understanding between superior and subordinates.
6. It is a kind of on the job training at managerial level. The managers delegates authority and responsibility to subordinate for real job challenges for subordinates and find their solution with the delegated powers.
7. By delegation, the subordinates also get opportunity to learn the new and untouched aspects of the job.
8. It also saves the time of superior in common activities which can easily perform by subordinates and provide ample time to focus on more critical and crucial issues of job.
9. It also facilitates the corporate level /top level people in succession planning.

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## 11.6 BARRIERS TO EFFECTIVE DELEGATION

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In spite of delegation as an important process of managers, there exist few managers who do not believe in delegation. It does not mean that they do not want to believe in delegation, but there are several barriers to this process the following are some of the barriers in effective delegation:

**1. Lack of confidence in subordinates:** Some managers are not willing to delegate because they do not have confidence in their subordinates. They feel that it is better to do it himself rather than to waste energy in correcting the mistakes of subordinate.

**2. Lack of confidence in self:** The lack of confidence in self makes a manager not to disclose the power to subordinates. They fear that they may be exposed in the department. These managers include generally those who promotes themselves the most talented ones and actually they are inefficient. This becomes more serious for superior when they get more talented subordinates. They fear that they will not only been exposed, but may lose the position.

**3. Lack of confidence in system:** There are many managers who do not have confidence in the system. They think if they delegate authority to subordinates, then whether they will get back support from the system especially immediate superior. If something goes wrong, they fear of responsibility fixing.

**4. Fear of losing control:** Some managers are always having a concern of losing control over the job. Hence, they do not want to delegate the authority. They keep authority with them and ask subordinate to follow them mechanically without intellectual input.

**5. Lack of coordination:** Many times, the managers delegate and forget to give back support to the subordinate. The subordinate need a moral support and need to develop coordination between the superior and subordinate. In absence of coordination, the effective delegation is not possible.

**6. "I can do better" approach:** Being confident is always a desirable characteristic in a manager, but the overconfidence of being the best to deliver on job becomes dangerous sometime. This creates hindrance in delegation. Few people do have this approach of thinking "I can do it better". The delegation gives an opportunity to learn to get things done through and with people.

**7. Responsibility Vs accountability:** The delegation ensures the responsibility of subordinates. It does not mean that if subordinate makes mistake in decision making, the superior will not be held responsible. Subordinate may be accountable for the decision, but the ultimate responsibility is of the superior.

8. ***Inability to establish a channel:*** In some cases, the managers fails in establishing proper channel of delegation. It may be due to boss-subordinate relationship or uncertain system response. This is also a barrier to effective delegation.

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## 11.7 MEANS OF EFFECTIVE DELEGATION

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In order to make delegation effective, there is strong need to understand the whole process of delegation. The different elements involved in process play role of catalyst. It becomes essential to learn about each element's role and nature to make delegation effective.

1. ***Assignment clarity*** : The assignment or job objective should be very clear to the superior as well as subordinate. The proper alignment in this understanding is also equally important.

2. ***Subordinate's level of understanding*** : The subordinate's level of understanding, knowledge and proficiency is crucial in delegation process.

3. ***Subordinate's interest*** : Along with subordinate's understanding, the subordinate's interest is also an important element in effective delegation. It is directly proportional to the level of responsible behaviour of subordinate.

4. ***Accord freedom to subordinate*** : The subordinate must be given some level of permission and open hand in experimentation so as he or she can feel the outcome of responsible behaviour and vice-versa. It should not be a mechanical delegation rather an organic delegation.

5. ***Communicate to all related bodies*** : The delegation of authority should consider all the affected and related bodies with delegation. The affect of delegation on relates processes or bodies must also be discussed. This will surely bring effectiveness into the system.

6. ***Effective feedback system:*** The delegation must talk about the feedback and outcome of delegation. If the outcome is not analysed, then the corrective measures cannot be included into the system. So, it is important mean to make delegation effective.

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## 10.7 SUMMARY

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The delegation is a process in which one person gives authority of decision making to subordinate level to make him a responsible and accountable employee. In fact the authority delegation inculcates the accountability into a responsible person. There are certain elements which need to be taken care during the delegation process in order to manage barriers and bring effectiveness. The person delegating and person

receiving, both need to develop a belief in the delegation process and understand the underlying need of delegation.

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## 10.8 KEY WORDS

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**Delegation** : giving authority to subordinate and making him to take decision

**Accord freedom** : permission for utilisation

**Proficiency** : skill to perform

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## 10.9 SELF-ASSESSMENT QUESTIONS

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1. How can one empowers oneself and others?
2. Define delegation. What is the importance of delegation?
3. Elaborate the various factors affecting the delegation at different level.
4. Describe the steps in delegation process.
5. Explain the steps to make delegation effective.
6. What are the reasons of poor delegation? Explain.

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RIL-003

B.B.A-101/150

# UNIT - 12

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## DECENTRALISATION

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### Objectives

After going through this unit, you should be able to:

- Understand the concept of decentralisation;
- Know the merits, demerits and limitations of decentralisation;
- Learn the factors determining the degree of decentralisation

### Structure

- 12.1 Decentralisation
- 12.2 Merits and Limitations of Decentralisation
- 12.3 Factors determining the Degree of Decentralisation
- 12.4 Summary
- 12.5 Key Words
- 12.6 Self-assessment Questions
- 12.7 References and Further Readings

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### 12.1 DECENTRALISATION

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The decentralisation is the process in which the authority, power and decision making capacity is shifted to the lower positions depending on organisational need. This shifting of authority always accompanies the responsibility and accountability for outcomes as a result of utilisation of that authority. It also depends on the nature and type of business or organisation to delegate what degree of authority to lower level positions. How much and what authority is crucial to business and should not be delegated, is the prerogative of organisational governance and top management. It is important for top management not only to decide what to be delegated but also to decide to whom to be delegated. The different people have defined decentralisation in different manner as:

*“Everything that goes to increase the importance of the subordinate’s role is decentralisation and everything that goes to reduce it is centralisation”*

*“Decentralisation is the systematic efforts to delegate to lowest level all authority except that which can be exercised at central points. Decentralisation applies to the systematic delegation of authority in an organisation-wide context”*

**- Louis Allen**

*“Decentralisation of authority is fundamental phase of delegation”*

**- Koontz and O'Donnell**

On the basis of above definitions, the decentralisation can be understood as the process of delegating authority to lower level and looking that they utilise this authority in best interest of the organisation. It is simply making more functional decisions at lower level and only crucial business decisions at top level. The absolute decentralisation or centralisation is not possible in organisations as it means the decision making power in one hand. It is possible only in one man enterprise.

In centralised system, the decision making authority is in few hands whereas the decentralised system believe to delegate authority to the persons who are performing on the job. *Ernest Dale* mentions four criteria to measure the extent of decentralisation in an organisation:

1. The greater decentralisation means greater number of decisions at lower level;
2. The greater decentralisation means more important decisions at lower level;
3. The greater decentralisation enables more areas in which decisions can be made at lower level; and
4. The fewer are the people to be consulted and less is the checking required on the decisions made at lower levels.

However, the decentralisation never advocates the department as independent units. The functional decentralisation is to facilitate the process and organisation. Whenever, the decentralisation hinders the process of achieving its objectives, it will be irrelevant to follow or implement decentralisation in the organisation.

### **12.1.1 DISTINCTION BETWEEN DELEGATION AND DECENTRALISATION**

The term delegation and decentralisation seems to be same, but they are different in organisational perspective. When a manager delegates authority to subordinate, the manager still has the ultimate responsibility of utilisation of the authority whereas the decentralisation gives authority to subordinate along with responsibility and accountability of all outcomes as an utilisation of authority. The manager does not have to bear any responsibility in case of decentralisation process. The following points, further, make the difference clear:



Delegation	Decentralisation
<ol style="list-style-type: none"> <li>1. Delegation is a process of giving authority to subordinates</li> <li>2. The superior is ultimately responsible for every decision made by subordinate</li> <li>3. Delegation is an essential part of management.</li> <li>4. Delegation includes mainly decision making capacity.</li> <li>5. It is a one-to-one process.</li> <li>6. It is easy to revert the delegation easily</li> </ol>	<ol style="list-style-type: none"> <li>1. Decentralisation is end result of delegation at lower level</li> <li>2. The superior is not responsible for the subordinate decisions</li> <li>3. Decentralisation may or may not be practised.</li> <li>4. Decentralisation includes decision making capacity along with responsibility and accountability for all the outcomes.</li> <li>5. It is an organisational process.</li> <li>6. It is not easy to change the degree of decentralisation.</li> </ol>

## 12.2 MERITS AND LIMITATIONS OF DECENTRALISATION

Certain merits of decentralisation become the limitation of centralisation and certain merits of centralisation tend to become limitations of decentralisation. Hence, there is need to describe the balance point between two phases keeping in view the organisation and business interest. The perfect trade off balance should be maintained between the centralisation and decentralisation because both have their importance in the system to make it effective or ineffective. The merits and limitations are discussed in the following manner.

### 12.2.1 MERITS OF DECENTRALISATION

If authority to make decisions is at top level, then there may be time gap in decision making between the decisions needed and decision made. This leads to ineffective system to deliver at the right time to customer. Hence, decentralisation is must depending on the nature of business. The following advantages are important to understand the need of decentralisation:

1. **Quick Decision Making:** The persons or employee on operation level do have better understanding of need of decisions regarding the work as they are experts and close to work. They also understand the cost of delaying decisions. Hence they can take quick and better decisions. The

decentralisation helps them to decide if given authority. A better decision can change the whole game of business.

2. **Reduce pressure at top level:** By decentralisation, top management reduces the work load and responsibility of taking decisions which are related to the lower level work. Hence, it also reduces the pressure at top level.

3. **Brings efficiency and effectiveness:** The decentralisation not only helps in quick and better decisions leading to efficiency but also the decisions taken are effective in system. In centralised system, the decisions are taken by someone for some other person, which may not relevant by the time decisions comes at the point of implementation.

4. **Reduces communication problem:** The decision making at the top need the real information from lower level. This information need time to travel through many people. There exist certain barriers which distort the original message creating communication problems. Hence, effective decisions are difficult to take based on those facts. The decentralisation sort out this problem by giving authority to lower level to decide then and there.

5. **Empowering employees:** The decentralisation also empowers the employees in order to self dependent in taking decisions related to job. This provides some sort of autonomy of working making employee feel empowered.

6. **Creates competitive climate:** In decentralisation, each department / unit / people is given authority to utilise its talent, resources and process to deliver best output. Thus each department, in order to give best, try to use authority to deliver a competitive and cost effective product. This approach makes climate more competitive.

7. **Increase employee involvement:** The decentralisation increases employee involvement in organisational process as they are expected to behave responsibly. The more responsibility requires more involvement into the position and job. The decentralisation brings responsibility along with authority.

## 12.2.2 LIMITATIONS OF DECENTRALISATION

The decentralisation is not always beneficial to the organisation. The merits of centralisation tend to be the corresponding limitations of the decentralisation. The following points explain the major limitations of decentralisation:

1. **Difficulty in coordination:** In case of decentralised system, the coordination between different departments is difficult. It becomes a complex process to get outcome from each department and then align them to deliver.
2. **Control problem:** The control over the process is difficult in case of decentralised system. The different people use authority in

different manner in order to optimise the performance. Hence there should be supervision level authority with the control people.

3. ***Uncertain outcome:*** The decentralisation is not good for the process oriented businesses. For example, the assembly line businesses need the decisions for whole organisation not unit oriented. The final outcome may not be certain in case of decentralised system.
4. ***Problem in objective alignment:*** The departmental / unit level competitive environment will create incoherence in sub-objectives derived from main organisational objective. Hence the objective alignment problem may surface in decentralised system.
5. ***Possibility of conflict:*** This competitive environment makes scope of conflict. The conflict is usually a by-product of time lag in decision making. The decision making in decentralised system is quite obvious. Hence there exists possibility of conflict.
6. ***Lack of uniformity:*** The decentralisation in system creates non uniformity in system as the authority utilisation pattern differs very much. The lack of uniformity leads to further business alignment level problems. This becomes an important and crucial limitation.
7. ***Administrative cost:*** The decentralisation is also a costly affair as the planning and control function need to be stronger. The supervision span would increase leading to a taller structure. This would add an extra administrative cost to the organisation.

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## 12.3 FACTORS DETERMINING THE DEGREE OF DECENTRALISATION

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The management of organisation is of the view to decentralise the system but the nature of business does not permit to take risk of more errors. Hence, when one factor creates ground for decentralisation, the other factors creates a counter situation and enforces to be more conservative. In these conditions, the management of the organisation must study and analyse the factors responsible for decentralisation and the degree of their effects. Some of the factors are discussed below:

1. ***Nature of Business:*** The nature of business is one of the important determinants of degree of decentralisation. The technology oriented businesses are more prone to technological up-gradation leading to more frequent policy level decisions. Hence the high degree of decentralisation may not favour these types of businesses. The uncertainty of business environment necessitates the high degree of centralisation and certain future conditions facilitate the decentralisation in organisations.
2. ***Attitude of Top Management:*** The philosophy and attitude of top management decides the degree of decentralisation in the

organisation. Some bosses derived pleasure in showing that they are making decision whereas some enjoy in delegating authority and getting things done with people. The family businesses seems to be more centralised system as compared to professionally managed business having more decentralised structure.

3. ***Size of Organisation:*** The size of organisation and speed of decision making have always inversely proportional relation. The increasing size demands a greater level decentralisation in order to make effective decisions. The frequency, speed and flexibility can be met with the decentralised system.
4. ***Planning Policy:*** The planning policy, in its skeleton of what is to be done and how it is to be done, defines the importance, need and degree of decentralisation. If policy permits, then only the authority can be given to lower level with responsibility. The policy also describes the levels in structure which resembles the responsible positions. This also helps in the degree of decentralisation.
5. ***Diversification:*** The more diversified business necessitates the higher degree of decentralisation. If an organisation have many units involved in different projects at a same time, top management need to decentralise the system in order to provide opportunity to each unit to grow as an individual organisation. If organisation has only few projects, then the organisation can have relatively centralised system into place.
6. ***Line and Staff Relations:*** The line and staff relation also influence the degree of decentralisation. The line functions needs high degree of decentralisation in order to make decisions at right time and right level whereas staff functions are usually centralised.
7. ***Flexibility:*** The level of flexibility in the system affects the degree of decentralisation into the system. For example, if the manager does not have scope of tolerance or flexibility in performance goal, he may not take a chance to rely on subordinates for the results as there is no scope of second chance. Hence, it is not favourable to decentralisation. If there exist flexibility in system, manager can take risk of decentralising the authority at lower level to develop subordinates for next level of challenges and ready to adjust outcomes, not favourable or conducive, within the tolerance or flexibility limits.
8. ***Capable Manpower:*** The capable person or manager prefer to take decision rather than seeks decisions from their superiors. The talented manpower in any organisation decides opportunity to the superior to decentralised system and then seeks responsible behaviour form subordinates. They want to perform and show their talent in handling the activities independently. Therefore, the ability of lower manpower or managers defines the level of decentralisation in the organisation.

- 9. *Rate of change of business parameters:* It is also important to understand that how fast the crucial parameters of business changes while making system decentralised. If the rate of change is fast, the manager cannot add additional risk of failure in uncertain conditions. Hence the centralised system is preferred in these conditions.

The major points responsible for the decentralisation tend to develop other way out conditions for the centralisation in organisation. However, the above discussed points are not the limit to causal factors of decentralisation.

**Activity A**

Study the decentralisation policy of Infosys and give your opinion.

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**12.4 SUMMARY**

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The decentralisation means the shifting of authority, responsibility and accountability to the lower level or subordinate level. The superior is usually not affected with the outcomes except for the line relationship. The delegation differs on these grounds from decentralisation. The advantages of decentralisation usually tend to constitute the disadvantages or limitations of centralisation and vice-versa. On one hand, decentralisation facilitates in better communication, quick and better decision making, empowering employees and motivating them, whereas on other hand, it also influence the effective coordination, objectives alignment, increasing conflict and lack of uniformity in system. Hence decentralisation needs to be incorporated in a strategic manner only if situation or business necessitates it.

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## 12.5 KEY WORDS

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**Authority :** It is the formal right of superior to command and compel his subordinate to perform certain act.

**Power :** ability to make a person to perform

**Responsibility :** an expected behaviour on pre-decided pattern to respond to the situation

**Decentralisation :** extent of authority delegated to lower level along with responsibility

**Uncertainty :** the terms and conditions of act or event happening are unpredictable

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## 12.6 SELF-ASSESSMENT QUESTIONS

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1. Explain the difference between delegation and decentralisation.
2. What do you mean by decentralisation? Describe its merits and demerits.
3. What are the major limitations of decentralisation?
4. Elaborate the various factors which determine the degree of decentralisation.

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B.B.A-101/160





Uttar Pradesh Rajarshi Tandon  
Open University

# B.B.A-101

*Bachelor of Business  
Administration  
Principal of Management*

## BLOCK

# 4

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UNIT 13 000-000

STAFFING

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UNIT 14 000-000

DIRECTING

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UNIT 15 000-000

MOTIVATION

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UNIT 16 000-000

LEADERSHIP

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# UNIT - 13

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## STAFFING

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### Objectives

After studying this lesson, you will be able to:

- Explain the meaning and importance of staffing;
- Identify the steps involved in the process of staffing;
- State the meaning of recruitment;
- Explain the process of selecting employees;
- Describe various methods of training; and
- Outline the methods of performance appraisal, compensation, promotion and transfer.

### Structure

- 13.1 Introduction.
- 13.2 Meaning of staffing.
- 13.3 Importance of staffing.
- 13.4 Sources of Recruitment
- 13.5 Methods of Training
- 13.6 Summary
- 13.7 Key words
- 13.8 Self-assessment Test
- 13.9 References

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### 13.1 Introduction

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In a small business unit like mom & pop shop, a single person may be able to manage all the activities of the unit, but as the scale of operations increases, one may find it difficult to manage various functions then he requires some suitable persons to employ. It is quite possible that you may start your own business and face such a situation and employ people to assist you in running the business unit or shop, on the other hand you yourself may be a job seeker. In both the situations, you may find it useful if you know how employees

are recruited, selected and trained for the various positions in an organisation.

The need of Staffing arises with the events such as performance appraisal of employees, transfers or promotions. These event create a gap in the organisational structure when an employee has been moved upward in the job responsibilities or been shifted to some other department or may be place of work.

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## **13.2 Meaning of staffing**

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Staffing refers to the managerial function of hiring and developing employees for carrying out the various managerial and non-managerial functions in an organisation. This involves deciding the manpower requirement, and the methods of recruiting, selecting, training and developing the people for various positions in the organisation.

As a matter of fact this is a never ending cycle of because the organisation's need to retain and update its personnel resources. The managers have to keep a regular eye on the number and composition of the human resource required by the organisation, because the requirement of manpower keeps on changing and expanding with the expansion of activities and additions of new departments and work units. Not only that, at any point of time, some people will be leaving, retiring, getting promotion or transferred. The vacancies thus created have to be filled up.

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## **13.3 Importance of staffing**

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It is evident to everybody that it is the manpower in every organisation who operates the whole organisation successfully.

For example, if you do not have good salesman you cannot sell well even if your product is good. Similarly, you may have the best quality raw materials, machines etc. but the quality of the product is not assured unless, and you have good workers engaged in the production process. Staffing thus, as a function, is very important as it is through this process that we get right persons for the organisation and ensure that they remain with the organisation.

The benefits of good staffing are as follows :

- (a) It helps in getting right person for the right job at the right time. The function of staffing helps the manager to ascertain as how many workers are required and with what qualifications and experience.
- (b) Staffing moves the wheels of organisational productivity in a faster pace. As we know through proper selection the organisation gets quality workers, and through proper training the performances level of the workers can be improved.

- (c) It helps in instilling job satisfaction to the employees keeping their morale high, with proper training and development programmes their efficiency improves and they feel assured of their career advancements.
- (d) Staffing keeps conflicts at bay in the organisation. With proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions made on merit. For all these, certain rules are made and are duly communicated to all concerned. This fosters harmony and peace in the organisation.

## **Human Resource Planning**

The process of staffing starts with ascertaining the required number of various categories of employees for the organisation. This is known as human resource planning. It decides the kinds of staff and the number of staff required for the organisation. This is done through several methods like job analysis, workload analysis, etc. The next thing to be done in the human resource planning process is the recruitment exercise, i.e., finding out the available human resource from internal and external sources. The next step is to select the right person from the available manpower through tests and interviews and make appointments. This is followed by their placement on the jobs and necessary introduction of the work environment and the rules of compensation, promotion, transfer etc. Thus, the various steps involved in the process of human resource planning are as follows:

- a) Recruitment
- b) Selection
- c) Placement
- d) Orientation
- e) Training and Development

Let us now discuss these aspects briefly to gain more clarity.

## **RECRUITMENT**

Suppose you want to open an eatery. After planning and organising you are aware of the various job positions that are required to be filled up. Say, you have calculated your requirement for a general manager, a chef, an accountant, and many other persons for home delivery of foods. Possibly, you have a list of persons interested to join your restaurant.

For example, your uncle is an experienced general manager. The manager of the bank from where you have taken car loan has referred an accountant to you. One of the chief cooks of a reputed hotel has already approached/talked to you to join your eatery as a chef. In addition to all these, you know that there is an agency that can provide you people of your requirement for a fee, whenever you ask for it.

You also know that an advertisement in the newspaper can help you in getting applications from many people. While engaging yourself into all these activities you are basically trying to make a bank of suitable/interested applicants for the job. In other words you are recruiting the staff for your business.

The term recruitment is commonly used to signify employment. It is true that normally when we say we have recruited such and such persons; it signifies that we have employed them. But as a part of human resource planning function, the term recruitment has limited scope. It just refers to one of the initial steps in employment of people i.e., searching for suitable candidates for the various job positions to be filled up from time to time in the organisation. Thus, **recruitment is the process of finding and attracting suitable applicants for employment.**

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## **13.4 SOURCES OF RECRUITMENT**

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After determining the educational qualification and professional experience required for various jobs involved, one has to look out for the suitable persons and receive their application. For this purpose one has to have an idea as to where such persons are available. In other words, one must be aware of the sources of recruitment before publicising the specific staffing needs and induce the suitable persons to apply for the job positions involved. These sources can be internal and external.

**Internal Sources** - In any organisation, pre-existing employees expect that they will have chances of promotion and will be considered for higher positions before new recruits are considered. Management therefore may promote and transfer some of the pre-existing employees to fill the vacant positions. The advantage of internal recruitment is that it is easier for management to fill vacancies as they are conversant with the abilities and skills of their subordinates and have records of their performances. Employees also feel happy as their work performance is acknowledged by management through promotion. However, there is one major drawback of recruitment through internal sources i.e., the organisation is deprived of the benefit of inducting fresh blood into its system.

**External Sources** - As it is difficult to fill all vacancies from within the organisation, therefore management is bound to recruit some persons from outside the organisation. Not only that the external recruitment provides a wide choice from among a large number of external candidates from which employees may be recruited. . The reason could be deficiency of existing employees regarding the required skill, initiative and qualification needed for the jobs involved. The workers and office employees at the lower level are often recruited from outside the organisation. The various external sources of recruitment are as follows:

**Job Advertisements** - Everybody has seen advertisements in newspapers about vacancies in organisations. This advertisement contains

details about the job, its nature, the qualification required to do the job, how to apply, etc. This is a very popular medium of advertising. The job advertisements are also given in magazines, specialised employment magazines like Employment News, Rozgar Samachar, etc. Now-a-days we also commonly find such advertisements in various electronic media like television and Internet. Such advertisements normally get a very good response from the prospective candidates.

**Employment Exchanges** - In India, employment exchanges have been set up with the idea for bringing together job-aspirants and recruiters who are looking for employees. Those who are in search of employment get themselves registered with the local Employment Exchanges which keep a record of all such persons in detail who require help in finding jobs. The employer informs about the vacancies to the nearest Employment Exchange. The Employment Exchange, in turn, identifies the names of the qualified employment seekers already registered with it, and forwards them to the employer for consideration. Thus, if you are seeking a job after passing the senior secondary examination, it would be better if you get yourself registered with an Employment Exchange. It may forward your name to the prospective employers keeping in view the suitability of the job as per your qualifications.

**Educational Institutions** - Now-a-days, companies/big organisations maintain a close liaison with the universities, vocational institutes and management institute for recruitment of their staff. As and when the need arises, the companies send one or more of their senior executives to the institutions of repute imparting such professional/technical education to students. These executives take the interview of the interested candidates and select the suitable candidates as per their requirement. This process is popularly known as campus interview and is found to be an effective source of recruitment of managers, engineers, technicians etc. for many companies on a regular basis.

**Unsolicited Application** - Those looking for jobs often apply on their own initiative. They assume that certain vacancies are likely to arise, and apply without references to any job advertisement. Managers keep a record of such applications and contact the suitable candidates when they need them.

**Recruitment at the Factory gate** - This is found mainly in case of factory workers to be recruited on daily wages. Such workers gather in the morning at the factory gate to serve as casual workers. Very often existing regular employees go on leave, and their vacancies are filled up by recruitment at the factory gate. These casual workers having served in the factory for some time may be considered for regular employment at some stage.

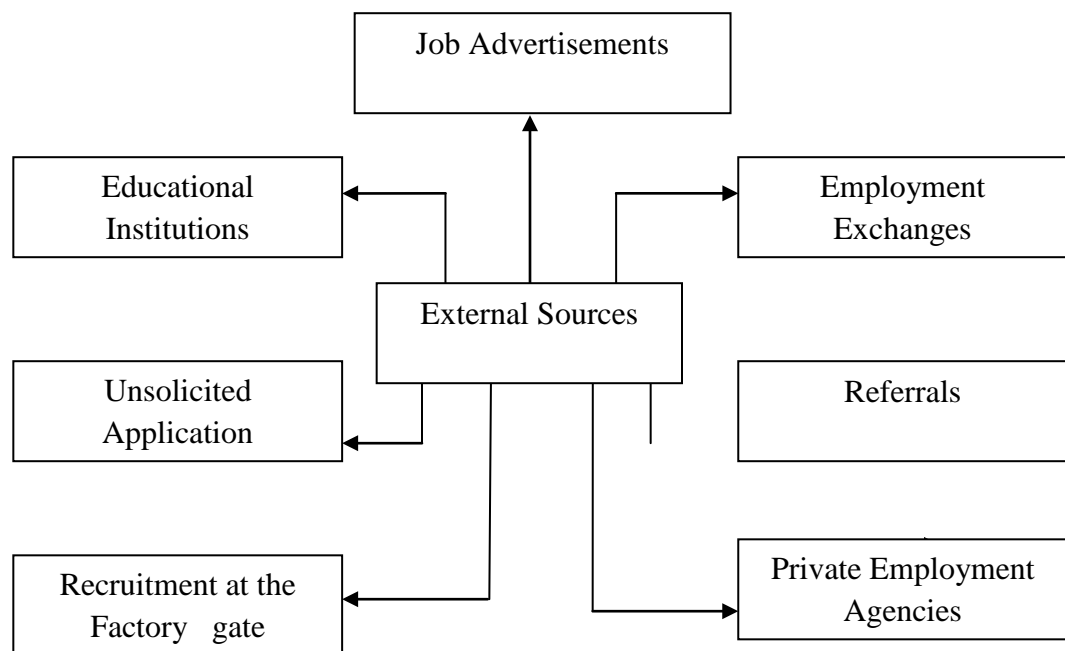
**Referrals** - Quite often the management gets references about interested workers from different sources like workers unions, previous employees, existing employees, clients of the organisation etc. These

sources are important because their recommendations are made by people who are associated with the organisation and are fully conversant with its requirements. Sometimes we also receive recommendations from our friends and relatives to employ persons known to them. But one should be very much cautious while considering such recommendations.

## Private Employment Agencies

In urban areas, a number private organisations have started functioning as employment agencies. These agencies register with them the names of the individuals who are seeking employment and try to arrange job interviews for such candidates. Companies often get in touch with such agencies to provide them the details of suitable candidates for various jobs.

We can summarise the mode of recruitment via external sources the **Figure 1**.



## SELECTION

After an adequate number of applicants/applications of interested candidates have been collected via recruitment exercises the selection process starts. It refers to the process of choosing the most suitable person from among the list of interested candidates. It involves going through the qualification and experience of all candidates and matching them with the expectation for the job so as to decide on the most suitable ones for the job.

The entire process goes through a number of steps which may be called as selection procedure.



## **SELECTION PROCEDURE**

As explained above, the selection procedure consists of a number of steps in logical order to identify the candidates who are to be finally appointed as staff in the organisation. These steps are:

- (a) Screening the applications
- (b) Holding tests
- (c) Selection interview
- (d) Checking references
- (e) Medical examination of the candidates
- (f) Issue of appointment letter

Let us discuss all the steps in detail for a better understanding.

### **Screening the Applications:**

After receiving the applications from the candidates through recruitment process, the same must be examined to decide which ones deserve to be considered and followed up. Normally, the candidates are asked to apply in their own handwriting on a plain paper. Sometimes the job advertisement mentions the particulars to be given in the application. In many cases the candidates are required to apply in the prescribed form of the company, containing particulars of name, address, nationality, religion, mother tongue, date and place of birth, marital status, education and training, employment history, references etc. Screening exercise involves checking the contents of the applications so as to ascertain whether or not the minimum eligibility conditions in respect of age, experience, qualifications and skills are fulfilled by the candidates who have applied for the job. Screening is usually done by a senior officer of the company or by a screening committee. The purpose of screening is to prepare a list of eligible candidates who are to be evaluated further. Candidates not eligible are thereby excluded from further consideration.

### **Holding Tests**

After screening the applications, eligible candidates are asked to appear for selection tests. These tests are made to discover and measure the skill and abilities of the candidates in terms of the requirements of the job. For instance, if the job of a typist requires a minimum typing speed of 40 words per minute, a test is given to see whether the candidates applying for the job have the required typing speed. Passing the test by a candidate does not mean that he will be employed. It implies that all those who have passed the test are qualified for further processing and those who have failed are not to be considered.

The nature of test depends upon the nature of the job involved. For jobs profiles of clerks, for examples, an intelligence and aptitude test may be arranged which may include test of general knowledge, test on

quantitative problem, and test of reasoning power and vocabulary. For industrial workers and technical hands performance tests may be organised. For example, to judge the speed and accuracy of shorthand, candidates may be given a standard dictation to write. Similarly, candidates for an auto mechanic job may be asked to replace a piston. This is known as Skill or Trade test. For supervisory and managerial jobs, tests are given to find out the candidate's personality, decision making abilities, etc.

### **Selection Interview**

Interview is the most important part of the selection procedure. It serves as a means of checking the information given in the application form and making an overall assessment of the candidate's suitability for the job. In an interview, the candidate has a face-to-face interaction with the employer or representatives of the employer, where they try to judge the ability of the candidate. They also get an opportunity to go into the details of the candidate's background which helps a lot in assessing the candidates' suitability.

### **Checking of References**

In addition to the requisite educational qualification, skill and experience, it is expected that the candidates who are to be considered for employment must have other qualities like balanced temperament, honesty, loyalty, etc. These qualities cannot be judged on the basis of any test. Therefore, information is obtained and verified from the heads of educational institutions where the candidates have studied, or from the persons whose names are given by the candidates as referee, or from their previous employers. For certain jobs, like the job of a cashier or a security guard, reliability is a very important job requirement. Therefore, references are required to be contacted to ensure that persons can be relied upon. In case of experienced employees their previous employers can also be contacted for this purpose.

### **Medical Examination**

Candidates finally selected for the job are asked to undergo medical examination to see whether the selected candidates are physically fit for the job. A proper medical examination ensures higher standard of health of the employees and their physical fitness which, in turn, reduces the labour turnover, absenteeism and accidents. The medical examination would also reveal whether he/she suffers from any illness which can be cured e.g., poor eyesight etc. Medical test is essential for certain types of jobs as in the case of police and army, where physical fitness is very important. For certain categories of jobs like the job of driver, proper eyesight is very much essential.

### **Issue of Appointment Letter**

Candidates finally selected are offered to join the organisation for which a formal appointment letter is issued containing the nature of job,

the remuneration, pay scale, and other terms and conditions relating to employment. Usually a reasonable time is given to the candidates to join the organisation.

## **PLACEMENT & ORIENTATION**

Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

Orientation is the process of introducing new employees to the organisation. The new employees should know under whom and with whom he/she is to work, get acquainted and adjusted to the work environment, get a general idea about the rules and regulations, working conditions etc. Usually the immediate supervisor of the new employee introduces him to his work environment. A proper orientation programme is likely to reduce his anxiety on how to cope with the work and how to become part of the organisation and helps in development of a favourable attitude towards the organisation and the job.

## **TRAINING AND DEVELOPMENT**

Helping the employees to improve their knowledge and skill so as to be able to perform their tasks more efficiently is known as training. It is an organised activity for increasing the knowledge and skills of people for a specific purpose. The term 'development' refers to the process of not only building up the skill and abilities for specific purpose but also the overall competence of employees to undertake more difficult and challenging tasks. It is generally used with reference to the training of managers and executives.

Training is necessary for new employees as well as the existing employees for improving their performance at work. For new employees, training is necessary to help them get acquainted with the method of operation and skill requirement of the job. For existing employees, training at periodical intervals is helpful for learning better ways of doing the work, and also as and when they have to undertake new jobs. Thus, training helps employees to improve their knowledge and skill and make them perform their tasks more efficiently. It also helps them in promotion and improves their attitudes and confidence levels.

### **Purpose and Importance of Training**

The whole purpose of training is to inculcate certain desired set of values, ethics skills in the newly inducted employees and a trained employee can take better decisions under difficult situations as compared to untrained employee therefore it is evident that training is very important. The following situations will make us understood the importance of training:

- Rapid technological innovations which has made it compulsory for the workforce to be constantly updated in the knowledge of their field.
- Development of multi- dimensional areas, which are far from the people's area of specialisation.
- Change in style of management.
- Due to non-practical college education.
- Lack of proper and scientific selection procedure.
- For career advancement.
- For higher motivation and productivity.
- To make the job challenging and interesting.
- For self development.
- To improve organisational climate.
- Prevention of obsolescence.
- To help the organisation to fulfil its future manpower needs.
- To keep pace with the times.
- To bridge the gap between skills requirement and skills availability.
- For the survival and growth of the organisation and the nation.

## **FEATURES OF TRAINING**

The organisation has to think deeply before actually giving training to the employees. Following are the features of training:

1. It brings about an improvement in the quality and quantity of output, by increasing the skill of the employees.
2. A trained employee can make better use of material and equipments.
3. It helps in to spot promising employees.
4. It also helps in identifying mistakes in the selection process.
5. It creates a feeling of security among the employees that they are properly looked after by the management.

## **REQUIREMENTS OF TRAINING**

The organisation has to find out actually why there is a need of training, this could be done by the following points:

1. Who will be the Participants (Target Group)?
2. What are the Objectives of training the employees?
3. What would be the contents/coverage /structure of the Programme?
4. Who will be the Trainers?
5. What would be the Training Methods?
6. What would be the mechanisms to monitor the application of Training inputs by the Participants?
7. What would be the venue, date and timing of the Programme?
8. What would be Programme Schedule?
9. What would be the sequence of coverage, methodology of training, time and Training aids to be used?

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## 13.5 METHODS OF TRAINING

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There are different methods of giving training to the employees which can be divided into two broad categories.

- (1) On-the-Job methods, and
- (2) Off-the-Job methods.

**On-the-Job methods:** In these methods, the employees learn about their jobs while doing the work duly assisted by their supervisors or seniors. These methods encourage self-learning through practice. Job instruction or coaching, and job rotation, learning while working as an assistant to a senior, understudy positions, temporary promotions are some of the common methods of on-the-job training.

For Example Banks keep PO's in various functions and different jobs are assigned to them to find out in which he can perform better.

### On the Job Training Methods

1. **Job Rotation:** In this method, usually employees are put on different jobs turn by turn where they learn all sorts of jobs of various departments. The objective is to give a comprehensive awareness about the jobs of different departments. Advantage – employee gets to know how his own and other departments also function. Interdepartmental coordination can be improved, instills team spirit. Disadvantage – It may become too much for an employee to learn. It is not focused on employees own job

responsibilities. Employees basic talents may remain under-utilized.

2. **Job Coaching:** An experienced employee can give a verbal presentation to explain the nitty-gritty's of the job.
3. **Job Instruction:** It may consist an instruction or directions to perform a particular task or a function. It may be in the form of orders or steps to perform a task.
4. **Apprenticeships:** Generally fresh graduates are put under the experienced employee to learn the functions of job.
5. **Internships and Assistantships:** An intern or an assistant are recruited to perform a specific time-bound jobs or projects during their education. It may consist a part of their educational courses.

<b>Advantages of On-the-Job Training</b>	<b>Disadvantages of On-the-Job Training:</b>
<ul style="list-style-type: none"> <li>• It is directly in the context of job</li> <li>• It is often informal</li> <li>• It is most effective because it is learning by experience</li> <li>• It is least expensive</li> <li>• Trainees are highly motivated</li> <li>• It is free from artificial classroom situations</li> </ul>	<ul style="list-style-type: none"> <li>• Trainer may not be experienced enough to train</li> <li>• It is not systematically organized</li> <li>• Poorly conducted programs may create safety hazards</li> </ul>

**Off-the-Job methods:** These methods involve training employees away from the work place so that experts may conduct the training and employees are free from immediate pressure of completing the jobs at hand. Lectures with demonstration, conferences, case discussions, video shows and films are some of the common methods used as off-the-job training methods. Then, there is another off the job method of training called vestibule training. The vestibule training refers to the training in specially designed workshops in which an attempt is made to duplicate as closely as possible the actual condition of the work place. In such workshops a large number of employees can be trained in a relatively short period of time.

Advantages of Off-the-Job Training	Disadvantages of Off-the-Job Training
<ul style="list-style-type: none"> <li>• Trainers are usually experienced enough to train</li> <li>• It is systematically organized</li> <li>• Efficiently created programs may add lot of value</li> </ul>	<ul style="list-style-type: none"> <li>• It is not directly in the context of job</li> <li>• It is often formal</li> <li>• It is not based on experience</li> <li>• It is least expensive</li> <li>• Trainees may not be highly motivated</li> <li>• It is more artificial in nature</li> </ul>

**Off the Job Training Methods:**

- **Individual instruction:** Under this a single employee is selected for training, this method is used when difficult skill is to be taught.
- **Group Discussion:** It is suitable for a group of individuals with a similar type of work and where instructions are of general nature for all.
- **Lecture method:** In this the trainer imparts training via lecture method and the trainee can get clarifications on the spot.
- **Demonstration method:** It is generally used in case of practical field such as doctors, science field.
- **Written instructional method:** It is helpful in situations where instructions to recheck in future also, example standardised production system.
- **Conference:** In this method experts of the specific field share their ideas with the trainee and give them new ideas and teach techniques for increasing the production.
- **Audio-Visual:** It can be done using Films, Televisions, Video, and Presentations etc. Advantages – Wide range of realistic examples, quality control possible,. Disadvantages – One-way communication, No feedback mechanism. No flexibility for different audience. **Simulation:** creating a real life situation for decision-making and understanding the actual job conditions give it.

### **Following are some of the simulation methods of trainings**

- **Case Studies:** It is a written description of an actual situation and trainer is supposed to analyze and give his conclusions in writing. The cases are generally based on actual organizational situations. It is an ideal method to promote decision-making abilities within the constraints of limited data.
- **Role Plays:** Here trainees assume the part of the specific personalities in a case study and enact it in front of the audience. It is more emotional orientation and improves interpersonal relationships. Attitudinal change is another result. These are generally used in MDP.

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## **13.6 Summary**

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The importance of staffing as a function of management is very crucial; as it involves lots of funds of the organisation as well the future course of action of an organisation depends upon it .Therefore the upper management takes precautionary steps while staffing the right person for the right job.

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## **13.7 Keywords**

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Selection, off job training, case studies,

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## **13.8 Self-assessment Test**

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### **Very Short Answer Type Questions**

1. What is meant by staffing?
2. Define Recruitment in brief.
3. State any four methods of Recruitment.

### **Short Answer Types Questions**

1. Explain in brief the importance of staffing.
2. Explain the purpose and importance of training.
3. Explain the use of screening of applications.

### **Long Answer Type questions**

1. Explain the importance of staffing in the management?
2. What is meant by the term staffing in management? Explain briefly the methods of training?
3. Write down the advantages and disadvantages of on and of job trainings.



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# UNIT –14

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## DIRECTING

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### Objectives

After studying this lesson, you will be able to:

- state the meaning and importance of directing function;
- identify the elements of directing;
- describe the meaning and importance of communication
- describe the meaning and importance of motivation

### Structure

- 14.1 Introduction.
- 14.2 Features of Direction.
- 14.3 Importance of Directing.
- 14.4 Elements in Directing
- 14.5 Supervision
- 14.6 Importance of Supervision
- 14.7 Summary
- 14.8 Key words.
- 14.9 Self-assessment Test.
- 14.10 References.

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### 14.1 Introduction of Directing

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Directing is a function of management performed by top level management in order to achieve organizational goals. It is very important and necessary function of management. Management has to undertake various activities like, guide people, inspired and lead them as well as supervision of their activity is required in order to achieve desired results. Direction consists of the process and techniques utilized in issuing instructions and making certain that operations are carried as originally planned.

**“Directing involves determining the course, giving order and instruction and providing dynamic leadership”– Marshall “Activating means and moving into action- supplying simulative power to the group”- G.R Terry.**

Directing involve..... Telling people what is to be done and explaining how to do it. Issuing instructions and orders to subordinates .Inspiring them to contribute towards the achievement of objectives, supervising their activities; and Providing leadership and motivation

The function of professor in a lecture room is an apt example of the managerial function of direction. In order to teach, a professor has to guide his students, maintain decorum of the class, inspire them and lead them to the desired goal. It is a very important function in the management of any enterprise. It helps the managers in ensuring quality performance of jobs by the employees and achievement of organisational goals. It involves supervision, communication and providing leadership to the subordinates and motivating them to contribute to their best of capability. In this lesson we shall learn about this function in detail.

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## **14.2 Features of Direction**

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- 1. Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
- 2. Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of organization.
- 3. Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
- 4. Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
- 5. Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
- 6. Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people’s behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour

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## 14.3 Importance of Directing

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Plans remain mere plans unless they are put into action. In there is no direction from the superiors, subordinates will have no idea as to what to do? They will not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways.

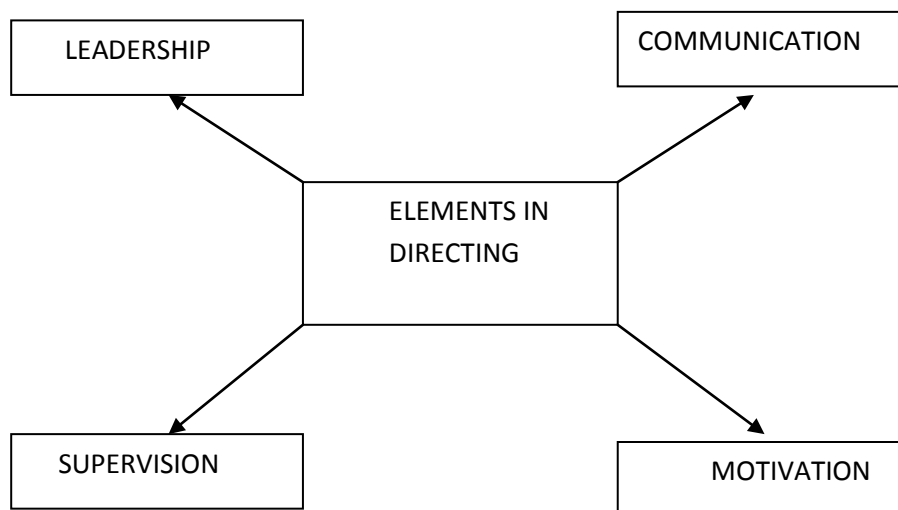
- It guides and helps the subordinates to complete the given task properly and as per schedule.
- It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do those best.
- It helps in maintaining discipline and rewarding those who do well.
- Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.
- Different people perform different activities in the organisation. All the activities are interrelated. In order to co-ordinate the activities carried out in different parts and to ensure that they are performed well, directing is important. It thus, helps to integrate the various activities and so also the individual goals with organisational goals.
- Directing involves leadership that essentially helps in creating appropriate work environment and build up team spirit.

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## 14.4 ELEMENTS IN DIRECTING

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Communication, Supervision, Motivation and Leadership are the four essential elements of directing, as in the figure 14.4.1 In the subsequent sections we shall discuss about the nature and significance of each of these components.



**Figure 14.4.1**

## Questions for students?

1. Define the term Directing?

Complete the following incomplete words by taking clues form the statement given for each. Every blank represents one letter only.

- (a) D\_\_ \_E\_\_T\_\_N
- (b) \_\_E\_\_D\_\_R\_\_ \_IP
- (c) M\_\_T\_\_V\_\_I\_\_O
- (d) S\_\_P\_\_R\_\_ \_S\_\_O

### Hints:

- (a) It guides and helps the subordinates to complete the given task properly and as per schedule.
- (b) It helps in crating appropriate work environment and build up team spirit.
- (c) It makes sure that work is performed according to the orders and instructions.
- (d) It ensures that work is done according to orders and instruction.

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## 14.5 SUPERVISION

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After the employees have been instructed regarding what they have to do and how to do, it is the duty of the manager to see that they perform the work as per instructions. This is known as **supervision**. Managers play the role of supervisors and ensure that the work is done as per the instructions and the plans. Supervisors clarify all instructions and guide employees to work as a team in co-operation with others. Supervisors solve most of the routine job-related problems of subordinates.

### FUNCTIONS OF SUPERVISOR

- clarifies orders and instructions issued to subordinates and ensures that they have understand and follow these fully;
- ensures that subordinates have the required facilities to perform their jobs;
- keeps a watch and guides the activities of subordinates in performing their jobs;
- broadens the horizon of his subordinates by making them aware of the wider aspects of their day-to-day work;
- coordinates the work of different subordinates under him; and
- detects errors and omissions and ensures their rectification

Though supervision is required at all levels of management, it is of great importance at the operational level i.e., at the level of first line supervisor. Managers at this level devote maximum time in supervising the work of subordinates. Though the top or middle level managers also supervise the work of their subordinate managers, but it is the first line supervisors who are in direct and constant touch with operatives i.e., workers in the factory and clerical staff in the office. Thus, they are directly responsible for getting the work done through most of the employees in an organisation.

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## **14.6 IMPORTANCE OF SUPERVISION**

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From what has been said about supervision, it must be clear to you that supervision is of great significance in getting the work done as per plans and as scheduled. On the basis of the influence on the work at operational level and human approach to the problems of workers, the supervision can ensure workers cooperation and support in achieving organisational objectives.

Supervisors are the key people among managers at different levels. They are the link between the top and middle management and the workers. Take, for example, the foreman of the factory or the office superintendent in the office. Both of them are members of the management team, and are in direct contact with operatives in the workshop and clerical staff in the office. They are the mouthpiece of management for communicating its ideas, plans and policies to the workers and employees. At the same time, they have to play the role of principal spokesmen of their subordinates to communicate their feelings and grievances to the management. Thus, it is only the supervisor who, as a member of the management team, is capable of developing links to workers. Supervisors are expected to maintain the best and friendly relations with their seniors as well as with the workers and enjoy the trust and confidence of both management and operatives.

### **1. QUALITIES OF A GOOD SUPERVISOR**

Eight qualities that determine supervisory ability are listed on the rating sheets which has been used by several leading companies in periodically checking the efficiency of their supervisor are:

1. Ability to develop an organization
2. Personal leadership
3. Ability to plan work
4. Technical knowledge
5. Cooperation in executing policies
6. Judgement and decision

7. Acceptance of responsibility
8. Constructive and independent thinking

There are time tested ways in which a supervisor can improve each of the qualities that management expects from him to have. The suggestions that follow are not the ideas of a few people but represent the combined experience of successful supervisors, industrial relations men, and psychologist.

## 2. COMMUNICATION

Communication is a basic organisational function, which refers to the process by which a

person (known as sender) transmits information or messages to another person (known

as receiver). The purpose of communication in organisations is to convey orders,

instructions, or information so as to bring desired changes in the performance and or the

attitude of employees. In an organisation, supervisors transmit information to subordinates.

Proper communication results in clarity and securing the cooperation of subordinates.

Thus, in communication:

- there are two parties, one is known as the sender and the other is known as receiver;
- there is a message sent by the sender to the receiver; and
- the receiver receives the message and understands it.

Communication does not always flow from supervisor to subordinate. It can also be from a subordinate to a supervisor. For example, subordinates can pass information to the supervisor about the faults/problems at the assembly line. Thus, it is a two way process.

## IMPORTANCE OF COMMUNICATION

Communication in organisations is so important that it is said to be the lifeblood of the organisation. Success of direction largely depends on how effectively the manager can communicate with his subordinates. Proper communication in organisations at all levels and between all levels can improve both the quantity and quality of output. Some of the benefits of communication are as follows:

- a. Communication helps employees to understand their role clearly and perform effectively.



- b. It helps in achieving co-ordination and mutual understanding which in turn, leads to industrial harmony and increased productivity.
- c. Communication improves managerial efficiency and ensures cooperation of the staff.
- d. Effective communication helps in moulding attitudes and building up employees' morale.
- e. Communication is the means through which delegation and decentralisation of authority is successfully accomplished in an organisation.

### **3. MOTIVATION**

Motivation is one of the important elements of directing. Issuance of proper instructions or orders does not necessarily ensure that they will be properly carried out. It requires manager to inspire or induce the employees to act and get the expected result. This is called motivation. It is a force that inspire a person at work to intensify his willingness to use the best of his capability for achievement of specify objectives. It may be in the form of incentives like financial (such as bonus, commission etc.) or, non-financial (such as appreciation, growth etc.), or it could be positive or negative. Basically, motivation is directed towards goals and prompt people to act.

Motivation is a general term applying to the entire class of drives, desire needs similar forces. To say that managers motivate their subordinates is to say that they do those things which they hope will satisfy these drives and desire and induce the subordinates to act in a desired manner.

### **4. LEADERSHIP**

Leading is to, influence people so that they will contribute to organization and group goals. All managers would agree that most problems arises from peoples desires and problems , their behavior as individuals and in groups and that effective managers also need to be effective leaders. Leading involves motivation, leadership styles and approaches and communications.

Leadership is essential in functioning of any organisation and its importance and benefits are varied. Some of these importance are:

- Leadership improves the performance of the employees. Leaders can motivate the followers to work and thereby increase their performance level.
- With continuous support and guidance, leaders are able to build confidence among the followers, thereby increasing speed and accuracy and decreasing wastage.

- With friendly and cooperative efforts the leader is able to build employees' morale which in turn contributes to higher productivity.

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## 14.7 Summary

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For directing employees, the managers need to communicate job related orders and instructions, supervise subordinates at work, and motivate them. These activities of a manager are known as directing. Directing is thus concerned with instructing, guiding and inspiring people in the organisation to achieve its objectives. It's important components are communication, supervision, motivation and leadership.

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## 14.8 Keywords

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Communication, leadership, motivation

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## 14.9 Self-assessment Test

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### Very Short Answer Type Questions

1. What is meant by directing?
2. Define Supervision in brief.
3. State any four qualities of good supervisors.

### Short Answer Types Questions

4. Explain in brief the importance of directing.
5. Explain the functions of a supervisor.
6. Explain in brief the concept of motivation.

### Long Answer Type questions

7. Explain the importance of directing in the management?
8. What is meant by the term supervision in management? Explain briefly the functions of a supervisor.
9. What do you understand by the importance of motivation and leadership in directing?

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# UNIT - 15

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## MOTIVATION

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### Objectives

After studying this lesson, you will be able to:

- Explain the meaning and importance of staffing;
- Identify the steps involved in the process of motivation;
- Explain the types of motivation;
- Describe various theories of motivation

### Structure

- 15.1 Introduction.
- 15.2 Process of Motivation.
- 15.3 Role of Motivation
- 15.4 Types of Motivation
- 15.5 Theories of Motivation
- 15.6 Summary
- 15.7 Key words
- 15.8 Self-assessment Test
- 15.9 References

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### 15.1 Introduction

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Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be -

- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

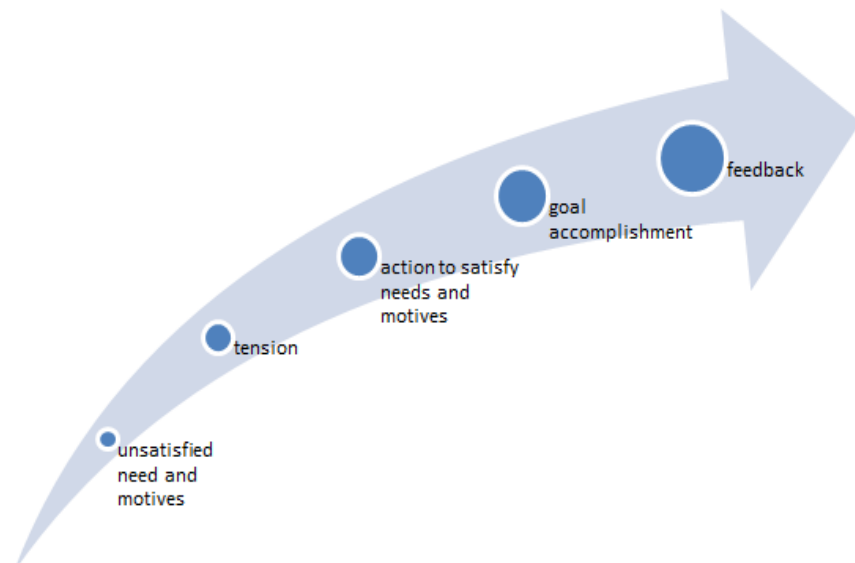
1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

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## 15.2 Process of Motivation

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**Figure 15.1 Process of motivation**

**Unsatisfied needs and motives** - It is the first process of motivation. This stage involves unsatisfied needs and motives. Such unsatisfied needs can be activated by internal stimulus such as hunger and thirst. They can also be activated by external stimulus such as advertisement and window display

**Tension** - This stage involves tension. Unsatisfied needs create tension in the individual. Such tension can be physical, psychological, and sociological. In this situation, people try to develop objects that will satisfy their needs.

**Action to satisfy needs and motives** - This stage involves action of people to satisfy needs and motives. Such tension creates strong internal

stimulus that calls for action. Individual engages in action to satisfy needs and motives for tension reduction. For this purpose, alternatives are searched and choice is made, the action can be hard work for earning more money.

**Goal accomplishment** - This stage involves goal accomplishment. Action to satisfy needs and motives accomplishes goals. It can be achieved through reward and punishment. When actions are carried out as per the tensions, then people are rewarded others are punished. Ultimately goals are accomplished.

**Feedback** - This is the last stage for motivation. Feedback provides information for revision or improvement or modification of needs as needed. Depending on how well the goal is accomplished their needs and motives are modified. Drastic changes in environment necessitate the revision and modification of needs.

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## 15.3 Role of Motivation

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It plays a vital role in an organisation's development it is like an additive in the fuel that increases the efficiency of the fuel to its peak. Similarly, motivation enhances the development of the organisation by appreciable levels. It provides an extra energy simultaneously the speed of the development. You can get wonderful results through motivation.

The role of motivation in organisation development is like a man living with food and u know if u wants to live for long life then u taking food. A motivated employee works better and at a much faster rate as compared to others. As we need to charge a car battery after some time for it to work smoothly in the same way employees also want some charging.

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## 15.4 Types of Motivation

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There are two types of motivation, Intrinsic and Extrinsic motivation. You will find each member different and each member's motivational needs will be varied as well. Some people respond best to intrinsic which means "from within" and will meet any obligation of an area of their passion. Quite the reverse, others will respond better to extrinsic motivation which, in their world, provides that difficult tasks can be dealt with provided there is a reward upon completion of that task.

### A. Intrinsic Motivation

Intrinsic motivation means that the individual's motivational stimuli are coming from within. The individual is doing something because for performing that there is some feeling or drive which is coming from his within, i.e. inner self to it.

One's deep rooted desire and drives motivates him the most example could be:

**Curiosity** - We all have the desire to be in the know.

**Honour** - We all need to respect the rules and to be ethical.

**Independence** - We all need to feel we are unique.

**Order** - We all need to be organized

## **B. Extrinsic Motivation**

Extrinsic motivation means that the individual's motivational stimuli are coming from outside. This means there is something in the external environment which drives the individual to perform towards a specific goal.

Extrinsic motivation is external in nature. The most well-known and the most debated motivation is money. Below are some other examples:

- Employee of the month award
- Benefit package
- Bonuses
- Organized activities

## **C. Financial Motivation**

Though there are many reasons why people work for a living, we cannot disagree that money, or other financial rewards, play a key role in motivating people in the workplace. There is a wide variety of ways in which a businessman can offer **money** (or “**financial rewards**”) as part of the “pay package”, including salaries, incentives, fringe benefits (for example a car from the office), bonuses, pensions etc.

## **D. Non - Financial Motivation**

Most businesses recognise the need for non-financial methods of motivation. The main ones are:

1. **Job enlargement** involves adding extra, similar, tasks to a job.
2. **Job rotation** involves the movement of employees through a range of jobs in order to increase interest and motivation. For example, an administrative employee might spend part of the week looking after the reception area of a business, dealing with customers and enquiries. Some time might then be spent manning the company telephone switchboard and then inputting data onto a database.
3. **Job enrichment** attempts to give employees **greater responsibility** by **increasing the range and complexity of tasks** they are asked to do and giving them the necessary authority. It motivates by giving employees the opportunity to use their abilities to the fullest.



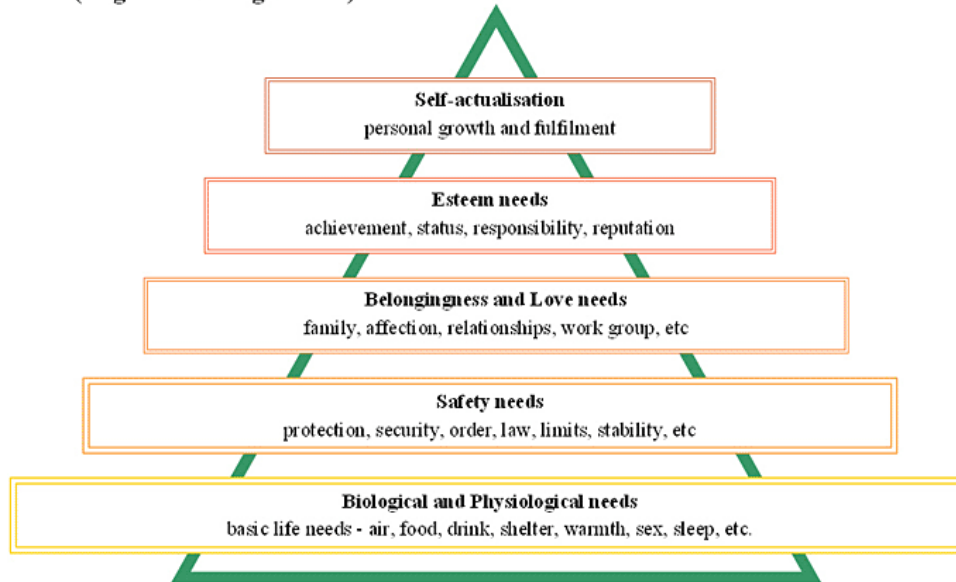
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## 15.5 Theories of Motivation

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Motivation theories, in its simplest form, are seeking to explain the driving force (s) that convert our thoughts into behaviours.

Maslow's Hierarchy of Needs  
(original five-stage model)



**Figure 15.2 Maslow's Need Priority Theory**

Maslow's "Hierarchy of Needs", as it is called, depicts a five-level pyramid that holds on each level starting from the most basic to the most complex of human needs from the ground up. The reason it is called the hierarchy of needs is because according to Maslow, it is necessary for an individual to fulfil the needs from the base of the pyramid in order to gain access to the second level and thus be able to move up the pyramid. The Maslow theory suggests that only after the individual has satisfied the need from the top of the pyramid will he reach self-actualization. (Maslow Theory)

**But in order to better understand what the Maslow hierarchy is all about, here are the needs that are described on each level of the pyramid:**

### **1<sup>st</sup> Physiological Needs**

The first level contains the most basic needs. These are physiological needs that the individual is required to satisfy in order to survive. Such needs are water, sleep, food, shelter and clothes.

### **2<sup>nd</sup> Safety Needs**

On the second level of Maslow's Hierarchy of Needs Pyramid are the safety needs. These are not as demanding as the needs on the first level of the pyramid but they too are essential for the individual's survival. Such

needs are health, safety against accidents and illnesses and financial security.

**3<sup>rd</sup> Social Needs** The need for belongingness and acceptance are on the third level of the hierarchy pyramid. This level is represented by the social needs of an individual and although these needs are not essential for the individual's survival, they play a major part in the individual's life. Not satisfying the need for friendship, intimacy and supportive family will more than likely cause the individual to regress into feelings of loneliness, anxiety and depression.

#### **4<sup>th</sup> Self-Esteem**

The fourth level of the pyramid is represented by the need of belonging. If not satisfied, this need causes the individual to suffer from an inferiority complex. In order to gain self-respect, people usually engage in activities that give them a sense of contribution.

#### **5<sup>th</sup> Self-Actualization**

On the fifth level, the need for self-actualization is on highest level of Maslow's Hierarchy of Needs Pyramid. This level can be identified with the concern for personal growth and fulfilment with a disregard for the criticisms of others.

So according to Maslow's Hierarchy of Needs, an individual can only reach his full potential once he has met all the needs from each level of the pyramid. Motivation can be achieved by moving up the levels of the pyramid and overcoming the needs that come along the way. (Maslow's hierarchy of needs)

## **PARTICIPATION THEORY**

Douglas McGregor who set forth in his book “Human Side of Enterprise” two pairs of assumptions about human beings which he thought were implied by the actions of autocratic and permissive managers. The first set of assumptions is contained in “Theory X” and the second set of assumptions in “Theory Y”. It is important to note that these sets of assumptions were not based on any research, but is intuitive deductions.

**Theory X** - Theory X' believes that autocratic managers often make the following assumptions about their subordinates. Accordingly, the subordinate in general:

- (i) Has an inherent dislike for work and will avoid it, if he can;
- (ii) Is lazy and avoids responsibility.
- (iii) Is indifferent to organisational goals; and
- (iv) Prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all.

According to McGregor, this is a traditional theory of what workers are like and what management must do not motivate them. Workers have to be persuaded and pushed into performance. This is management's task. Management can offer rewards to a worker who shows higher productivity and can punish him if his performance is below standard. This is also called 'carrot and stick' approach to motivation. It suggests that threats of punishment and strict control are the ways to control the people. McGregor questioned the assumptions of Theory X, which followed carrot and stick approach to motivation of people and suggested autocratic style of leadership. He felt that management by direction and control is a questionable method for motivating such people who's physiological and safety needs have been satisfied and whose social esteem and self-actualization needs are becoming important. For such people, Theory Y seems to be applicable.

**Theory Y** - Managers with Theory Y orientation make the following assumptions about their subordinates. Accordingly, the subordinate in general:

- (i) Does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction or a source of punishment;
- (ii) Will exercise self-direction and self-control in the service of objectives to which he is committed;
- (iii) Commitment to objectives is a function of the rewards associated with their achievement;
- (iv) Learns under proper conditions, not only to accept, but also to seek responsibility; and
- (v) The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.

Theory Y assumes that goals of the organisation and those of the individuals are not necessarily incongruent. The basic problem in most of the organisations is that of securing commitment of workers to organisational goals. Worker's commitment is directly related to the satisfaction of their needs. Thus, this theory places great emphasis on satisfaction of the needs, particularly the higher once, of the employees. It does not rely heavily on the use of authority as an instrument of command and control. It assumes that employees exercise self-direction and self-control in the direction of the goals to which they feel themselves committed. They could be motivated by delegation of authority, job enlargement, and management by objectives and participative management practices. (Motivation Theories)

## **HERZBERG'S MOTIVATION HYGIENE THEORY**

Professor Frederick Irving Herzberg motivation theory emerged from a collection of data gathered by the interview of 203 accountants and

engineers within the Pittsburgh area. The interview process consisted of asking the respondents to describe a work situation where they felt very happy as well as very unhappy. These descriptions were to include as many details as possible, including their feelings, the interpretation of the situation as well as the events that are suggestive of a change.

The analysis of the responses confirmed the proposed hypothesis, where some factors were contributors to job satisfaction, while others were not. In addition, some factors were noted to be a source of dissatisfaction when absent. These were categorized as "Motivators" and "Hygiene" factors, the latter also being referred to as Maintenance Factors. (TWO FACTOR THEORY)

**Motivators :** They actually motivate an individual. They find their root within the job itself.

**Hygiene Factors :** They don't have any motivational value when present, but do have a de-motivational value if not present. These factors are extrinsic to the work itself.

Examples of Hygiene Factors and Motivators affecting Job Satisfaction can be explained **below :**

**TABLE 15.1**

<b>Hygiene Factors</b>	<b>Motivators</b>
Company Policy and Administration	Achievement
Supervision	Recognition
Interpersonal Relations	Growth Possibilities
Salary	Career Advancement
Status	Level of Responsibility
Job Security	The Job Itself
Personal Life	
Working conditions	

(Applications of Herzberg two factor theory see Wehrich, 1994)

Herzberg suggests that organizations can utilize three distinct methods to increase the motivational factors:

1. Job Enlargement
2. Job Rotation
3. Job Enrichment

The Application of the Two Factor Theory is definitely well established within organizational settings. In fact, every leader has the

responsibility to ensure that their employee's hygiene factors are attended to and that proper motivators are implemented to increase job satisfaction.

## Motivation

### **DISTINCTION BETWEEN MASLOW'S & HERZBERG'S THEORY**

There are many similarities and dissimilarities between Maslow's Need Hierarchy Theory and Herzberg's Theory. They both are popular and widely accepted. The similarities and dissimilarities are as follows:

#### **Similarities:**

(a) The basic similarity between the two theories is that they both assume that specific needs affect behaviour.

(b) Maslow's physiological and safety needs is equal to Herzberg's hygiene factor whereas Maslow's esteem, social and self actualization needs are equal to Herzberg's Motivational factors.

#### **Dissimilarities : –**

1. **Type** - Maslow Theory is basically a long and elaborated theory which focuses on the motivation of an employee in a descriptive manner, on the hand the Herzberg theory deals with the employee motivation in a prescriptive manner.
2. **Order of needs** - In Maslow Theory there is a Hierarchy of needs, under this one satisfied needs leads to another dissatisfied needs, on the other hand in Herzberg theory there is no hierarchy.
3. **Satisfaction Performance and Relationship** - In Maslow Theory the satisfied needs, provides energy to the employees to performance for the next level of unsatisfied need, whereas in Herzberg theory the need of the employee motivates to perform.
4. **Effect of Need Satisfaction** - According to the Maslow theory we can state that a satisfied need is not a motivation factor except the self-actualisation, whereas in Herzberg theory a hygiene need is not a motivator but other motivational needs are motivators.
5. **Effect of needs** - The Maslow theory says that all needs are motivator at various time faced by the employee, but Herzberg theory says that only some needs are motivator.
6. **Effect of pay** - The Maslow theory says that pay is a motivator because it is an unsatisfied need; on the other hand in Herzberg theory says that pay is not a motivator.

7. **View of motivation** - The Maslow theory views motivation at macro level while the Herzberg theory views motivation from micro level.
8. **Worker Level** - According to the Maslow theory motivation is related to all worker levels of the organisation, while the Herzberg theory is related white collar and professional holders.

### **Equity Theory**

J. Stacey Adams' (1965) Equity Theory (a.k.a., Social Exchange Theory) suggests that effort depends on one's perceptions of fairness. According to this theory, people compare their input/output ratio to those of similar others. When the ratio reflects an inequity, tension is created and so people work to reduce that tension.

### **Input/Output Ratio**

The critical element in this theory is the perceived ratio of one's inputs (what I give) to outputs (what I get in return) with respect to other's ratios (what they receive and what they give).

- **Inputs** include what the person contributes - their qualifications, their past experiences, seniority, their effort, the time they spend on the job, and so on.
- **Outputs** include what the person is given in return - for example, pay, benefits, appreciation, respect.

Our notion of "equity" is closely linked with our perceptions of justice and fairness. Adams asserts that as we act to satisfy our needs, we each assess the fairness of the outcome. Each of us asks, "Am I getting what I deserve in this exchange?"

### **Inequity tension**

According to equity theory, when people feel that they give more and get less in return than their co-workers, they feel tension (resentment). Also, when people feel that they get more than their peers, they feel tension (guilt). To reduce this tension people are motivated to:

- Adjust their inputs (e.g., work harder or slack off)
- Sabotage an "overpaid" worker or the organization
- Find ways to make up for the inequity (e.g., theft)
- Avoid the inequity by quitting

Research has shown that people are motivated to act when they feel cheated. Less research supports the idea that people are motivated to act when they are overpaid in some way.

## Procedural justice

## Motivation

Equity Theory was popular among industrial/organizational psychologists at one time, but interest in it began to decline in the mid 1980s. While research has found that employee perceptions of inequity correlates with intentions to quit and job search behavior, it is often difficult to tell what workers will perceive as inequitable and how they will respond to inequities. It may vary by individual even within a given context.

Lacking the ability to use it to predict motivation and performance, Equity Theory has fallen out of favor. However, in the 1990s, fairness research began to focus on the idea of procedural justice, which deals with the perceived fairness of the distribution process. It may be more important to know if employees perceive the reward distribution *process* as fair than whether or not they perceive the reward itself as equitable.

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## 15.6 Summary

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Equity Theory emphasizes the importance of employee perceptions about input/output ratios. When employees believe that they are over or underpaid, the resulting tension motivates them to eliminate the inequity.

**Limitation** - While this is helpful to know, in that it focuses our attention on potential inequities, it does not necessarily help managers predict when individuals will feel cheated. Without this predictive capability, the theory has limited application.

Procedural justice theories focus on reward processes, rather than the rewards themselves. Future equity research is likely to focus on both the equity of the reward distributions and the fairness of the distribution process.

### VROOM'S EXPECTANCY THEORY

*Vroom* was the first person to propose an expectancy theory aimed specifically at work motivation. His model is based on three key variables: **valence**, **instrumentality** and **expectancy** (VIE theory or expectancy/valence theory). The theory is founded on the idea that people prefer certain outcomes from their behaviour over others. They anticipate feelings of satisfaction should the preferred outcome be achieved.

### VALENCE

The feeling about specific outcomes is termed **valence**. **This is the attractiveness of, or preference for, a particular outcome to the individual.** *Vroom* distinguishes valence from value. A person may desire an object but then gain little satisfaction from obtaining it. Alternatively, a person may strive to avoid an object but find, subsequently, that it provides satisfaction. **Valence is the anticipated satisfaction from an outcome.** This may differ substantially from value, which is the actual satisfaction provided by an outcome.

The valence of certain outcomes may be derived in their own right, but more usually they are derived from the other outcomes to which they are expected to lead. An obvious example is money. Some people may see money as having an intrinsic worth and derive satisfaction from the actual accumulation of wealth. Most people, however, see money in terms of the many satisfying outcomes to which it can lead.

## INSTRUMENTALITY

The valence of outcomes derives, therefore, from their instrumentality. This leads to a distinction between first-level outcomes and second-level outcomes.

■ **The first-level outcomes are performance-related.** They refer to the quantity of output or to the comparative level of performance. Some people may seek to perform well ‘for its own sake’ and without thought to expected consequences of their actions. Usually, however, performance outcomes acquire valence because of the expectation that they will lead to other outcomes as an anticipated source of satisfaction – second-level outcomes.

**The second-level outcomes are need-related.** They are derived through achievement of first-level outcomes – that is, through achieving high performance. Many need-related outcomes are dependent upon actual performance rather than effort expended. People generally receive rewards for what they have achieved, rather than for effort alone or through trying hard. On the basis of *Vroom’s* expectancy theory it is possible to depict a general model of behaviour. (See Figure 15.1)

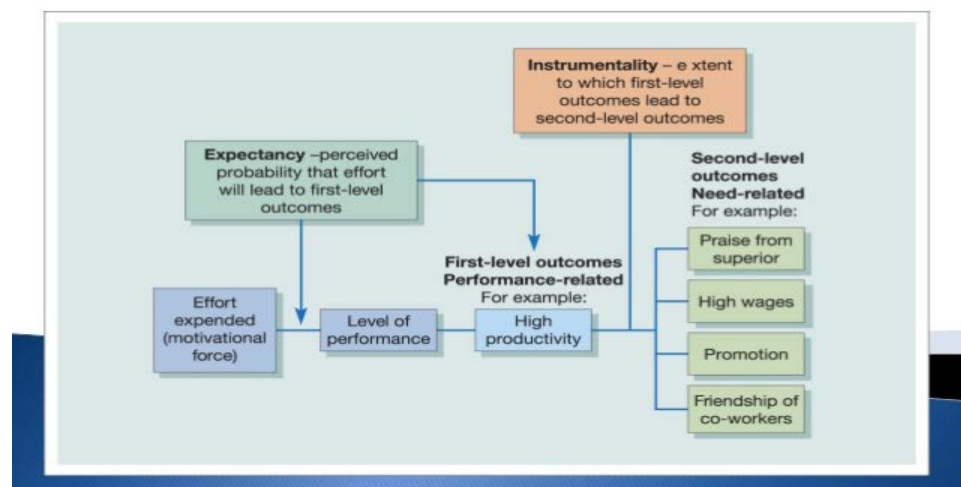


Figure 15.3 Basic model of expectancy theory

## EXPECTANCY

When a person chooses between alternative behaviours which have uncertain outcomes, the choice is affected not only by the preference for a particular outcome, but also by the probability that such an outcome will be achieved. People develop a **perception** of the degree of probability that the choice of a particular action will actually lead to the desired outcome. This is **expectancy**. It is the relationship between a chosen course of



action and its predicted outcome. Expectancy relates effort expended to the achievement of first-level outcomes. Its value ranges between 0, indicating zero probability that an action will be followed by the outcome, and 1, indicating certainty that an action will result in the outcome.

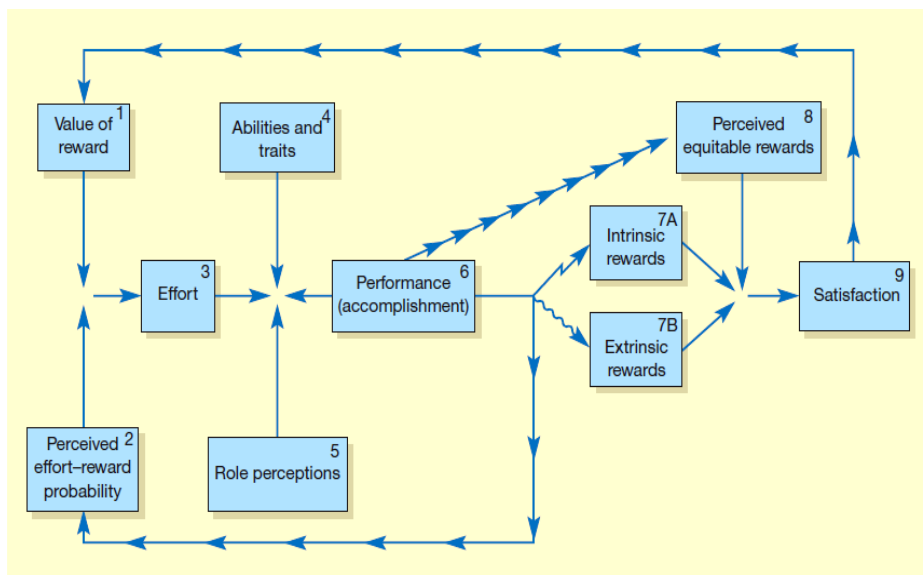
### THE PORTER AND LAWLER EXPECTANCY MODEL

Vroom’s expectancy/valence theory has been developed by *Porter and Lawler*. Their model goes beyond motivational force and considers performance as a whole. They point out that effort expended (motivational force) does not lead directly to performance. It is mediated by individual abilities and traits, and by the person’s role perceptions. They also introduce rewards as an intervening variable. Porter and Lawler see motivation, satisfaction and performance as separate variables, and attempt to explain the complex relationships among them. Their model recognizes that job satisfaction is more dependent upon performance, than performance is upon satisfaction.

These relationships are expressed diagrammatically (Figure 15.2) rather than mathematically. In contrast to the human relations approach which tended to assume that job satisfaction leads to improved performance, Porter and Lawler suggest that satisfaction is an effect rather than a cause of performance. It is performance that leads to job satisfaction.

- **Value of reward** (Box 1) is similar to valence in Vroom’s model. People desire various outcomes (rewards) which they hope to achieve from work. The value placed on a reward depends on the strength of its desirability.

- **Perceived effort–reward probability** (Box 2) is similar to expectancy. It refers to a person’s expectation that certain outcomes (rewards) are dependent upon a given amount of effort.



**Figure 15.4 The Porter & Lawler motivation model**

(Source: Porter, I.W and Lawler, E.E, Managerial Attitudes and Performance, Copyright © Richard D.Irwin Inc. (1968) p.165.)

- **Effort** (Box 3) is how hard the person tries, the amount of energy a person exerts on a given activity. It does not relate to how successful a person is in carrying out an activity. The amount of energy exerted is dependent upon the interaction of the input variables of value of reward, and perception of the effort–reward relationship.

- **Abilities and traits** (Box 4). Porter and Lawler suggest that effort does not lead directly to performance, but is influenced by individual characteristics. Factors such as intelligence, skills, knowledge, training and personality affect the ability to perform a given activity.

- **Role perceptions** (Box 5) refer to the way in which individuals view their work and the role they should adopt. This influences the type of effort exerted. Role perceptions will influence the direction and level of action which is believed to be necessary for effective performance.

- **Performance** (Box 6) depends not only on the amount of effort exerted but also on the intervening influences of the person’s abilities and traits, and their role perceptions. If the person lacks the right ability or personality, or has an inaccurate role perception of what is required, then the exertion of a large amount of energy may still result in a low level of performance, or task accomplishment.

- **Rewards** (Boxes 7A and 7B) are desirable outcomes. Intrinsic rewards derive from the individuals themselves and include a sense of achievement, a feeling of responsibility and recognition (for example Herzberg’s motivators). Extrinsic rewards derive from the organisation and the actions of others, and include salary, working conditions and supervision (for example Herzberg’s hygiene factors). The relationship between performance and intrinsic rewards is shown as a jagged line. This is because the extent of the relationship depends upon the nature of the job. If the design of the job permits variety and challenge, so that people feel able to reward themselves for good performance, there is a direct relationship. Where job design does not involve variety and challenge, there is no direct relationship between good performance and intrinsic rewards. The wavy line between performance and extrinsic rewards indicates that such rewards do not often provide a direct link to performance.

- **Perceived equitable rewards** (Box 8). This is the level of rewards people feel they should fairly receive for a given standard of performance. Most people have an implicit perception about the level of rewards they should receive commensurate with the requirements and demands of the job, and the contribution expected of them. Self-rating of performance links directly with the perceived equitable reward variable. Higher levels of self-rated performance are associated with higher levels of expected equitable rewards. The heavily arrowed line indicates a relationship from the self-rated part of performance to perceived equitable rewards.

- **Satisfaction** (Box 9). This is not the same as motivation. It is an attitude, an individual’s internal state. Satisfaction is determined by both actual rewards received, and perceived level of rewards from the

organisation for a given standard of performance. If perceived equitable rewards are greater than actual rewards received, the person experiences dissatisfaction. The experience of satisfaction derives from actual rewards which meet or exceed the perceived equitable rewards.

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## **15.6 Summary**

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The act of motivating employees is a very crucial function of management, in the era of cut throat competition only a positively motivated employee can safeguard the objectives of an organisation.

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## **15.7 Keywords**

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Intrinsic Motivation, Job Enlargement, Job Rotation

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## **15.8 Self assessment**

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### **Very Short Answer Type Questions**

1. What is meant by Valence?
2. Define Hygiene in brief.
3. Define in brief Self Esteem.

### **Short Answer Types Questions**

- 16 Explain in brief the importance of Theory X.
- 17 Explain the Difference between extrinsic and intrinsic motivation.
- 18 Explain in brief the concept of motivation.

### **Long Answer Type questions**

4. Explain the importance of Lawler & Porter Model?
5. What is the essence of Equity theory of motivation? Explain briefly Theory Y.
6. Explain in detail the Maslow's Need Hierarch theory with diagram?

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# UNIT - 16

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## LEADERSHIP

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### Objectives

After studying this lesson, you will be able to:

- Explain the meaning and importance of leadership;
- Characteristics of leadership;
- Theories of leadership
- Explain the functions of leadership;

### Structure

- 16.1 Introduction.
- 16.2 Meaning of Leadership.
- 16.3 Characteristics of Leadership
- 16.4 Theories of Leadership
- 16.5 Leadership styles
- 16.6 Functions of Leadership
- 16.7 Role of a Leader
- 16.8 Qualities of a Leader
- 16.9 Summary.
- 16.10 Key words.
- 16.11 Self-assessment Test.
- 16.12 References

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### 16.1 Introduction

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Leadership is a process by which an executive can direct, guide and influence the behaviour and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.

Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a

goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

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## **16.2 Meaning of Leadership**

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According to **Chester Bernard** “*Leadership is the quality of behaviour of individuals whereby they guide people or their activities in organising efforts*” .A leader interprets the objectives of the people working under him and guides them towards the achievement of those objectives.

In the words of Louis A. Allen, “*A leader is one who guides and directs other people, He gives the efforts of his followers a direction and purpose by influencing their behaviour*”.

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## **16.3 Characteristics of Leadership**

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### **1. Leadership is a process of influence**

It is an inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals. Successful leaders are able to influence the behaviour, attitudes and beliefs of their followers.

### **2. Leadership is related to a situation**

It is always related to a particular situation, at a given point of time and under a specific set of circumstances. Under different situations different types of leadership is suitable example in case of trouble participative leadership is appropriate.

### **3. Leadership is the function of stimulation**

A leader is involved in shaping and moulding the behaviour of the group towards accomplishment of organizational goals.

### **4. Leadership gives an experience of helping attain the common objectives**

Under successful leadership, every person in the organisation feels that his job responsibility no matter how small it may be it is important for actually achieving organisational goals.

### **5. Employees must be satisfied with the type of Leadership provided**

The fear of punishment and pressure tactics can lead employee for working but only for a shorter a span of period, in long time employees should be allowed to influence the behaviour of leaders, especially when the followers are knowledgeable and competent.

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

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## 16.4 Theories of Leadership

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Interest in leadership increased during the early part of the twentieth century. Early leadership theories focused on what qualities distinguished between leaders and followers, while subsequent theories looked at other variables such as situational factors and skill levels. While many different leadership theories have emerged, most can be classified as:

**a) Great Man Theory of Leadership**

As we have read in our books that “Leaders are born, not made” various historians had been saying that Leaders are always born this is based on the success stories of Napoleon, Abraham Lincoln, Mahatma Gandhi etc.

In many examples, it seems as if the right man for the job seems to emerge almost magically to take control of a situation and lead a group of people into safety or success.

According to the great man Leadership, leadership demands certain qualities like commanding personality, charm, courage, intelligence, ability to persuade and aggressiveness in nature.

This theory believes that ordinary persons cannot become leaders as they don't have the inborn qualities to become a leader and attain greatness.

**b) Trait Theory of Leadership**

This theory says that the Leaders around us has certain different set of qualities which actually makes a person a Leader. In the late 1940's Ralph Stogdill reported on the basis of at least 15 studies that leaders possess intelligence, scholarship, dependability in exercising responsibilities, activity and social participation and socio economic status.

Ralph Stogdill found certain traits also such as sociability, persistence, adaptable to situations, Alertness, insight, cooperativeness, self-confidence, knowing how go get things done, popularity etc.

Some of the important traits of an effective leader are:-

- I.** Intelligence: this trait has most influence on the successfulness of a person for becoming a leader, the leader have a higher level of intelligence than a average human being which becomes his followers.
- II.** Maturity: Leaders are more mature emotions wise and have better temperament towards problems which saves them from becoming victims of circumstances.
- III.** Vision: For becoming a leader a person must have this trait for actually drawing a picture of future in front of his followers, so that they should start believing in his vision.
- IV.** Readiness to accept responsibility : A leader is a person who takes the responsibility of his actions and ready to take the consequences of his steps taken.
- V.** Open mind and adaptability: Leader should be always ready to accept the ideas and views of the others present at some discussion .He should be flexible in converting his decisions



in the light of new ideas and views generated in the discussion.

**c) Contingency Theory**

Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers and aspects of the situation.

**d) SITUATIONAL THEORY**

Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making. For example, in a situation where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances where group members are skilled experts, a democratic style would be more effective.

**e) Behavioural Theory**

Behavioural theories of leadership are based upon the belief that great leaders are made, not born. Rooted in behaviourism, this leadership theory focuses on the actions of leaders not on mental qualities or internal states. According to this theory, people can *learn* to become leaders through teaching and observation.

**f) Participative Theory**

Participative leadership theories suggest that the ideal leadership style is one that takes the input of others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process. In participative theories, however, the leader retains the right to allow the input of others.

**g) Management Theory**

Management theories, also known as transactional theories, focus on the role of supervision, organization and group performance. These theories base leadership on a system of rewards and punishments. Managerial theories are often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished. Learn more about theories of transactional leadership.

**h) Relationship Theories**

Relationship theories, also known as transformational theories, focus upon the connections formed between leaders and followers.

Transformational leaders motivate and inspire people by helping group members see the importance and higher good of the task. These leaders are focused on the performance of group members, but also want each person to fulfil his or her potential. Leaders with this style often have high ethical and moral standards.

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## **16.5 Leadership Styles**

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Leadership style refers to a leader's behaviour, Behavioural pattern which the leader reflects in his role as a leader is often described as the style of leadership, it is the result of leader's ideology, personality, experience and value system. Different types of leadership styles are:

**i. Autocratic leadership style:**

In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

**ii. The Laissez Faire Leadership Style:**

Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.

**iii. Democratic /Participative leadership style:**

The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.

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## 16.6 Functions of Leadership

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1. **Policy Maker:** An important function of the leader of any social group is to plan out the group goals objectives and policies. He has to lay down specific policies and objectives and inspire subordinates to work towards the attainment of the goal.
2. **Planner:** The leader also functions as a planner. He decides the ways and means that are to be adopted to achieve the objective of the group. He draws up both long-term and short-term plans. Based on it, he prepares a step-by-step plan to achieve the group's objectives. He also plans for contingencies or unexpected events.
3. **Executive:** Setting goals and drawing plans is of no use until and unless they are implemented. In his executive function, the leader has to ensure that the plans are executed. The leader has to coordinate the activities of the group. As an executive, the leader does not carry out work or activities himself but assigns it to other group members and ensures that they are implemented.
4. **External Group Representative:** The leader has to assume the role of representative of the group in its external relations. All incoming and outgoing communications are channelled through the leader. Members of other groups deal with the leader as a representative of the particular group. He is the official spokesperson of the group.
5. **Controller of Internal Group Relationship:** The leader controls the internal relations among the members of the group. All communication in the group is channelled through him. He tries to establish good relations among the group members. He encourages team spirit and tries to develop the group into a cohesive unit.
6. **Controller of Reward and Punishment:** The leader uses the power to give rewards and punishments to motivate, discipline and control group members. He rewards members who contribute and work towards the attainment of group goals and punishes those who obstruct the group's progress. Rewards may be in the form of cash rewards, appreciation in public, promotion, increased status etc. Punishment may be in the form of scolding, taking away responsibility, assigned penalties etc.
7. **Arbitrator and Mediator:** The leader acts as an arbitrator and mediator when there are conflicts or differences in the group. He must resolve disputes in a fair and just manner. He tries to establish good inter-group relationships, reduce tensions in the group and establish harmony.
8. **Exemplar:** The leader serves as a role model to the members of the group. He must serve an example for others to follow and set high standards. The leader must 'walk the talk.' He should practice the ideology, beliefs, values and norms laid down in the group,

9. **Father Figure:** The leader has to sometimes play the emotional role of a father figure for members of the group. He has to be a source of psychological and moral support to the followers. He guides his followers not only in work related issues but also helps in their personal life. He sometimes acts as a punching bag for the frustrations of the followers. The followers vent out their feelings on him.
10. **Scapegoat:** The leader is accountable for the performance of the group. Hence when the group does well the leader gets a lot of credit for it. However, when the group performs poorly or fails the leader is held responsible for it even though the leader did everything possible. Thus he has to play the role of a scapegoat.

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## 16.7 Role of a Leader

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Following are the main roles of a leader in an organization:

1. **Required at all levels-** Leadership is a function which is important at all levels of management. In the top level, it is important for getting co-operation in formulation of plans and policies. In the middle and lower level, it is required for interpretation and execution of plans and programmes framed by the top management. Leadership can be exercised through guidance and counselling of the subordinates at the time of execution of plans.
2. **Representative of the organization-** A leader, i.e., a manager is said to be the representative of the enterprise. He has to represent the concern at seminars, conferences, general meetings, etc. His role is to communicate the rationale of the enterprise to outside public. He is also representative of the own department which he leads.
3. **Integrates and reconciles the personal goals with organizational goals-** A leader through leadership traits helps in reconciling/ integrating the personal goals of the employees with the organizational goals. He is trying to co-ordinate the efforts of people towards a common purpose and thereby achieves objectives. This can be done only if he can influence and get willing co-operation and urge to accomplish the objectives.
4. **He solicits support-** A leader is a manager and besides that he is a person who entertains and invites support and co-operation of subordinates. This he can do by his personality, intelligence, maturity and experience which can provide him positive result. In this regard, a leader has to invite suggestions and if possible implement them into plans and programmes of enterprise. This way, he can solicit full support of employees which results in willingness to work and thereby effectiveness in running of a concern.

5. **As a friend, philosopher and guide-** A leader must possess the three dimensional traits in him. He can be a friend by sharing the feelings, opinions and desires with the employees. He can be a philosopher by utilizing his intelligence and experience and thereby guiding the employees as and when time requires. He can be a guide by supervising and communicating the employees the plans and policies of top management and secure their co-operation to achieve the goals of a concern. At times he can also play the role of a counsellor by counseling and a problem-solving approach. He can listen to the problems of the employees and try to solve them.

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## 16.8 Qualities of a Leader

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A leader has got multidimensional traits in him which makes him appealing and effective in behaviour. The following are the requisites to be present in a good leader:

1. **Physical appearance-** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
2. **Vision and foresight-** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
3. **Intelligence-** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.
4. **Communicative skills-** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.
5. **Objective-** A leader has to be having a fair outlook which is free from bias and which does not reflects his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.
6. **Knowledge of work-** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.
7. **Sense of responsibility-** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.

8. **Self-confidence and will-power-** Confidence in him is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power.
9. **Humanist-**This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.
10. **Empathy-** It is an old adage “Stepping into the shoes of others”. This is very important because fair judgement and objectivity comes only then. A leader should understand the problems and complaints of employees and should also have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

From the above qualities present in a leader, one can understand the scope of leadership and its importance for scope of business. A leader cannot have all traits at one time. But a few of them helps in achieving effective results.

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## 16.9 Summary

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Leadership plays a crucial role in the functioning of an organisation, as leaders’ guides, and showcase their skills in handling situations which require experience. Under a positive leadership the employees feel safe and motivated towards the goals of organisation.

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## 16.10 Keywords

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Trait, contingency, autocratic

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## 16.11 Self assessment Test

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### Very Short Answer Type Questions

1. What is meant by leadership?
2. Define Leadership Effectiveness in brief.
3. Explain Autocratic leadership in short.

### Short Answer Types Questions

- 16 Explain in brief the leadership styles.
- 17 Explain the qualities of an effective leader.
- 18 Explain in brief the concept of contingency theory.

### Long Answer Type questions

### Leadership

- 19 Explain the importance Trait Theory of Leadership?
- 20 What is the importance of Managerial Leadership in an organisation?
- 21 Explain the role of leader in an organisation.

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॥ सरस्वती नः सुमया मयस्कन्द ॥

Uttar Pradesh Rajarshi Tandon  
Open University

# B.B.A-101

*Bachelor of Business  
Administration  
Principal of Management*

## BLOCK

# 5

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UNIT 17 000-000

COORDINATION

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UNIT 18 000-000

COMMUNICATION

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UNIT 19 000-000

PROCESS OF CONTROL

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UNIT 20 000-000

TECHNIQUES OF CONTROL

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# UNIT - 17

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## COORDINATION

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### Objectives

After studying this lesson, you will be able to:

- Explain the meaning of coordination;
- Need of Coordination;
- Types of Co-ordination
- Principles and problems of Co-ordination;

### Structure

- 17.1 Introduction.
- 17.2 Need of Coordination.
- 17.3 Significance of Coordination
- 17.4 Objectives of Coordination
- 17.5 Types of Coordination
- 17.6 Techniques of Co-Ordination
- 17.7 Principles of Co-Ordination
- 17.8 Problems of Co-Ordination
- 17.9 Summary.
- 17.10 Key words.
- 17.11 Self-assessment Test.
- 17.12 References

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### 17.1 Introduction

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It is an important function of management in which activities of others are coordinated. According to **Koontz and O'Donnell** it is the “essence of management” rather than a function, they defined it as “*It seems more accurate, however, to regard it as the essence of managership, for the achievement of harmony of individual effort toward the accomplishment of group goals is the purpose of management. Each of the managerial functions is an exercise in coordination.*”

The synchronization and integration of activities, responsibilities, and command and control structures to ensure that the resources of an organization are used most efficiently in pursuit of the specified objectives. Along with organizing, monitoring, and controlling, coordinating is one of the key functions of management. (“Co-ordination,” n.d.)

According to **E.F.L Brech**, “Coordination is balancing and keeping together the team by ensuring a suitable allocation of tasks to the various members, and seeing that the tasks are performed with harmony among the members” Thus, bringing about harmony among members is an essence of coordination.

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## **17.2 Need of Coordination**

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The need and significance of coordination arises due to the following reasons:

1. The opinions of the individuals differ and that creates a problem in achieving the goals of the organisation.
2. There may be a clash in the objectives before the individuals and those of the enterprise.
3. To avoid breaking efforts on the part of the employees.
4. To secure a combined effort that may be greater than the sum total of the individual achievement.
5. To resolve conflict such as between line executives and the staff.
6. To coordinate the goals of the subordinate departments to those of the enterprise as a whole.
7. To ensure the harmonious functioning of the organisation as a whole.

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## **17.3 Significance of Coordination**

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The significance of co-ordination as a function of management mainly arises from the fact that work performed by different groups, units or departments form integral part of the total work for which an organisation is established. Without harmonised effort or unity of action, achievement of goals in some departments may run counter to that of the other departments, or the timing of achievements may not fit in properly. This has to be avoided and the managers have to prevent overlapping and conflict so as to achieve unity of action. With increasing size and scale of operations, the significance of co-ordination becomes more important. This is because of the following reasons -

1. When there is growth in size and the volume of work, there will be more people and work groups. So there is greater possibility of people working at cross purposes as the unit and sub-unit goals may be considered more important by them than the organisational goals. Not only that, the large size may also lead problems of supervision and communication. Hence coordinating the activities in a large concern becomes a major task for the managers.
2. Large organisations generally tend to have activities located at different places, which may not permit frequent and close interaction among people. Hence, the need for coordination becomes greater and it becomes a major responsibility for the managers.
3. Growth in size of an organisation is often combined with diversification of business activities. This may be due to new unrelated products being added to the existing products. As a result, there may be more division and sub-division of activities. At the same time, there is an increase in the number of managerial levels and vertical division of responsibilities. All these make coordination more difficult as well as important.

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## **17.4 Objectives of Coordination**

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### **1. Coordination encourages team spirit**

There exist many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organisational objectives. Coordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organisation. This increases the team spirit of the employees.

### **2. Coordination gives proper direction**

There are many departments in the organisation. Each department performs different activities. Coordination integrates (bring together) these activities for achieving the common goals or objectives of the organisation. Thus, coordination gives proper direction to all the departments of the organisation.

### **3. Coordination facilitates motivation**

Coordination gives complete freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the

employees get job satisfaction, and they are motivated to perform better.

**4. Coordination makes optimum utilisation of resources**

Coordination helps to bring together the human and materials resources of the organisation. It helps to make optimum utilisation of resources. These resources are used to achieve the objectives of the organisation. Coordination also minimise the wastage of resources in the organisation.

**5. Coordination helps to achieve objectives quickly**

Coordination helps to minimise the conflicts, rivalries, wastages, delays and other organisational problems. It ensures smooth working of the organisation. Therefore, with the help of coordination an organisation can achieve its objectives easily and quickly.

**6. Coordination improves relations in the organisation**

The Top Level Managers co-ordinates the activities of the Middle Level Managers and develops good relations with them. Similarly, the Middle Level Managers co-ordinates the activities of the Lower Level Managers and develops good relations with them. Also, the Lower Level Managers co-ordinates the activities of the workers and develops good relations with them. Thus, coordination overall improves the relations in the organisation.

**7. Coordination leads to higher efficiency**

Efficiency is the relationship between Returns and Cost. There will be higher efficiency when the returns are more and the cost is less. Since coordination leads to optimum utilisation of resources it results in more returns and low cost. Thus, coordination leads to higher efficiency.

**8. Coordination improves goodwill of the organisation**

Coordination helps an organisation to sell high quality goods and services at lower prices. This improves the goodwill of the organisation and helps it earn a good name and image in the market and corporate world.

## **Coordination and Cooperation**

Co-ordination is an orderly arrangement of efforts to provide unity of action in the fulfilment of common objective whereas co-operation denotes collective efforts of persons working in an enterprise voluntarily

for the achievement of a particular purpose. It is the willingness of individuals to help each other.

## Coordination

Co-ordination is an effort to integrate effectively energies of different groups whereas co-operation is sort to achieve general objectives of business.

Though these two are synonymous but they are different as below:

### Differences between Co-ordination and Co-operation

Basis	Co-ordination	Co-operation
Meaning	It is an orderly arrangement of group efforts in pursuit of common goals.	It means mutual help willingly.
Scope	It is broader than co-operation which includes as well because it harmonizes the group efforts.	It is termed as a part of co-ordination.
Process	The function of co-ordination is performed by top management.	The functions of co-operation are prepared by persons at any level.
Requirements	Co-ordination is required by employees and departments at work irrespective of their work.	Co-operation is emotional in nature because it depends on the willingness of people working together.
Relationship	It establishes formal and informal relationships.	It establishes informal relationship.
Freedom	It is planned and entrusted by the central authority & it is essential.	It depends upon the sweet will of the individuals and therefore it is not necessary.
Support	It seeks wholehearted support from various people working at various levels.	Co-operation without co-ordination is fruitless & therefore it may lead to unbalanced developments.

Therefore, existence of co-operation may prove to be effective condition or requisite for co-ordination. But it does not mean that co-ordination originates automatically from the voluntary efforts of the group

of members. It has to be achieved through conscious & deliberate efforts of managers, therefore to conclude we can say that co-operation without co-ordination has no fruit and co-ordination without co-operation has no root.

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## 17.5 Types of Co-Ordination

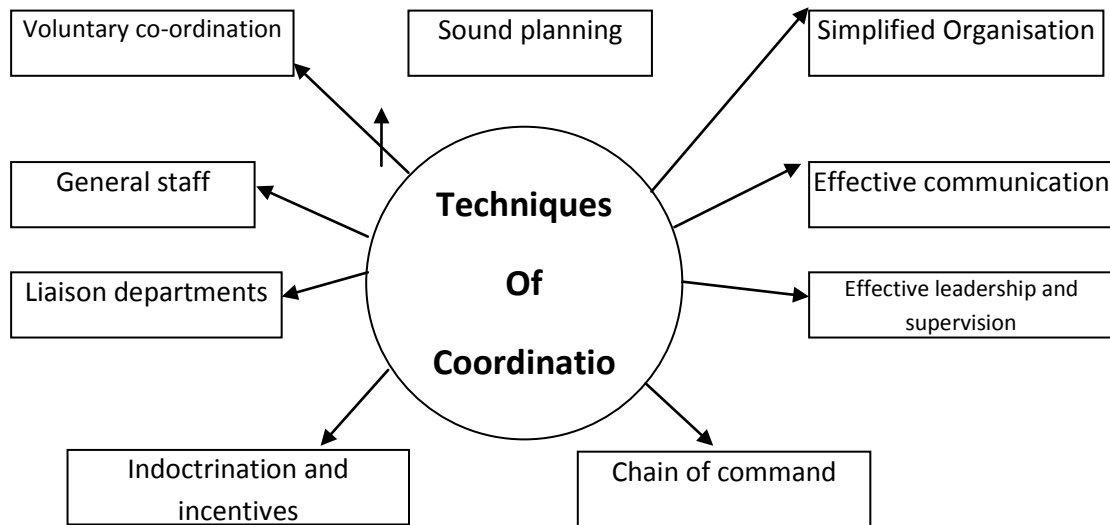
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The co-ordination may be divided on different bases, namely;

1. **Scope** – on the basis of scope or coverage, co-ordination can be.
  - **Internal** – refers to co-ordination between the different units of an organisation within and is achieved by integrating the goals and activities of different departments of the enterprise.
  - **External** – refers to co-ordination between an organisation and its external environment comprising government, community, customers, investors, suppliers, competitors, research institutions, etc. It requires proper match between policies and activities of the enterprise and the outside world.
2. **Flow** – on the basis of flow, co-ordination can be classified into:
  - **Vertical** – implies co-ordination between different levels of the organisation and has to ensure that all the levels in the organisation act in harmony and in accordance with the goals and policies of the organisation. Vertical co-ordination is assured by top management through delegation of authority.
  - **Horizontal or lateral** – refers to co-ordination between different departments and other units at the same level of the management hierarchy. For instance, co-ordination between production department and marketing department is horizontal or lateral co-ordination.
3. **Procedural and substantive :-**

Which according to Herbert A. Simon, procedural co-ordination implies the specification of the organisation in itself, i.e. the generalised description of the behaviour and relationship of the members of the organisation. On the other hand, substantive co-ordination is concerned with the content of the organisation's activities. For instance, in an automobile plant an organisation chart is an aspect of procedural co-ordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive co-ordination.





The main techniques of effective co-ordination are as follows.

1. **Sound planning** – unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organisation and the goals of its units must be clearly defined. Planning is the ideal stage for co-ordination. Clear-cut objectives, harmonised policies and unified procedures and rules ensure uniformity of action.
2. **Simplified organisation** – a simple and sound organisation is an important means of co-ordination. The lines of authority and responsibility from top to the bottom of the organisation structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialisation should be avoided as it tends to make every unit an end in itself.
3. **Effective communication** – open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.
4. **Effective leadership and supervision** – effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can

persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.

5. **Chain of command** – authority is the supreme co-ordinating power in an organisation. Exercise of authority through the chain of command or hierarchy is the traditional means of co-ordination. Co-ordination between interdependent units can be secured by putting them under one boss.
6. **Indoctrination and incentives** – indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.
7. **Liaison departments** – where frequent contacts between different organisational units are necessary, liaison officers may be employed. For instance, a liaison department may ensure that the production department is meeting the delivery dates and specifications promised by the sales department. Special co-ordinators 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.
8. **General staff** – in large organisations, a centralised pool of staff experts is used for co-ordination. A common staff group serves as the clearing house of information and specialised advice to all department of the enterprise. Such general staff is very helpful in achieving inter-departmental or horizontal co-ordination. Task forces and projects teams are also useful in co-ordination.
9. **Voluntary co-ordination** – when every organisational unit appreciates the workings of related units and modifies its own functioning to suit them, there is self-co-ordination. Self-co-ordination or voluntary 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. However, it cannot be a substitute for the co-ordinative efforts of managers.

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## 17.7 Principles of Co-Ordination

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**Mary Parker Follett** has laid out four principles for effective co-ordination;

1. **Direct personal contact** – according to this principle co-ordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most

effective way to convey ideas and information and to remove misunderstanding.

2. **Early beginning** – co-ordination can be achieved more easily in early stages of planning and policy-making. Therefore, plans should be based on mutual consultation or participation. Integration of efforts becomes more difficult once the uncoordinated plans are put into operation. Early co-ordination also improves the quality of plans.
3. **Reciprocity** – this principle states that all factors in a given situation are interdependent and interrelated. For instance, in a group every person influences all others and is in turn influenced by others. When people appreciate the reciprocity of relations, they avoid unilateral action and co-ordination becomes easier.
4. **Continuity** – co-ordination is an on-going or never-ending process rather than a once-for-all activity. It cannot be left to chance, but management has to strive constantly. Sound co-ordination is not fire-fighting, i.e., resolving conflicts as they arise.

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## 17.8 Problems of Coordination

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For the existence of co-operation the following problems which are generally seen in the organisation has to be removed:

1. **Natural Hindrance:** It is present in all organisations which stops the process of coordination hence it is the responsibility of the management solve this problem.
2. **Lack of Administrative Talent:** A good coordination is absent in those organisation where the administrator doesn't have the required talents of maintaining the proper coordination. Therefore the effect could be seen straight on the production of the unit.
3. **Lack of technique of coordination:** In the non-availability of techniques which we have discussed above, the whole process of proper functioning of an organisation will be uneven.
4. **Ideas and objectives:** This is a very big problem without solving or without finding a solution for this the existence of coordination is impossible. When the employees have different goals and objective from the organisational goals the problems of coordination exists.
5. **Misunderstanding:** In case of misunderstanding between the employees and the line managers the coordination of organisation will be effected.

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## 17.9 Summary

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Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is the hidden force which binds all the other functions of management.

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## 17.10 Keywords

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Team spirit, motivation, cooperation

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## 17.11 Self assessment test

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### Very Short Answer Type Questions

1. What is meant by coordination?
2. Define differences between co-ordination and co-operation in brief.
3. Explain importance of internal coordination.

### Short Answer Types Questions

4. Explain in brief the problems of coordination.
5. Explain significance of coordination.
6. Explain in brief the principles of co-ordination.

### Long Answer Type questions

7. Explain the types of co-ordination?
8. What is meant by the main techniques of effective co-ordination?
9. What are the objectives and need of Coordination?

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# UNIT – 18

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## COMMUNICATION

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### Objectives

After studying this lesson, you will be able to:

- Explain the meaning of coordination;
- Need of Coordination;
- Types of Co-ordination
- Principles and problems of Co-ordination;

### Structure

- 18.1 Introduction.
- 18.2 Meaning and definition of communication.
- 18.3 Nature and Characteristics of communication
- 18.4 Process of Communication
- 18.5 Channels of Communication
- 18.6 Importance of Communication
- 18.7 Barriers to Effective Communication
- 18.8 Principles of Communication
- 18.9 Summary
- 18.10 Key words
- 18.11 Self-assessment Test
- 18.12 References

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### 18.1 Introduction

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Communication can be defined as the process of transmitting information and common understanding from one person to another (Keyton, 2011). The word communication is derived from the Latin word, **communis**, which means common. The definition underscores the fact that unless a common understanding results from the exchange of information, there is no communication.

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## 18.2 Meaning and definition of communication

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Human beings have a compulsive urge to communicate with each other. Mutual understanding is not only based on communication but also is the core of human relations. There can be no mutual understanding without communication; mutual understanding is the core of human relations. Communication is like birth, death, breath and wanting to be loved- a part of life itself. Man is a communicating animal; he alone has the power to express in words. Sight, sound, touch, smell and taste are the modes of exchange of messages. The story of man's progress is the story of his progress in communication skills. The degree to which a civilisation or culture progresses is reflected in the state of its communication process.

Communication is a basic organisational function, which refers to the process by which a person (known as sender) transmits information or messages to another person (known as receiver). The purpose of communication in organisations is to convey orders, instructions, or information so as to bring desired changes in the performance and or the attitude of employees. In an organisation, supervisors transmit information to subordinates. Proper communication results in clarity and securing the cooperation of subordinates. Faulty communication may create problems due to misunderstanding between the superior and subordinates. The subordinates must correctly understand the message conveyed to them.

Thus, in communication:

- there are two parties, one is known as the sender and the other is known as receiver;
- there is a message sent by the sender to the receiver; and
- the receiver receives the message and understands it.

Communication does not always flow from supervisor to subordinate. It can also be from

a subordinate to a supervisor. For example, subordinates can pass information to the

supervisor about the faults/problems at the assembly line. Thus, it is a two way process.

Here are some definitions by experts:

**American Society of Training Directors** - Communication is the interchange of thought or information to bring about mutual understanding and confidence or global human relation.

**Behind Brown** - Communication is the transmission and interchange of facts, ideas, feelings or course of action.

**Theo Haiemann** - Communication is the process of passing information and understanding from one person to another. It is the process of imparting ideas and making oneself understood by others.

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## 18.3 Nature and Characteristics of Communication

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1. **Communication involves at least two persons** - Communication involves at least two persons-the sender and the receiver. The sender sends the message and is known as the communicator. The receiver receives the message and is known as communicate.
2. **Communication is a two way process** - Communication is essentially a two way process. It does not merely means sending and receiving messages. It is not complete unless and until the message has been understood by the receiver in the same sense.
3. **Purpose of communication-** The basic purpose of communication is to create an understanding. The receiver should understand the message sent and should response accordingly.
4. **Form of communication** - Communication may take several forms e.g. order, instruction, report, queries etc. It may be verbal or written. It may be formal or informal.
5. **Scope of communication** - Communication pervades all human relationship. It is essential in all type of organizational and at all levels of management.
6. **Communication is a dynamic process** - Communication is influenced by the mood and thinking of the sender and receiver. The way a message is accepted depends upon the fact that which of the fine sensory organs of the receiver is active at that time.
7. **Communication is much more than words** - Communication is not merely sending or receiving facts, expressed in words. It also involves ideas and emotions. A lot of communication is done through signs, symbols and gestures.
8. **Communication is a goal oriented process** - Communication is goal oriented and is effective only when there is congruence of goals of sender and receiver.
9. **Communication is conversational** - Communication sets up a link between facts, ideas, and thus helps the communicator and communicates to progress logically.
10. **Communication is an interdisciplinary science** - Communication to be effective derives knowledge from several sciences like-anthropology (study of body language), sociology (study of human behaviour), psychology (study of attitude) etc.

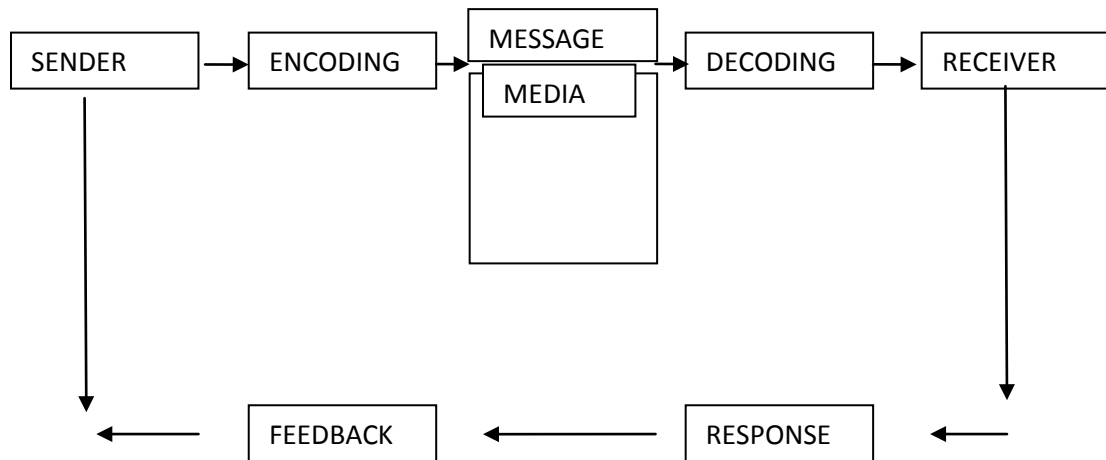
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## 18.4 Process of Communication

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The process of communication as shown in fig 1.2 involves exchange of ideas and it can be verbal or non-verbal in nature. The pre-requisite of communication is a message and this message must be

conveyed through some medium to the recipient in such a way that it is understood by the recipient in the same manner as intended by the sender. The recipient must respond within a period. The response from the recipient to the sender is called feedback. Therefore, communication is said to be a two way process, which is incomplete without a feedback from the recipient to the sender on how well the message is understood by him.



**Fig 1: Communication Process**

**Following are the components of communication process**

1. **Context:** Communication is mostly affected by the context in which it is occurring. The context could be anything historical, social, cultural or physical.
2. **Sender / Encoder:** A Sender or encoder is a person who prepares and sends or encrypts the message. A sender uses symbols of various types for sending the message and for getting the response from the receiver, the symbol could be (words, graphic or visual aids as symbols) Sender may be an individual or business organisation. For sending a message the view, background and prior knowledge of the sender plays a vital role on the message. The verbal and non-verbal symbols chosen are essential in ascertaining interpretation of the message by the recipients in the same terms as intended by the sender.
3. **Message:** It is the core idea which the sender wants to communicate to the receiver. It elicits the response of the recipient. Communication process begins actually with planning of the message to be conveyed. The sender should take precautionary measures of constructing the message in such a language which is understandable by the receiver, the language should not be foreign for the receiver.
4. **Medium:** It is the means or method by which the sender transmits the prepared message to the receiver. The sender should take



precautionary measures for selecting the correct form of medium for transmitting the message. The medium should be selected in keeping the accessibility of the medium to the mass in which the message is to be spread. Example for sending message in the village where literacy rate is below average the best way of communication could be radio or television.

5. **Recipient / Decoder:** Recipient / Decoder is a person to whom the message is actually intended or aimed. The interpretation of the message by the decoder depends upon various factors such as knowledge of recipient regarding the context of the message.
6. **Feedback :** It is the essence of the communication process because it makes the sender understands that whether the message which he has transmitted is correctly understood by the receiver or not.

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## 21.9 Channels of Communication

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### I. Based On Relationship

In an organization, communication flows in 5 main directions-

1. Downward
2. Upward

1. **Downward Flow of Communication:** Communication that flows from a higher level in an organization to a lower level is a downward communication. In other words, communication from superiors to subordinates in a chain of command is a downward communication. This communication flow is used by the managers to transmit work-related information to the employees at lower levels. Employees require this information for performing their jobs and for meeting the expectations of their managers. Downward communication is used by the managers for the following purposes -

- Providing feedback on employees performance
- Giving job instructions
- Providing a complete understanding of the employee's job as well as to communicate them how their job is related to other jobs in the organization.
- Communicating the organization's mission and vision to the employees
- Highlighting the areas of attention.

Organizational publications, circulars, letter to employees, group meetings etc are all examples of downward communication. In order to have effective and error-free downward communication, managers must:

- Specify communication objective
- Ensure that the message is accurate, specific and unambiguous.

Utilize the best communication technique to convey the message to the receiver in right form

2. **Upward Flow of Communication:** Communication that flows to a higher level in an organization is called upward communication. It provides feedback on how well the organization is functioning. The subordinates use upward communication to convey their problems and performances to their superiors.

The subordinates also use upward communication to tell how well they have understood the downward communication. It can also be used by the employees to share their views and ideas and to participate in the decision-making process.

Upward communication leads to a more committed and loyal workforce in an organization because the employees are given a chance to raise and speak dissatisfaction issues to the higher levels. The managers get to know about the employees feelings towards their jobs, peers, supervisor and organization in general. Managers can thus accordingly take actions for improving things.

Grievance Redressal System, Complaint and Suggestion Box, Job Satisfaction surveys etc all help in improving upward communication. Other examples of Upward Communication are - performance reports made by low level management for reviewing by higher level management, employee attitude surveys, letters from employees, employee-manager discussions etc.

## **B. Based On Direction**

1. **Lateral / Horizontal Communication:** Communication that takes place at same levels of hierarchy in an organization is called lateral communication, i.e., communication between peers, between managers at same levels or between any horizontally equivalent organizational member. The advantages of horizontal communication are as follows:

- It is time saving.
- It facilitates co-ordination of the task.
- It facilitates co-operation among team members.
- It provides emotional and social assistance to the organizational members.
- It helps in solving various organizational problems.
- It is a means of information sharing

- It can also be used for resolving conflicts of a department with other department or conflicts within a department.
2. **Diagonal Communication:** Communication that takes place between a manager and employees of other workgroups is called diagonal communication. It generally does not appear on organizational chart. For instance - To design a training module a training manager interacts with an operations personnel to enquire about the way they perform their task.

### C. Based On Method

1. **Oral Communication:** It implies communication through mouth. It includes individuals conversing with each other, be it direct conversation or telephonic conversation. Speeches, presentations, discussions are all forms of oral communication. Oral communication is generally recommended when the communication matter is of temporary kind or where a direct interaction is required. Face to face communication (meetings, lectures, conferences, interviews, etc.) is significant so as to build a rapport and trust.
2. **Written Communication :** It has great significance in today's business world. It is an innovative activity of the mind. Effective written communication is essential for preparing worthy promotional materials for business development. Speech came before writing. But writing is more unique and formal than speech. Effective writing involves careful choice of words, their organization in correct order in sentences formation as well as cohesive composition of sentences. Also, writing is more valid and reliable than speech. But while speech is spontaneous, writing causes delay and takes time as feedback is not immediate.
3. **Non Verbal Communication** It is communication of feelings, emotions, attitudes, and thoughts through body movements / gestures / eye contact, etc.

#### The components of Non Verbal Communication are:

1. **Kinesics:** It is the study of facial expressions, postures & gestures. Did you know that while in Argentina to raise a fist in the air with knuckles pointing outwards expresses victory, in Lebanon, raising a closed fist is considered rude?
2. **Oculesics :** It is the study of the role of eye contact in non verbal communication. Did you know that in the first 90 sec - 4 min you decide that you are interested in someone or not. Studies reveal that 50% of this first impression comes from non-verbal communication which includes oculusics. Only 7% of comes from words - that we actually say.

3. **Haptics:** It is the study of touching. Did you know that acceptable level of touching vary from one culture to another? In Thailand, touching someone's head may be considered as rude.
4. **Proxemics:** It is the study of measurable distance between people as they interact. Did you know that the amount of personal space when having an informal conversation should vary between 18 inches - 4 feet while, the personal distance needed when speaking to a crowd of people should be around 10-12 feet?

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## 18.6 Importance of Communication in an Organization

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1. It infuses the feeling of motivation in the employees by informing and clarifying about the task to be done, the manner they are performing the task, and how to improve their performance if it is not up to the mark.
2. It is a source of information to the organizational members for decision-making process as it helps identifying and assessing alternative course of actions.
3. It also plays a crucial role in changing individual's attitudes, i.e., a well-informed individual will have better attitude than a less-informed individual. Organizational magazines, journals, meetings and various other forms of oral and written communication help in creating employee's attitudes.
4. It also helps in socializing. In today's life the only presence of another individual fosters communication. It is also said that one cannot survive without communication.
5. Communication also assists in controlling process, with the help of notices and circulars the employees are regularly controlled.

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## 18.7 Barriers to Effective Communication

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Communication process is said to be complete when the sender receives the feedback, now to understand in organisational context there are several things which can prevent the message from reaching it to the receiver, these are called barriers to effective communication. Some of these barriers are in the mechanical devices used, some in the human mind and other in the instruments of communication.

Organizations are 24 hour working to remove such kind of barriers, and have therefore formed suggestion schemes, grievances committees to help upward communication.

### **Types of Barriers in communication**

## I. Physical barriers

Internal structure of the organization and layout of office machines and equipments creates physical barriers in communication

- a. **Distance:** – communication is found obstructed in long distance. Like communication between America and Nepal.
- b. **Noise:** – it is from external sources and affects the communication process. Noise negatively affects the accuracy
- c. **Physical arrangement:** – the physical arrangement of organizational sources like men, money, material and machine obstruct the communication process.

## II. Semantic barriers

The use of difficult and multiple uses of languages, words, figures, symbols create semantic barriers.

- a. **Language:** – we can find some words having different meaning. As meaning sent by the sender can be quite different from the meaning understood by the receiver. Long and complex sentences creates problem in communication process.
- b. **Jargons:** – technical or unfamiliar language creates barriers to communication that may be drawn from the literature. So message should be simple and condensed as far as possible so that no confusion creation will be there to the receiver.

## III. Organizational barriers

It is raised from the organizational goals, regulations, structure and culture.

- a. **Poor planning:** – it refers to the designing, encoding, channel selection and conflicting signals in the organization.
- b. **Structure complexities:-** difficult organizational structure barrier for free flow of information. Appropriate communication process must be used.
- c. **Status differences:** – it creates barrier for communication. Superior provides information to the subordinate about plans and policies. Different information is provided by different subordinates who create barrier in communication.
- d. **Organizational distance:-** distance between sender and receiver also creates barriers to effective communication.
- e. **Information overload:** – if superior provides too much information to the subordinate in short period receiver suffers

from information overload which creates barriers to effective communication.

- f. **Timing:** – communication can be obstructed if not done on time. If the information is not provided in time it creates barriers to effective communication.

#### IV. Psychological barriers

It is the barriers to effective communication created from the lack of interest of the people from whom the communication is meant. People do not pay attention to the communication which are not interesting to them and which do not fulfill their want.

- a. **Perception:** – it is the process of accepting and interpreting the information by the receiver. People receive things differently for a various number of reasons.
- b. **Filtering:** – communication some time filters the negative information to make it more favourable to the receiver. In this process, knowingly or unknowingly some valuable information may be disposed.
- c. **Distrust:** – superior provides information or message to the subordinates to their own view, ideas and opinion which create obstruction in communication.
- d. **Emotions:** – emotion also creates barriers to effective communication like anger, het, mistrust, jealousy etc.
- e. **Viewpoint:** – it also creates barriers to effective communication. If the receiver doesn't clear the message and ignore without hearing, the message may create obstructions.
- f. **Defensiveness:** – if the receiver receives the message as threat and interprets that message in the same way, it creates barriers to effective communication.

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## 18.8 Principles of Communication

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Communication is complex. While listening to or reading someone else's message, we often filter what is being said through a screen of our own perceptions. Thus our preconceived notions and opinions become one of the major barriers to communication. There is an old communications game- telegraph, that is played in a circle. A message is whispered around from person to person. What the exercise usually proves is how profoundly the message changes as it passes through the distortion of each person's "filter".

Communication, when effectually conducted, can assist in building sturdy relationships and harmonious working conditions. It also simplifies the process of sharing the best of ourselves with others there are certain basic principles that need to be followed while conversing informally with

a colleague, addressing a conference or meeting, writing a newsletter article or formal report; they are as follows:

- Identify your audience.
- Discern the purpose.
- Know your topic.
- Anticipate objections.
- Present a complete picture.
- Achieve credibility with your audience.
- Follow through on what you say.
- Communicate a little at a time.
- Impart information in several ways.
- Formulate a practical, useful way to receive feedback.
- Use multiple communication techniques.
- Communication is largely non-verbal.
- Context affects communication.
- Meanings are in people, not in words.
- Communication is irreversible.
- Noise affects communication.
- Communication is circular.
- Creating common ground is essential.
- Communication has effects.

## **HOW TO MAKE COMMUNICATION**

Every time we want to ask something from officials or students who have query in their mind in class has to think how to ask, when to ask, he has to do proper selection of words in mind. One must be clear in mind about what one wishes to communicate as well as the objective that communication.

Now actually before making communication the individual has to keep the following points in mind:

- 1. Selection of appropriate time:** As the phrase says itself there should be a correct time when actually certain message should be delivered to the receiver. For example don't call very late at night.

2. **Objective of the communication should be clear:** The sender has to be very clear what he wants to transmit to the receiver.
3. **Language of the receiver:** The encoder has to take precautionary measure to find out which language the decoder can understand, the language should not be foreign to the decoder, so choose the vernacular language or the common language.
4. **Right medium of communication:** The encoder should choose the correct medium may be print or audio visual because it helps in understanding in a better way.
5. **Remove Gatekeepers:** In organisational communication it is necessary to remove the internal and outward gatekeepers who affect the flow of communication may be an upward communication or downward communication.
6. **Response:** This is the easiest way to find out whether the message has been clearly understood by the receiver or not, by getting a response from him it may be simple nod of head or a shake hand.

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## 18.9 Summary

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Communication is the blood line of an organisation, because a message on time in correct way may result into huge success for the organisation, whereas message which is not properly transferred to the recipient may result into huge losses also.

Communication is the foundation of professional relationship in organisations; Communication is very helpful to deliver the policies of organisation to the employees.

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## 18.10 Keywords

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Kinesics, message, medium, grapevine, jargons

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## 18.11 Self-assessment Test

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### Very Short Answer Type Questions

1. What is meant by “Communication is a two way process”?
2. Define in short the concept of “noise and distance”.
3. Define the term “communication” in short.

### Short Answer Types Questions

1. Explain downward flow of communication in formal organisational.
2. Explain the semantic barriers present in organisation.



3. Explain in brief importance of communication in day to day life in society.

## Communication

### Long Answer Type questions

1. Explain the nature and characteristics of communication.
2. Explain the importance of process of communication with the diagram.
3. What are the barriers to effective communication?

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## 18.12 References

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# UNIT – 19

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## PROCESS OF CONTROL

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### Objectives

After studying this unit, you will be able to:

- Explain the meaning and Characteristics of Control;
- Identify the steps involved in the process of Controlling;
- Explain the Stages of Control;
- Describe various Requisites of Effective Control

### Structure

#### 19.1 Definition of Control

#### 19.2 Characteristics of Control

19.2.1 Control is an Unending Continuous Process

19.2.2 Control is a Management Process

19.2.3 Control is an All Inclusive Function

19.2.4 Control is Forward Looking

19.2.5 Control is Closely Linked with Planning

19.2.6 Control is a Management Tool

19.2.7 Control is an End Process

19.2.8 Control is a Comparative Action

#### 19.3 Importance of Control

19.3.1 Reduction of Risk Factor

19.3.2 Foundation for Future Action

19.3.3 Size of the Business

19.3.4 Indicator for Managerial Weakness

19.3.5 Facility of Coordination

19.3.6 Simplifies Supervision

19.3.7 Extension of Decentralisation

- 19.4** Stages in the Control Process
  - 19.4.1.1** Characteristic or Condition to be Controlled
  - 19.4.1.2** The Sensor
  - 19.4.2** The Comparator
    - 19.4.2.1** The Activator
- 19.5** Requisites of Effective Control
  - 19.5.1.1** Focus on Objectives and Needs
  - 19.5.1.2** Prompt Indicator
  - 19.5.1.3** Forward Looking
  - 19.5.1.4** Understandable and Economical
  - 19.5.1.5** Control by Functions and Factor
  - 19.5.1.6** Strategic Points Control
  - 19.5.1.7** Felxible
  - 19.5.1.8** Objectives
  - 19.5.1.9** Indicative as well as Suggestive
  - 19.5.10** Correct Action at Correct Time
  - 19.5.11.1.1** Attention to Human Factor or Emphasis on Self-Control Aspect
- 19.6** Limitations of Control
- 19.7** Areas of Control
- 19.8** Summary.
- 19.9** Self-assessment Test.
- 19.10** References.

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## **19.1 Definition of Control**

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Process Control is the active changing of the process based on the results of process monitoring. Once the process monitoring tools have detected an out-of-control situation, the person responsible for the process makes a change to bring the process back into control.

In 1916, Henri Fayol was the first to formulate the definition of Control as it pertains to the management function.

*“Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which*

*have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring.”*

According to modern concepts, control is a foreseeing action whereas earlier concept of control was used only when errors were detected. Control in management means setting standards, measuring actual performance and taking corrective action.

Robert J. Mockler presented a more comprehensive definition of managerial control.

*“Management control can be defined as a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.”*

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## **19.2 Characteristics of Control**

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### **19.2.1 Control is an Unending Continuous Process**

Since controlling is based on the exercise of revival methods, changes have to be made whenever and wherever possible. Exercising control is not a single step activity but it is a dynamic process that involves constant analysis and comparison between the actual and planned performances. It also takes note of resultant deviations as well as the revision of plans, objectives, policies, positions, procedures, incentives etc. under the light of any deviation observed.

### **19.2.2 Control is a Management Process**

Control is a management process in the sense that it has to be performed by managers at all levels and in all type of organisations. George Terry has rightly said that the function of controlling is positive because it aims at making the things happen. The managers are bestowed with the responsibility of achieving goals under the limitations of the given constraints, or by means of certain planned activities. Controlling should never be considered as negative in nature because in such a case it can act as a hurdle while achieving the set objectives. Controlling is a managerial necessity that shall never be considered as an impediment or a hindrance of any kind.

### **19.2.3 Control is an All Inclusive Function**

Control is embedded at each and every level in an organizational hierarchy. Control is a function exercised by every manage,. Chairman, Managing Director, supervisor and even the floor employees are also involved, although the scope may vary from position to position.. For

example the top managers are concerned with administrative control, which is exercised through broad policies, plans and other directives. The middle level managers are concerned with the executor control for the purpose of getting the plans, policies, and programmes executed. At the lower level, supervisors exercise operational control to ensure successful performance of actual operations or production activities through close monitoring.

#### **19.2.4 Control is Forward Looking**

Control is forward looking because an effective control is not possible without controlled outcomes of our activities. Controlling always looks at the future so that a proper follow-up can be made whenever required. Control is basically directed towards the future because future is yet in our hands but the past has already slipped out of our hands. However, the experience about the criterion for future standards varies on case to case basis and sometimes controlling may even require the past outcomes so that it can be incorporated in effectively controlling the current process.

#### **19.2.5 Control is Closely Linked with Planning**

Planning and Controlling are two inseparable functions of management that go hand by hand. Without planning, controlling is a meaningless exercise and without controlling, planning is a useless exercise. Planning and controlling functions are complementary to each other. Planning includes controlling and controlling includes planning. Planning is the basis of controlling. Control implies the existence of certain set standards against which actual results have to be evaluated. Planning sets the course of action and controlling monitors the operation or activities to follow such course of action. In fact, planning initiates the process of management and control completes this process. Without proper control, planning will be a futile exercise that will remain only on the papers. Control makes plans meaningful and effective, similarly controlling is effective only when it is specially tailored to plans. There is complete interdependence between planning and controlling functions.

#### **19.2.6 Control is a Management Tool**

Control is a tool for achieving organizational activities. Control guides the action and the behaviour of the people who are responsible for carrying out different activities or operation. It also guides the use of different organizational resources and facilities in order to effectively and efficient, contribute toward the accomplishment of set goals and objectives.

#### **19.2.7 Control is an End Process**

Any function that comes after the performances are made in conformities with plans is known as an end process and controlling function is

also adapted in the same manner.. Effective controlling system foresees the likely changes that are about to happen in the consumer preferences and demands. It serves as a guide to all the members of the organisation so that the products or services can be modified to meet the anticipated needs and demands of the consumers in the market.

### **19.2.8 Control is a Comparative Action**

Control is a function that compares the actual set performance with the planned performance. Controlling involves measurements of the actual results in order to facilitate other evaluation or comparative analysis of the planned results. It also suggests the guidelines to be followed regarding the future course of action.

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## **19.3 Importance of Control**

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### **19.3.1 Reduction of Risk Factor**

An effective control function eliminates the risk of non-conformity of actual performance with the main goals and objectives of the organisation. Control is the function used to regulate the operation to ensure the attainment of the set objectives. Regular measurement of work in progress with proper adjustments in operations puts the performance on the right track and helps an organisation to achieve its set goals.

### **19.3.2 Foundation for Future Action**

Control provides the information and facts to the management for planning and organising when the work is completed and the result is evaluated. In fact, evaluation of results helps the management replan for non-repetitive operations, rewards, punishment and discipline amongst the workers. It would be better to say that future long term planning is not possible unless and until control information is made available on time to the managers to facilitate their operation of work.

### **19.3.3 Size of the Business**

Large scale business houses are quite impossible to work without a framework of proper policies, procedures and quality of different varieties of products and services. It is simply because of this reason that in each and every large scale organisation, there is always a dire need of a scientific system of control that can be used to solve the day to day problems.

### **19.3.4 Indicator for Managerial Weakness**

In the organisation there will be certain unforeseen and unknown problems which cannot be traced out by mere planning, organising and staffing efforts. It is the control process that can trace these out. That is

why it is known as an indicator of the managerial weakness. Control not only finds out the weakness of managers but also provides solutions and remedial action to solve the problems.

### **19.3.5 Facility of Coordination**

Management and coordination of the business activities and workers is a very important role. It binds all the workers and their activities and motivates them to move towards the common objectives through better coordination. Control plays the role of middlemen between the workers and management to provide the required information in time to the workers.

### **19.3.6 Simplifies Supervision**

A systematic system of control helps in finding out any deviation introduced in the organisation due to any reason thereof. It also simplifies the task of the supervisor in managing his subordinates. With the help of appropriate control function, it becomes easier for the supervisor to supervise and guide the workers to follow the right track and fulfil all the goals and objectives set by the organisation.

### **19.3.7 Extension of Decentralisation**

Control system helps the top management to extend the frontiers of decentralisation without the loss of control. When proper procedures, policies, targets, etc. are clearly communicated to the subordinates, they develop self-confidence and need not always refer to their supervisors with a long list of their problems.

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## **19.4 Stages in the Control Process**

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There are four stages in the control process. These occur in the same sequence and maintain a consistent relationship with each other in any system.

### **19.4.1 Characteristic or Condition to be Controlled**

#### **Establishment of Standards :**

Standards are the plans or the targets which have to be achieved in the course of business function. They are also known as the criterion for judging the performance. Standards are generally classified into two categories:

**Tangible or Measurable** - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

**Intangible or Non-measurable** - There are standards which cannot be measured monetarily, for example performance of a manager,



deviation of workers, their attitudes towards a concern. These are known as intangible standards.

## Process of Control

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

The first element is the characteristic or condition of the operating system that is to be measured. We select a specific characteristic because a correlation exists between it and the way in which a system is performing. The characteristic may be the output of the system during any stage of processing or it may be a condition that is the result of the system. For example, it may be the heat energy produced by the furnace or the temperature in the room that has changed because of the heat generated by the furnace. In an elementary school system, the hours a teacher works or the gain in knowledge demonstrated by the students on a national examination are examples of characteristics that may be selected for measurement or control.

### 19.4.2 The Sensor

The second element of control is the sensor. It is an effective and efficient means of measuring the characteristic or condition. 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. Quantitative measurement is difficult for example when performance of a manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by certain related factors such as-

- Attitude of the workers
- Their communication with the superiors
- Their morale to work
- The development in the attitudes regarding the physical environment
- Sometimes, it is also measured with the help of various reports like weekly, monthly, quarterly and yearly reports.

### 19.4.3 The Comparator

The third element of control is the comparator. It determines the need for correction by comparing what is occurring against what has been planned. Some deviation from plan is usual and expected, but when variations are beyond those considered acceptable limits then corrective action is required. It involves a sort of preventative action to indicate that good control is being achieved. Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to

find out two things here. First, the extent of deviation and second, the cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations can be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Someone has rightly said -

*“ If a manager controls everything, he ends up controlling nothing.”*

For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various causes which have been responsible for any deviation. The causes may be any of the following:

- Error in Planning,
- Loose Co-ordination
- Defective Implementation Plan
- Ineffective Supervision and / or communication

#### **19.4.4 The Activator**

The fourth element of control is the activator. It is the corrective action taken to return the system to its expected output. The actual person, device, or method used to direct corrective inputs into the operating system may take variety of forms. It may be a hydraulic controller positioned by a solenoid or electric motor in response to an electronic error signal, an employee directed to rework the parts that failed to pass quality inspection, or a school principal who decides to buy additional books to provide for an increased number of students. As long as a plan is performed within the allowed limits, corrective action is not necessary but it seldom occurs in practice.

Taking remedial actions is the only solution and once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives that are generally used by the managers from large number of organisations. Taking corrective measures for deviations which have occurred and after taking the corrective measures, if the actual performance is not in conformity with plans, the manager has all the powers to revise the targets.

It ends the controlling process, although follow up is an important activity because a manager can only exercise controlling by taking corrective measures.

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## 19.5 Requisites of Effective Control

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A control system is a deliberate creation and not an automatic phenomenon. Different organisations may design their individual control systems according to their unique and special characteristics or conditions, yet in designing a good and effective control system the following basic requirements must be kept in mind.

### 19.5.1 Focus on Objectives and Needs

The effective control system should emphasis attainment of organizational objectives and therefore it should be designed in accordance with practical needs of the enterprise. For example, the marketing department may use pre-controls for introduction of new products into the market, and current control for specific advertisements. Similarly, more sophisticated and broad ranging controls may be developed for production managers than what is needed for a shop floor supervisor. An effective and efficient control system should be tailored to specific plans and positions.

### 19.5.2 Prompt Indicator

An ideal control system must detect and report significant deviation as promptly as possible so that necessary corrective action may be taken adequately in time. It needs an efficient system of appraisal and flow of information. A rapid reporting of variations behind the core of control function is required.

### 19.5.3 Forward Looking

All the control functions must be future-oriented and must not look into the past from more than what is required as a basic necessity. It must forecast valuable insights to the managers so that they are well aware of the problems likely to be faced and tackled by them in the near future.

### 19.5.4 Understandable and Economical

Control tools and techniques adopted should be such that they are clearly understood by the managers. They must know all the details and critical points in the control device as well as its usefulness. If it is developed into a complex statistical and mathematical techniques then proper training should be imparted to the staff supposed to execute such a control system. The control system must also be worth the investment. Expensive and elaborate control system are suitable only of large organisation and can prove to be a complete failure for small organisations.

### 19.5.5 Control by Functions and Factor

Control should emphasis on different core functions such as production, marketing, finance, human resources, etc. It should also focus on four important factors of quality, quantity, time use and costs. It is

important that the control function is not only dependent on a single point but multiple controls should be adopted.

### **19.5.6 Strategic Points Control**

Everything cannot be controlled in order to save time, cost as well as effort. Certain strategic or vital points in the functioning of an organisation must be identified and appropriate control devices should be designed and imposed at those stages. Thus, only critical, major deviations should be attended to and control should concentrate on exceptional problems only. Control should be selective and concentrate on key result areas of the organisation.

### **19.5.7 Flexible**

Flexibility means that the control system should be able to accommodate such modifications or revisions as are made necessary under the light of rapidly changing and complex organizational environment. Control is not an end in itself. It must be suited to the environment in which an organisation survives itself. Flexibility in control system is generally achieved by the use of alternative plans or flexible budgets.

### **19.5.8 Objective**

To the maximum possible extent, controls, i.e., standards of performance should be objective, i.e. unbiased and be specific. For this purpose control measures should be verifiable or quantified. Standards should be determined based on facts and participation.

### **19.5.9 Indicative as well as Suggestive**

Controls should not only be able to point to the deviations, but they should also suggest corrective action that is supposed to check the recurrence of variations or problems in future. Control function need not only be suggestive but must act as corrective too.

### **19.5.10 Correct Action at Correct Time**

A significant test of the effectiveness of a control system is whether correct action is taken at correct time.

### **19.5.11 Attention to Human Factor or Emphasis on Self-Control Aspect**

It is rightly said that excess control causes corruption. Control system should be designed in such a way, as it does not arouse negative reactions among organizational people. Good controls are designed to develop positive feelings in the members by focusing on work and not on worker. It facilitates creative action within properly laid down limits. The aim of control should be to create self-control among members. For this purpose, the tendency over the years has been toward such techniques as participative budgeting and human resources accounting.

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## 19.6 Limitations of Control

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Control in an organisation is exercised under two broad terms. One is internal control while the other is external control. Internal control, no matter how well designed, implemented and conducted, can provide only reasonable assurance to management and the board of directors of the achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all systems of internal control. It focuses on the reality that a human judgement in decision making can be faulty, external events outside the organization's control may arise, and breakdowns can occur because of human failures such as making errors. Additionally, controls can be circumvented by two or more people colluding, and because management can override the system of internal control.

Internal control has been viewed by some observers as ensuring that an entity will not fail, i.e. the entity will always achieve its operations, reporting, and compliance objectives. In this sense, internal control sometimes is looked upon as a cure for all real and potential business issues. This view is misguided. Internal control is not a panacea and while considering limitations of internal control, two distinct concepts must be recognized.

The first set of limitations acknowledges that certain events or conditions are simply beyond management's control. The second acknowledges that no system of internal control will always do what it is designed to do. The best that can be expected in any system of internal control is that reasonable assurance be obtained. Second, internal control cannot provide absolute assurance for any of the objective categories.

Reasonable assurance does not imply that systems of internal control will frequently fail. Many factors, individually and collectively, serve to strengthen the concept of reasonable assurance. Controls that support multiple objectives or that effect multiple principles within or across components reduce the risk that an entity may not achieve its objectives. Furthermore, the normal, everyday operating activities and responsibilities of people functioning at various levels of an organization are directed at achieving the entity's objectives. Indeed, it is likely that these activities often apprise management about the process toward the entity's operations objectives, and also supports the achievement of compliance and reporting objectives. However, because of the inherent limitations discussed here, there is no guarantee that, for example, an uncontrollable event, mistake, or improper incident could never occur. In other words, even an effective system of internal control may experience failures. Reasonable assurance is not absolute assurance. The pre framework specifies several areas that are part of the management process but not part of internal control. Two such areas relate to the governance process that extends the board's role beyond internal control and establishing objectives as a precondition to internal control. There is a dependency established on these areas, among others, to be effective. For

example, an entity's weak governance processes for selecting, developing, and evaluating board members may limit its ability to provide appropriate oversight of internal control. Similarly, ineffective strategy-setting or objective-setting processes would challenge the entity's ability to identify poorly specified, unrealistic, or unsuitable objectives. A system of internal control cannot encompass all activities undertaken by the entity, and weaknesses in these areas may impede the organization from having effective internal control.

The effectiveness of internal control is also limited by the realities of human frailty in the making of business decisions. Such decisions must be made with human judgement in the time available, based on information at hand, subject to management biases, and under the pressures of the conduct of business. Some decisions based on human judgement may later, with the clarity of hindsight, be found to produce less than desirable results, and may need to be changed.

Internal control, even effective internal control, operates at different levels for different objectives. For objectives relating to the effectiveness and efficiency of an entity's operations such as achieving its mission, value propositions (e.g., productivity, quality, and customer service), profitability goals, etc. and the internal control cannot provide reasonable assurance of the achievement when external events may have a significant impact on the achievement of objectives and the impact cannot be mitigated to an acceptable level. In these situations, internal control can only provide reasonable assurance that the organization is aware of the entity's progress, or lack of it, toward achieving such objectives. Even a well-designed system of internal control can break down. Personnel may misunderstand instructions, make mistakes in judgement, or commit errors due to carelessness, distraction, or being asked to focus on too many tasks. For example, a department supervisor responsible for investigating exceptions might simply forget or fail to pursue the investigation far enough to be able to make appropriate corrections. Temporary personnel conducting controls for vacationing or sick employees might not perform correctly. Changes in information technology application controls may be implemented before personnel have been trained to recognize indicators that they may not be functioning as designed.

Even an entity with an effective system of internal control may have a manager who is willing and able to override internal control. The term "management override" is used here to mean overruling prescribed policies or procedures for illegitimate purposes with the intent of personal gain or an enhanced presentation of an entity's performance or compliance. A manager of a division or operating unit, or a member of senior management, might override the control for many reasons such as to:

- Increase reported revenue to cover an unanticipated decrease in market share

- Meet sales or earnings projections to bolster bonus payouts tied to performance
- Enhance reported earnings to meet unrealistic budgets
- Hide lack of compliance with legal requirements
- Boost the market value of the entity prior to a public offering or sale
- Appear to cover violations of debt covenant agreements

Override practices include deliberately making misrepresentations to bankers, lawyers, accountants, and vendors, and intentionally issuing false documents such as purchase orders and sales invoices.

Management override should not be confused with management intervention, which represents management's actions to depart from prescribed controls for legitimate purposes. Management intervention is necessary to deal with non-recurring and non-standard transactions or events that otherwise might be handled inappropriately. Provision for management intervention is necessary because no process can be designed to anticipate every risk and every condition. Management's actions to intervene are generally overt and subject to policies and procedures or otherwise disclosed to appropriate personnel. Actions to override usually are not documented or disclosed, and have the intent to cover up the actions.

Collusion can result in internal control deficiencies. Individuals acting collectively to perpetrate and conceal an action from detection often can alter financial or other management information so that it cannot be detected or prevented by the system of internal control. Collusion can occur, for example, between an employee who performs controls and a customer, supplier, or another employee. Sales and/or operating unit management might collude to circumvent controls so that reported results meet budgets or incentive targets.

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## **19.7 Areas of Control**

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Various functional areas of management are:

- Production management
- Marketing management
- Financial management
- Personal management
- Production management

In the broadest sense the most important areas of control are stock/inventory and cash. If either goes wrong the company will end up in

liquidation. Each functional area will also have its recommended control systems and they will all propagate a common message that they all are most important. It won't be wrong to say that the most important control system depends on the manager's perspective. Control comes in many ways is within organizations, much of it not here and now, but rather for the future, such as succession strategies, long term capacity building, and performance evaluation.

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## **19.8 Summary**

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Control is very important for the organisations because it reduces the risk factor and provides foundation for future. Characteristics of Control are universal in nature and they are closely related with planning. Control process involves certain stages. It also needs few requisites for effective control. These are Focus on Objectives and Needs, Prompt Indicator, Forward Looking, Understandable and Economical, Control by Functions and Factor, Strategic Points Control, and Flexible. The area of control is very wide and it covers all the areas of management.

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## **19.9 Self Assessment Questions**

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1. What is meant by “control is an all inclusive function”?
2. Define in short the concept of process of control.
3. Define the term “comparator” in short.
4. Explain how process of control can be applied into production management.
5. Explain the applicability for the concept of “control is forward looking” in financial management.
6. Explain in brief the limitation of internal and external process of control.
7. Explain the characteristics of process of control.
8. Explain the importance of process of control.
9. What is the Requisites of Effective Control? Explain in brief the stages in the control process.

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## **19.10 Further Readings**

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1. Edgar H. Schein, " Increasing Organisational Effectiveness Through Better Human Resource Planning in Diversified Companies" in *Human Resource Planning* 2, No. 2(1979) pp. 123-133.



2. Leon C. Megginson; *Personnel and Human Resources Administration*, (Homewood, Ill, Irwin, 1977), p. 232. **Process of Control**
3. R. Kreitner, *Management*, Houghton Mifflin Company, Boston, 1986. p. 325.
4. Ibid, pp. 320-21  
James A. F. Stoner, Freeman, Gilbert Jr. *Management*, Sixth Edition., (Pentice-Hall of India, 1997), p. 388-89.

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# UNIT – 20

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## TECHNIQUES OF CONTROL

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### Objectives

After studying this unit, you will be able to:

- Explain the meaning of Control;
- Identify the methods of Controlling;
- Explain the difference between traditional and modern methods;
- Describe various methods of Control

### Structure

**20.0** Introduction

**20.1.1** Traditional or Conventional Control Techniques

**20.1.2** Modern or Contemporary Control Techniques

**20.2** Summary

**20.3** Self-Assessment Questions

**20.4** Further Readings

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### 20.1 Introduction

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Management Control can be defined as the process oriented to verify the advancement status of the planned objectives, i.e. the efficacy and efficiency of the organisation through the analysis of all the resources, costs and proceeds involved.

Management Control is not considered as an activity of the administration area's exclusive competency, but it is considered as a process that involves all the appropriate levels of responsibilities and the various functions of an organisation.

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. The information from various controls must be tailored to a specific management level, department, unit, or operation. As with all processes, Management Control is constituted by different elements, connected to each other. The structure that means the personnel charged of the duty of control, the tools such as general accounting, analytical accounting,

budgeting, reporting, income statement analysis and the procedures involving coordination and optimisation.

Controlling Control is making sure that something happen the way it was planned to happen. As implied in this definition, planning and controlling are virtually inseparable functions. It ensures that activities confirm the standards that were set in advance so that organizational goals are achieved. It also ensures that all the activities in an organization are performed as per the plans. A good and effective controlling technique ensures that an organization's resources are being used effectively and efficiently applied for the achievement of predetermined goals.

Controlling function of a manager is a pervasive function. Controlling only completes one cycle of management process and improves planning in the next cycle. A number of techniques or tools are used for the purpose of managerial control. Some of the techniques are used for the control of the overall performance of the organisation while others are used for controlling specific areas or aspects like costs, sales, marketing etc.

Budgetary control enjoys a long term tradition behind controlling various management functions. It is one of the most important and efficient techniques of control that can be even used to segregate the different techniques of control.

➤ **Budgetary control technique**

The technique of budgetary control refers to the use of budgets as the means for controlling the activities of a business.

➤ **Non-budgetary control techniques**

Non-budgetary control techniques refer to all techniques of control other than the technique of budgetary control. Non-budgetary control techniques include techniques such as:

- ❖ Personal Observation
- ❖ Standard Costing
- ❖ Inventory Control
- ❖ Break-even analysis
- ❖ Statistical Data Analysis
- ❖ Financial Statement Analysis
- ❖ Internal Audit
- ❖ Production Planning and Control
- ❖ Return on Investment Control
- ❖ Management Information System

- ❖ Management Audit
- ❖ PERT & CPM
- ❖ Human Resources Accounting
- ❖ Responsibility Accounting
- ❖ Management by Objective and Appraisal by Results (MBO)

It is important to note that this type of classification of control techniques, i.e. the classification of control techniques into budgetary control technique and non-budgetary control techniques is not quite common these days. Instead, the techniques of control are broadly classified into two different categories according to its application in the domain of management.

- **Traditional or Conventional Techniques**
- **Modern or Contemporary Techniques**

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## **20.1 Traditional or Conventional Control Techniques**

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The important Traditional or Conventional techniques are:

- Budgetary Control
- Standard Costing
- Break-even Analysis
- Personal Observation
- Statistical Data Analysis
- Inventory Control
- Internal Audit
- Production Planning and Control

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## **20.2 Modern or Contemporary Control Techniques**

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The Important Modern or Contemporary techniques are:

- PERT & CPM
- Financial Statement Analysis
- Management Information System
- Management Audit
- Return on Investment Control

- Zero-base Budgeting
- Human Resources Accounting
- Responsibility Accounting
- Management by Objective and Appraisal by Results (MBO)

## **Traditional Control Techniques**

### **20.1.1 Budgetary Control**

A budget is a planning and controlling device that is used as a technique of managerial control. It is also the essence behind the financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue.

Budgetary control is a control technique whereby actual results are compared with the budgets. Any differences or variances are made the responsibility of key individuals who can either exercise control action or revise the original budgets. Generally, budgetary control is exercised by the budget committee and stands as one of the most traditional method of controlling.

According to J.A. Scott:

*“Budgetary control is the system of management control and accounting in which all operations are forecasted and so far as possible planned ahead, and the actual results compared with the forecasted and planned ones”.*

Budgets are nothing more than the statements of anticipated results. Budgeting is the formulation of plans for a given future period in numerical terms through numerical statement of plans and breaking of these plans into components consistent with the organization structure, budgets force and correlate planning to allow authority to be delegated without loss of control.

Budgetary control is defined by the Institute of Cost and Management Accountants as:

*“The establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision”.*

Budget is a formal statement of the financial resources set aside for carrying out specific activities in a given period of time. It helps to co-ordinate the activities of the organisation. An example would be an advertising budget or sales force budget.

However, there are many types of budgets such as

- Revenue and expense budgets
- Time, space, material, and product budgets

- Capital expenditure budgets
- Cash budgets
- Balance sheet budgets
- Budget summaries
- Zero- base budgeting

In Budgetary control, the company managers make budget like production budget, sales budget, financial budget, research and development budget etc. The actual performance is measured with the budget amount. It is a widely used device for managerial control and it is also assumed that budgeting is the device for accomplishing control.

### **20.1.2 Standard Costing**

ICMA, England has defined standard costing in the following lines:

*“Standard cost is a pre-determined cost which is calculated from management's standards of efficient operation and the relevant necessary expenditure.”*

### **20.1.3 Break-even Analysis or Cost-Volume-Profit Analysis**

Break-even Analysis also known as Cost-Volume-Profit analysis is the study of the interrelationship between the cost i.e. cost of production, volume i.e., the volume of production and sales, the prices and the sales value, as well as the profits. In other words, it is the study of the inter-relationship between the cost i.e., cost of production, volume i.e., volume of production and sales, prices i.e., selling prices and profits.

Break even chart used in break-even analysis is a very interesting and efficient control device. Break-even chart depicts the relationship between sales and expenses in such a way that shows the volume at which revenues exactly cover expenses. Break is used in the terminology because it emphasizes the marginal concept.

Break-even analysis is an important technique of controlling used by many organisations. Companies sell their products up to the break-even point because it is that point where total cost equals to total sale value and company reaches the point of on profit and no loss equilibrium. Any sale below this point means that total cost is more than total sale value and company will suffer losses.

### **20.1.4 Personal Observation**

Personal observation technique is a traditional technique of controlling under which the managers keep a close personal observation at the employees in their working environment. In other words, the manager

observes whether the workers are doing what they are expected to do or not. They record all the behaviour and activities of the employees.

Generally, the manager appoint authorities, sometimes known as supervisors to observe other employees. They also record the actual performance of the employees and report it to their manager. Based on the submitted actual performance report of the employees, the manager takes the decision about improving the performance of under-performing employees.

### **20.1.5 Statistical Data Analysis**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are important tool to exercise the control decisions.

Statistical data analysis is also an important technique of controlling used in many organisations. Under this technique company analyses the statistical data in the form of mean, median, mode, standard variation and correlation to find the shortcomings in planning so that it can be improved.

It is a technique under which statistical data of the past and the present relating to the important aspects of the business are used for managerial control. The statistical data are collected from books and registers of the concern departments and presented to the management in a systematic manner in the form of tables, charts, graphs, etc. Some managers can readily interpret tabular statistical data but most of the managers prefer the presentation of data in terms of figures and charts for a better understanding.

### **20.1.6 Inventory Control**

Inventory control can be defined as physical control of stock items and implementing the principles and policies relating thereto. Inventory is the stock of raw materials, work-in-progress, finished goods, consumable stores as well as spare parts and components at any given point of time. In simple words, inventory control means control over different items of inventory or stock.

Just-In-Time Inventory Control, abbreviated as JIT is a technique for reducing inventories to a minimum by arranging for production components to be delivered to the production facility “just-in-time” to be used. JIT works best in companies that manufacture relatively standardized products for which there is consistent demand.

### **20.1.7 Internal Audit**

Another effective technique of control is the internal audit. In some organisations, it is also called as the operational audit. Operational auditing in its broadest sense, is the regular and independent appraisal by a



staff of internal auditors of the accounting, financial, and other operations of an organisation.

Internal audit is a continuous and systematic review of the accounting, financial and other operations of a concern by the staff specially appointed by the management for this purpose. In other words, it is the auditing for the management conducted by the staff specially appointed for the purpose to ensure that the work of the concern is going on smoothly, efficiently and economically.

### **20.1.8 Production Planning and Control**

Production planning and control is a technique of control used in manufacturing and production units. In the words of S. Elon,

*“Production planning and control may be defined as the direction and co-ordination of the firm’s material and physical facilities towards the attainment of pre-specified production goals in the most efficient and valuable way”.*

## **Modern Control Techniques**

### **20.2.1 PERT & CPM**

Project Evaluation Review Technique (PERT) and Critical Path Method (CPM) are scheduling techniques used to plan, schedule, budget and control many activities associated with projects. Projects are usually very large, complex, custom products that consist of many interrelated activities to be performed either concurrently or sequentially. The planning horizon for PERT/CPM typically extends beyond six-month time frame as compared to the traditional short term planning used in the other production processes.

Utilizing PERT/CPM involves breaking the total project down into many different individual activities with identifiable time requirements. Each activity must be accomplished as part of the total work to be done. Custom products based on the customer's specifications are produced with the project process; therefore, the customer's desired completion date is the focal point for scheduling. The time to begin work on the project is determined by working backward from the customer’s desired completion date. Project managers must coordinate each of the activities so that the project can be completed at the desired date and with minimal costs.

The PERT/CPM schedule allows for converting the project plans into an operating timetable; thus providing the direction for managing day-to-day activities of projects. Although application of both PERT and CPM follow the same steps and use network diagrams to schedule and control projects, the primary difference between these two techniques is that PERT is probabilistic where CPM is deterministic.

There are six steps involved in PERT/CPM that should be completed in chronological order:

- a) Identify all the activities required by the project.
- b) Identify the precedence relationships among the activities.
- c) Determine the expected time requirements for each activity.
- d) Develop a network diagram of activities as arrows and events or nodes as circles showing precedence relationships.
- e) Determine the earliest and latest feasible event times.
- f) Identify the critical path i.e. the minimum time to complete the project.

### **20.2.2 Financial Statement Analysis**

Financial statements are a means of managerial control. They can be used by the management for measuring and controlling the profitability, liquidity and the financial position of the business. By comparing the financial statement of the current year with those of the previous years and also by comparing the financial statement of their concern with those of other concerns engaged in the same industry.

Another important aspect behind financial analysis is the ratio analysis. A ratio is a relationship between two numbers that is calculated by dividing one number with the other. Ratio analysis is the process of generating information that summarizes the financial position of an organization through the calculation of ratios based on various financial measures that appear on the organization's balance sheet and income statements.

### **20.2.3 Management Information System (MIS)**

MIS means management information system. Management Information System (MIS) is an approach of providing timely, adequate and accurate information to the right person in the organisation which helps in taking right decisions.

In this system, raw data is collected from direct or indirect sources and then after classification of data , different analysis is rendered by company managers after which the company managers provide information about favourable and unfavourable position of company's planning . MIS is very important technique highly used with the help of computers.

### **20.2.4 Management Audit**

Management audit is an investigation by an independent organisation to find out whether the management is carried out most effectively or not. In case there are drawbacks at any level then recommendations should be given to improve managerial efficiency.

Management audit is simply a method of auditing done by chartered accountants so that the company managers can use it as a technique of controlling for the management of an organisation. Managers establish their relations with CA of company and after discussing, they implement a system of internal management audit in which company's CA and the related staff audit make audits at spot to check the efficiency and correctness of plan and its implementation by the staff of an organisation.

### **20.2.5 Return on Investment Control (ROI)**

Profits is the measure of the overall efficiency of any business. Profit earned in relation to the capital employed in a business is an important control device. ROI is used to measure the overall efficiency of an organisation. It analyses the efficiency of all the resources being used by an organisation.

Organisations having a higher rate of return are considered to have a good operating and management system in control. Return on investment means capacity of earning profit on total investment which is invested by an organisation. It is one of the most scientifically proven technique of controlling.

### **20.2.6 Zero-Base Budgeting**

In the words of Peter A Pyher,

*“Zero-base budgeting is a planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch and shifts the burden of proof to each manager to justify why he should spend money at all. The approach requires that all activities be analysed in ‘decision packages’ which are evaluated by systematic analysis and ranked in order of importance”.*

It can be easily concluded from the above mentioned definition that Zero-base budgeting is a technique of preparing the budget in which the previous year is not taken as the base but every year is taken as a new year for preparing the current year’s budget.

### **20.2.7 Human Resources Accounting**

Human Resource Accounting is another important technique of control. It is the process of assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries as well as training expenses.

Human Resource Accounting is the activity of knowing the cost invested for employees towards their recruitment, training them, payment of salaries & other benefits paid and in return knowing their contribution to organisation towards it's profitability.

It helps the organisation to keep their expenses under control as well as to check that none of the human resources are under utilised. An organisation can plan about their human resource requirement in advance and can use human resource accounting to confirm and correct for any deviations happening with time.

The American Accounting Association has defined human resources accounting as “*the process of identifying and measuring data about human resources and communicating this information to interested parties*”.

### **20.2.8 Responsibility Accounting**

Responsibility accounting is defined as a system designed to accumulate and report costs by individual levels of responsibility. Each supervisory area is charged only with the cost for which it is responsible and over which it has control.

Responsibility accounting is a controlling technique in which different responsibility centres are created by company manager with the names such as cost centre, profit centre, investment centre and many more. Once the centres are established, it becomes the responsibility of the centre heads to manage their own cost of operation.

The basic objective behind making these profit centres lies in the fact that it helps an organisation increase profit, increase return on investment and decrease the cost of production. Different budgetary cost are also configured and the cost of each and every centre is counted and recorded. If the actual cost of each centre is less than budgeted cost, it means that the centre has performed well otherwise corrective measures are needed.

### **20.2.9 Management by Objective and Appraisal by Results (MBO)**

In MBO, the manager assigns a specialized set of objectives and action plans to the other employees and then rewards those workers on the basis of how close are they to the prescribed goals and objectives. This control technique has been implemented in those organisations where the intent of the organisation is to promote the use of employee-participative methods to improve the overall productivity while increasing the revenue and profit of the organisation.

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## **20.2 Summary**

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Control techniques are the methods by which this process is implemented. There are a plenty of methods for controlling. These methods are selected on the basis of suitability and availability of the organisation. Generally, these methods are divided in traditional and modern methods. Both types are important for the organisations due to

their unique feature and utility. Objectives of these technique is to implement the write and prompt method for controlling.

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### **20.3 Self Assessment Questions**

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1. What is meant by Zero-Base Budgeting?
2. Define Internal Audit in brief.
3. Define in short Standard Costing.
4. Explain in brief the importance of Responsibility Accounting.
5. Explain the concept of Financial Statement Analysis.
6. Explain in brief the concept of Human Resources Accounting.
7. Explain the importance of modern control techniques?
8. Explain the importance of traditional control of techniques.
9. What is the importance of techniques of control? Explain in brief the budgetary and non-budgetary techniques of control.

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### **20.4 Further readings**

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1. Edgar H. Schein, "Increasing Organisational Effectiveness Through Better Human Resource Planning in Diversified Companies" in *Human Resource Planning* 2, No. 2(1979) pp. 123-133.
2. Leon C. Megginson; *Personnel and Human Resources Administration*, (Homewood, Ill, Irwin, 1977), p. 232.
3. R. Kreitner, *Management*, Houghton Mifflin Company, Boston, 1986. p. 325.
4. Ibid, pp. 320-21  
James A. F. Stoner, Freeman, Gilbert Jr. *Management*, Sixth Edition., (Pentice-Hall of India, 1997), p. 388-89.

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