FUNDAMENTALS

OF BUSINESS MANAGEMENT

Dr. B. Jayalakshmi

Dr. M. Sankar

Fundamentals of
Business Management

EMPYREAL
PUBLISHING HOUSE

India | UAE | Nigeria | Uzbekistan | Montenegro | Iraq |
Egypt | Thailand | Uganda | Philippines | Indonesia
www.empyrealpublishinghouse.com

Fundamentals of Business Management

By:

Dr. B. Jayalakshmi
Associate Professor, Department of Management Studies,
Vivekanandha College of Arts & Science for Women
(Autonomous), Elayampalayam, Tiruchengode

Dr. M. Sankar
Assistant Professor, Department of Business Administration,
Mahendra Arts & Science College (Autonomous),
Kalippatti, Namakkal-637 501

First Impression: February 2023

Fundamentals of Business Management

ISBN : 978-93-93810-34-2

Rs. 650/- ($18)

DISCLAIMER
Information contained in this book has been published by Empyreal Publishing House and has been obtained by the authors from sources believed to be reliable and correct to the best of their knowledge. The author is solely responsible for the contents of the articles compiled in this book. Responsibility of authenticity of the work or the concepts/views presented by the author through this book shall lie with the author and the publisher has no role or claim or any responsibility in this regard. Errors, if any, are purely unintentional and readers are requested to communicate such error to the author to avoid discrepancies in future.

Published by:
Empyreal Publishing House

PREFACE

A fundamental of business management is interesting subject. From the practical applications point of view, the subject “Fundamentals of business management” is ranked first among all other management disciplines.

It is a collections of principles contained in various enacts and made applicable to business management and some knowledge of business management is necessary for every members of business community and society.

After teaching the fundamentals of business management for 12 years, we have attempted, in this simple contribution to business community in general and students community in particular. The aim of this book is to set out the basic principles of business management simply and clearly. This book entitles fundamentals of business management is intended to serve as text book for students taking upon B.Com, B.Com(CA), BBA, and MBA degrees, and other professional courses.

ACKNOWLEDGEMENT

I wish to acknowledge my obeisance to Mr.M.G.BHARATHKUMAR Chairman, Mahendra Educational Institutions, Namakkal, for making this achievement possible. It is our privilege to thank Dr.S.ARJUNAN, Principal, Mahendra Arts & Science College (Autonomous), Kalippatti, Namakkal for his moral support. I am always indebted to Dr.P.Mohanraj, Professor, Department of Management Studies, Er.Perumal manimegali college of Technology, Hosur and to Dr.R.Mohanraj, Assistant Professor & Head, Department of Business Administration, Government Arts College (Autonomous), Kumbakonam, for their constructive suggestion and guidance in writing of this book. I thank Mr.C.Sasikumar, Associate Professor & Head, Department of Business Administration, Mahendra Arts & Science College (Autonomous), Kalippatti, Namakkal, and Mrs.N.Kausalya, Assistant Professor, Department of Business Administration, Mahendra Arts & Science College (Autonomous), Kalippatti, Namakkal, for their support and encouragement. Finally I extend my acknowledgement to my mother, father, wife and my children's and friends.

I would like to convey my heartful thanks to Prof.Dr.M.KARUNANITHI, Chairman and Secretary, Vivekanandha Educational Institutions, Tiruchengode. I am extremely thankful to Dr.V.KUMARAVEL, Director, Corporate relationship and skill development for giving me his valuable guidance. I would like to thank Dr.P.BABY SHAKILA, Principal, Vivekanandha college for Arts & Science for women, (Autonomous) for giving me constant support. I am extremely thankful to Mr.P.SASIKUMAR, Director- i/c and Dr.P.MUNUMSAMY, Associate Professor and Head, which instilled me the seed of self-confidence. A very special thanks to my son Er. M.J.KASHINATH, for assisting me in my work by preparing chart and diagram. I am grateful to my husband S.MAYAKRISHNAN for his encouragement and support.

Dr. B. Jayalakshmi

Dr. M. Sankar

Table of Contents

 ISBN: 978-93-93810-34-2

Unit – I

Introduction to Business

 ISBN: 978-93-93810-34-2

1. INTRODUCTION TO BUSINESS

In order to meet their requirements, all humans, regardless of location, require various kinds of commodities and services. People require many kinds of goods and services to meet their requirements, as can be seen by taking a look around. How are they purchased? They visit a market, whether it is actual or virtual via the internet, where they locate a range of stores and vendors selling the necessary goods and select the best option.

Have you ever questioned the process involved in making these goods and services available to consumers? In order to satisfy the requirements and wants of consumers, it is necessary for diverse groups of individuals involved in various economic activities, such as production, manufacturing, distribution, and trade, to deliver goods and services. The production and selling of goods and services that people need are the main economic activity of business. Our lives revolve on business. Business has a significant impact on our everyday lives, even if many other institutions in contemporary society also have an impact, including schools, universities, hospitals, political parties, and religious organizations. It therefore, becomes important that we understand the concept, nature and purpose of business.

Production occurs first and ends with consumption in business. There are several phases involved in getting the completed items to the consumer. The actions involved in producing commodities are within the purview of industry, whereas the rest are the responsibility of commerce. In a nutshell, we refer to them as "business," a phrase that is broader and covers industry, trade, and commerce.

1.1 CONCEPT OF BUSINESS

The word "busy" is where the word "business" originates. Business therefore entails being busy. However, in a more narrow sense, the term "business" describes a line of work in which individuals frequently participate in activities linked to the acquisition, manufacture, and/or sale of products and services with the intention of making a profit. You'll see that individuals engage in a variety of activities to meet their needs if you glance around. Economic and non-economic activities can be generally divided into these two categories. Economic activities are those that allow us to support ourselves, whereas non-economic activities are those that are done out of affection, compassion, feeling, patriotism, etc.

A worker in a factory, a doctor treating patients in his office, a manager managing employees in an office, and a teacher instructing students in a school are just a few examples of people who are working to support their families and are, thus, involved in an economic activity. On the other hand, since they are acting out of love or compassion, a housewife preparing meals for her family or a little kid assisting an elderly man cross the street are conducting non-economic tasks. The three categories of business, profession, and employment are further divisions of economic

 ISBN: 978-93-93810-34-2

activity. Business may be described as an economic activity that involves the creation and selling of goods and services with the goal of making money through meeting societal requirements.

1.2 CHARACTERISTICS OF BUSINESS ACTIVITIES

In order to appreciate how business activity is different from other activities in society, the nature of business or its fundamental character must be explained in terms of its distinguishing characteristics, which are as follows:

I. An Economic Activity: Since it is done to make money or support oneself and not out of feelings of love, affection, pity, or any other emotion, business is seen as an economic activity. It should be noted that this activity can be carried out on a modest, individual level. e.g. (purchase and sale by a shopkeeper) or on large scale in a more formal and organised level (purchase and sale by a cooperative society or company).

II. Production or Procurement of Goods and Services: Before products are made available to the public for consumption, commercial firms must either manufacture or acquire them. In order to sell its products to customers or other users, every business company either produces the things it deals in or buys them from manufacturers.Goods may consist of consumable items of daily use, such as sugar, ghee, pen, notebook, etc., or capital goods, like machinery, furniture, etc. Services may include facilities offered to consumers, business firms and organisations in the form of transportation, banking, electricity, etc.

III. Sale or Exchange of Goods and Services: Business includes the transfer or exchange of products and services for money, either directly or indirectly. It cannot be said to as a commercial activity if things are created for personal use rather than for sale.While preparing meals for the family at home is not considered business doing it at a restaurant is. The sale or exchange of products or services between the seller and the customer is therefore one key component of business.

IV. Dealings in Goods and Services on a Regular Basis: Dealing regularly in products or services is a part of business. Therefore, conducting business in a single sale or purchase does not qualify. So for instance selling a household radio set even at a profit won't be seen as engaging in business. However, if he/she routinely sells radio sets through a store or from their home, it will be viewed as a commercial activity.

V. Profit Earning: Profitable income generation is one of a business's primary goals. Without revenue, no company can last very long. Because of this, businesspeople strive to increase profits by boosting sales or decreasing costs.

VI. Uncertainty of Return: The lack of understanding about how much money the company will make over the course of a specific time period is referred to as uncertainty of return. For the purpose of operating its operations and turning a profit, every firm invests money (capital). However, it is uncertain how much profit will be made. Despite all of the efforts put into the firm there is still a chance of losses occurring.

VII. Element of Risk: Risk is the uncertainty connected to a potential loss exposure. Some unfavorable or undesirable experience is the root of it. Risks are linked to variables such as shifts in customer preferences and fashion, adjustments to manufacturing methods, worker strikes or lockouts, heightened market rivalry, fire, theft, accidents, natural disasters, etc. No business can completely eliminate risks.

1.3 OBJECTIVES OF BUSINESS

Every area that affects the continuation and success of business need objectives. A firm needs various goals since it must balance a variety of demands and objectives. It cannot pursue just one goal and expect to succeed in being the best. Every sector and level of company requires the specificity of objectives. With the help of objectives, a company is also able to evaluate its own performance and take the required action to go forward with improving it. Some of these areas are described as follows.

I. MarketStanding: Maintaining one's company's reputation and goodwill is essential for success. It is referred to as market standing in reference to its rivals and aids in developing a distinctive personality in the market. A company should strive to separate out from the competition by providing clients with competitive products at fair rates and satisfying their needs.

II. Innovation: Any commercial enterprise's ability to expand depends on innovation. It aids in corporate expansion and gives the company a competitive advantage in the market. Innovation is described as the application of fresh concepts or procedures in the production or production process. It does not, however, indicate that a brand-new product will be produced. Innovation may also be demonstrated by any changes made to an existing product to improve how it works. There are two kinds of innovation in every business, i.e., (i) innovation in product or services; and (ii) innovation in various skills and activities needed to supply products and services. No business enterprise can flourish in a competitive world without innovation. Therefore, innovation becomes an important objective.

III. Productivity: By comparing the value of output and input, productivity is determined. It serves as a gauge of effectiveness. Every business must pursue increased productivity by making the greatest use of its resources if it wants to continue to exist and develop.

IV.Physical and Financial Resources: Every firm needs both financial and physical resources to be able to create and provide goods and services to its clients. Financial resources include money. The company must strive to get these resources in accordance with their needs and utilize them effectively.

V.Earning Profits: Gaining returns on invested capital is one of the goals of business. Profit in relation to capital investment is referred to as profitability. Every company has to produce a profit that is fair in order to survive and grow.

VI.Social Responsibility: Social responsibility refers to the obligation of business firms to contribute resources for solving social problems and work in a socially desirable manner.

1.4 TYPES OF BUSINESS ORGANISATION

The selection about the kind of organization is crucial for everyone interested in starting a business or growing an existing one. Various forms of business organisations from which one can choose the right one include:

(a) Sole proprietorship,

(b) Partnership,

(c) Cooperative societies,and

(d) Joint stock company.

SOLE PROPRIETORSHIP

The most effective business structure for small enterprises, especially in the early stages of development, is the sole proprietorship. A sole proprietorship is a type of business organization in which all ownership, management, and control are exercised by a single person who also assumes all risks and receives all profits. The phrase itself makes this clear. Proprietor refers to "owner," while "sole" means "only." As a result, a lone proprietor is the only owner of a company. In the event that the business's assets are insufficient to pay off all of the obligations, the owner is personally liable.

Features

Salient characteristics of the sole proprietorship form of organisation are as follows:

i. Formation and Closure: The sole proprietorship is not governed by a separate statute. Starting a sole proprietorship requires almost no legal procedures; however in rare circumstances a license may be necessary. The company may also simply be closed down. Consequently, business establishment and closing are both simple.

ii. Liability: Individual business owners are completely liable. This suggests that she must raise Rs. 20,000 from personal sources even if she has to sell some of her possessions to pay off the firm's debts.

iii. Sole risk bearer and profit recipient: The sole proprietor is responsible for assuming all business failure risk. However, the owner reaps all the rewards if the company is successful. He is the sole beneficiary of the company's gains, which serve as payment in full for the risks he took.

iv. Control: The sole proprietor has full authority to manage the company and make all decisions. He is capable of executing his plans without outside influence.

v. No Separate Entity: The sole proprietor and his business are not distinguished in the eyes of the law since the business does not have a separate personality from the owner. As a result, the owner is accountable for all business operations.

vi. Lack of business continuity: Since a sole proprietorship is owned and controlled by a single individual, any of the following events will directly and negatively affect the firm and may even result in its closure: death, insanity, jail, physical illness, or bankruptcy of the sole owner.

Advantages

Sole proprietorship offers many advantages. Some of the important ones are as follows:

i. Quick Decision Making: A sole entrepreneur has a great deal of discretion in running their firm. Furthermore, since there is no need for outside consultation, decisions are made quickly. This may enable prompt capitalization of market opportunities when they present themselves.

ii. Confidentiality of information: The proprietor can protect secrecy and confidentiality by having sole decision-making authority over all information pertaining to business activities. A solo proprietor is not required by law to publish the firm's financial statements.

iii. Direct incentive: A sole owner immediately benefits from their work because they are the only ones who receive the profits. Since he/she is the sole proprietor, there is no need to split earnings. This gives the solitary proprietor the most motivation to put in long hours.

iv. Sense of Accomplishment: Working for oneself may be very satisfying personally. Knowing that one is accountable for the company's success not only boosts one's feeling of self-worth but also fosters confidence in one's own talents and sense of achievement.

v. Ease of Formation and Closure: The ability to start a firm with little legal requirements is a significant benefit of sole proprietorship. The sole proprietorship is not governed by a separate statute. Since a sole proprietorship is the least regulated type of business, it is simple to launch and shut down the enterprise as the owner sees fit.

Limitations

Not with standing various advantages, the sole proprietorship form of organisation is not free from limitations. Some of the major limitations of sole proprietorship are as follows:

i. Limited Resources: A sole owner can only borrow money from others and use his or her own personal savings as resources. Banks and other lending organizations could be reluctant to offer a solo proprietor a long-term loan. One of the key reasons why a business's size seldom increases significantly and often stays modest is a lack of resources.

ii. Limited Life of a Business Concern: Due to the fact that a sole proprietorship is owned and operated by a single person, any adverse events that may effect that individual-such as death, insanity, jail, physical illness, or bankruptcy - could cause the firm to fail.

iii. Unlimited Liability: The owner of a sole proprietorship has limitless responsibility, which is a significant drawback. In the event that a business fails, creditors may be able to recoup their debts not just from the company's assets but also from the owner's personal assets. A bad choice or unfavorable situation might place a heavy financial burden on the owner. Because of this, a solo proprietor is less likely to take chances by innovating or growing their business.

iv. Limited Managerial Ability: The owner is responsible for carrying out a variety of managerial duties, including buying, selling, financing, etc. Finding someone who is exceptional in each of these categories is uncommon. Decision-making may not always be balanced as a result. Additionally, a lone entrepreneur may not be able to hire and keep competent and motivated staff owing to their restricted financial means.

Even though single proprietorship has a number of drawbacks, many business owners choose it because of its inherent benefits. There is less capital needed. It works well for firms that operate on a small scale and when clients need individualized services.

PARTNERSHIP

Partnerships became a feasible choice due to the inherent disadvantage of the single proprietorship in funding and managing a developing firm. A partnership provides a solution to the need for larger capital investment, a variety of talents, and risk sharing. The Indian Partnership Act, 1932 defines partnership as “the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all”.

Features

i. Formation: The Indian Partnership Act, 1932 governs the partnership type of corporate organization. Each partner is also personally liable for paying off the company's obligations.

However, in the future, such a partner may be able to collect from the other partner’s money equal to their respective shares of the obligation as established by the partnership agreement. It is created by the execution of a formal contract that outlines the rules and circumstances controlling the connection between the partners, the division of profits and losses, and the method of conducting business.

ii. Liability: A company's partners are completely liable. If the business assets are not enough to cover the debt, personal assets may be utilised. Additionally, the partners are both individually and equally responsible for paying debts. Each partner shares in the debts jointly and pays according to their proportionate share of the firm.

iii. Risk Bearing: The dangers of conducting a firm jointly are borne by the partners. The reward takes the form of profits, which are divided in accordance with a predetermined ratio by the partners. In the case that the company experiences losses, they do, however, also split the losses in the same proportion.

iv. Decision Making and Control: The partners divide up the duty of making decisions and exercising control over daily operations. In most cases, decisions are reached by consensus. As a result, all of the partners work together to oversee the activities of a partnership business.

v. Continuity: Since any partner's death, retirement, insolvency, or insanity might cause the firm to stop, partnerships are characterized by a lack of commercial continuity. However, if the surviving partners so choose, they may carry on the firm under a new contract.

vi. Number of Partners: A partnership business must have at least two partners in order to get started. Section 464 of the Companies Act of 2013 states that a partnership business may have up to 100 partners, subject to the limit set by the government. The Companies (miscellaneous) Rules 2014's Rule 10 states that the maximum number of members is now 50.

vii. Mutual Agency: The term "partnership" emphasizes the fact that it refers to a firm that is operated by all of the partners working together, or by any one of them. In other words, each partner serves as both a principal and an agent. As he represents them and ties them as a result of his actions, he is an agent of the other partners. He is a principle because he is liable for the actions of the other partners.

Advantages

The following points describe the advantages of a partnership firm.

i. Ease of Formation and Closure: It is simple to establish a partnership firm by having potential partners signs a contract committing them to managing the firm's operations and sharing risks. Regarding the firm's registration, nothing is required. Closing the business is also a simple job.

ii. Balanced Decision Making: In accordance with their own areas of competence, the partners might supervise various duties. An individual is not required to manage many tasks, which not only lightens the workload but also results in fewer judgment mistakes. Decisions will likely be more balanced as a result.

iii. More Funds: A number of partners each contribute capital to a partnership. Due to this, it is able to obtain more money than a lone owner would and to carry out extra activities as needed.

iv. Sharing of Risks: All of the partners in a partnership firm share the risks associated with running the business. This lessens the stress, worry, and responsibility placed on individual partners.

v. Secrecy: The legislation does not require reports from or financial statements from a partnership firm. As a consequence, it can safeguard the confidentiality of information regarding its operations.

Disadvantages

A partnership firm of business organisation suffers from the following limitations:

i. Unlimited Liability: In the event that the company's assets are insufficient to fulfill all of its debts, partners are nevertheless obligated to make repayments from their own funds. The joint and several liabilities of partners may prove to be a disadvantage for those partners who have more personal wealth. If the other partners are unable to pay the debt, they will be responsible for paying it in full.

ii. Limited Resources: Because there is a ceiling on the number of partners, capital contributions are sometimes insufficient to finance extensive commercial activities. Because of this, partnership businesses have trouble growing over a particular size.

iii. Possibility of Conflicts: A group of people manages a partnership, and decision-making power is distributed among them. Partners may argue about some matters if their opinions differ. Additionally, the actions of one partner have an impact on the other partners. As a result, one person's poor judgment might put everyone else in financial misery. Because there are restrictions on the transfer of ownership, if one of the partners decides to quit the business, the partnership may be terminated.

iv. Lack of Continuity: Partnership comes to an end with the death, retirement, insolvency or lunacy of any partner. It may result in lack of continuity. However, the remaining partners can enter into a fresh agreement and continue to run the business.

v. Lack of public Confidence: Legally, a partnership business is not compelled to make its financial reports or other pertinent information available to the public. Therefore, it is challenging for any member of the public to determine the partnership firm's actual financial situation. As a result, the public has little faith in partnership businesses.

Types of Partners

Different partner kinds, each with unique responsibilities, can be found in a partnership business. It's crucial to comprehend these sorts in order to clearly appreciate their rights and obligations.

Active partner: An active partner is one who invests money, takes part in the company's management, shares in its profits and losses, and owes an infinite amount of money to the company's creditors. These partners actively participate in running the company's operations on behalf of other partners.

i. **Sleeping or Dormant Partner:** Sleeping partners are those partners who do not participate in the daily operations of the company. However, a sleeping partner pays money to the company, participates in its gains and losses, and is liable for anything that happens to the company.

ii. **Secret Partner:** A secret partner is a person who works for the company but whose involvement is hidden from the public. He is similar to the other partners in every way except for one distinctive trait. He contributes to the company's capital, participates in its administration, shares in its earnings and losses, and is completely liable to its creditors.

iii. **Nominal Partner:** Nominal partners are those who permit the use of their name by a business but makes no financial contributions. He or she does not actively participate in the management of the company and does not share in its profits or losses, but is nonetheless responsible, along with the other partners, to third parties for the repayment of the company's obligations.

iv. **Partner by Estoppel**: If a person provides the appearance to others that they are a partner of the company via their own initiative, conduct, or behavior, they are said to be a partner by estoppel. These partners are accountable for the company's obligations because, in the view of the outside party, they are partners even if they do not provide money or participate in management.

COOPERATIVE SOCIETY

Cooperative refers to collaborating with others towards a common goal. A cooperative society is a group of people who get together voluntarily for the benefit of their fellow members. They are motivated by the need to defend their economic interests against potential exploitation by intermediaries who are driven by the desire to make more money.

 ISBN: 978-93-93810-34-2

According to the Cooperative Societies Act of 1912, the cooperative society must be registered. The procedure of establishing a cooperative society is straight forward and the assent of at least 10 adult individuals is all that is needed to start one. A society can raise capital by issuing shares to its members. After being registered, the society is given a separate legal identity.

The Characteristics of a cooperative society are listed below.

i. Voluntary Membership: A cooperative society only accepts voluntary members. A individual has the freedom to join a cooperative organization and to leave at any moment. Although a member is legally obligated to give notice before quitting the organization, there is no need to do so. Everyone is eligible to join, regardless of their gender, caste, or religion.

ii. Legal Status: It is required for cooperative societies to register. This grants the society a unique identity that is different from that of its constituents. The society has legal standing to sue and be sued by others, enter into agreements, and own property in its name. Due to its status as a distinct legal body, it is unaffected by the arrival or departure of its members.

iii. Limited Liability: In a cooperative society, each member's responsibility is capped by the amount of capital they have contributed. This outlines the highest level of risk that a member may be asked to assume.

iv. Control: An elected governing committee of a cooperative organization is in charge of making decisions. The democratic nature of the cooperative organization is enhanced by the members' ability to vote for the individuals who will make up the governing committee.

v. Service Motive: Through its objectives, the cooperative society emphasizes the virtues of reciprocal assistance and wellbeing. As a result, the desire to serve others drives its operations. If any surplus is produced as a consequence of its activities, it is dispersed as a dividend to the members in accordance with the society's byelaws.

Merits

Some of the advantages of the cooperative form of organisation are as follows.

- **Equality in Voting Status:** The cooperative society is governed by the 'one man, one vote' premise. Each member has the same number of voting rights regardless of how much capital they have contributed.
- **Limited Liability:** The liability of members of a cooperative society is limited to the extent of their capital contribution. The personal assets of the members are, therefore, safe from being used to repay business debts.

- **Stable Existence:** Death, bankruptcy or insanity of the members do not affect continuity of a cooperative society. A society, therefore, operates unaffected by any change in the membership.
- **Economy in Operations:** The members generally offer honorary services to the society. As the focus is on elimination of middlemen, this helps in reducing costs. The customers or producers themselves are members of the society, and hence the risk of bad debts is lower.
- **Support from Government:** The cooperative society exemplifies the idea of democracy and hence finds support from the Government in the form of low taxes, subsidies, and low interest rates on loans.
- **Ease of Formation:** The cooperative society can be started with a minimum of ten members. The registration procedure is simple involving a few legal formalities. Its formation is governed by the provisions of Cooperative Societies Act 1912.

Limitations

The cooperative form of organisation suffers from the following limitations:

- **Limited Resources**: Resources of a cooperative society consists of capital contributions of the members with limited means. The low rate of dividend offered on investment also acts as a deterrent in attracting membership or more capital from the members.
- **Inefficiency in Management:** Cooperative societies are unable to attract and employ expert managers because of their inability to pay them high salaries. The members who offer honorary services on a voluntary basis are generally not professionally equipped to handle the management functions effectively.
- **Lack of Secrecy:** As a result of open discussions in the meetings of members as well as disclosure obligations as per the Societies Act (7), it is difficult to maintain secrecy about the operations of a cooperative society.
- **Government Control:** In return of the privileges offered by the government, cooperative societies have to comply with several rules and regulations related to auditing of accounts, submission of accounts, etc. Interference in the functioning ofthe cooperative organisation through the control exercised by the state cooperative departments also negatively affects its freedom of operation.
- **Differences of Opinion:** Internal quarrels arising as a result of contrary viewpoints may lead to difficulties in decision making. Personal interests may start to dominate the welfare motive and the benefit of other members

may take a backseat if personal gain is given preference by certain members.

Types of Cooperative Societies

Various types of cooperative societies based on the nature of their operations are described below:

i. Consumer's Cooperative Societies: The consumer cooperative societies are formed to protect the interests of consumers. The members comprise of consumers desirous of obtaining good quality products at reasonable prices. The society aims at eliminating middlemen to achieve economy in operations. It purchases goods in bulk directly from the wholesalers and sells goods to the members, thereby eliminating the middlemen. Profits, if any, are distributed on the basis of either their capital contributions to the society or purchases made by individual members.

ii. Producer's Cooperative Societies: These societies are set up to protect the interest of small producers. The members comprise of producers desirous of procuring inputs for production of goods to meet the demands of consumers. The society aims to fight against the big capitalists and enhance the bargaining power of the small producers. It supplies raw materials, equipment and other inputs to the members and also buys their output for sale. Profits among the members are generally distributed on the basis of their contributions to the total pool of goods produced or sold by the society.

iii. Marketing Cooperative Societies: Such societies are established to help small producers in selling their products. The members consist of producers who wish to obtain reasonable prices for their output. The society aims to eliminate middlemen and improve competitive position of its members by securing a favourable market for the products. It pools the output of individual members and performs marketing functions like transportation, warehousing, packaging, etc., to sell the output at the best possible price. Profits are distributed according to each member's contribution to the pool of output.

iv. Farmer's Cooperative Societies: These societies are established to protect the interests of farmers by providing better inputs at a reasonable cost. The members comprise farmers who wish to jointly take up farming activities. The aim is to gain the benefits of large scale farming and increase the productivity. Such societies provide better quality seeds, fertilisers, machinery and other modern techniques for use in the cultivation of crops. This helps not only in improving the yield and returns to the farmers, but also solves the problems associated with the farming on fragmented land holdings

v. Credit Cooperative Societies: Credit cooperative societies are established for providing easy credit on reasonable terms to the members. The members comprise of persons who seek financial help in the form of loans. The aim of such societies is to protect the members from the exploitation of lenders who charge high rates of interest on loans. Such societies provide loans to members out of the amounts collected as capital and deposits from the members and charge low rates of interest.

vi. Cooperative Housing Societies: Cooperative housing societies are established to help people with limited income to construct houses at reasonable costs. The members of these societies consist of people who are desirous of procuring residential accommodation at lower costs. The aim is to solve the housing problems of the members by constructing houses and giving the option of paying in installments. These societies construct flats or provide plots to members on which the members themselves can construct the houses as per their choice.

JOINT STOCK COMPANY

A company is an association of persons formed for carrying out business activities and has a legal status independent of its members. A company can be described as an artificial person having a separate legal entity, perpetual succession and a common seal. The company form of organisation is governed by The Companies Act, 2013. As per section 2(20) of Act 2013, a company means company incorporated under this Act or any other previous company law.

The shareholders are the owners of the company while the Board of Directors is the chief managing body elected by the shareholders. Usually, the owners exercise an indirect control over the business. The capital of the company is divided into smaller parts called 'shares' which can be transferred freely from one shareholder to another person (except in a private company).

Features

The definition of a joint stock company highlights the following features of a company.

(i) **Artificial Person:** A company is a creation of law and exists independent of its members. Like natural persons, a company can own property, incur debts, borrow money, enter into contracts, sue and be sued but unlike them it cannot breathe, eat, run, talk and so on. It is, therefore, called an artificial person.

(ii) **Separate Legal Entity:** From the day of its incorporation, a company

 ISBN: 978-93-93810-34-2

acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners. The law does not recognise the business and owners to be one and the same.

(iii) **Formation:** The formation of a company is a time consuming, expensive and complicated process. It involves the preparation of several documents and compliance with several legal requirements before it can start functioning. Incorporation of companies is compulsory under The Companies Act 2013 or any of the previous company law, as state earlier. Such companies which are incorporated under companies Act 1956 or any company law shall be included in the list of companies.

(iv) **Perpetual Succession:** A company being a creation of the law, can be brought to an end only by law. It will only cease to exist when a specific procedure for its closure, called winding up, is completed. Members may come and members may go, but the company continues to exist.

(v) **Control:** The management and control of the affairs of the company is undertaken by the Board of Directors, which appoints the top management officials for running the business. The directors hold a position of immense significance as they are directly accountable to the shareholders for the working of the company. The shareholders, however, do not have the right to be involved in the day-to-day running of the business.

(vi) **Liability:** The liability of the members is limited to the extent of the capital contributed by them in a company. The creditors can use only the assets of the company to settle their claims since it is the company and not the members that owes the debt. The members can be asked to contribute to the loss only to the extent of the unpaid amount of share held by them. Suppose Kumar is a shareholder in a company holding 2,000 shares of Rs.10 each on which he has already paid Rs. 7 per share. His liability in the event of losses or company's failure to pay debts can be only up to Rs. 6,000 — the unpaid amount of his share capital (Rs. 3 per share on 2,000 shares held in the company). Beyond this, he is not liable to pay anything towards the debts or losses of the company.

(vii) **Common Seal:** The Company being an artificial person cannot sign its name by itself. Therefore, every company is required to have its own seal which acts as official signature of the company. Any document which does not carry the common seal of the company is not a binding on the company.

(viii) **Risk Bearing:** The risk of losses in a company is borne by all the share holders. This is unlike the case of sole proprietorship or partnership firm where one or few persons respectively bear the losses. In the face of financial difficulties, all shareholders in a company have to contribute to the debts to the extent of their shares in the company's capital.

Merits

The company form of organisation offers a multitude of advantages, some of which are discussed below.

(i) **Limited Liability:** The shareholders are liable to the extent of the amount unpaid on the shares held by them. Also, only the assets of the company can be used to settle the debts, leaving the owner's personal property free from any charge. This reduces the degree of risk borne by an investor.

(ii) **Transfer of Interest:** The ease of transfer of ownership adds to the advantage of investing in a company as the share of a public limited company can be sold in the market and as such can be easily converted into cash in case the need arises. This avoids blockage of investment and presents the company as a favourable avenue for investment purposes.

(iii) **Perpetual Existence:** Existence of a company is not affected by the death, retirement, resignation, insolvency or insanity of its members as it has a separate entity from its members. A company will continue to exist even if all the members die. It can be liquidated only as per the provisions of the Companies Act, 2013.

(iv) **Scope for Expansion:** As compared to the sole proprietorship and partnership forms of organisation, a company has large financial resources. Further, capital can be attracted from the public as well as through loans from banks and financial institutions. Thus there is greater scope for expansion. The investors are inclined to invest in shares because of the limited liability, transferable ownership and possibility of high returns in a company.

(v) **Professional Management:** A company can afford to pay higher salaries to specialists and professionals. It can, therefore, employ people who are experts in their area of specialisations. The scale of operations in a company leads to division of work. Each department deals with a particular activity and is headed by an expert. This leads to balanced decision making as well as greater efficiency in the company's operations.

Limitations

The major limitations of a company form of organisation are as follows:

(i) **Complexity in Formation:** The formation of a company requires greater time, effort and extensive knowledge of legal requirements and the procedures involved. As compared to sole proprietorship and partnership form of organisations, formation of a company is more complex.

(ii) **Lack of Secrecy:** The Companies Act requires each public company to provide from time-to-time a lot of information to the office of the registrar of companies. Such information is available to the general public also. It is, therefore, difficult to maintain complete secrecy about the operations of company.

(iii) **Impersonal work Environment:** Separation of ownership and management leads to situations in which there is lack of effort as well as personal involvement on the part of the officers of a company. The large size of a company further makes it difficult for the owners and top management to maintain personal contact with the employees, customers and creditors.

(iv) **Numerous Regulations:** The functioning of a company is subject to many legal provisions and compulsions. A company is burdened with numerous restrictions in respect of aspects including audit, voting, filing of reports and preparation of documents, and is required to obtain various certificates from different agencies, viz., registrar, SEBI, etc. This reduces the freedom of operations of a company and takes away a lot of time, effort and money.

(v) **Delay in Decision Making: Companies** are democratically managed through the Board of Directors which is followed by the top management, middle management and lower level management. Communication as well as approval of various proposals may cause delays not only in taking decisions but also in acting upon them.

(vi) **Oligarchic Management:** In theory, a company is a democratic institution wherein the Board of Directors are representatives of the shareholders who are the owners. In practice, however, in most large sized organisations having a multitude of shareholders; the owners have minimal influence in terms of controlling or running the business. It is so because the shareholders are spread all over the country and a very small percentage attend the general meetings. The Board of Directors as such enjoys considerable freedom in exercising their power which they sometimes use even contrary to the interests of the shareholders. Dissatisfied shareholders in such a situation have no option but to sell their shares and exit the company.

(vii) **Conflict in Interests:** There may be conflict of interest amongst various stakeholders of a company. The employees, for example, may be interested in higher salaries, consumer's desire higher quality products at lower prices and the shareholders want higher returns in the form of dividends and increase in the intrinsic value of their shares. These demands pose problems in managing the company and difficult to satisfy such diverse interests.

ISBN: 978-93-93810-34-2

FREQUENTLY ASKED QUESTIONS

1. Why is business considered as economic activity?
2. What do you meant by business?
3. List out the characteristics of business.
4. Write the objectives of business.
5. Brief the types of business organization.
6. Define sole proprietorship, its advantages and disadvantages.
7. Define partnership, its advantages and disadvantages.
8. Define cooperative societies, its advantages and disadvantages.
9. Define Joint Stock Company, its advantages and disadvantages.

 ISBN: 978-93-93810-34-2

Unit – II

Management Concept

 ISBN: 978-93-93810-34-2

2. MANAGEMENT CONCEPT - INTRODUCTION

Management is a very popular term and has been used extensively for all types of activities and mainly for taking charge of different activities in any enterprise. People in organisations are performing diverse tasks but they are all working towards the same goal. Management aims at guiding their efforts towards achieving a common objective - a goal. Thus, management has to see that tasks are completed and goals are achieved (i.e., effectiveness) with the least amount of resources at a minimum cost (i.e., efficiency).

Management began to materialize as a practice during the Industrial Revolution, as large corporations began to emerge in the late 19th century and developed and expanded into the early 20th century. Management is regarded as the most important of all human activities. It may be called the practice of consciously and continually shaping organizations.

Management is a universal phenomenon. Every individual or entity requires setting objectives, making plans, handling people, coordinating and controlling activities, achieving goals and evaluating performance directed towards organizational goals. These activities relate to the utilization of variables or resources from the environment − human, monetary, physical, and informational. Human resources refer to managerial talent, labor (managerial talent, labor, and services provided by them), monetaryresources (the monetary investment the organization uses to finance its current and long-term operations), physical resources (raw materials, physical and production facilities and equipment) and information resources (data and other kinds of information).

Management is essentially the bringing together these resources within an organization towards reaching objectives of an organization.

2.1 MANAGEMENT DEFINED

Management Guru, **Peter Drucker**, says the basic task of management includes both marketing and innovation. According to him, "Management is a multipurpose organ that manages a business and manages managers, and manages workers and work."

Harold Koontz defined management as "the art of getting things done through and with people in formally organized groups."

All these definitions place an emphasis on the attainment of organizational goals/objectives through deployment of the management process (planning, organizing, directing, etc.) for the best use of organization's resources. Management makes human effort more fruitful thus effecting enhancements and development.

 ISBN: 978-93-93810-34-2

Management is the process of planning, organizing, leading, and controlling an organization's human, financial, physical, and information resources to achieve organizational goals in an efficient and effective manner.

Management is the process of planning, organizing, leading, and controlling an organization's human, financial, physical, and information resources to achieve organizational goals in an efficient and effective manner.

2.2 CHARACTERISTICS OF MANAGEMENT

After going through some of the definitions we find some elements that may be called the basic characteristics of management:

i. **Management is a goal-oriented process:** An organisation has a set of basic goals which are the basic reason for its existence. These should be simple and clearly stated. Different organisations have different goals.

ii. **Management is all pervasive:** The activities involved in managing an enterprise are common to all organisations whether economic, social or political. A petrol pump needs to be managed as much as a hospital or a school. What managers do in India, the USA, Germany or Japan is the same. How they do it may be quite different. This difference is due to the differences in culture, tradition and history.

iii. Management is Multidimensional: Management is a complex activity that has three main dimensions. These are:

a. **Management of Work:** All organisations exist for the performance of some work. In a factory, a product is manufactured, in a garment store a customer's need is satisfied and in a hospital a patient is treated. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. This is done in terms of problems to be solved, decisions to be made, plans to be established, budgets to be prepared, responsibilities to be assigned and authority to be delegated.

b. Management of People: Human resources or people are an organisation's greatest asset. Despite all developments in technology "getting work done through people" is still a major task for the manager. Managing people has two dimensions.

i. it implies dealing with employees as individuals with diverse needs and behavior;

ii. it also means dealing with individuals as a group of people. The task of management is to make people work towards achieving the organisation's goals, by making their strengths effective and their weaknesses irrelevant.

iii. Management of operations: No matter what the organisation, it has some basic product or service to provide in order to survive. This requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption. This is interlinked with both the management of work and the management of people.

iv. Management is a Continuous Process: The process of management is a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling). These functions are simultaneously performed by all managers all the time. You may have observed that Anu at Annai Designer Candles performs several different tasks in a single day. Some days she may spend more time in planning a future exhibition and on another day, she may spend time in sorting out an employee's problem. The task of a manager consists of an ongoing series of functions.

v. Management is a Group Activity: An organisation is a collection of diverse individuals with different needs. Every member of the group has a different purpose for joining the organisation but as members of the organisation they work towards fulfilling the common organisational goal. This requires team work and coordination of individual effort in a common direction.

vi. Management is a Dynamic Function: Management is a dynamic function and has to adapt itself to the changing environment. An organisation interacts with its external envi- ronment which consists of various social, economic and political factors. In order to be successful, an organisation must change itself and its goals according to the needs of the environment. You probably know that McDonalds, the fast food giant made major changes in its menu to be able to survive in the Indian market.

vii. Management is an Intangible Force: Management is an intangible force that cannot be seen but its presence can be felt in the way the organisation functions. The effect of management is noticeable in an organisation where targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos.

2.3 OBJECTIVES OFMANAGEMENT

Management seeks to achieve certain objectives which are the desired result of any activity. They must be derived from the basic purpose of the business. In any organisation there are different objectives and management has to achieve all objectives in an effective and efficient manner.Objectives can be classified into organisational objectives, social objectives and personal or individual objectives.

i. **Organisational Objectives:** Management is responsible for setting and achieving objectives for the organisation. It has to achieve a variety of objectives in all areas considering the interest of all stakeholders including, shareholders, employees, customers and the government. The main objective of any organisation should be to utilise human and material resources to the maximum possible advantage, i.e., to fulfill the economic objectives of a business. These are survival, profit and growth.

Survival: The basic objective of any business is survival Management must strive to ensure the survival of the organisation. In order to survive, an organisation must earn enough revenues to cover costs.

Profit: Mere survival is not enough for business. Management has to ensure that the organisation makes a profit. Profit provides a vital incentive for the continued successful operation of the enterprise. Profit is essential for covering costs and risks of the business.

Growth: A business needs to add to its prospects in the long run, for this it is important for the business to grow. To remain in the industry, management must exploit fully the growth potential of the organisation. Growth of a business can be measured in terms of sales volume increase in the number of employees, the number of products or the increase in capital investment, etc. There can be other indicators of growth.

ii. **Social objectives**: It involves the creation of benefit for society. As a part of society, every organisation whether it is business or non-business, has a social obligation to fulfill. This refers to consistently creating economic value for various constituents of society. This includes using environmental friendly methods of production, giving employment opportunities to the under previledged sections of society and providing basic amenities like schools and healthcare, etc., for community. The box given below illustrates how a company can fulfill its social responsibility.

iii. **Personnel objectives:** Organisations are made up of people who have different personalities, backgrounds, experiences and objectives. They all become part of the organisation to satisfy their diverse needs. These vary from financial needs such as competitive salaries and perks, social needs such as peer recognition and higher level needs such as personal growth and development. Management has to reconcile personal goals with organisational objectives for harmony in the organisation.

 ISBN: 978-93-93810-34-2

2.4 IMPORTANCE OF MANAGEMENT

Having understood that management is a universal activity that is integral to any organisation we now examine some of the reasons that have made management so important:

i. Management Helps in AchievingGroup Goals: Management is required not for itself but for achieving the goals of the organisation. The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation.

ii. Management in creases Efficiency: The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.

iii. Management Creates a Dynamic Organisation: All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.

iv. Management Helps in Achieving Personal Objectives: A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective. Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success.

v. Management Helps in the Development of Society: An organisation has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organisation and through that it helps in the development of society. It helps to provide good quality products and services, creates employment opportunities, adopts new techno-logy for the greater good of the people and leads the path towards growth and development.

2.5 NATURE OF MANAGEMENT

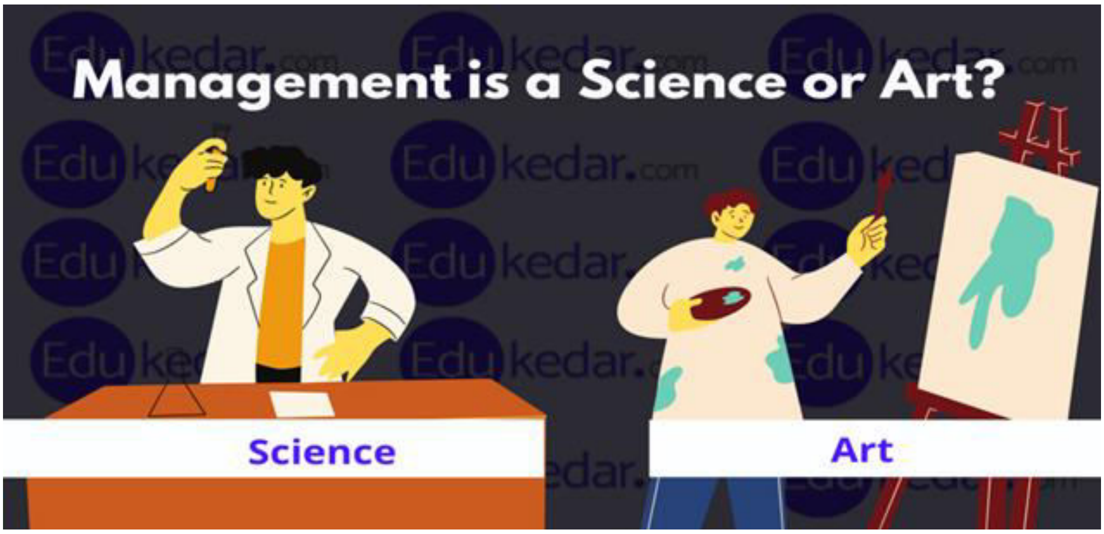
Management is as old as civilisation. Although modern organisations are of recent origin, organised activity has existed since the time of the ancient civilisations. In fact, organisations may be considered the distinguishing feature that separated civilised society from uncivilised ones. The earliest management practices were a set of rules and regulations that grew out of the experiences of governmental and commercial activities. The development of trade and commerce gradually led to the development of management principles and

 ISBN: 978-93-93810-34-2

practices. The term 'management' today has several different connotations that highlight the different aspects of its nature. The study of management has evolved over a period of time along with the modern organisations; based both on the experience and practice of managers and a set of theoretical relationships. Over a period of time, it has grown into a dynamic subject with its own special characteristics. However, one question that needs to be addressed pertaining to the nature of management is whether it is a science or an art or both? In order to answer this let us examine the features of both science and art to see how far management fulfills them.

2.6 IS MANAGEMENT AN ART OR A SCIENCE?

Like any other discipline such as law, medicine or engineering, managing is an art - at least that is what most people assume. Management concepts need to be artistically approached and practiced for its success. It is understood that managing is doing things artistically in the light of the realities of a situation.



If we take a closer look at it, Management, when practiced, is definitely an art but its underlying applications, methods and principles are a science. It is also opined that management is an art struggling to become a science.

Management as an Art

The personal ingenious and imaginative power of the manager lends management the approach of an art. This creative power of the manager enriches his performance skill. In fact, the art of managing involves the conception of a vision of an orderly whole, created from chaotic parts and the communication and achievement of this vision. Managing can be called "art of arts" because it organizes and uses human talent, which is the basis of every artistic activity.

 ISBN: 978-93-93810-34-2

Management as a Science

Management is a body of systematized knowledge accumulated and established with reference to the practice and understanding of general truth concerning management. It is true that the science underlying managing is not as accurate or comprehensive as physical sciences (such as chemistry or biology) which deal with non-human entities.

The involvement of the human angle makes management not only complex but also controversial as pure science. Nevertheless, the study of the scientific elements in management methodologies can certainly improve the practice of management.

Management as a Science and Art

Science urges us to observe and experiment a phenomenon, while art teaches us the application of human skill and imagination to the same. In order to be successful, every manager needs do things effectively and efficiently. This requires a unique combination of both science and art. We can say that the art of managing begins where the science of managing stops. As the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

2.7 LEVELS OF MANAGEMENT

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfill that responsibility he is assigned a certain amount of authority or the right to take a decision. This authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation. Generally speaking there are three levels in the hierarchy of an organisation.

 ISBN: 978-93-93810-34-2

i. Top Management: They consist of the senior-most executives of the organisation by whatever name they are called. They are usually referred to as the chairman, the chief executive officer, chief operating officer, president and vice-president. Top management is a team consisting of managers from different functional levels, heading finance, marketing etc. For example chief finance officer, vice president (marketing). Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation. These top level managers are responsible for the welfare and survival of the organisation. They analyse the business environment and its implications for the survival of the firm. They formulate overall organisational goals and strategies for their achievement. They are responsible for all the activities of the business and for its impact on society. The job of the top manager is complex and stressful, demanding long hours and commitment to the organisation.

ii. Middle Management: It's A Link between Top and Low Level Management. They are usually known as division heads. Their main task is to carry out the plans formulated by the top managers. For this they need to:

(i) interpret the policies framed by top management,

(ii) Ensure that their department has the necessary personnel,

(iii) Assign necessary duties and responsibilities to them,

(iv) Motivate them to achieve desired objectives, and

(v) Cooperate with other departments for smooth functioning of the organisation. At the same time they are responsible for all the activities of first line managers.

iii. Low level or Supervisory or Operational Management: Foremen and supervisors comprise the lower level in the hierarchy of the organisation.

Supervisors directly oversee the efforts of the workforce. Their authority and responsibility is limited according to the plans drawn by the top management. Supervisory management plays a very important role in the organisation since they interact with the actual work force and pass on instructions of the middle management to the workers. Through their efforts quality of output is maintained, wastage of materials is minimised and safety standards are maintained. The quality of workmanship and the quantity of output depends on the hard work, discipline and loyalty of the workers.

2.8 Functions of Management – P-O-D-C Framework: The primary challenge faced by organizations and managers today is to creatively solve business problems. The principles of management are guidelines using which managers can tackle business challenges. The principles of management have been categorized into the four major functions of planning, organizing, Directing, and controlling popularly known as the P-O-D-C framework.

- **Planning** is the function determining in advance what is to be done and who is to do it. This implies setting goals in advance and developing a way of achieving them efficiently and effectively. Planning means determining what the organization's position and situation should be at some time in the future and deciding how best to bring about that situation. It helps maintain managerial effectiveness by guiding future activities.
- **Organising** is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Once a specific plan has been established for the accomplishment of an organisational goal, the organising function examines the activities and resources required to implement the plan. It determines what activities and resources are required. It decides who will do a particular task, where it will be done, and when it will be done. Organising involves the grouping of the required tasks into manageable departments or work units and the establishment of authority and reporting relationships within the organisational hierarchy. Proper organisational techniques help in the accomplishment of work and promote both the efficiency of operations and the effectiveness of results
- **Staffing** simply stated, is finding the right people for the right job. A very important aspect of management is to make sure that the right people with the right qualifications are available at the right places and times to accomplish

 ISBN: 978-93-93810-34-2

the goals of the organisation. This is also known as the human resource function and it involves activities such as recruitment, selection, placement and training of personnel. Infosys Technologies which develops software needs systems analysts and programmers.

- **Directing** involves leading, influencing and motivating employees to perform the tasks assigned to them. This requires establishing an atmosphere that encourages employees to do their best. Motivation and leadership are two key components of direction. Directing also involves communicating effectively as well as supervising employees at work. Motivating workers means simply creating an environment that makes them want to work. Leadership is influencing others to do what the leader wants them to do. A good manager directs through praise and criticism in such a way that it brings out the best in the employee.

- **Controlling** is the management function of monitoring organisational performance towards the attainment of organisational goals. The task of controlling involves establishing standards of performance, measuring current performance, comparing this with established standards and taking corrective action where any deviation is found. Here management must determine what activities and outputs are critical to success, how and where they can be measured and who should have the authority to take corrective action.

2.9 Mintzberg's Ten Roles of Manager

Professor Henry Mintzberg, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles. He propounded that the role is an organized set of behaviors. He identified the following ten roles common to the work of all managers.

Interpersonal Role

Figurehead-has social, ceremonial and legal responsibilities.

Leader - Provides leadership and direction.

Liaison - Networks and communicates with internal and external contacts.

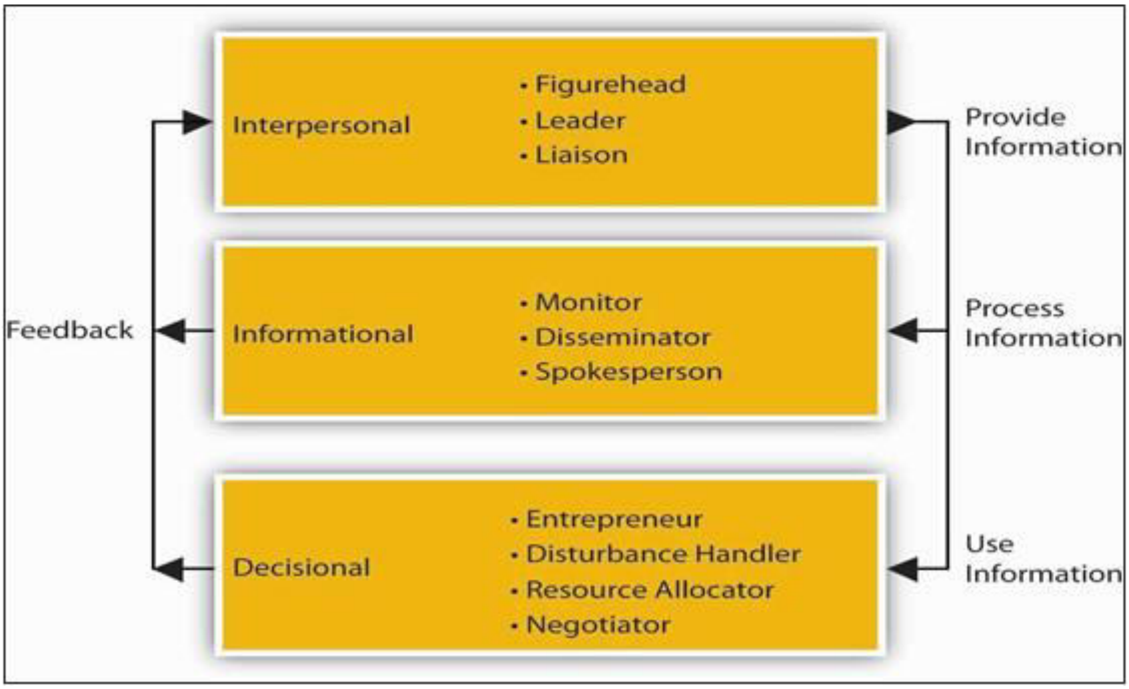
Informational Role

Monitor – Seeks out information related to your organization and industry, and monitors internal teams in terms of both their productivity and well-being.

Disseminator – Communicates potentially useful information internally.

 ISBN: 978-93-93810-34-2

Spokes person- Represents and speaks for the organization and transmits information about the organization and its goals to the people outside it.



Decisional Role

Entrepreneur – Creates and controls change within the organization - solving problems, generating new ideas, and implementing them.

Disturbance Handler – Resolves and manages unexpected roadblocks.

Resource Allocator – Allocates funds, assigning staff and other organizational resources.

Negotiator – Involved in direct important negotiations within the team, department, or organization.

FREQUENTLY ASKED QUESTIONS

1. Write the meaning of management.
2. Define management.
3. List the Characteristics of Management.
4. What are the objectives of business?
5. List the importance of business.
6. Is management is science or art- justify.
7. What are the levels of management?
8. Brief the functions of management.
9. What are the roles of manager?

 ISBN: 978-93-93810-34-2

Unit – III

Schools of Management Thoughts

3. SCHOOLS OF MANAGEMENT THOUGHTS - INTRODUCTION

Management as a practice gained ground when the concept of working together in groups to achieve common objectives was realized by men. But the study of management as a systematic field of knowledge began at the advent of the Industrial Revolution, which ushered in a new era of serious thinking and theorizing on management.

To begin with, there is no single universally accepted theory of management. "The wild array of management theories could even look like a jungle" says Harold Koontz. However, to help put the different theories in perspective, we shall discuss them as representing different schools of thought.

3.1 SCIENTIFIC MANAGEMENT AND F.W.TAYLOR

Frederick Winslow Taylor, who is generally acknowledged as "the father of scientific management and an American mechanical engineer who sought to improve industrial efficiency. In 1874, he became an apprentice mechanist, learning factory conditions at the grass roots level. He earned a degree in mechanical engineering. He was one of the intellectual leaders of the efficiency movement and was highly influential in reshaping the factory system of production. You must appreciate that he belonged to the era of the industrial revolution characterised by mass production.

He believed that organizations should study tasks and prepare precise procedures. His varied experience gave him ample opportunity to have firsthand knowledge and intimate insight into the problems and attitude of workers, and to explore great possibilities for improving the quality of management in the workplace.

In the words of Taylor, "Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way. The Bethlehem Steel company where Taylor himself worked achieved three-fold increase in productivity by application of scientific management principles. Therefore, it would be in order to discuss these principles.

I. Science not Rule of Thumb: Taylor pioneered the introduction of the method of scientific inquiry into the domain of management practice. We have already referred to the limitations of the rule of thumb approach of management. As different managers would follow their indigenous rules of thumb, it is but a statement of the obvious that all would not be equally effective. Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation. Scientific method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method, which would be followed throughout the organisation. According to Taylor, even a small production activity like loading pigs of iron into boxcars can be scientifically planned and managed. This can result in tremendous saving of human energy as well as wastage of time and materials. The more sophisticated the processes, greater would be the savings. In the present context, the use of Internet has brought about dramatic improvements in internal efficiencies and customer satisfaction.

II. Harmony, Not Discord: Factory system of production implied that managers served as a link between the owners and the workers. Since as managers they had the mandate to 'get work done' from the workers, it should not be difficult for you to appreciate that there always existed the possibility of a kind of class-conflict, the mangers versus workers. Taylor recognised that this conflict helped none, the workers, the managers or the factory owners. He emphasised that there should be complete harmony between the management and workers. Both should realise that each one is important. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. It means that management and workers should transform their thinking. In such a situation even trade unions will not think of going on strike etc.

Management should share the gains of the company, if any, with the workers. At the same time workers should work hard and be willing to embrace change for the good of the company. Both should be part of the family. According to Taylor, 'Scientific management has for its foundation the firm conviction that the true interests of the two are one and the same; that prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa'.

Japanese work culture is a classic example of such a situation. In Japanese companies, paternalistic style of management is in practice. There is complete openness between the management and workers. If at all workers go to strike they wear a black badge but work more than normal working hours to gain the sympathy of the management.

III. Cooperation, Not Individualism: There should be complete cooperation between the labour and the management instead of individualism. This principle is an extension of principle of 'Harmony not discord'. Competition should be replaced by cooperation. Both should realise that they need each other. For this, management should not close its ears to any constructive suggestions made by the employees. They should be rewarded for their suggestions which results in substantial reduction in costs. They should be part of management and, if any important decisions are taken, workers should be taken into confidence.

At the same time workers should desist from going on strike and making unreasonable demands on the management. In fact when there will be open communication system and goodwill there will be no need for even a trade union. Paternalistic style of management, whereby the employer takes care of the needs of employees, would prevail as in the case of Japanese companies.

According to Taylor, there should be an almost equal division of work and responsibility between workers and management. All the daylong the management should work almost side by side with the workers helping, encouraging and smoothing the way for them.

IV. Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity: Industrial efficiency depends to a large extent on personnel competencies. As such, scientific management also stood for worker development. Worker training was essential also to learn the 'best method' developed as a consequence of the scientific approach. Taylor was of the view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. Then work assigned should suit her/his physical, mental and intellectual capabilities. To increase efficiency, they should be given the required training. Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.

Techniques of Scientific Management

Let we discuss now the techniques specified by him. These are based on the various experiments he conducted during his career.

FUNCTIONAL FOREMANSHIP

In the factory system, the foreman represents the managerial figure with whom the workers are in face-to-face contact on a daily basis. In the first chapter of the book, you have seen that the foreman is the lowest ranking manager and the highest ranking worker. He is the pivot around whom revolves the entire production planning, implementation and control. Thus, Taylor concentrated on improving the performance of this role in the factory set-up. In fact, heidentified a list of qualities of a good foreman/supervisor and found that no single person could fit them all. This prompted him to suggest functional foremanship through eight persons.

Taylor advocated separation of planning and execution functions. This concept was extended to the lowest level of the shop floor. It was known as functional foremanship. Under the factory manager there was a planning incharge and a production incharge. Under planning incharge four personnel namely instruction card clerk, route clerk, time and cost clerk and a disciplinarian worked. These four personnel would draft instructions for the workers, specify the route of production, prepare time and cost sheet and ensure discipline respectively. Under Production incharge, personnel who would work were speed boss, gang boss, repair boss, and inspector. These respectively were responsible for timely and accurate completion of job, keeping machines and tools etc., ready for operation by workers, ensure proper working condition of machines and tools and check the quality of work.

Functional foremanship is an extension of the principle of division of work and specialisation to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production. Foremen should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health. Since all these qualities could not be found in a single person so Taylor proposed eight specialists. Each specialist is to be assigned work according to her/his qualities. For example, those with technical mastery, intelligence and grit may be given planning work. Those with energy and good health may be assigned execution work.

STANDARDISATION AND SIMPLIFICATION OF WORK

Taylor was an ardent supporter of standardisation. According to him scientific method should be used to analyse methods of production prevalent under the rule of thumb. The best practices can be kept and further refined to develop a standard which should be followed throughout the organisation. This can be done through work-study techniques which include time study, motion study, fatigue study and method study.

Standardisation refers to the process of setting standards for every business activity; it can be standardisation of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The objectives of standardisation are,

(i) To reduce a given line or product to fixed types, sizes and characteristics.

(ii) To establish interchange ability of manufactured parts and products.

(iii) To establish standards of excellence and quality in materials.

(iv) To establish standards of performance of men and machines.

Simplification aims at eliminating superfluous varieties, sizes and dimensions while standardisation implies devising new varieties instead of the existing ones. Simplification aims at eliminating unnecessary diversity of products. It

 ISBN: 978-93-93810-34-2

results in savings of cost of labour, machines and tools. It implies reduced inventories, fuller utilisation of equipment and increasing turnover.

Most large companies like Nokia, Toyota and Microsoft, etc. have successfully implemented standardization andsimplification. This is evident from their large share in their respective markets.

METHOD STUDY

The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study. Ford Motor Company used this concept very successfully. Even now auto companies are using it. The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc are used. For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw materials etc.

MOTION STUDY

Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions, etc., which are undertaken while doing a typical job. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently. For example, Taylor and his associate Frank Gailberth were able to reduce motions in brick layering from 18 to just 5. Taylor demonstrated that productivity increased to about four times by this process.

On close examination of body motions, for example, it is possible to find out:

(i) Motions which are productive

(ii) Motions which are incidental (e.g., going to stores)

Motions which are unproductive. Taylor used stopwatches and various symbols and colours to identify different motions. Through motion studies, Taylor was able to design suitable equipment and tools to educate workers on their use. The results achieved by him were truly remarkable.

TIME STUDY

It determines the standard time taken to perform a well-defined job. Time measuring devices are used for each element of task. The standard time is fixed for the whole of the task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of the

 ISBN: 978-93-93810-34-2

operation and time measurement costs. The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

FATIGUE STUDY

A person is bound to feel tired physically and mentally if she/he does not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task. For example, normally in a plant, work takes place in three shifts of eight hours each. Even in a single shift a worker has to be given some rest interval to take her/his lunch etc. If the work involves heavy manual labour then small pauses have to be frequently given to the worker so that she/he can recharge her/his energy level for optimum contribution.

There can be many causes for fatigue like long working hours, doing unsuitable work, having uncordial relations with the boss or bad working conditions etc. Such hindrances in good performance should be removed.

DIFFERENTIAL PIECE WAGE SYSTEM

Taylor was a strong advocate of piece wage system. He wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work- study discussed above. The workers can then be classified as efficient or inefficient on the basis of these standards. He wanted to reward efficient workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard. For example, it is determined that standard output per worker per day is 10 units and those who made standard or more than standard will get Rs. 50 per unit and those below will get Rs. 40 per unit. Now an efficient worker making 11 units will get 11Ł50= Rs. 550 per day whereas a worker who makes 9 units will get 9 Ł40 = Rs. 360 per day.

3.2. FAYOL'SPRINCIPLESOF MANAGEMENT

One of the oldest and most popular approaches, Henry Fayol's theory holds that administration of all organizations whether public or private, large or small – requires the same rational process or functions. This school of thought is based on two assumptions:

Although the objective of an organization may differ (for example, business, government, education, or religion), yet there is a core management process that remains the same for all institutions. Successful managers, therefore, are interchangeable among organizations of differing purposes. The universal management process can be reduced to a setof separate functions and related principles. HentryFayol identifies **fourteen universal principles of management**, which are aimed at showing managers how to carry out their functional duties. The 14 principles of management given by him are;

i. Division of Work: Work is divided into small tasks/ jobs. A trained specialist who is competent is required to perform each job. Thus, division of work leads to specialisation. According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialisation is the most efficient way to use human effort."

In business work can be performed more efficiently if it is divided into specialised tasks; each performed by a specialist or trained employee. This results in efficient and effective output. Thus, in a company we have separate departments for finance, marketing, production and human resource development etc. All of them have specialised persons. Collectively they achieve production and sales targets of the company. Fayol applies this principle of division of work to all kinds of work – technical as well as managerial.

ii. Authority and Responsibility: According to Fayol, "Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. The two types of authority are official authority, which is the authority to command, and personal authority which is the authority of the individual manager." Authority is both formal and informal. Managers require authority commensurate with their responsibility. There should be a balance between authority and responsibility. An organisation should build safeguards against abuse ofmanagerial power. At the same time a manager should have necessary authority to carry out his responsibility. For example, a sales manager has to negotiate a deal with a buyer. She finds that if she can offer credit period of 60 days she is likely to clinch the deal which is supposed to fetch the company net margin of say 50 crores. Now the company gives power to the manager to offer a credit period of only 40 days. This shows that there is an imbalance in authority and responsibility. In this case the manager should be granted authority of offering credit period of 60 days in the interest of the company. Similarly, in this example this manager should not be given a power to offer a credit period of say 100 days because it is not required. A manager should have the right to punish a subordinate for wilfully not obeying a legitimate order but only after sufficient opportunity has been given to a subordinate for presenting her/his case.

iii. Discipline: Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

Suppose management and labour union have entered into an agreement whereby workers have agreed to put in extra hours without any additional payment to revive the company out of loss. In return the management has promised to increase wages of the workers when this mission is accomplished. Here discipline when applied would mean that the workers and management both honour their commitments without any prejudice towards one another.

iv. Unity of Command: According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined, discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organisation. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. Suppose a sales person is asked to clinch a deal with a buyer and is allowed to give 10% discount by the marketing manager. But finance department tells her/ him not to offer more than 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.

v. Unity of Direction: All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination. For example, if a company is manufacturing motorcycles as well as cars then it should have two separate divisions for both of them. Each division should have its own incharge, plans and execution resources. On no account should the working of two divisions overlap. Now let us differentiate between the two principles of unity of command and unity of direction.

vi. Subordination of Individual Interest to General Interest: The interests of an organisation should take priority over the interests of any one individual employee according to Fayol. Every worker has some individual interest for working in a company. The company has got its own objectives. For example, the company would want to get maximum output from its employees at a competitive cost (salary). On the other hand, an employee may want to get maximum salary while working the least. In another situation an individual employee may demand some concession, which is not admissible to any other employee like working for less time.

vii. Remuneration of Employees: The overall pay and compensation should be fair to both employees and the organisation. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.

viii. Centralisation and Decentralisation: The concentration of decision-making authority is called centralisation whereas its dispersal among more than one person is known as decentralisation. According to Fayol, "There is a need to balance subordinate involvement through decentralisation with managers' retention of final authority through centralisation." The degree of centralisation will depend upon the circumstances in which the company is working. In general large organisations have more decentralisation than small organisations. For example, panchayats in our country have been given more powers to decide and spend funds granted to them by the government for the welfare of villages. This is decentralisation at the national level.

ix. Scalar Chain: An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as scalar chain. According to Fayol, "Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates."

x. Order: According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency." The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. Essentially it means orderliness. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/ factory. This will lead to increased productivity and efficiency.

xi. Equity: Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol. This principle emphasises kindliness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of

 ISBN: 978-93-93810-34-2

sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

xii. Stability of Personnel: "Employee turnover should be minimised to maintain organisational efficiency", According to Fayol. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/ position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation. Recruitment, selection and training cost will be high. So stability in tenure of personnel is good for the business.

xiii. Initative: Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.

xiv. Esprit De-Corps: Management should promote a team spirit of unity and harmony among employees, according to Fayol. Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realise. It will also result in a loss of coordination. A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit. This will give rise to a spirit of mutual trust and belongingness among team members. It will also minimise the need for using penalties.

3.3 ELTON MAYO AND HAWTHORNE STUDIES / BEHAVIOURAL MANAGEMENT

The most important contribution to this school of thought was made by Elton Mayo and his associates through Hawthorne plant of the Western Electric Company between 1927 and 1932. Elton Mayo's contribution to management theory helped pave the way for modern human relations management methods. Based on his well-known Hawthorne experiments, Mayo's management theories grew from his observations of employee productivity levels under varying environmental conditions. His experiments drew a number of conclusions about the real source of employee motivation, laying the groundwork for later approaches to team building and group dynamics. Mayo management theory

 ISBN: 978-93-93810-34-2

states that employees are motivated far more by relational factors such as attention and camaraderie than by monetary rewards or environmental factors such as lighting, humidity, etc.

Elton Mayo developed a matrix which he used to illustrate the likelihood that a given team would be successful. His matrix demonstrates the role that varying combinations of group norms and group cohesiveness play in team effectiveness.

The following are the four combinations of Mayo theory and the effect of each on team dynamics:

1. Groups with low norms and low cohesiveness are ineffective; they have no impact, since none of the members are motivated to excel, according to Mayo's theory.
2. Groups with low norms and high cohesiveness have a negative impact, since fellow members encourage negative behaviour (e.g., gangs).
3. Groups with high norms and low cohesiveness have some degree of positive impact through individual member accomplishments.
4. Groups with high norms and high cohesiveness have the greatest positive impact, Mayo's theory predicts, since group members encourage one another to excel.

Contributions of the Hawthorne Experiment to Management

Elton Mayo and his associates conducted their studies in the Hawthorne plant of the western electrical company, U.S.A., between 1927 and 1930. According to them, Behavioral science methods have many areas of application in management. The important features of the Hawthorne Experiment are:

1. A business organization is basically a social system. It is not just a techno-economic system.
2. The employer can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus economic incentives are not the only method to motivate people.
3. Management must learn to develop co-operative attitudes and not rely merely on command.
4. Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two-way communication network is essential.

5. Productivity is linked with employee satisfaction in any business organization. Therefore management must take greater interest in employee satisfaction.
6. Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.
7. The neo-classical theory emphasizes that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

A new milestone in organisationalbehaviour was set and Mayo and his team found a way to improve productivity by creating a healthy team spirit environment between workers and supervisors labelling it as The Hawthorne Effect.

4 PHASES OF HAWTHORNE EXPERIMENT

The term "Hawthorne" is a term used within several behavioral management theories and is originally derived from the western electric company's large factory complex named Hawthorne works. Starting in 1905 and operating until 1983, Hawthorne works had 45,000 employees and it produced a wide variety of consumer products, including telephone equipment, refrigerators and electric fans. As a result, Hawthorne works is well-known for its enormous output of telephone equipment and most importantly for its industrial experiments and studies carried out. Between 1924 and 1932, a series of experiments were carried out on the employees at the facility. The original purpose was to study the effect of lighting on workers' productivity.

1. ILLUMINATION STUDIES

In the early 1920s Chicago's Western Electric Hawthorne Works employed 12,000 workers. The plant was a primary manufacturer of telephones, and in 1924 the company provided a site to cooperate with the NRC on a series of test room studies to determine the relationship between illumination and worker efficiency. The basic idea was to vary and record levels of illumination in a test room with the expectation that as lighting was increased, productivity would too. In another test room, illumination was decreased, with the correlating expectation that efficiency would decrease. The electric power industry provided an additionalimpetus for these tests, hoping to encourage industries to use artificial lighting in place of natural light. The Illuminating Engineering Society's Committee on Research also supported the tests and cooperated with the NRC. Workers were notified of the tests in order to attempt to control interference from human factors. When production increased in each test period, researchers looked to other factors such as increased supervision and a sense of competition that developed between the test and control groups. But the one conclusion the impressive team of industrial specialists and academics discovered was the lack of a consistent correlation between lighting levels and product output. No further tests were planned originally, but researchers were surprised at the unanticipated results.

2. RELAY ASSEMBLY TEST ROOM EXPERIMENT

In order to observe the impact of these other factors, a second set of tests was begun before the completion of the illumination studies on April 25, 1987. The relay-assembly tests were designed to evaluate the effect rest periods and hours of work would have on efficiency. Researchers hoped to answer a series of questions concerning why output declined in the afternoon: Did the operators tire out? Did they need brief rest periods? What was the impact of changes in equipment? What were the effects of a shorter work day? What role did worker attitudes play? Hawthorne engineers led by George Pennock were the primary researchers for the relay-assembly tests, originally intended to take place for only a few months. Six women operators volunteered for the study and two more joined the test group in January 1928. They were administered physical examinations before the studies began and then every six weeks in order to evaluate the effects of changes in working conditions on their health. The women were isolated in a separate room to assure accuracy in measuring output and quality, as temperature, humidity, and other factors were adjusted. The test subjects constituted a piece-work payment group and efforts were made to maintain steady work patterns. The Hawthorne researchers attempted to gain the women's confidence and to build a sense of pride in their participation. A male observer was introduced into the test room to keep accurate records, maintain cordial working conditions, and provide some degree of supervision. The women were employed in assembling relays or electromagnetic switches used in switching telephone calls automatically. The women assembled the more than 35 parts of the relay by hand. The relays were then carefully inspected. The entire process was highly labor intensive and the speed of assembly had an obvious effect on productivity.

Initially the women were monitored for productivity, and then they were isolated in a test room. Finally, the workers began to participate in a group payment rate, where extra pay for increased productivity was shared by the group. The other relay assemblers did not share in any bonus pay, but researchers concluded this added incentive was necessary for full cooperation. This single difference has been historically criticized as the one variable having the greatest significance on test results. These initial steps in the relay-assembly

 ISBN: 978-93-93810-34-2

studies lasted only three months. In August, rest periods were introduced and other changes followed over the rest of the test period, including shortened work days and weeks. As the test periods turned from months into years, worker productivity continued to climb, once again providing unexpected results for the Hawthorne team to evaluate.

Productivity increased in excess of 30 percent over the first two and-a-half years of the studies and remained steady for the duration of the tests. The physicals indicated improved worker health and absenteeism decreased. By their own testimony, the women expressed increased satisfaction with all aspects of their jobs. Researchers tentatively concluded that performance and efficiency improved because of the rest periods, relief from monotonous working conditions, the wage incentive, and the type of supervision provided in the test environment. After additional study and consideration, the first two factors were rejected and further tests were conducted in an attempt to verify the effects of incentives and working conditions. The results were still not totally conclusive. Finally, researchers realized worker attitudes within the group were influential as was the more personal atmosphere of the test room. They concluded factors such as lighting, hours of work, rest periods, bonus incentives, and supervision affected workers, but the attitudes of the employees experiencing the factors were of greater significance. As a result, the Hawthorne team decided not to pursue similar studies. Almost as significant during the relay assembly tests was the introduction of a team of academics from the Harvard Business School into the experiments. Led by professors Elton Mayo and F. J. Roethlisberger, this new group of researchers would have an enormous impact on the Hawthorne studies and the future of human relations in the workplace.

However the same experiment was done on a group of 6 women placed in the same room whereas the production increased because they felt like a group where they were all connected through a team work. This is common sense, just like in a class room; as students meet day by day and study together the same materials, they will feel a sense of freedom that they do not experience in a playground floor.

Mayo's contributions became increasingly significant in the experiments during the interviewing stages of the tests. Early results from the illumination tests and the relay-assembly tests led to surveys of worker attitudes, surveys not limited to test participants.

Work Conditions and Productivity Results

- Under normal conditions with a forty - eight hour week, including Saturdays, and no rest pauses. The girls produced 2,400 relays a week each.

 ISBN: 978-93-93810-34-2

- They were then put on piecework for eight weeks. - Output increased
- They were given two five-minute breaks, one in the morning, and one in the afternoon, for a period of five weeks. - Output increased, yet again
- The breaks were each lengthened to ten minutes. - Output rose sharply
- Six five-minute breaks were introduced. The girls complained that their work rhythm was broken by the frequent pauses - Output fell only slightly
- The original two breaks were reinstated, this time, with a complimentary hot meal provided during the morning break. – Output increased further still
- The workday was shortened to end at 4.30 p.m. instead of 5.00 p.m. – Output increased
- The workday was shortened to end at 4.00 p.m. - Output leveled off
- Finally, all the improvements were taken away, and the original conditions before the experiment were reinstated. They were monitored in this state for 12 more weeks. Output was the highest ever recorded - averaging 3000 relays a week

3. BANK-WIRING TESTS

The bank-wiring tests began in November 1931. The foreman of the bank-wiring department resisted the intrusion of observers into his work space and a bank-wiring test room was set up. The test room housed nine wirers, three solderers, and two inspectors. All were male between the ages of 20 and 25. Their job was to wire conductor banks, a repetitive and monotonous task. The banks were one of the major components of automatic telephone exchange. Between 3,000 and 6,000 terminals had to be wired for a set of banks. The work was tiring and required the workers to stand for long periods of time.

Pay incentives and productivity measures were removed, but a researcher was placed into the test room as an observer and the workers were interviewed. The purpose of the bank-wiring tests was to observe and study social relationships and social structures within a group, issues raised by two other significant members of the research team, W. Lloyd Warner and William J. Dickson. Warner was on Mayo's Harvard team, trained as an anthropologist and primarily interested in Hawthorne from an entirely different perspective, that of an observer of the social behavior of a group. Perhaps the most revealing aspect of the bank-wiring tests was that the workers combined to slow down production-a clear indication of the need for analysis of the social relationships of workers. Research showed the most admired worker among the group was

 ISBN: 978-93-93810-34-2

the one who demonstrated the greatest resentment of authority by slowing down production the most.

The bank-wiring tests were shut down in the spring of 1932 in reaction to layoffs brought on by the deepening depression. Layoffs were gradual, but by May the bank-wiring tests were concluded. These tests were intended to study the group as a functioning unit and observe its behavior. The study findings confirmed the complexity of group relations and stressed the expectations of the group over an individual's preference. The conclusion was to tie the importance of what workers felt about one another to worker motivation. Industrial plants were a complex social system with significant informal organizations that played a vital role in motivating workers.

The researchers found that although the workers were paid according to individual productivity, productivity decreased because the men were afraid that the company would lower the base rate. There was no trust between employees and researches, so they simply held down production to the level they thought was in their best interest; the same thing happens when a classmates of yours steal the exam paper and the administration finds out. You would not say who did it because you wouldn't want your classmate to be kicked out of school. So, your interest is to say that you do not know hoping that they don't change the exam answers.

Employees had physical as well as social needs, and the company gradually developed a program of human relations including employee counseling and improved supervision with an emphasis on the individual workers. The results were a reinterpretation of industrial group behavior and the introduction of what has become human relations.

4. THE INTERVIEW PROCESS

Under Mayo and Roethlisberger's direction, the Hawthorne experiments began to incorporate extensive interviewing. The researchers hoped to glean details (such as home life or relationship with a spouse or parent) that might play a role in employees' attitudes towards work and interactions with supervisors. From 1928 to 1930 Mayo and Roethlisberger oversaw the process of conducting more than 21,000 interviews and worked closely training researchers in interviewing practices.

Mayo and Roethlisberger's methodology shifted when they discovered that, rather than answering directed questions, employees expressed themselves more candidly if encouraged to speak openly in what was known as non-directed interviewing. "It became clear that if a channel for free expression were to be provided, the interview must be a listening rather than a questioning process," a research study report noted. “The interview is now defined as a conversation in which the employee is encouraged to express himself freely upon any topic of his own choosing.”

Interviews, which averaged around 30 minutes, grew to 90 minutes or even two hours in length in a process meant to provide an emotional release. You always want to feel appreciated and taken into consideration from your boss or any other higher authority you are working with. This can create a trusting circle between both. Just like when you are supposed to learn from your teacher the materials she is giving you and at the same time you ask her for her advice on your personal life and start telling her what is going on with you in your daily life. You will feel a close relationship that connects you with the teacher and you will start to listen to her more and take into consideration what she is giving you as materials because there is a trust circle between both.

The resulting records, hundreds and hundreds of pages in which employees disclose personal details of their day to day lives, offer an astonishingly intimate portrait of the American industrial worker in the years leading to and following the Depression. In a pre-computer age, thousands of comments were sorted into employees’ attitudes about general working conditions, specific jobs, or supervisors and among these categories into favorable and unfavorable comments used to support interpretations of the data. Both workers’ and supervisors’ comments would aid in the development of personnel policies and supervisory training, including the subsequent implementation of a routine counselling program for employees.

FREQUENTLY ASKED QUESTIONS

1. Brief introduction to Frederick Winslow Taylor.
2. Define scientific management.
3. List the principles of management.
4. Brief the Henri fayol 14 principles or Administrative principles.
5. Brief the Elton mayo’s Howthrone experiment

Unit – IV

Planning

4. PLANNING-INTRODUCTION

Planning, leading, organising, and controlling are the four fundamental management activities that any organisation does continuously throughout its life cycle. Planning is the most important among these. It is the area of management that is responsible for developing policies, procedures, and guidelines to accomplish a certain goal. The effectiveness of all other managerial tasks depends on their planning.

The most primary management job is planning, which entails creating goals, outlining objectives, and specifying how these goals and objectives will be achieved. Consequently, it is a logical strategy for reaching pre-selected goals.

4.1 WHAT IS PLANNING?

Planning is the process of choosing what to accomplish and how to do it in advance. It is a fundamental part of management. The manager must first come up with a plan on how to approach a specific activity. Thus, creativity and innovation are intimately related to planning. However, the manager would need to define goals first; only then would he or she know where to proceed. Between where we are and where we aspire to go, planning aims to fill the gap. All managers plan, regardless of their position. Since there are several options to choose from, it necessitates making selections.

Therefore, planning entails deciding on the goals to pursue and the best ways to get there. All administrative choices and activities are guided by objectives. Planning offers a logical strategy for reaching predetermined goals. In order to accomplish organisational goals, all members must work together. These objectives establish the benchmarks that must be met and by which actual performance is assessed. Planning therefore include establishing goals and objectives as well as creating a strategy to attain them. It is concerned with both the methods and the ends, or with what has to be done and how.

Although time is a finite resource, the planned strategy must have a specific time range. It should only be employed sparingly. The environment may change, rendering all company strategies useless if the time factor is not taken into account. If planning is not followed through with or put into practise, it will be worthless.

Planning involves selecting missions and objectives and the actions to achieve them. An important aspect of planning is decision making - that is, choosing the rightalternativesforthe future course ofaction.

Typically, organisations need to prepare for both the long- and short-term futures. Managers can create plans to decide where they want the organisation

 ISBN: 978-93-93810-34-2

to go in the future by forecasting and anticipating market and sociopolitical-economic developments.

Planning include choosing the types and quantities of outside resources to be purchased, distributing those resources effectively among conflicting demands, and making plans for the methodical conversion of those resources into usable outputs.

Every plan should help the business accomplish its purposes and objectives since goals and objectives are attained via goals and plans. A structured company exists to achieve collective goals via willing and intentional cooperation.

Planning fills the gap between the organization's current position and where it wants to go in the future. Without preparation, things happen by accident.

4.2 IMPORTANCE OF PLANNING

The importance of planning as the major constituent in the management process is universally accepted.

1. Planning Provides Directions: Planning gives direction for action by outlining in advance how work is to be done. Planning makes ensuring the goals or objectives are clearly specified so they may serve as a roadmap for choosing what action should be performed and in which direction. Employees are aware of what the organisation must do and what they must do to attain the goals if those goals are well stated. The organization's departments and personnel can coordinate their efforts.

2. Planning Reduces the Risks of Uncertainty: By describing the tasks to be completed in advance, planning provides direction for action. Planning ensures sure the goals or objectives are properly defined so they may serve as a road map for deciding what action should be taken and in what direction. If the objectives are clearly articulated, employees are aware of what the organisation and they must do to achieve them. The departments and employees of the company can work together to coordinate their efforts.

3. Planning Reduces overlapping and Wasteful Activities: Coordination of the actions and efforts of several divisions, departments, and individuals is based on planning. It aids in preventing misunderstandings and confusion. Planning ensures that thoughts and actions are clear, allowing for uninterrupted work flow. Activities that are unnecessary or redundant are reduced or stopped. It is simpler to recognise inefficiencies and implement remedies for them.

4. Planning Promotes Innovative Ideas: Since the fundamental task of management is planning, fresh concepts can become detailed strategies. Since it

 ISBN: 978-93-93810-34-2

directs all future activities resulting in the expansion and profitability of the firm. it is the most difficult function for the management.

5. Planning Facilitates Decision Making: The management can choose from a variety of potential future paths by using planning to assist him or her see into the future. The management must assess each option and decide which is the most practical. Planning includes establishing goals and projecting future circumstances, which aids in making logical decisions.

6. Planning Establishes Standards for Controlling: Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling. Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. Therefore, we can say that planning is a prerequisite for controlling. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. The nature of corrective action required depends upon the extent of deviations from the standard. Therefore, planning provides the basis of control.

4.3 FEATURESOFPLANNING

The planning function of the management has certain special features. These features throw light on its nature and scope.

1. **Planning focuses on Achieving Objectives:** In creating an organisation, a broad goal is considered. The plans include the tasks that must be carried out in order to accomplish the goals, along with specific goals. Planning has a purpose, therefore. Planning is meaningless unless it helps the organisation accomplish its planned goals.
2. **Planning is a primary Function of Management:** For all other management tasks, planning establishes the groundwork. The plans that have been created serve as the basis for all subsequent managerial tasks. Planning so comes before other activities. The priority of planning is another name for this. The many managerial responsibilities are interconnected and equally significant. But planning lays the groundwork for all other activities.
3. **Planning is Pervasive:** Planning is necessary at all management levels and in all organisational areas. It is not the sole responsibility of the senior management or of any certain department. However, the breadth of planning varies among departments and at different organisational levels. For instance, the senior management handles planning for the entire organisation. Planning for departments is handled by middle

 ISBN: 978-93-93810-34-2

management. Daily operational planning is done by supervisors at the lowest level.

4. **Planning is Continuous:** Plans are created for a predetermined time frame, such as a month, quarter, or year. A new plan must be created at the conclusion of that time period in light of the new requirements and circumstances. Planning is therefore an ongoing effort. The planning cycle and continuity of planning are connected. It implies that a plan is developed, put into action, followed by another plan, and so on.
5. **Planning is Futuristic:** Planning generally entails anticipating the future and making preparations for it. The goal of planning is to prepare an organisation as best you can to deal with upcoming occurrences. It suggests looking into the future, studying it, and making predictions about it. Consequently, planning is viewed as a function that looks forward and is based on predictions. Future developments are anticipated by forecasting, and plans are then made in accordance with those predictions. So, for instance, a business firm bases its annual strategy for production and sales on sales forecasting.
6. **Planning Involves Decision Making:** Choosing among a variety of options and activities is the essence of planning. Planning is not necessary if there is just one feasible objective or course of action since there is no other option. Only when there are options available do plans need to be made. Planning in reality assumes the availability of alternatives. Thus, careful analysis, appraisal, and selection of the best choice are all part of planning.
7. **Planning is a Mental Exercise**: Planning calls for the use of the intellect, including foresight, a perceptive imagination, and good judgement. Planning determines the course of action, hence it is really a thinking activity rather than a doing one. Planning, however, calls for methodical and rational thought as opposed to speculation or wishful thinking. To put it another way, organised thinking for planning must be founded on the examination of data and projections.

4.4 TYPES OF PLAN

Plans commit the different organizational resources to particular results in order to achieve future objectives. Management uses a wide range of strategies to monitor and regulate organizational activity.

 ISBN: 978-93-93810-34-2

I. Strategic Plans

Strategic plans define the framework of the organization's vision and how the organization intends to make its vision a reality.

- Determining an organization's long-term goals, the action plan to be used to attain them, and the resources needed to do so are all part of this process.
- The senior management of an organization plans the direction in which the business will advance.
- Basically, it focuses on making plans for the upcoming years to move the organization from where it is now to where it wants to be.
- The strategic plan must be proactive, successful, and adaptable, with a focus on allowing for future growth.

II. Tactical Plans

Tactical plans describe the tactics that the managers plan to adopt to achieve the objectives set in the strategic plan.

- Middle level managers typically create tactical plans, which are short-term (generally less than three years) in nature.
- It provides particular strategies or plans for how each division's troops will carry out their strategic plans.
- The allocation of resources and work among the troops within each division is specified in tactical plans..

III. Operational Plans

Operational plans are short-term (less than a year) plans developed to create specific action steps that support the strategic and tactical plans.

• They are often created by the management to carry out his or her duties.

• They are created by managers, team captains, and facilitators to aid tactical planning.

• They control how a business is run on a daily basis.

Operational plans can be:

Standing plans - Drawn to cover issues that managers face repeatedly, e.g. policies, procedures, and rules.

Ongoing plans - Prepared for single or exceptional situations or problems and are normally discarded or replaced after one use, e.g. programs, projects, and budgets.

4.5 PLANNING PROCESS

Planning, as we all know is deciding in advance what to do and how to do. It is a process of decision making. How do we go about making a plan? Since planning is an activity there are certain logical steps for every manager to follow.

1. Setting Objectives: The first and most important stage is to define goals. Every organization has to have a set of goals. Each department or unit within the organization, as well as the overall organization, may have its own set of goals. Goals and objectives outline what the organization hopes to accomplish. Managers must simultaneously provide suggestions and take part in the process of creating goals. They must also comprehend how their behaviors help them accomplish their goals. It is simpler to work toward a goal when the outcome is evident.

2. Developing Premises: Every planner makes assumptions about what could happen in the future because planning is concerned with the unpredictable future. As a result, the management is compelled to make certain future assumptions. Premises are the name for these presumptions. Plans are to be created using assumptions as the foundation. Forecasts, current plans, or any previous knowledge regarding policies may serve as the basic material. There must be complete agreement among all parties about the underlying assumptions or premises. The same assumptions should be used by all managers participating in planning and should be known to them. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.

3. Identifying Alternative Courses of Action: Assumptions are formed once objectives are established. The next stage would be to put them into practice. There may be several methods to take action and accomplish goals. It is important to consider all possible alternatives. The action that may be performed might either be customary or novel. By incorporating more individuals and encouraging them to share their thoughts, an innovative route may be taken. If the project is significant, more options should be developed and fully debated among the organization's members.

4. Evaluating Alternative Courses: The next stage is to evaluate the benefits and drawbacks of each option. There will be several factors in each course that must be compared to one another. Each suggestion must have its advantages and disadvantages weighed against the goal to be accomplished. For instance, the risk-return trade-off is frequently used in financial strategies. The returns on an investment are more likely to be higher the riskier it is. Decisions are made based on meticulous estimates of earnings, earnings per share, interest, taxes, and dividends in order to assess such offers. Then, for these approaches, precise projections in both certainty and uncertainty become crucial presumptions. Alternatives are weighed according to their viability and effects.

5. Selecting an Alternative: This is the true purpose of making decisions. It is necessary to establish and carry out the finest plan. The best strategy would, of course, be the one that was the most realistic, successful, and had the fewest bad effects. The majority of designs might not always be put via a quantitative examination.

6. Implementing the plan: Other managerial responsibilities enter the scene at this stage. The step is concerned with carrying out the plan, or doing what is necessary. For instance, additional labor and equipment would be needed if there were plans to boost output. Additionally, planning for labor and equipment purchases would be necessary for this stage.

7. Follow-up Action: Part of the planning process also entails monitoring the execution of plans and the timeliness of activities. To make sure that goals are met, monitoring the plans is also important.

4.6 LIMITATIONS OF PLANNING

Organizations in the business world need to plan. Without proper planning, managing activities is challenging. It is crucial for an organization to make progress toward its objectives. However, we frequently observe in our daily lives that things do not always happen as expected. Our company strategies are impacted by unforeseen circumstances, rising expenses and pricing, environmental changes, government initiatives, and legal requirements. Then, plans must be adjusted. Why do we even make plans if we can't follow them? This is the area that needs analysis. The major limitations of planning are given in next:

i. Planning Leads to Rigidity: In an organization, a well defined plan is created with precise objectives to be accomplished within a predetermined time range. The future course of action is therefore determined by these plans, and managers might not be able to alter it. Plans with this level of rigor might run into trouble. Giving managers some freedom will help them adapt to the changing environment.

ii. Planning May Not work in a Dynamic Environment: Everything in the corporate world is always changing. Economic, political, physical, legal, and social characteristics are some of the dimensions that make up the environment. The organization needs to adjust to changes all the time. If economic policies are altered, the country's political climate changes, there is a natural disaster, or both, it becomes impossible to predict future environmental trends. Market competition has the potential to derail financial goals as well. Sales objectives may need to be updated as a result, and because cash budgets are dependent on sales numbers, they must also be adjusted. Effective planning may encounter challenges since it is impossible to predict everything.

iii. Planning reduces Creativity: The top management is accountable for planning. Usually, the remaining members just carry out these ideas. Middle management and other decision makers are hence not authorized to operate independently or to depart from plans. As a result, much of the initiative or creativity that they naturally possess is either lost or reduced. Employees seldom even make an attempt to create plans. They merely execute commands. Thus, since people have a tendency to think similarly to others, planning in some ways hinders creativity. Nothing is novel or creative.

iv. Planning Involves Huge Costs: The creation of plans involves significant financial expenditures. These might be in terms of time and money, for instance, verifying the veracity of information could take a lot of time. For accurate estimates of facts and statistics, detailed blueprints are needed. Sometimes the expenses incurred may not be worth the benefits received from the schemes. There are also a lot of incidental charges, such as the cost of board meetings, consultations with professionals, and preliminary research to determine the sustainability of the idea.

v. Planning is a Time-Consuming Process: Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.

vi. Planning Does not Guarantee Success: Only when plans are properly created and carried out is an organization's success conceivable. Any plan must be carried out in order for it to have any purpose. Managers frequently fall back on tried-and-true strategies that have worked before. It is not necessarily true that a strategy will succeed again just because it has in the past and there are so many more unknowable elements to take into account. This level of complacency and delusion of security may result in failure rather than success. But even with these drawbacks, planning is not a pointless activity. It should only be used as a last resort. It serves as a foundation for analyzing potential future actions. However, it is not a panacea for all issues.

4.7 METHODSOFPLANS

Single-use and Standing Plans

An organization must create a strategy before making any decisions about how to do business or starting any projects. Depending on their purpose and the length of the planning period, plans may be divided into many categories. Some plans have a short-term time frame and aid in achieving operational objectives. There are two types of these plans: single-use plans and standing plans.

Single-use Plan: For a particular occasion or undertaking, a single usage plan is created. Such a course of action is for non-recurring circumstances, meaning it is not likely to be repeated in the future. The kind of the project may affect how long this plan will last. It might go on for a week or a month. Some projects, such planning an event, seminar, or conference, may just last one day. These plans contain project and program budgets. They contain information, such as the names of the workers who are in charge of carrying out the task and making a contribution to the single-use plan. A program may, for instance, include determining the processes and formalities necessary to start a new department to handle unimportant tasks. Projects are similar to programmes but differ in scope and complexity. A budget is a statement of expenses, revenue and income for a specified period. Single use plans include programme and budget.

PROGRAMME

Programmes are comprehensive descriptions of a project that include the goals, regulations, laws, and tasks as well as the financial and human resources needed to carry them out. Programs will include the full spectrum of operations, the organization's philosophy, and how it will fit into the broader business strategy. Within the broad policy framework, the most minute aspects, such as processes, rules, and budgets, are worked out.

BUDGET

A budget is a declaration of anticipated outcomes in monetary terms. It is a strategy that estimates upcoming facts and statistics. A sales budget, for instance, can project sales of various goods in each location for a specific month. To illustrate the amount of employees needed in the plant at periods of peak output, a budget may also be created. All items are represented numerically in the budget, making it simpler to compare actual data with anticipated data and take remedial action as a result. A budget is thus a management tool from which discrepancies may be corrected. But because creating a budget requires predicting, it definitely falls within planning. It serves as a crucial planning tool for many organizations.

Take the cash budget as an illustration. One of the fundamental tools for managing cash is the cash budget. It is a tool to aid management in managing and planning cash flow. It is a statement that lists the anticipated inflows and outflows of cash over a specific time period. Cash inflows often originate from cash sales, while cash outflows typically represent expenditures and expenses related to business operations. The net cash position is determined by the cash budget i.e., inflows minus (–) outflows = surplus or deficiency.

The management must maintain sufficient financial reserves for a variety of needs. However, it should also avoid having an excessive cash balance because it offers little to no return. The company must cautiously evaluate and plan for its financing needs.

Standing Plan: For actions that happen repeatedly throughout time, a standing plan is employed. It is made to make sure that an organization's internal processes function smoothly. A plan like this considerably improves decision-making efficiency in everyday situations. It is often created just once, although occasionally changes are made to adapt to changing company demands. Policies, practices, techniques, and regulations are all part of standing plans.

Policies are standardised forms of standing plans that outline an organization's reaction to a certain circumstance, such as the admissions policy of a school. Procedures outline the processes to be taken in certain situations, such as the process for reporting manufacturing progress. Methods outline the correct way to carry out an activity. Rules specify exactly what must be done, such as reporting for work at a specific time.

 ISBN: 978-93-93810-34-2

POLICY

Policies are broad declarations that steer thought or focus energy in a certain direction. Policies serve as the basis for understanding strategy, which is typically expressed in broad terms; they are also manuals for management decision-making and action throughout the execution of strategy. For example, the company may have a recruitment policy, pricing policy within which objectives are set and decisions are made. If there is an established policy, it becomes easier to resolve problems or issues. As such, a policy is the general response to a particular problem or situation.

PROCEDURE

Procedures are the usual processes to carry out an activity. They provide the precise steps that must be taken to complete any task. They are listed in the order of their occurrence. There could be a process for ordering materials before manufacturing, for instance. Procedures are predetermined actions to be executed under specific conditions. Usually, only insiders are supposed to follow them. In general, the order of steps or activities to be followed is to implement a policy and achieve pre-established goals. The two concepts of policies and processes are connected. Procedures are actions to be taken as part of a comprehensive policy framework.

METHOD

The techniques or manners that must be followed to complete a work while taking the purpose into account are provided by methods. It focuses on a job that makes up one stage of a method and details how this step should be carried out. The approach may change depending on the task. Effectiveness is increased and time, money, and effort are saved by choosing the right approach. Different approaches may be used to teach staff at various levels, from high management to supervisory. For instance, lectures and seminars can be organized for higher level management orientation programs, but work-oriented approaches and on-the-job training are more suited for supervisory levels.

RULE

Rules are detailed instructions that specify what must be done. They do not permit any latitude or choice. It indicates a managerial choice on whether or not to pursue a specific action. Because there are no compromises or changes made unless a policy choice is made, these kinds of plans are typically the most transparent.

STRATEGY

The broad dimensions of an organization's business are provided by a strategy. It will also make reference to choices made in the future that will determine the organization's direction and scope throughout time. Consequently, we might

 ISBN: 978-93-93810-34-2

define a strategy as a thorough plan for achieving organizational objectives. This comprehensive plan will include three dimensions,

(i). Determining long term objectives,

(ii). Adopting a particular course of action, and

(iii) Allocating resources necessary to achieve the objective.

The corporate environment must be taken into account whenever a plan is developed. The strategy of an organization will be impacted by changes in the economic, political, social, legal, and technical environments. In the business world, strategies typically take time to shape an organization's identity. The organization will need to decide whether to stay in the same industry, merge new company ventures with the current one, or try to gain market dominance. These are just a few examples of major strategic decisions. For example, a company's marketing strategy has to address certain questions i.e., who are the customers? What is the pricing policy? and how do we advertise the product. These and many more issues need to be resolved while formulating a marketing strategy for any organisation.

Features of Strategy

1. Since forecasting the future is impossible, strategy is important. The businesses must be prepared to deal with the uncertain occurrences that make up the business environment even without flawless foresight.
2. Instead than focusing on daily operations, strategy considers long-term trends, such as the likelihood that new technologies may result in innovative goods, manufacturing techniques, or markets in the future.
3. When developing a strategy, one must consider the likely consumer and rival behavior. Employer management techniques will forecast employee behavior.

Strategy is a Well Defined Roadmap of an Organization. It outlines an organization's overarching goal, vision, and course. The goal of a strategy is to maximize an organization's strengths and to reduce rivals' strengths.
Strategy, in short, bridges the gap between "where we are" and "where we want to be".

The Three Levels of Strategy

The Three Levels of Strategy, developed by Gerry Johnson and Kevan Scholes along with other major managerial thinkers, are a way of defining the different layers of strategy which, in tandem, orient the direction of the organisation and define its success. The Three Levels are:

 ISBN: 978-93-93810-34-2

i. Corporate Level ii. Business Level iii. Functional Level

When synchronised and coordinated, successful strategies at each of these levels will contribute to successful overall organisational strategy.

1. Corporate Level

Although it is produced in much greater detail, the top layer of strategic planning is frequently linked to the organization's goal and values. Corporate strategy, which outlines the general direction and course of the firm, is determined by people at the highest top of the organization - managing directors and executive boards. In effect, it defines:

- General, overall strategy and direction
- Which markets the organisation will operate in
- How the markets will be entered and the general activities of the organisation

Typically, a strategy is developed at pivotal times throughout an organization's existence. The beginning of the organization is the most crucial period for this to happen; however, it is frequently disregarded in favor of a reliance on a certain service or item. Corporate strategy is essential since it will guide all future decisions made inside the organization.

Smaller, younger businesses that target a narrow market or have a limited number of distinctive goods or services may find it much simpler to design a corporate strategy since there are fewer factors to take into account.

Larger and more established organizations, however, will find the process to be much simpler as they may need to deviate from their core competencies in order to access new markets and seize new possibilities.

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organization to examine different businesses in it’s portfolio on the basis of their related market share and industry growth rates. It is a two dimensional analysis on management of SBU’s (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share = SBU Sales this year leading competitors sales this year.

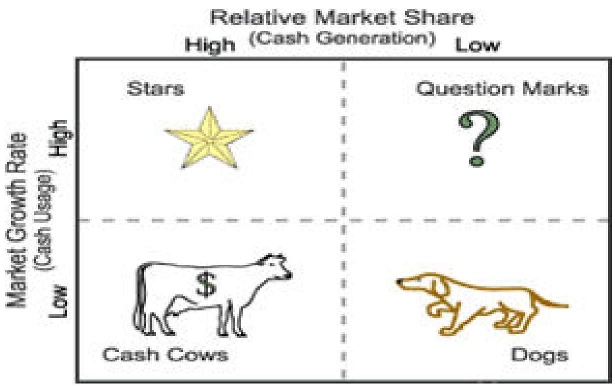
Market Growth Rate=Industry sales this year - Industry Sales last year.

 ISBN: 978-93-93810-34-2

These metrics must be calculated for each SBU in the analysis. Relative market share, a measure of corporate strength, will assess comparative advantage as evidenced by market domination.

This is mostly explained by the idea that there is an experience curve and that market share is attained through overall cost leadership. The BCG matrix includes four cells, with the vertical axis designating market growth rate and the horizontal axis reflecting relative market share. The relative market share midpoint is set at 1.0. The industry's average growth rate is applied if all SBUs are in the same sector. While the mid-point is set at the economy's growth rate assuming all SBUs are spread among various industries.

According on where each business unit is located on the grid, resources are distributed accordingly. Stars, cash cows, question marks, and dogs are the names given to the four cells that make up this matrix. These cells each represent a certain sort of company.



1. **Stars -** Business units with a significant market share in a rapidly expanding industry are represented by stars. Stars may make money, but because of the rapidly expanding industry, they need significant expenditures to stay in the front. Normally, net cash flow is minimal. Due to their location in a thriving industry and the high level of industry competition, SBUs found in this cell are appealing. If a star is successful, they will develop into a cash cow as the business grows.
2. **Cash Cows -** Cash Cows are examples of company segments with a significant market share in an established, slowly expanding sector. Cash cows are businesses that need low capital commitment and produce cash that may be invested in other company units. These SBUs, which are primarily the core business, are the corporation's main cash source. They serve as an organization's foundation. Typically, these companies employ stability tactics. Retrenchment measures may be taken when cash cows lose their allure and begin to deteriorate.

 ISBN: 978-93-93810-34-2

3. **Question Marks -** Question marks stand for business units with a low relative market share that are situated in a sector that is experiencing rapid expansion. To keep or expand their market share, they need an enormous amount of money. They need to be taken into consideration to see if the business can succeed. Generally speaking, question marks indicate brand-new products and services with a promising commercial future. There is no one approach that should be used. If the company believes it has a dominant market share, it can pursue an expansion plan; otherwise, it can pursue a retrenchment approach. Most companies begin as question marks when they attempt to join an industry with significant growth and an existing market share. If ignored, then question marks may become dogs, while if huge investment is made, then they have potential of becoming stars.

4. **Dogs -** Dogs stand for companies with low market shares in slow-growing industries. They don't produce a lot of money or need a lot of money. These business units have cost disadvantages as a result of their limited market share. Retrenchment tactics are typically used since these corporations can only acquire market share at the expense of rival or competitor enterprises. Because of their exorbitant expenses, subpar products, inefficient marketing, etc., these companies have a little market share. If a dog has lower chances of gaining market share, it should be liquidated unless it has another strategic goal. Avoiding and reducing the number of dogs in an organization.

Limitations of BCG Matrix

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

1. BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.

2. Market is not clearly defined in this model.

3. High market share does not always leads to high profits. There are high costs also involved with high market share.

4. Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.

5. At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.

6. This four-celled approach is considered as to be too simplistic.

 ISBN: 978-93-93810-34-2

2. Business Level

Generally speaking, business strategy develops and changes as a result of the broader company plan that has been established by people in charge. They are often far more precise than corporate strategy and are probably exclusive to particular divisions or departments within the larger organization.

In general, they use corporate strategy as an outline to:

- Define specific tactics and strategies for each market the organisation is involved in.
- Define how each business unit will deliver the planned tactics.

Due to their nature, larger companies that participate in many activities tend to use them more frequently than small enterprises. Smaller organizations can still use them, though, if they want to outline how they approach each distinct aspect of their operations by dissecting the broad corporate strategy.

3. Functional Level

This refers to the day-to-day management of the business that will keep it operating and progressing in the right path (also known as market-level strategy). While many organizations fail because they lack a comprehensive corporate strategy, others fail because they lack strategies on how to carry out daily tasks. Without a strategy on how to run its operations successfully, an organization will not advance, even with a general direction in mind. Numerous and defining highly particular operations and parts of smaller departments, teams, organizations, and activities will be covered by them.

Overall, They Define

- Day-to-day actions which are required to deliver corporate and business strategies.
- Relationships needed between units, departments and teams.
- How operational goals will be met, and how they will be monitored.

The lowest level of strategy planning is where leaders should outline how various departments and functions will collaborate to accomplish bigger objectives. In order to accomplish the objectives outlined by the corporate and company strategy, managers will be in charge of departments (such as manufacturing and HR) that execute distinct tasks but must be coordinated.

The success of the organization as a whole will be determined by success at the bottom of the hierarchy, via day-to-day operations, even though corporate strategy will receive all the attention. To keep going forward, you must start from scratch and take baby steps. If operations fail, the organization also fails.

 ISBN: 978-93-93810-34-2

4.8 OBJECTIVES

The first step in planning is setting objectives. Objectives, therefore, can be said to be the desired future position that the management would like to reach. Objectives are very basic to the organisation and they are defined as ends which the management seeks to achieve by its operations. Therefore, an objective simply stated is what you would like to achieve, i.e., the end result of activities. For example, an organisation may have an objective of increasing sales by 10% or earning a reasonable rate of return on investment, earn a 20% profit from business. They stand for the culmination of planning. The achievement of these goals is the focus of all other managerial efforts. They are often determined by the organization's top management and concentrate on big-picture concerns. They outline the desired future condition of affairs for the organization. They act as a manual for comprehensive company planning. The organization's many departments or groups may each have their own goals. Objectives must be stated in detail, be quantifiably quantifiable, and take the form of a written statement of the intended outcomes to be attained within a certain time frame.

4.9 MANAGEMENT BY OBJECTIVES (MBO)

MBO is based on participative management. Objectives set by each individual are collected to produce achievable group objectives. Objectives might be short term; long term and they might also be broad objectives/specific objectives.

MBO, also known as management by results (MBR), is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them. The term "management by objectives" was first popularized by Peter Drucker in his 1954 book The Practice of Management.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee’s actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

Principles of MBO

The following are the most important principles of the MBO process.

1. Focus on growth and development instead of failure and punishment.
2. Open a channel of regular feedback instead of static weekly or monthly reports.
3. Make objectives more challenging but motivating as well for better results.

 ISBN: 978-93-93810-34-2

4. Employees must involve while setting objectives for a particular entity.
5. Make performance-oriented reviews rather than speed-oriented. It means it is the performance that counts.
6. Focuses on goals rather than methods.

Features of MBO

After defining MBO, the principles of MBO, and how it works, we are now able to list out the main features of the MBO system. Following are the most important features of the MBO.

1. MBO is a philosophy, not a technique that provides a path to organizational success. It means MBO is not just limited to a certain area, but it is a philosophy that fits every aspect of management.
2. Managers and employees define the objectives of the organization or individuals by working together to set a target that is to be chased later.
3. Later, these defined objectives become the scale of evaluation on which managers evaluate the performance of their employees.
4. Every contributor has a clear sense of what he/she is supposed to do.
5. MBO defines what is to be achieved instead of how it is to be achieved.
6. It is a result-oriented managerial approach.

MBO Processes are:

1. Determining Organizational Goals - Setting Organizational Purpose, The very first step in the MBO process is defining organizational goals. These goals must be clear and concise and different kinds of managers must involve when settings goals. Goals can be either long-term goals or short-term goals. These goals are concerned with organizational growth, profit, and production, etc. The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many different kinds. Before working on the set goals, the managers should determine organizational goals by aiming to create potential management that must be capable of handling various kinds of goals easily.

The characteristics of an ideal organizational goal must be:

1. Clear, concise, and without any confusion
2. Challenging yet motivating for the works and operational staff
3. within the skills and competence of the operational unit
4. Consistent throughout the goal-setting sessions

2. Determining Employees Objectives – Developing Action Plans-After determining the organizational goals, the next step is to set the individual's goals or more clearly employees' goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific period and what resources will they use to achieve those goals. Managers and subordinates or employees join to develop this action plan. This helps managers to set a progress monitoring indicator to see actual performance. Not only this, but the action plan also helps to identify the most efficient methods to achieve the feasible goals.

3. Constant Monitoring Progress and Performance - The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees.

4. Performance Evaluation - As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in the mind, performance evaluation is one of the most important factors of the organization that can help to operate certain objectives smoothly.

 ISBN: 978-93-93810-34-2

5. Providing Feedback – Performance Review

The psychologically influential factor of MBO is providing continuous feedback to employees regarding their performance and individual goals so that they can monitor, correct, and extra improve their skills and mistakes.

6. The Performance Appraisal – Recycling

Performance appraisals are the final step of the process of Management by Objectives. By definition, a day-by-day review of the employee's performance across the organization can be called a performance appraisal. Performance appraisal is associated with the term performance evaluation, but in some cases, both differ from each other.

Advantages of MBO are:

1. **Motivation** – Involving employees in the whole process of goal setting and increasing employee empowerment. This increases employee job satisfaction and commitment.
2. **Better communication and coordination -** Frequent reviews and interactions between superiors and subordinates help to maintain harmonious relationships within the organization and also to solve many problems.
3. Clarity of **goals**
4. **Subordinates tend to have a higher commitment** to objectives they set for themselves than those imposed on them by another person.
5. Managers can ensure that **objectives of the subordinates** are linked to the organization's objectives.
6. Everybody will be having a **common goal** for whole organization. That means, it is a directive principle of management.

4.10 MANAGEMENT BY EXCEPTION (MBE)

Management by exception (MBE) is a management approach in which intervention by managers only occurs in the event of substantial departures from anticipated results. It entails concentrating just on the things for which there was really a difference. If the variation indicates an exception for which remedial action is required, it can be determined using materiality criteria.

Management by Exception (MBE) is a "policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results". The concept of MBE was propounded by: Frederick Winslow Taylor.

When used in business, it refers to a management approach that offers staff members the freedom to decide for themselves and complete tasks or projects

 ISBN: 978-93-93810-34-2

on their own. It focuses on and examines deviations in the data that are statistically significant.

The manager receives signals from this identification and communication system when and where his attention is required.

This system's major goal is to help the manager isolate the issues that require decision-making and action while avoiding, ignoring, or paying less attention to issues that are less urgent and are better handled by his subordinates.

Under this approach, the manager should only get condensed, summarized, and constant comparison reports covering all the aspects, and he/she should be made aware of all deviations from previous averages or standards, including both particularly positive and negatively significant outliers.

This gives him a full view of the progress in a few minutes of time. Thus by using the experience in a systematic way (i.e., having the knowledge of past attainments), a careful analysis is made with reference to existing records and standards of performances.

Advantages of Management by Exception:

1. It saves time and allows the management to focus on pressing issues at a certain time.
2. The manager may choose when and where to focus his attention thanks to this approach, allowing for concentrated efforts. It pinpoints crises and pressing issues.
3. The manager is capable of delving into detail since there are fewer decisions that need to be made.

4.11 DECISION MAKING is perhaps the most important component of a manager's activities. It's the most essential element of the planning process. When managers plan, they make decisions on a variety of issues, including the objectives their organization will pursue, the resources they will utilize, and who will carry out each necessary activity.

According to Andrew Smilagyi, "Decision making is a process involving information, choice of alternative actions, implementations, and evaluation that is directed to the achievement of certain stated goals".

Decision making is described as the essence of a manager's job because it is utilized in all four managerial functions of planning, organizing, leading and controlling. Decisions, both large and small, are made every day by managers and they have the potential to affect others.

 ISBN: 978-93-93810-34-2

Characteristics of Decision Making

The following are the characteristics of decision making:

• Making decisions is a process of selecting.

• The last procedure is decision-making. A thorough debate and choice of options come before it.

• The use of intellectual skills in decision-making is significant.

• The process of making decisions is dynamic.

• Decisions depend on the circumstances.

• A choice might be favorable or unfavorable.

• Critical appraisal techniques are used to evaluate the choices that are accessible while making decisions.

• A decision is made to carry out an organization's goals.

4.12 Type of Decisions

Depending on their scope, significance, and effects inside the organization, decisions made by organizations can be categorized into a variety of groups. The following are the different types of decisions:

Programmed and Non-programmed Decisions

The majority of the time, programmed decisions are repetitive. Purchase orders, approval of various leave options, pay increases, the resolution of common conflicts, etc. are a few examples. Managers typically adhere to established protocols when handling such common concerns. Non-programmed decisions, on the other hand, are distinctive since they are not regular in nature. They have to do with a few uncommon circumstances for which there aren't any defined procedures for dealing with them. Examples of issues in this category include managing a significant labor relations issue, losing market share, rising competition, issues with the government, and escalating public antagonism towards the company.

Operational and Strategic Decisions

The current is relevant to operational or tactical choices. The main goal is to maximize efficiency in the business's continuous operations. This category includes things like better working conditions, efficient supervision, wise use of available resources, better equipment upkeep, etc. On the other side, strategic actions include increasing the size of operations, entering new markets, altering the product mix, moving the manufacturing plant, forging partnerships with other businesses, etc. Such choices will have a significant influence on the company.

 ISBN: 978-93-93810-34-2

ORGANIZATIONAL AND PERSONAL DECISIONS

Organizational choices are those made by managers about organizational issues in the normal course of business while acting in their managerial position. Managers may decide to implement a new incentive program, transfer an employee, reallocate or redeploy staff, among other actions, in order to meet certain goals. Managers do occasionally make choices that are completely personal in contrast to these determinations. They might not just effect themselves; they might also have an influence on the company. For instance: Though made for personal reasons, the manager's choice to leave the company might have an influence on it.

INDIVIDUAL AND GROUP DECISIONS

Organizational choices are those made by managers about organizational issues in the normal course of business while acting in their managerial position. Managers may decide to implement a new incentive program, transfer an employee, reallocate or redeploy staff, among other actions, in order to meet certain goals. Managers do occasionally make choices that are completely personal in contrast to these determinations. They might not just effect themselves; they might also have an influence on the company. For instance: Though made for personal reasons, the manager's choice to leave the company might have an influence on it.

THE DECISION-MAKING PROCESS IN 7 STEPS

The decision-making process is spreads out in three stages: identifying phase (opportunities, problem, and crises are recognized and relevant information is collected and problems are more clearly identified), development phase (alternative solutions to problems are generated and modified) and selection phase (alternative solutions to problems are generated and modified) and seven steps. The seven steps followed by the author (Litherland, N., 2013) are: defining the problem, identifying and limiting the factors, development of potential solutions, analysis of the alternatives, selecting the best alternative, implementing the decision and establishing a control and evaluation system.

1. IDENTIFY THE PROBLEM

Finding the issue is the first stage in the decision-making process. You must first decide what issue has to be resolved in order to make a decision. When defining the issue, the management should take crucial or strategic elements into account. These issues actually make it difficult to come up with a good solution. These are sometimes referred to as constraints. Root causes, limiting assumptions, system and organizational boundaries, and interfaces must all be identified at the very least throughout this procedure. Managers must first recognize the issue. It is necessary to identify and locate the issue. Symptoms

 ISBN: 978-93-93810-34-2

are recognized, but issues should be assessed because they are not problems themselves. They are early indicators of issues. Therefore, managers should look for signs to identify concerns. The first step needed in taking a decision is to have detected a difference between the current situation and the desired situation. The managing director is under pressure to act as a result of this disparity or issue, which may affect future job evaluations, business policy, deadlines, or the financial crisis, among other things.

2. COLLECT RELEVANT INFORMATION

It's time to acquire the facts pertinent to that decision once you've decided what to do. The next stage after describing and assessing the issue is to come up with potential remedies. Making the greatest choice out of the several alternative courses of action is the major goal of producing alternative solutions. The manager finds inventive or unique solutions to the issues while generating alternate options.

3. IDENTIFY THE ALTERNATIVES

Determine potential solutions to your problem now that you have the necessary facts at your disposal. When attempting to achieve a goal, there are typically multiple options to take into account. For instance, if your business is attempting to increase social media engagement, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

4. DEVELOPING ALTERNATIVE SOLUTIONS

The next stage after describing and assessing the issue is to come up with potential remedies. Making the greatest choice out of the several alternative courses of action is the major goal of producing alternative solutions. The manager discovers innovative or creative solutions to the challenges while generating other alternatives. The formulation of alternate courses of action in current times is greatly aided by the methods of operations research and computer applications. Consider the evidence in favor of or against each possibility when you have selected several. Examine what businesses in the past did to achieve success in these areas, and then look closely at the successes and failures of your own company. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

5. IMPLEMENTATION OF THE DECISION

All necessary data was obtained, and probable course of action was devised and thought out. You are well equipped to make a decision. After ranking your choices, you must decide which one you believe has the best probability of helping you reach your objective. There are times when you can mix several possibilities, but most of the time you will have a very definite route in mind.

 ISBN: 978-93-93810-34-2

6. TAKE ACTION

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Use Lucid chart diagrams to plan the projects related to your decision, and then set the team loose on their tasks once the plan is in place.

7. REVIEW DECISION

The important final phase in the decision-making process is assessing the efficacy of your choice. Follow-up makes it possible to pinpoint the shortcomings or detrimental effects of the choice. It offers insightful feedback that may be used to assess or reevaluate the decision.

Decision Making Under Various Conditions

Generally, the decision maker makes decision under the condition of certainty, risk and uncertainty. There are three conditions that managers may face as they make decisions. They are (1) Certainty, (2) Risk, and (3) Uncertainty. These conditions determine the probability of an error in decision making.

All managers make judgments in each situation, but risk and uncertainty are prevalent in the more challenging and unstructured issues that top managers deal with. When a management has full knowledge of all the data required to make a choice, a decision is made under the condition of certainty. The best situation for addressing problems is this one. The difficult task is to simply research the options and select the finest one. A manager may use programmed choices, which are standardized or planned replies, to deal with issues that frequently crop up. These answers are applicable to the current issue and are previously known from prior experiences. A excellent illustration is the choice to automatically order inventory when stock drops below a predetermined level. Today, an increasing number of programmed decisions are being assisted or handled by computers using decision-support software.

Structured issues are well-known, simple, and transparent in terms of the data required to address them. A manager can frequently foresee these issues and establish a plan to avoid or address them. Personnel issues, such as those involving compensation increases, promotions, vacation requests, and committee assignments, are frequent. Managers that are proactive can prepare procedures for managing these concerns successfully before they arise.

RISK

In a risk environment, the manager lacks complete information. This condition is more difficult. A manager may understand the problem and the alternatives, but has no guarantee how each solution will work. Risk is a fairly common decision condition for managers.

Non-programmed judgments are specially customized to the scenarios at hand when novel and unexpected difficulties appear. For identifying and addressing non-routine situations, a lot of information is often needed. Information processing may be aided by computers, but a human decision-maker will almost certainly be involved. Higher level managers' difficulties typically need making unplanned judgments. This truth explains why a manager's conceptual talents are put under more pressure as they advance in management responsibilities.

A **Crisis Problem** is an unexpected problem that can lead to disaster if it's not resolved quickly and appropriately. No organization can avoid crises, and the public is well aware of the immensity of corporate crises in the modern world. The Chernobyl nuclear plant explosion in the former Soviet Union and the Exxon Valdez spill of years past are a couple of sensational examples. Managers in more progressive organizations now anticipate that crises, unfortunately, will occur. These managers are installing early warning crisis information systems and developing crisis management plans to deal with these situations in the best possible ways.

Uncertainty

When information is so poor that managers can't even assign probabilities to the likely outcomes of alternatives, the manager is making a decision in an uncertain environment. This condition is the most difficult for a manager. Decision making under conditions of uncertainty is like being a pioneer entering unexplored territory. Uncertainty forces managers to rely heavily on creativity in solving problems: It requires unique and often totally innovative alternatives to existing processes. Groups are frequently used for problem solving in such situations. In all cases, the responses to uncertainty depend greatly on intuition, educated guesses, and hunches — all of which leave considerable room for error.

These unstructured problems involve ambiguities and information deficiencies and often occur as new or unexpected situations. These problems are most often unanticipated and are addressed reactively as they occur. Unstructured problems require novel solutions. Proactive managers are sometimes able to get a jump on unstructured problems by realizing that a situation is susceptible to problems and then making contingency plans. For example, at the Vanguard Group, executives are tireless in their preparations for a variety of events that could disrupt their mutual fund business. Their biggest fear is an investor panic that overloads their customer service system during a major plunge in the bond or stock markets. In anticipation of this occurrence, the firm has trained accountants, lawyers, and fund managers to staff the telephones if needed.

 ISBN: 978-93-93810-34-2

Modern Approaches to Decision-making under Uncertainty:
There are several modern techniques to improve the quality of decision-making under conditions of uncertainty.

The Most Important Among These Are:
(1) Riskanalysis,

(2) Decisiontreesand

(3) Preferencetheory.

Risk Analysis
Managers who follow this approach analyze the size and nature of the risk involved in choosing a particular course of action. For instance, while launching a new product, a manager has to carefully analyze each of the following variables the cost of launching the product, its production cost, the capital investment required, the price that can be set for the product, the potential market size and what percent of the total market it will represent.

Risk analysis involves quantitative and qualitative risk assessment, risk management and risk communication and provides managers with a better understanding of the risk and the benefits associated with a proposed course of action. The decision represents a trade-off between the risks and the benefits associated with a particular course of action under conditions of uncertainty.

Decision Trees
These are considered to be one of the best ways to analyze a decision. A decision-tree approach involves a graphic representation of alternative courses of action and the possible outcomes and risks associated with each action.

By means of a **"tree"** diagram depicting the decision points, chance events and probabilities involved in various courses of action, this technique of decision-making allows the decision-maker to trace the optimum path or course of action.

Preference or Utility Theory
This is another approach to decision-making under conditions of uncertainty. This approach is based on the notion that individual attitudes towards risk vary. Some individuals are willing to take only smaller risks ("risk averters"), while others are willing to take greater risks ("gamblers"). Statistical probabilities associated with the various courses of action are based on the assumption that decision-makers will follow them.

For instance, if there were 60 percent chances of a decision being right, it might seem reasonable that a person would take the risk. This may not be necessarily true as the individual might not wish to take the risk, since the chances of the

 ISBN: 978-93-93810-34-2

decision being wrong are 40 percent. The attitudes towards risk vary with events, with people and positions.

Top-level managers usually take the largest amount of risk. However, the same managers who make a decision that risks millions of rupees of the company in a given program with a 75 percent chance of success are not likely to do the same with their own money. Moreover, a manager willing to take a 75 percent risk in one situation may not be willing to do so in another. Similarly, a top executive might launch an advertising campaign having a 70 percent chance of success but might decide against investing in plant and machinery unless it involves a higher probability of success.

Though personal attitudes towards risk vary, two things are certain. Firstly, attitudes towards risk vary with situations, i.e. some people are risk averters in some situations and gamblers in others. Secondly, some people have a high aversion to risk, while others have a low aversion.

FREQUENTLY ASKED QUESTIONS

1. What do you understand about planning?
2. Write the importance of planning.
3. What are the features of planning?
4. Brief the types of plan.
5. Explain the process of planning.
6. What are the limitations of planning?
7. Explain the methods of plan.
8. Brief the levels of strategies.
9. Define Objectives.
10. What are the principles of management by objectives? Explain its process.
11. What do you understand about management by management by Exception?
12. Define decision making and brief its process.

ISBN: 978-93-93810-34-2

Unit – V

Organising

5.1 INTRODUCTION

The word Organization is derived from the word organism. Essentially, organising refers to a procedure that combines resources with human labour to create an united whole that may be used to accomplish predetermined goals. Organization is a system or structure that makes it possible for tasks to be carried out successfully. For the aim of attaining the fundamental goals, the organisation was created. Whatever the company's goals may be, organisation is necessary. Organization is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner. The organization consists of different departments. Each department performs its work independently and cannot be a substitute for another.

5.2 DEFINITION

According to Haney: "Organization is a harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes."

According to Allen, "The process of identifying and grouping the work is to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."

5.3 FUNCTION OF ORGANISING

Organising involves a series of steps that need to be taken in order to achieve the desired goal.

1. Determination of Activities: In order to accomplish an organization's goals, various activities must be agreed upon and divided. The entire work is broken down into a number of pieces, and then each portion is further broken down into a number of sub-parts. For instance, the effort involved in purchases might be broken down into storage, ordering, and requisitioning of goods.

2. Departmentalisation: Identical activities are grouped under one individual or one department. The activities of sales such as canvassing, advertisements and debt collection are grouped under sales department.

3. **Assignment of Duties:** It is vital to specify the duties of various job roles and then assign tasks to different employees in accordance with that definition. After departments are established, each is given a specific person to oversee. Then, based on each department's personnel qualifications and talents, jobs are assigned. It is crucial for efficient performance that the nature of the work and a person's abilities be well matched. Those who are most suited to completing the task must be given the assignment.

4. Delegation of Authority: Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. While delegating authority, responsibility is also fixed. E.g. the production manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality of goods.

5. **Defining Relationship**: The establishment of such clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.

5.4 IMPORTANCE OF ORGANISING

Any organization's organising role must be carried out correctly in order to finish tasks and successfully fulfil goals. The following examples demonstrate how important organising is to any company operation.

i. Benefits of Specialisation: When jobs are organised, they are distributed among the workforce in a methodical way. Due to the particular personnel completing a certain job on a regular basis, this lessens the workload and increases production. A worker can obtain expertise in a particular field and become specialised via the repeated execution of that activity.

ii. Clarity in Working Relationships: Communication channels are made clear and reporting ties are specified through the formation of working partnerships. This eliminates uncertainty in the transmission of information and commands. It helps in establishing a hierarchy, allowing for the fixing of accountability and the articulation of the level of authority that each person may exert.

iii. Optimum Utilisation of Resources: The appropriate use of all material, financial, and human resources results from organisation. The most effective use of resources is made possible by the right task assignment, which also prevents work from overlapping. Reducing confusion and effort and resource waste is made possible by avoiding duplication of effort.

iv. Adaptation to Change: A business firm can adapt to changes in the business environment through the organising process. It prepares the stage for a seamless transition by enabling the organisation structure to be appropriately updated and by revising the interrelationships among management levels. The company also receives much-needed stability as a result of which it may continue to thrive despite changes.

v. Effective Administration: Clear explanations of roles and related responsibilities are provided through organising. By doing so, confusion and duplication are reduced. Effective work execution is made possible by clear working connections. As a result, managing a business is made simple, which increases administrative effectiveness.

vi. Development of Personnel: The managers' originality is sparked by organising. By giving regular tasks to their employees, managers may effectively delegate, reducing their own workload. In addition to being essential due to an individual's capacity limitations, delegation of work lightens the manager's workload and enables the development of new techniques and methods of job completion.

vii. Expansion and Growth: By allowing a company to break from accepted conventions and take on new problems, organising aids in the growth and diversity of the latter. It enables a company to increase the number of employees, divisions, and even product lines. Existing regions of business can expand into new geographic boundaries, which will assist to boost client base, sales, and profit.

5.5 ORGANISATIONSTRUCTURES

As a result of the organising process, an organization's structure is created. The firm will become more profitable as a result of an efficient structure. An organisation feels the requirement for a suitable organisational structure anytime its size or complexity increases. **Peter Drucker** emphasizes on the importance of having an appropriate organisation structure when he says, "organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and even destroy it." The framework for performing operational and management activities is known as the organisational structure. The connections between people, labour, and resources are explained. It permits the linkage and coordination of people, material, and financial resources, enabling an organisation to achieve its objectives. An organisation chart displays a current situation of the company.

5.5.1 TYPES OF ORGANISATION STRUCTURES

The type of structure adopted by an organisation will vary with the nature and types of activities performed by an organsation. The organisational structure can be classified under following categories which are as follows:

Relationships essentially serve as the basis for organisational classification. On the basis of relationships inside an organisation, there are two sorts of organisations.

1. Formal Organization: This one refers to a system of clearly defined occupations, each of which carries some level of power and responsibility. The decision to follow the rules established by the structure is one made consciously by those who want to achieve their aims. Each individual is in charge of their own performance in this type of organisation, which is a random setup. To accomplish predetermined aims, formal organisations have a formal structure.

Advantages: Formal organisation offers many advantages. Some of the important ones are:

(a) When mutual relationships are understood, it is simpler to fix responsibility.

(b) The responsibilities that each member must play are clear since the obligations are laid out. Additionally, it helps prevent effort duplication.

(c) An established channel of command maintains unity of command.

(d) By establishing a structure for the activities to be carried out and ensuring that each employee is aware of his or her responsibilities, it promotes the efficient achievement of goals.

(e) It gives the organisation stability. This is due to the fact that since they are guided by defined standards, employees' behaviour can be adequately predicted.

Disadvantages: The formal organisation suffers from the following limitations:

a) Considering that the established chain of command must be followed, which lengthens the time required for decision-making, formal communication may cause procedural delays.

b) Since they forbid any deviations from the strict policies established, poor organizational procedures may fail to adequately recognise creative talent.

c) Considering that an enterprise focuses a greater emphasis on structure and labour, understanding the interpersonal interactions inside it might be challenging. As a result, the formal structure of an organisation does not give a clear picture of how it operates.

2. Informal Organization: It describes a web of social and personal connections that emerges organically within the established framework. Relationships within informal groups are based on sentiments, emotions, and preferences. As a result, the network of friendship-based social groupings might be referred to as informal organisations. The lack of formal organisation is not intentionally addressed. It develops from formal organisation, but unlike formal organisation, it is not governed by any laws and regulations.

Advantages: The informal organisation offers many benefits. Important among them are given below:

(a) The traditional communication channels are not used. As a result, informal organisations facilitate immediate feedback and faster information dissemination.

(b) It helps members locate others who share their interests and satisfies their social demands. As a result, they feel more a part of the organisation, which improves their feeling of job satisfaction.

(c) By making up for shortcomings in the formal organisation, it helps the organisation achieve its goals. A test of employee responses to plans and rules, for instance, can be conducted through the informal network.

Disadvantages: The informal organisation has certain disadvantages. Some of them are as follows:

(a) When an informal group spreads rumours, it turns into a harmful force that works against the official group's interests.

(b) If the informal organisation is against the changes, the management could not be successful in adopting them. Growth might be hindered or delayed by such resistance to change.

(c) Members are under pressure to meet the standards of the organisation. If the group's norms go against the organization's interests, this might be detrimental to the organisation.

3. Line Organization: It is the earliest and most straightforward type of administrative structure. According to this kind of structure, power is distributed across an organisation. From top to bottom, the chain of command is followed. This is why this sort of administrative organisation is referred to as a "scalar organisation," meaning the scalar chain of command is an integral aspect of it. In this kind of organisation, the chain of command operates uniformly with no lapses in coordination or communication.

Features of Line Organization

1. It is the most fundamental type of organisation.

2. Line of authority flows from top to bottom.

3. These organisations do not provide supportive or specialised services.

4. Because line officers have the autonomy to make judgments within their own domains and spheres, unified control by them may be maintained.

5. This type of arrangement always aids in improving communication effectiveness and stabilising a situation.

Merits of Line Organization

1. Simplest - It is the simplest and most traditional technique for administration.

2. Unity of Command - These companies preserve a superior-subordinate relationship and a top-to-bottom scalar chain of command.

3. Better discipline - One individual is in charge, and because of this, he is able to act autonomously and make his own judgments. Better discipline is maintained through unified control.

4. Fixed responsibility - Every line executive in this style of organisation has a definite authority, power, and fixed duty associated with each authority.

5. Flexibility - The highest authority and the lowest authority work together in coordination. Line officials are independent and have flexibility in making decisions since the authority connections are transparent. Line executives are satisfied with this freedom.

6. Prompt decision - Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. **Over Reliance -** Decisions taken by the line executive are carried out from top to bottom. As a result, line officials are overused.
2. **Lack of Specialization -** There is no room for specialised tasks in a line organisation, which operates in a top-to-bottom scalar chain. For instance, line managers implement their judgments consistently with expert guidance.
3. **Inadequate Communication -** The highest authority's policies and plans are implemented in the same manner. There is no room for conversation on the other end of this. The subordinate authorities do not relay their grievances and recommendations to the higher authorities. There is therefore one-way communication.
4. **Lack of Co-Ordination -** In some circumstances, the erroneous judgments made by the line officials are carried down and carried out in the same way. Therefore, there is less effective coordination.
5. **Authority Leadership -** Line officials often abuse their positions of power. As a result, the company experiences monopoly and dictatorial leadership.

Relationship between Formal and Informal Organizations

Even formal and informal structure is crucial for a concern to function. Informally organised groups develop from formal organisations, which themselves develop from predetermined organisational structures. It takes both official and informal structures to run an effective organisation. They are two stages of the same problem. Formal organization can work independently. But informal organization depends totally upon the formal organization.

The smooth functioning and effectiveness of a concern are influenced by both formal and informal structure. To do the assigned responsibilities, the members cooperate within the formal organisation. They engage in conversation and build connections. Organizations, both formal and informal, are therefore essential. When several individuals work together to achieve organisational goals, informal organised groupings help to develop collaboration so that goals may be effectively attained. This collaboration frequently results in the formation of social relationships. Therefore, it is true to say that formal organisation fosters the development of informal organisation.

5.6 DELEGATION OF AUTHORITY

A manager cannot do all of the tasks that have been assigned to him. To achieve the objectives, management should delegate authority. Through delegation of authority, the subordinate receives a share of the power and authority. By delegating, you give someone else the authority to carry out certain activities on your behalf. Delegation of authority may be characterised as the division and sub-allocation of power to the subordinates in order to achieve effective results.

Delegation is the assignment of authority to another person (normally from a manager to a subordinate) to carry out specific activities. It is the process of distributing and entrusting work to another person. Delegation is one of the core concepts of management leadership.

Delegation is the transfer of power to subordinates so they can carry out the tasks or obligations that have been allocated to them. It is the step in the organisational process where managers enable others to share the workload of attaining organizational objectives.

Providing a subordinate responsibility for completing the duties entrusted to them is what is meant by delegation. It involves giving the subordinate power or the right to make decisions in specific clearly defined areas. Delegation is the act of assigning tasks to others and giving them the necessary power to complete the tasks. Delegation of authority may be characterised as the division and sub-allocation of power to the subordinates in order to achieve effective results.

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

 ISBN: 978-93-93810-34-2

ELEMENTS OF DELEGATION

1. Authority - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. Everyone with authority should be aware of the limits of their power and avoid abusing it. The ability to issue instructions, provide directives, and accomplish tasks is known as authority. The highest level of management has the most power. Always, power is distributed from top to bottom. It discusses how a superior motivates a subordinate to complete work by making clear what is required of him and how he should approach it. Equal responsibility ought to go along with every act of authority. Giving someone else the power to make decisions does not exempt you from responsibility. The person with the highest power is still in charge of accountability.

2. Responsibility - is the duty of the person to complete the task assigned to him. The person in charge of anything should make sure that he completes the responsibilities delegated to him. He should not offer justifications or excuses if the duties for which he was held accountable are not done. Being given responsibility without sufficient power makes a person unhappy and dissatisfied. Taking responsibility is a top-down process. More responsibility rests with middle management and lower management. A task is accountable to the person assigned to it. If he completes the tasks given as expected, he will undoubtedly receive accolades. While he is also responsible if he fails to complete responsibilities set as expected.

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

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carryout duty given to

	him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

Barriers to Delegation

Although delegation seems like a straightforward procedure, there are really several obstacles that stand in the way of effective delegation. These difficulties may be grouped into three categories which are discussed below:

1. On the Part of the Superior

Managerial failure in delegation may result because of the following limitations:

(i) **Resistance** - A manager could be hesitant to provide power to others because he believes he can complete the task more effectively himself. The "I can do it better myself" myth prevents authority from being delegated. These CEOs frequently object to the concept of delegating authority to others.

(ii) **Lack of Ability To Plan and Direct** - Despite the manager's desire to delegate, obstacles to effective delegation arise from his inability to properly plan and deliver instructions to guide the subordinates.

(iii) **Lack of Willingness to Let Go -** Delegation is hampered by the urge to control others' work at every stage. Additionally, a manager can be concerned that his subordinate would surpass him if he is given the freedom to make judgments.

(iv) **Lack of willingness to Trust Subordinates -** A relationship of trust between the superior and the subordinate is implied by delegation. The ability to delegate power is hindered by the superior's lack of faith in the subordinate's capability, reliability, and capacity. Because the management doesn't trust the employee, he won't give him any responsibility so that he may make mistakes and develop the ability to make wise judgments.

(v) **Lack of Controls -** The superior must devise a way to verify that the authority is being utilised to carry out the assigned tasks while delegating it. The manager may be hesitant to assign the power when there are insufficient controls in place or when he has no way of knowing how it will be used.

2. On the Part of the Subordinates:

The subordinates may avoid shouldering responsibilities even though there is no fault of the part of the superior. They may be reluctant to accept authority because of the following reasons:

 ISBN: 978-93-93810-34-2

a) Subordinates may lack self - confidence because of incompetence or fear of failure.

b) Subordinates may fear criticism or may have been victims of undue criticism for committing mistakes in the past.

c) Some people prefer to depend upon the boss for decision making.

d) Subordinates may be unwilling to accept delegation where required information and facilities are not available or when effective communication is lacking.

e) There may not be sufficient incentives for accepting additional responsibility.

f) Subordinates will not accept delegation when they are already over-worked or when they feel that delegation will merely increase burden on them.

3. On the Part of the Organisation

The faults contributing to the weakness of delegation in practice may also lie with the organisation. They may include the following:

- Defective organisation structure and non-clarity of authority responsibility relationships.
- Inadequate planning.
- Splintered authority.
- Infringement of the principle of unity of command.
- Lack of effective control.

Over coming the Barriers

Many of the obstacles to delegating have to do with people's behavioural characteristics. Human behaviour has many distinct facets, including insecurity, aversion to risk, low self-esteem, and the difficulty to put one's trust in another to complete a task. Psychological barriers are the most challenging to get over of all the other types. Both bosses and subordinates must take a close look at these obstacles, acknowledge their own anxieties, and make an effort to overcome their inhibitions in order to remove many of them.

5.7 DEPARTMENTATION

Departmentation or Departmentalisation is "the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels. It also provides a basis on which the **top managers** can co-ordinate and control the activities of the departmental units".

 ISBN: 978-93-93810-34-2

Departmentalization can give executive action the essential level of specialisation for effective execution. It can streamline managerial activities over a manageable time period. It also gives the senior management a foundation from which to coordinate and oversee the operations of the departmental units.

As part of the organisational process, departments are created. it entails the coordination of related operations under the direction of a single individual. The activities are categorised according to an organisational role.A top executive of the relevant organisation does this work.

In order to enable efficient administration at all levels, departments are formed by grouping comparable business operations into units.The split of an organization's overall workload into distinct tasks and subfunctions is implied.The partition of an organisation into several divisions is the process at hand.

According to L. A. Allen – "Departmentation is the means of dividing a large and monolithic functional organisation into smaller, flexible, administrative units."

Need for and importance of departmentation

To regulate the growth of each departmental unit and ensure the benefits of specialisation, departmentation is fundamentally needed. The ability to organise operations and, subsequently, people into departments allows a business to grow to any size.

Departmentation is necessary on account of the following reasons:

1. Advantages of Specialisation: A business can profit from specialisation through departmentation. The organization grows and operational efficiency rises when each department focuses on one key function.

2. Feeling of Autonomy: In an organisation, departments are often established with a certain level of flexibility and autonomy. Within the broader structure of the organisation, the department manager in charge can make independent decisions. As a result of increased motivation and work satisfaction brought on by a sense of autonomy, business operations are more effective.

3. Expansion: Only a small number of subordinates may be managed and directed by one manager. The ability of the business to develop and expand is made feasible by departmentalizing operations and staff.

4. Fixation of Responsibility: Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

5. Upliftment of Managerial Skill: Each individual may now understand the particular position they will play throughout the whole organisation thanks to departmentation.

An individual can be held accountable for carrying out his task by being held to a clearer, more exact, and more accurate definition of what constitutes success.

6. Facility in Appraisal: When defined tasks are given to departmental staff, it is simpler to evaluate the performance of the management. When the scope of the work is defined and the performance benchmarks are set, managerial performance may be monitored. Departmentalization offers assistance in each of these areas.

The region to be assessed is obvious when a larger function is broken into smaller segments, and the elements impacting performance can be identified more readily. Each manager is given a specific section in such a scenario. Similar to that, it is simple to set performance criteria since it is possible to identify the components that influence how well a job is done. Consequently, performance evaluations are more successful.

7. Administrative Control: The process of departmentation divides a large, complicated organisation into manageable administrative entities. Administrative control is facilitated by organising tasks and people into manageable pieces. Each department's performance standards can be accurately determined.

Types of Departmentation:

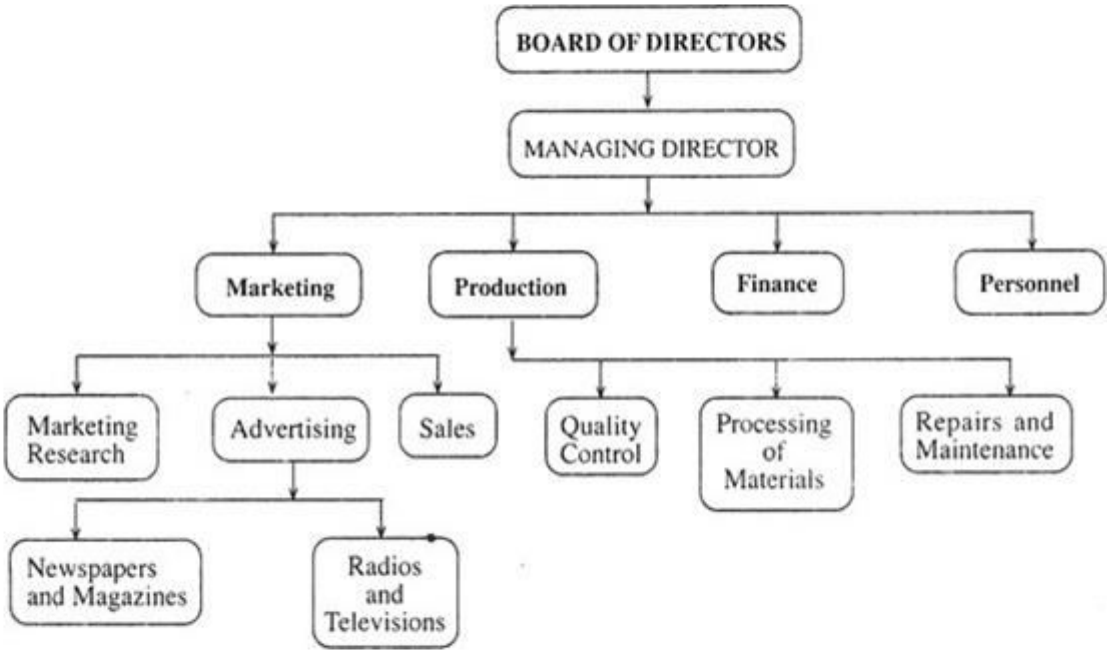
There are many types, they are, Function, product, area, process, customer, time, etc. are the more often utilised bases.

These are explained below:

A. Departmentation by Functions: On the basis of operations like production, buying, selling, finance, and staff, the company may be separated into divisions. The most common method of departmentalization is this one. A significant function might be broken down into smaller ones if necessary. For instance, the production department's duties may be divided into quality control, material processing, and repairs and maintenance.

The organisation chart of functional departmentation may take the following form:

 ISBN: 978-93-93810-34-2



Advantages

The Advantages of functional departmentation include the following:

(a) It is the most logical and natural form of departmentation.

(b) It ensures the performance of all activities necessary for achieving the organisational objectives.

(c) It provides occupational specialisation which makes optimum utilization of man-power.

(d) It facilitates delegation of authority.

(e) It enables the top managers to exercise effective control over a limited number of functions.

(f) It eliminates duplication of activities.

(g) It simplifies training because the managers are to be experts only in an arrow range of skills.

DISADVANTAGES

There are some problems associated with functional departmentation.These are mentioned below:

(a) There may be conflicts between departments.

(b) The scope for management development is limited. Functional managers donot get training for top management positions. The responsibility for results cannot be fixed on any one functional head.

(c) There is too much emphas is on specialisation.

(d) There may be difficulties in coordinating the activities of different departments.

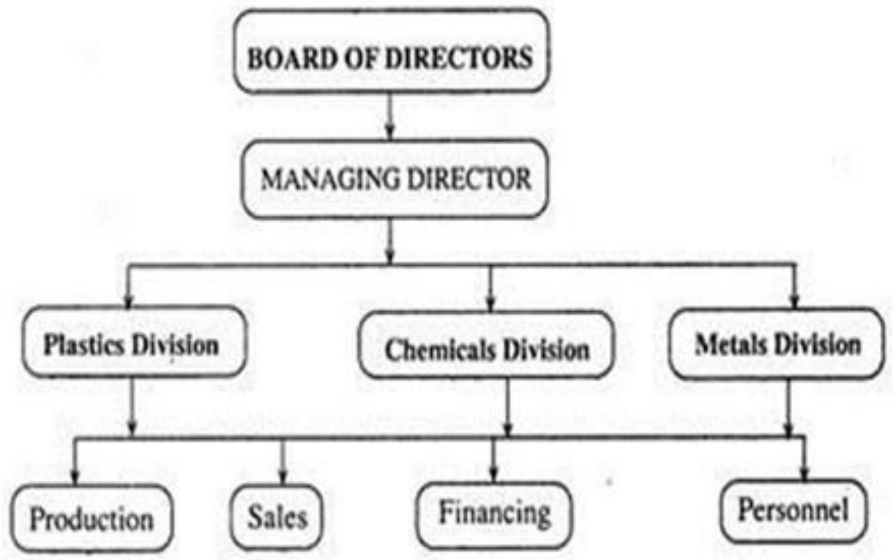
(e) There may be inflexibility and complexity of operations.

B. Departmentation by Products:

Every significant product is organised as a separate department in product departmentation. Production, sales, and finance for one product are handled by each department. Product departmentation is beneficial when each product's expansion, diversification, production, and marketing traits are its main focuses. It is typically employed in sectors like the automotive and electronics where complex, diversified production lines need specialised expertise and large investments in plant, equipment, and other facilities.

In reality, a lot of big businesses are branching into new industries and prefer to departmentalize their products. A large corporation with a diverse product range, for instance, may have three product divisions, one for metals, one for chemicals, and one for plastics. Each division may be further separated into operations related to production, sales, financing, and people.

The Organisation chart of product departmentation may take the following form:



Advantages

Product departmentation provides several advantages which may best at as follows:

a) Product departmentation gives each product line special attention, allowing for the development and diversity of the product lines.

 ISBN: 978-93-93810-34-2

b) It makes certain that specialised production facilities are utilised fully. The production managers' unique talents and specialised expertise may be effectively used.

c) The profitability of each product may be held to account by the production managers. Each product division has a variety of roles and is only loosely independent. Therefore, product departmentation offers top managers a great training environment.

d) It is simple to assess each product division's performance and contribution to overall outcomes.

e) It is more responsive to change and more versatile.

Disadvantages

Product departmentation presents some problems as follows:

a) It causes the issue of senior managers being unable to effectively govern the product divisions.

b) Despite of the organization's interests, each production manager expresses his or her independence.

c) The benefits of centralising certain tasks, such as accounting and finance, are not available.

d) Physical facilities and operations are duplicated. Because each product segment has its own specialised staff, operational expenses might be significant.

e) When there is insufficient demand for a certain product, plant capacity may not be used to its full potential.

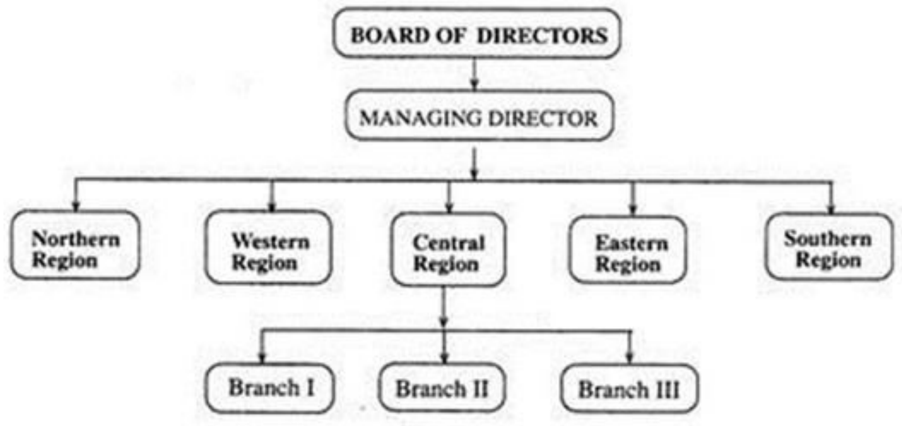
C. Departmentation by Territory:

Territorial or geographic departmenting is especially helpful to large - scale organisations whose activities are distributed across a big area.

These businesses, where all the operations of a certain field of business are organised into zones, branches, divisions, etc. include banks, insurance firms, transportation companies, distribution agencies, etc. One functional manager cannot, by definition, effectively oversee such a diverse range of operations. As a result, it becomes important to name regional managers for various regions.

 ISBN: 978-93-93810-34-2

The organisation chart of territorial departmentation may take the following form:



Advantages:

Territorial departmentation offers certain facilities in operation.These are pointed out below:

a) Each regional manager has the option of specialising on the unique problems in his area.

b) It makes it simpler for companies to expand to different areas.

c) Getting the advantages of local activities is made easier by it. The local management are better knowledgeable about regional traditions, tastes, fashions, etc. The company can learn all there is to know about the state of the regional marketplaces.

d) It lowers the cost of labour, rent, and freight. Time is also saved.Creating regional divisions allows for better local activity coordination.

e) Each regional manager is given sufficient authority and the chance to be trained as he oversees a unit's full operation.

Disadvantages:

Territorial departmentation have the following problems:

a) The communication barrier is a problem.

b) More managers with general managing skills are needed. These supervisors might not always be accessible.

c) There can be disagreements among the regional managers.

d) The effectiveness of the head office's coordination and control over several branches decreases.

 ISBN: 978-93-93810-34-2

e) Operating expenses are typically high since physical facilities are duplicated.

f) At the regional level, there are more employees, accountants, and other services.

D. Departmentation by Customers:

The activities are divided into groups according to the different types of consumers in this departmentalization strategy. This kind of departmentalization is beneficial for businesses that sell a good or service to a variety of distinct consumer groups. For instance, a sizable ready - made clothing retailer may include distinct sections for men, women, and children. Separate lending departments for large - and small - scale business owners may exist at a bank. The organisation chart of customer-oriented departmentation may appearas follows:

Advantages:

The important advantages of customer departmentation are the following:

a) The individual tastes and preferences of each sort of consumer might receive special consideration.

b) With the help of specialised employees, various client kinds may be readily fulfilled. Customer happiness increases a company's reputation and sales.

c) It is possible to enjoy the advantages of specialisation.

d) The business may come to understand each consumer category's demands in-depth.

Disadvantages:

This method of departmentation may have certain disadvantages, specially when it is followed very rigidly.These are as follows:

a) The fact that this strategy can only be used in the marketing division makes it challenging to coordinate sales with other operations.

b) In some departments, especially when demand is low, resources like staff and infrastructure may not be used to their full potential.

c) It might result in excessive overhead and the duplication of efforts.

d) The directors of customer-facing divisions could exert pressure for privileged access to facilities and benefits.

E. Departmentation by Process or Equipment:

The production processes or tools utilised to carry out the operations are classified under this form of departmentation. This is typically utilised at lower organisational levels especially in manufacturing and distribution businesses. A textile mill, for instance, may be divided into departments for ginning, spinning, weaving, dyeing, and finishing. The writing, editing, printing, and binding departments of a printing press would be similar. The engineering and oil sectors may also use this departmenting strategy.

5.8 CENTRALIZATION

The process through which planning and decision-making functions are centralised inside an organisation is referred to as **centralization**. In a centralisedorganisation, the head office retains decision-making authority, and all subordinate offices follow orders from the main office.

When decision-making authority is concentrated in the hands of the top management and employees must adhere to their superiors' orders, the organisational structure is said to be centralised. For tiny groups with limited resources and funding, the centralization of power is essential.

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of topmanagement.

According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization.

On one side, centralization enables a single choice to be made "from the centre," while on the other, it restricts the autonomy of organisational units and may lessen decision flexibility. All decisions and powers may be centralised, or just some managerial activities may be centralised.

A centralised management structure allows a business to easily concentrate on realising its goal. There are open channels of communication, and the senior executive may help employees understand the organization's mission and work with them to realise it**.**

In a **Centralized** organization, decisions are made by a small group of people and then communicated tothe lower-level managers. If lower-level managers are involved in the decision-making process, theprocesswill takelongerandconflictswill arise.

 ISBN: 978-93-93810-34-2

Factors determining centralization of authority

When a company is small, all business decisions must be made by the owner or the senior management. While labour is delegated to subordinates, centralization nevertheless exists in these corporate divisions as a result.

Thefollowingfactorsresultinthecentralizationof theorganization:

Nature of Organization: It is possible for a company to use a centralised system if it typically operates as a sole proprietorship or partnership firm with fewer personnel to manage.

Size of the Organization: When a company is tiny and operates on a small scale, top management can govern it effectively because of this; hence, a centralised approach is used.

Nature of Task: Centralization allows for the management of businesses involved in operations that don't call for a lot of skill or specialisation.

Delegation Ability: Another element influencing organisational structure is the management's capacity to assign duties to staff members while maintaining control of the situation.

Employee's Efficiency: If the employees lack skills and efficiency to take up the responsibility and accountability of the work to be performed, the management will go for centralization of the organization.

Advantages of Centralization

Centralization and decentralization are equally crucial for business.There are some organizations mainly centralizes its structure are as follows:

Cost Efficient: The management need not spend much on the office and administrative expenses in a centralized organization. Even the cost of hiring experts and highly experienced personnel at each level is saved due to the centralized decision-making process.

Better Command: The management has better control over the employees, and the employees know exactly who to obey. The acts of the subordinates are appropriately controlled, and the management is fully informed of the subordinates' strengths and limitations.

Enhances Work Quality: Since the top management is the only party to whom the subordinates are directly responsible, they are always working to raise the calibre of their output. Additionally, it results in process consistency and decreases waste.

Uniformity in Action: When power is concentrated in a small number of people, all levels and departments often adopt the same procedures and approaches, which encourages employees to perform consistently.

Focus on Vision: The senior management has a deeper understanding of and a clearer definition of the corporate vision. As a result, it coordinates all available resources, employees, activities, and strategies in order to realise the vision.

Proper Coordination: The top management establishes an unified policy for subordinates at all levels, incorporates their course of action, and assures coordination amongst all the subordinates.

Disadvantages of Centralization: Centralization is not suitable for all type of business organizations.

 ISBN: 978-93-93810-34-2

Slows Down Operations: The daily activities are directed by the top management, who must be reported to directly by the employees. When there is no administrative personnel present, the subordinates are sometimes unable to make quick choices. Consequently, this causes a slowdown in company activities.

Delays Decision Making: As all choices must be made by the top management, the decision-making process becomes more drawn out under centralization. It is not appropriate for addressing crises or unforeseen occurrences.

Reduces Scope for Specialization: One individual cannot be an expert in every activity. The company lacks specialised monitoring and management in a centralised structure where all decisions are made by the top management.

Discourages Initiative: The subordinates are given instructions which they need to follow without questioning the decisions of the top management. In centralization, the subordinates are intimidated from giving their input or suggestions.

Lacks Adaptability to Change: The centralized organisation functions in a traditional way, with top management having some inflexible policies, procedures, and methods. As a result, it makes it difficult to implement new and better methods for organisational growth.

Overburden on Top Management: The highest level of management handles all planning and decision-making; they even have authority over daily operations. Because of this, management becomes overworked and is unable to focus on corporate growth and expansion.

Bureaucratic Leadership: Some people may view centralization as a form of autocracy in which the top management determines all future actions and the rest of the organisation just executes it. Given that there are two parties involved in the decision-making and implementation processes, problem-solving becomes quite challenging in these situations.

Poor Upward Communication: While the least consideration is given to the recommendations and criticism of the subordinates, they are expected to obey instructions. All of this interferes with the organization's upward communication.

5.9 DECENTRALIZATION

Decentralization is a particular type of organisational structure in which the top management assigns daily tasks and decision-making authority to intermediate and lower employees. As a result, senior management has more time to focus on making important decisions. Lower level managers are given the autonomy to make decisions and administer their own divisions in a de-centralised company. Decentralization results in more motivated decision-makers and better, quicker conclusions.

The term **"decentralisation"** refers to the distribution of decision-making authority to lower levels of management. Decentralization occurs when multiple people at various levels instead of one person at the top have the authority to make decisions and establish policies**.**

The following are the **main objectives** which a **decentralized** system of organization seeks to achieve:

- Torelieve the burden of work on the chief executive.
- To develop the managerial faculties.
- To motivate thelowerlevel ofworkers.

Decentralization is a term used to describe a type of organisational structure in which the top management delegated power to the middle and lower levels of management. With this form of organisational structure, daily tasks and small decision-making authority are delegated to the middle and lower levels, freeing top-level management to concentrate more on important choices like corporate development and diversification, for example.

Delegation is the act of a superior giving a subordinate responsibilities and a portion of their workload. Simply said, decentralisation refers to the expansion of delegation at the organisational level.

“Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except thatwhichcanonlybeexercisedat centralpoints”.- LouisA.Allen

“Decentralisation means the division of a group of functions and activities into relatively autonomousunits with overall authority and responsibility for their operation delegate to time of cacti unit”.- Earl. P.Strong

 ISBN: 978-93-93810-34-2

IMPORTANCE OF DECENTRALISATION

Rapid Decision Making - The majority of judgments are made on the moment without needing higher authority permission. A company can run its operations efficiently and swiftly if it can make decisions promptly.

Administrative Development - When managers are given responsibilities and challenges to produce answers, the decentralisation process calls into question their judgement and management style. This questioning technique helps people become more self-assured, independent, and capable of making wise decisions, which advances the organisation.

Development of Executive Skills – The ability to work independently gives the employee priceless exposure. This particular performance fosters a setting where a person may advance their knowledge, take on bigger and more important duties, and qualify for promotion.

Promotes growth - Additionally, decentralisation enables department heads to operate autonomously. The department may develop and benefit from healthy rivalry with other departments thanks to its independence. The rivalry will ultimately result in an improvement and increase in production.

Highercontrol - Additionally, it assesses and analyses each department's performance and provides them with a thorough understanding of what they are responsible for. Decentralization, however, faces its greatest obstacle when stabilised management and scorecards are created.

Objectives of Decentralization

Decentralization is an important strategical decision. It changes the whole organizational structure rightfrom the top management to the bottom level. Like other business strategies, decentralization is alsopurposeful.

 ISBN: 978-93-93810-34-2

The various objectives for which organizations decentralize their operations:

- **Development of Managerial Personnel:** Decentralization provides for self-learning of the managers by facing the problem, finding the solutionsthemselves and taking the correct decisions. It adds on to the skills, experience and expertise of the managers in their respective departments.
- **EffectiveControlandSupervision:** The managers exercise better control over the operations of the subordinates by taking disciplinaryactions. They can make decisions related to production schedules, promotions and leaves taken by the subordinates.
- **Flexibility:** Decentralization leads to flexibility in business operations. It also provides authority to the managers tohandle unexpected situations independently. It allows them to manage their respective departments in the way they want to.
- **Motivates and Boosts Morale:** It creates self-dependant managers and drives them to enhance their performance, take the initiative and develop a problem-solving attitude. Decision making also boosts their morale and confidence.
- **Prompt Decision Making:** There are times when the managers have to take immediate and unplanned decisions at operational levels; it is only possible in decentralized organizations. On the contrary, in a centralized organization, the decision-making process is quite lengthy and complicated, which is ineffective for handling unforeseen operational problems an dissues.
- **Reduces the Burden of TopManagement:** The management has to take certain crucial strategical decisions which require a lot of analysis andplanning. Decentralization releases the management from operational decision making, facilitating themtoengagethemselvesinfuturestrategicplanning.

Advantages of Decentralisation

- Reduces the burden on top executives
- Facilitates diversification
- Executive development
- It promotes motivation
- Better control and supervision

Disadvantages of Decentralisation

- Uniform policies not followed
- Problem of Co-ordination

 ISBN: 978-93-93810-34-2

FREQUENTLY ASKED QUESTIONS

1. Define organizing.
2. Explain the functions of organizing.
3. List the importance of organizing.
4. What do you understand about organizational structure?
5. Explain the types of organizational structure.
6. Brief the concept of delegation of authority.
7. What do you understand about departmentation?

ISBN: 978-93-93810-34-2

Unit – VI

Staffing

6. STAFFING- INTRODUCTION

Although it is crucial, staffing is sometimes the most underappreciated task in human resource management. The firm will encounter several issues if staffing is neglected. This function has to be handled with care. The correct individual for the job is always ensured by this function. People need to be more than simply physically fit for a profession. We must consider this from a human perspective thoroughly. We need to look at how people evolve to be the best fit for the organisation.

Organizations are social entities that consistently provide the society with the commodities and services that it also requires. Management is necessary for this organization's performance and for attaining its goals, and staffing is a crucial task that looks after the needs of the human resource. A bigger role than HRM is staffing. HRM ensures that people are treated fairly, and staffing is more of a strategic purpose. The primary objective of staffing is to find qualified people for the various positions within the business.

6.1 DEFINITIONS

Staffing is defined as "The process involved in identifying, assessing, placing, evaluating and directing individuals at work".

"Staffing function is concerned with the placement, growth and development of all those members of the organization whose function is to get things done through the efforts of other individuals".

Staffing refers to the continuous process of finding, selecting evaluating and developing a working relationship with current or future employees.

6.2 ELEMENTS OF STAFFING

The major elements of staffing are:

- successfulrecruitmentandselection
- Properarrangementofpersonnelandpayfixedtothem.
- Fitmentthroughplacement andRightmanfortherightjob.
- Sufficientandsuitabletrainingfordevelopment.
- adequateandfairtransferandpromotion
- Good relationshipbetweenmanagementandemployees.
- Satisfactorypolicyandprovisionforretirement.

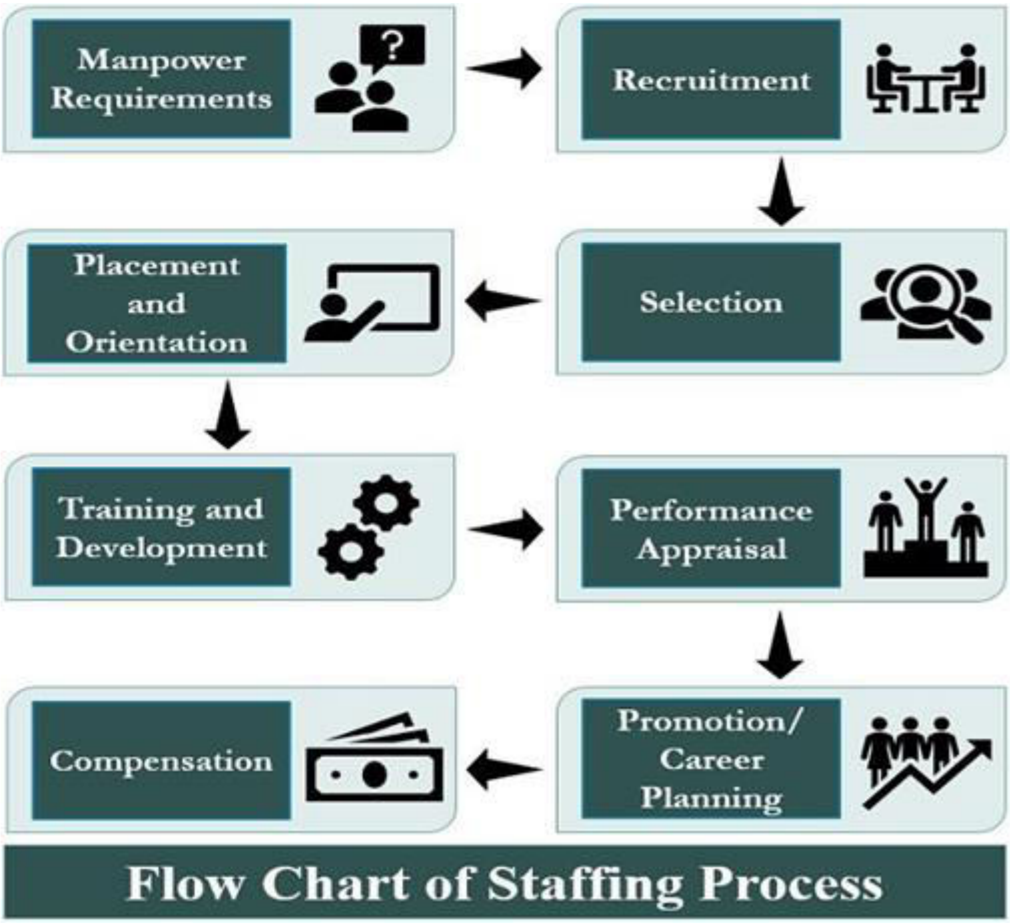
6.3 IMPORTANCE OF STAFFING

Appropriate staffing ensures the following benefits to the business concern:

- It helps in identifying and hiring qualified individuals for a variety of roles.
- To improve the performance, assign the appropriate person to the right job.
- Make sure the continuous survival and growth of the organization through the succession planning for managers.
- Under and over-staffing, which helps to guarantee the best possible use of human resources while minimising excessive expenditures.
- It avoids distraction of work by indicating in advance the deficiencies of man power.
- Increases the employment satisfaction and morale of human resources through goal assessment as well as fair reward for their involvement.

6.4 PROCESSES IN STAFFING

The most important of the staffing function is the well-timed fulfillment of the human resources requirements in an organisation.



i. Estimating the Manpower Requirements: Knowing how many people we need, as well as what kind of people, is only one aspect of understanding manpower requirements. Employees would need to be fired or relocated if there was an overstaffing issue. The hiring process would have to be started in the event of a workforce shortage. Prior to that, it is essential to translate the personnel needs into a detailed job description and the ideal candidate profile, which includes the ideal credentials, experience, personality traits, and so forth. This information serves as the starting point for finding suitable personnel.

ii. Recruitment: Recruitment may be defined as the process of searching for potential employees and motivating them to apply for job in the organisation. The data collected in the process of writing the job description and the candidate profile may be used for developing the "situations vacant" advertisement. Finding the potential candidate or finding the sources of potential candidates is the task at hand in this stage. In truth, a company has a wide range of recruiting options at its disposal, which will be covered later when we analyse the various sources of recruitment.

iii. Selection: Selection refers to the process of making a decision from a pool of possible job candidates obtained during the recruitment phase.

iv. Placement and Orientation: The process of a person being socialised at a job begins with joining it. The employee is presented to his supervisors, subordinates, and colleagues after receiving a brief presentation about the business. He is shown about the office and given the responsibility for the position for which he was appointed.

v. Training and Development: People are looking for careers rather than just a job. Every person must to be given the chance to be successful. The most efficient plan to offer such a chance is to encourage staff learning. To ensure that their employees continue to learn, organisations either have internal training facilities or have formed partnerships with training and educational institutions.

vi. Performance Appraisal: After completing a training programme and beginning work, it is necessary to evaluate the performance of the employees. Every organisation has a formal or informal procedure in place for evaluating employee performance. Performance evaluation refers to comparing a worker's present and/or past performance to a set of benchmarks. The worker must be aware of the expectations, and the superior must provide the worker feedback on his or her work.

vii. Promotion and career planning: All organisations now address employee career-related problems and opportunities for growth. Managers must arrange activities such that they also serve the long-term interests of their employees. Employee development and realising their full potential must be encouraged. People's careers depend heavily on promotions. They speak about being given positions with more responsibility.

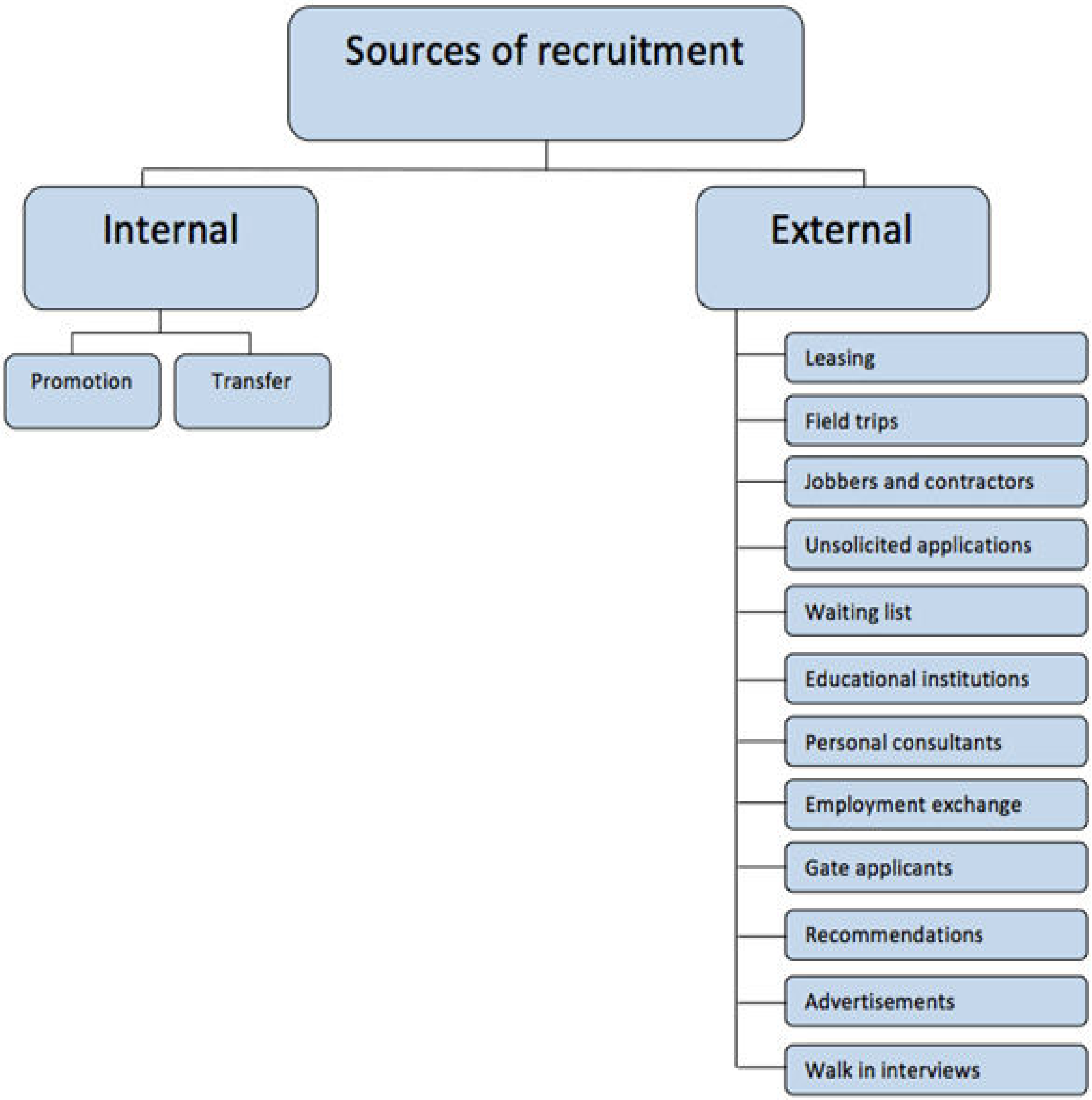
viii. Compensation: All companies must create pay and compensation structures for their staff. Depending on the value of the task, different compensation plans may be prepared in a variety of ways. Basically, it is necessary to determine the job's cost.

 ISBN: 978-93-93810-34-2

Therefore, the term "compensation" refers to any types of income or benefits given to employees.

6.5 RECRUITMENT

Finding qualified applicants and encouraging them to seek for positions within the company.The recruitment must be sound one and if it's not the morale of the employees will be very low and the figure of the company will bemarked. Recruitment is complete through advertisements, word of mouth promotion and with the help of placement agencies. The success of any recruitment depends upon policies and procedures followed by the Low-paying, tough occupations with little appeal are difficult to fill quickly. The term "recruitment" refers to the process of finding employees for both current and future positions.



 ISBN: 978-93-93810-34-2

InternalSources

Transfers: It involves changing of an employee or worker from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee.

Promotions: Typically, companies fill higher positions with people who have already held lower positions. An employee who is promoted will hold a job with more responsibility, amenities, prestige, and compensation.

Advantages:

- It improves the morale of workers.
- Employees feel happybecauseofpromotion.
- It attracts resourceful employees.
- Training costare reduced.
- A promoted employee encourages his coworkers to learn everything they can about his position.
- It derives job satisfaction.
- Itimproves job security for the employees.
- Expenses such as advertisement, recruitment, and interview are avoided.

Disadvantages:

- A lack of initiative and new ideas from elevated staff members.
- An under-qualified person may be appointed for the higher post.
- If internal staff employees are given a promise of promotion, they might not perform as well.

EXTERNALSOURCES

Advertisement: A corporation posts advertising when it wishes to let the public know about a job opening. The job's specifics, as well as the qualifications and experience that applicants must possess, are provided. Applications are sent to the firm in response to the advertisement. A subsequent interview follows. The walk-in interview approach is used sometimes. The advertising indicates the date, time, and location of the walk-in interview. In this manner, a person is promptly recruited as a result of advertising.

Recommendations: Recommendation refers to the employment of a person after receiving a letter of support from a credible and well-known source inside the company. Some candidates may be brought to the organisation by an employee with the intention of hiring them. A selection interview may not be held by the employer within certain situations.

Gate Applicants: Even if there may not be any company advertisements, the educated and unemployed youth present their applications at the entrance. These candidates could

 ISBN: 978-93-93810-34-2

also be without recommendations. The applicant individually addresses the company's hiring manager. Such a candidate is appointed if considered fit.

Employment Exchange: The job searchers register with the employment exchange, including their names and credentials. The list of applicants who meet the requirements for a position is available to the firm. There are two kinds of employment exchanges: public and private. Government officials oversee the public one. The latter is privately owned and operated, and its operator may get compensation from both job seekers and employers.

Personal Consultant: A private consultant is a distinct, designated organisation that performs the task of hiring employees on the employer's behalf. He collects the applications, checks them, holds the interviews, and chooses the applicants. He gets paid by the business for his services.

Educational Institutions: Organizations like universities and colleges were established to provide particular courses. Campus interviews are set up by educational institutions. Businesses visit educational institutions' campuses to hire students for a variety of positions. After finishing the course, the chosen students are instructed to begin work.

Waiting List: A waiting list of the applicants who have already undergone interviews is created by the business organisation.A applicant from the waiting list can be selected whenever a vacancy occurs.

Unsolicited Applicants: This denotes that the candidate's application was received through mail. If a position opens up, the applicant could be hired if they are deemed qualified.

Jobbers and Contractors: The business may use jobbers and contractors to fill the temporary vacancy. This is how unskilled applicants are often appointed.

Field Trips: When searching for the various types of applicants it needs, a corporation may dispatch a team of specialists to the places where such candidates are present. In this instance, a newspaper advertising detailing the date, time, and location of the interview is published in advance.

Leasing: Before recruiting the staff members, the period of service is fixed by the company and it is conveyed to the staff members.

Advantages:

- **Choice:** Out of many applications received, a corporation chooses one to select. Every applicant's positives and negatives are taken into account, and the top candidate is chosen.

- **New outlook**: A new approach of the recruited employee may solve some existing problem which will give benefit to the company.
- **Broad experience**: The recruited new employee has experience in various fields. By this, the company gets the benefit.

Disadvantages:

- Theexistingstaffmayhaveagrudgeagainstnewlyrecruitedemployee.
- Lackofcooperation.
- Recruitmentofapersonfromoutsideisexpensive.
- There could be a resistance from trade union for the recruitment of newemployee.

6.6 SELECTION

Selection is the process of organization to select sufficient number of personnel who have essential educational qualifications, skills, abilities, personality and experience. A screening examination may be conducted through which inappropriatecandidates are rejected.

i. Preliminary Screening of Applications: Preliminary screening aids the manager in eliminating unskilled or unfit job applicants based on the information given in the application forms. Preliminary interviews help eliminate misfits for reasons that did not appear in the application forms.

ii. Selection Tests: An exercise or a paper-and-pencil exam used in the employment process aims to gauge particular personal qualities of candidates. These qualities span a variety of domains, including aptitudes like physical dexterity, intellect, and personality.

a. Intelligence Tests: This is one of the major psychological tests used to assess a person's degree of intelligence quotient. It serves as a gauge of a person's capacity for learning as well as their capacity for making judgements.

b. Aptitude Test: It serves as a gauge of each person's capacity to pick up new abilities. It reveals a person's potential for growth.

c. Personality Tests: These tests offer information on a person's feelings, reactions, level of maturity, and moral code, among other things. These exams look at a person's whole personality. As a result, they are challenging to develop and deploy.

iii. Employment Interview: The purpose of an interview is to assess if an applicant is qualified for the position. The interviewer's job is to gather information, and the interviewee's job is to give it. However, in modern times, the interviewee also asks the interviewer for information.

iv. Reference and Background Checks: For the purpose of checking information and gathering further information about an applicant, many companies ask for the names, addresses, and phone numbers of references. A reference might be a former employer, a well-known individual, a teacher, or a university professor.

v. **Selection Decision:** Candidates who have passed the examinations, interviews, and reference checks must be considered before making the final choice. Since the concerned manager is ultimately in charge of the new hire's performance, their opinions will normally be taken into account.

vi. Medical Examination: The candidate must pass a medical fitness exam after the selection decision has been made but before receiving a job offer. The candidate who is found to be qualified following the medical examination receives the job offer.

vii. Job Offer: Job offers are sent to candidates who have cleared all prior requirements as the next stage in the selection process. A letter of appointment or confirmation of his approval serves as the job offer. A deadline for the appointee to report for duty is typically included in such a letter. The appointed person must be given enough time to report.

viii. **Contract of Employment:** The company and the candidate must sign a few paperwork once the job offer has been made and the candidate accepts it. The attestation form is one of these records. The candidate has certified and attested some key facts on this form that are important to know about the candidate.

6.7 INTERVIEW

Interviews may be defined as face-to-face interactive techniques for learning some information about potential job candidates.

 ISBN: 978-93-93810-34-2

Principles of Interview:

- The management has to define the specific goals / objectives of an interview.
- The management has to prepare the procedure for the interview to achieve the objectives.
- The interviewers should ask only the questions related to the job to be filled.
- The interviewer should create a rapport with interviewee before starting the interview.
- The interviewees are to express their opinions or views freely without any hesitation.
- The tension or nervousness of the interviewees is to be removed by the interviewer.
- The interviewer should listen to the answers given by the applicants carefully.
- The evaluation of performance of the applicant is to be done immediately after the interview is over.
- The interviewer should thank the applicants while closing the interview.This carries much better impression about the interview and the interviewer.

Kinds of interview:

The Kinds of Interview Classified As Below

Direct Interview: Direct questions are asked before the applicant to get answers from them during face tofaceconversation.

Indirect Interview: Direct questions not raised but the applicant is asked to express his views freely on any topic as he likes.By this personality of the applicant is easily assessed.

Patterned interview: A number of standard questions are framed well in advance which are to be putbefore the applicant. The answers are written near the questions.These are used for verification purpose when answers are given by the applicant during theinterview.

Stress interview: Irritating and awkward questions are put before the applicant by the interviewer. If any applicant gets angry then he is considered as unfit for the job.

 ISBN: 978-93-93810-34-2

e.g.” How many legs an eight legged insect have?” or “Mr.Laxman,what is your name?”

Systematic in-depth interview: Under this type of interview, the interviewer asks anyone question initially.Then he proceeds step by step to get an integrated view of the skill and personality of the candidate.

Board or panel interview: A group ofpersons inquire the applicant questions in the area of interest of the applicant. Immediately after the interview, they evaluate the performance of the applicant based on his answers.

Group Interview: It may also be known as the home party technique or group discussion (GD). Multiple candidates are interviewed at once. The group is given a presentation on a shared subject. There are six to eight people each group. Each candidate receives a unique number. By dialling the number of the concerned person, they can contact other group members. They cannot use their real names. Applicants are chosen or rejected based on their performance during the group discussion.

6.8 LEADERSHIP

Leaders assist both themselves and others in achieving the best decisions. They chart a route, create an inspiring vision, and create something new. A good leader not only provides guidance, inspiration, and leadership but also shows courage, passion, confidence, devotion, and ambition. They foster the skills and capabilities of their staff members and create teams that are committed to achieving common goals.

Establishing a clear and compelling course is a leader's most important duty. All followers are expected to be aware of, dedicated to, and work toward these objectives by their leaders. Additionally, they encourage them by highlighting and celebrating successes in achieving corporate goals, developing new ones, and allocating essential resources.

Five Qualities of Effective Leaders

- They are self-aware and prioritize personal development.
- They focus on developing others.
- They encourage strategic thinking, innovation, and action.
- They are ethical and civic-minded.
- They practice effective cross-cultural **communication**.

Leadership is about mapping out where you need to go to "win" as a team or an organization; and it isdynamic,exciting, and inspiring.

Leadership is the art of motivating a group of people to act toward achieving a common goal. In abusiness setting, this can mean directing workers and colleagues with a strategy to meet the company'sneeds.

 ISBN: 978-93-93810-34-2

Leadership is a process of social influence, which maximizes the efforts of others, towards the achievement of a goal.

Leadership stems from social influence, not authority or power.**Leadership** is the process of persuasion or example by which an individual (or **leadership** team) induces a group topursueobjectivesheldbytheleaderorsharedbytheleaderandhisorherfollowers."

Leadership means creating and planning, securing resources, and looking out for and improving errors. **Leadership** is about motivating people to work together and cooperate with themselves and insomecases, other teams, to achieve a certain goal.

Leadership motivates the people to a higher level of performance through their strong human relations.It is an **important** function of management which helps to maximize efficiency and to achieve organizational goals, so managers must have traits of a **leader**.

Leadership is an important element of the directing function of management. Wherever, there is anorganized group of people working towards a common goal, some type of leadership becomes essential. "The power of leadership is the power of integrating. The leader stimulates the finest within us; he combines and concentrates the searching, shattered feelings we have. He is the one who gives every man's innate, uncoarctate energy shape. The person who most affects me is not the one who performs big actions, but the one who gives me the confidence to perform great deeds. Become Mrs. Parker Follet. Leadership is the capacity to instil in others a sense of confidence and passion as well as a desire to follow. A manager needs vision, desire, initiative, self-confidence, and personal integrity in order to be a great leader. Different leadership modalities may be required in various circumstances.

6.8.1 DEFINITION OF LEADERSHIP: According to **Koontz and O' Donnell,** Leadership is the ability of a manager to induce subordinates toworkwithconfidenceandzeal.

6.8.2 NATURE AND CHARACTERISTICS OF LEADERSHIP:

- Leadership is a personal quality.
- It exists only with followers. If there are no followers, there is no leadership.
- It is the willingness of people to follow that makes person a leader.
- Leadership is a process of influence. A leader must be able to influence the behaviour, attitude andbeliefs of his subordinates.
- It exists only for the realization of common goals.
- It involves readiness to accept complete responsibility in all situations.
- Leadership is the function of stimulating the followers to strive willingly to attain organizationalobjectives.
- Leadership styles do change under different circumstances.

 ISBN: 978-93-93810-34-2

- Leadership is neither bossism nor synonymous with; management.

6.8.3 LEADERSHIPFUNCTIONS

Following are the important functions of a leader:

- **Setting Goals:** A leader is expected to perform creative function of laying out goals and policies to persuade thesubordinates to work with zeal and confidence.
- **Organizing:** The organisation is created and shaped on scientific principles by assigning responsibilities that are appropriate for human skills with the aim of making its diverse components operate sensitively toward the attainment of organisational goals. This is the second responsibility of a leader.
- **Initiating Action:** The next function of a leader is to take the initiative in all matters of interest to the group. He should notdepend upon others for decision and judgment. He should float new ideas and his decisions should reflect original thinking.
- **Co-Ordination:** The interests of the group's individual members and the organization's needs must be balanced by the group leader. He must assure that the group will cooperate voluntarily in order to accomplish the shared goals.
- **Direction and Motivation:** A leader's main responsibility is to supervise and coach his team and inspire them to work hard to achieve the set objectives. He should instil a sense of confidence and passion among the team members.
- **Link between Management and Workers:** A leader serves as an essential conduit between management and employees. He advocates the interests of his subordinates before the management and explains the policies and programmes of the management to them. Only until he can truly represent his subordinates' interests will he be effective.

6.8.4 IMPORTANCE OF LEADERSHIP

- **It Improves Motivation and Morale:** Managers may boost their employees' enthusiasm and morale by exercising dynamic leadership. A competent leader shapes a person's behaviour such that he willingly contributes to the accomplishment of the organization's goals.
- **It Acts as a Motive Power to Group Efforts:** Group activities are motivated by strong leadership. Through its consistent efforts and influence on interpersonal relationships, it raises the performance of the group.
- **It Acts as an Aid to Authority:** The exercise of authority by itself does not always produce the intended outcomes. By persuading, motivating, and launching action, leadership supports authority.

 ISBN: 978-93-93810-34-2

- **It is Needed at All Levels of Management:** At all managerial levels, strong leadership is crucial because without it, no management can get the necessary results.
- **It Rectifies the Imperfectness of the Formal Organisational Relationships:** No organisational structure can accommodate all connection forms, and individuals with like interests may collaborate beyond the bounds of official partnerships. These unofficial connections are more successful in influencing and regulating the behaviour of the subordinates. Effective leadership leverages their personal networks to achieve the company's objectives.
- **It Provides the Basis for Co-operation:** Effective management fosters cooperation and improves understanding between the management and the subordinates.
- **Process or Techniques of Effective Leadership:** Before establishing any significant changes to the group's policies and courses of action, the leader should consult them.

✓ The leader should make an effort to develop subordinates' voluntary cooperation in achieving team objectives.

✓ When required, the leader should use their position of power to carry out the policies. He ought to provide his employees directions that are understandable, thorough, and explicit.

✓ The leader should inspire his people with confidence and passion.

✓ A leader must pay attention to and respect his subordinates' feelings.

✓ A good leader should communicate well.

✓ A leader should adhere to the motivating premise

6.8.5 LeadersandManagersCanbecomparedon theFollowingBasis:

Basis	Manager	Leader
Origin	A person becomes a manager by virtueof his position.	A person becomes a leader on basis of hispersonal qualities.
Formal Rights	According to his position, a manager has formal privileges inside an organisation.	A leader is not entitled to any rights.
Followers	The subordinates are the followers ofmanagers.	The group of employees whom theleaders leads are his followers.
Functions	A manager performs all five functionsof management.	Leader influences people to work willinglyfor group objectives.
Necessity	A manager is very essential to a Concern.	A leader is required to create cordial relation between person working in and for organization.

 ISBN: 978-93-93810-34-2

Stability	It is more stable.	Leadership is temporary.
Mutual Relationship	All managers are leaders.	All leaders are not managers.
Accountability	The manager is responsible for their own behaviour and the performance of their team members.	The accountability of leaders is not clearly defined.
Concern	The organization's goals are a manager's main priority.	Group objectives and members' satisfaction are a leader's top priorities.
Followers	People follow manager by virtue of jobdescription.	People follow them on voluntary basis.
Role continuation	A manager may remain in position as long as he fulfils his obligations in a manner consistent with organisational objectives.	A leader can only remain in power by satisfying the daily needs of his or her people.
Sanctions	The manager is in charge of the distribution and allocation of punishments.	A leader has control over various penalties and associated task records. These punishments are primarily of an informal character.

6.9 LEADERSHIP STYLES

I. Autocratic Leadership Style: A leader has whole control and authority over their team members or employees while using this leadership style. They are not allowed to express their thoughts, even if they are in the team's or business best interests. They are not permitted to question or criticise the leader's strategies. The tasks are completed by the leader personally. Under the direction of the leader, this approach has the advantage of promoting quick decision-making and increased production. This leadership approach has drawbacks in that it increases staff turnover and absenteeism. This leadership style only functions when the leader is at their best, the task is tedious, unskilled, and routine, or the project is brief and risky.

II. The Laissez Faire Leadership Style: Here, the leader has complete faith in his or her team's ability to complete the task. He does not focus on the managerial part of his work, but rather only the intellectual/rational component. The team and employees are encouraged to express their opinions and make recommendations that are best for the objectives of the firm. Only when the workforce is intelligent, talented, devoted, and experienced can this leadership style succeed.

III.Democrative/ParticipativeLeadershipstyle: Although the leader has the last say in all decisions, the team members are invited and encouraged to take a significant role in

 ISBN: 978-93-93810-34-2

the process. The leader instructs the team members on what to do and how to do it, and the team members provide the leader feedback on their experiences and ideas, if any. This leadership approach has the benefit of producing contented, motivated, and more skilled workers. It promotes creativity and results in a positive work atmosphere. The main problem to this leadership approach is that it takes a lot of time.

IV. Bureaucratic Leadership: The leaders in this situation rigorously abide by the organisational guidelines. Additionally, they ensure that the team members properly adhere to the policies and procedures. Employees are promoted based on their capacity to follow company policies. Over time, this leadership style steadily matures. When dependable quality and safe working conditions are needed, this leadership approach is preferable. However, this management style hinders innovation and does not promote employee satisfaction.

The contemporary theories of leadership emphasised the importance of situational factors (such as stress level, job structure, leader's intelligence, followers' traits, etc.) in addition to the behavioural theories of leadership, which focused on establishing a consistent relationship between leadership behaviours and group performance.

6.10 LEADERSHIPTHEORIES

Some of the **important leadership theories** are as follows:

1. Blake and Mouton’s Managerial Grid
2. House’s Path Goal Theory
3. Trait Theory
4. Transformational Leadership
5. Transactional Leadership
6. IOWA & Michigan Studies
7. Likert’s Management System
8. Hersey Blanchard Model
9. Fiedler’s Contingency Model
10. Vroom Expectancy model

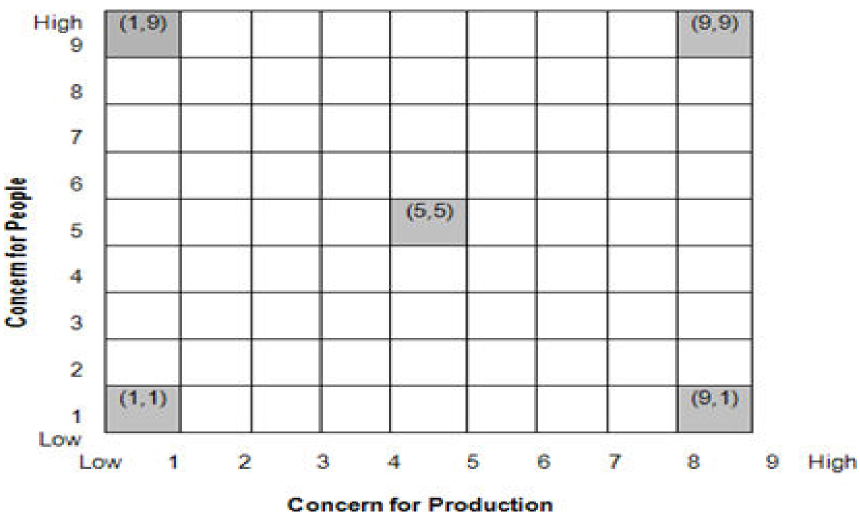
1. Blakeand Mouton’s Managerial Grid

A significant development in leadership studies was the study of task orientation and people orientation as two separate aspects. These two elements were heavily emphasised in many of the leadership studies done in the 1950s at the Universities of Michigan and Ohio State. Robert Blake and Jane Mouton (1960s) suggested a graphic description of leadership styles using a management grid, building on the study of the

ISBN: 978-93-93810-34-2

academics at these Universities (sometimes called leadership grid). The grid showed two aspects of a leader's behaviour: care for people (meeting needs and giving them priority) on the y-axis and concern for production (keeping to deadlines) on the x-axis. Each aspect ranged from low (1) to high (9), producing 81 possible spots in which the leader's style might be found.

Figure 1: Managerial Grid



The five resulting leadership styles are as follows:

Impoverished Management (1, 1): With this strategy, managers put forth the bare minimal effort to get the job done from staff members while scoring poorly on both dimensions. Because the boss shows little regard for worker satisfaction or meeting deadlines, there is discord and disarray across the company. When a leader's actions are only intended to protect their position and seniority, they are deemed ineffective.

Task Management (9, 1): Also known as the "perish style" or dictatorial. Here, leaders are less concerned with people and more focused on output. The design is based on McGregor's idea X. The requirements of the employees are neglected, and they serve just as a tool. According to the boss, efficiency can only be achieved via carefully planning work procedures and, where feasible, by getting rid of as many people as possible. This approach can undoubtedly boost an organization's production in the near term, but owing to the stringent standards and processes, substantial labour turnover is unavoidable.

Middle-of-the-Road (5, 5): This leadership style essentially involves compromise as the leader strives to strike a balance between the demands of the people and the company's aims. Because the leader does not challenge himself or herself, the company performs about averagely. Here, neither the demands of the workforce nor the production are entirely met.

Country Club (1, 9): In this collegial style, the leader pays careful attention to the needs of the people, creating a welcoming and pleasant environment. It is characterised by low task and high people orientation. The boss believes that treating employees in this way will encourage self-motivation and result in individuals working hard on their own. However, a lack of concentration on duties might hinder output and provide suspicious outcomes.

Team Management (9, 9): The style, which is based on McGregor's theory Y and has been dubbed the most effective style by Blake and Mouton, is characterised by a high people and task concentration. The leader believes that the main ingredients in fostering a team environment that will inevitably produce high levels of employee happiness and productivity are empowerment, commitment, trust, and respect.

Advantages of Blake and Mouton's Managerial Grid

The Managerial or Leadership Grid is used to help managers analyze their own leadership styles througha technique known as grid training. This is done by administering a questionnaire that helps managersidentify how they stand with respect to their concern for production and people. The training is aimed atbasicallyhelpingleadersreachtotheideal stateof9, 9.

Limitations of Blake and Mouton's Managerial Grid

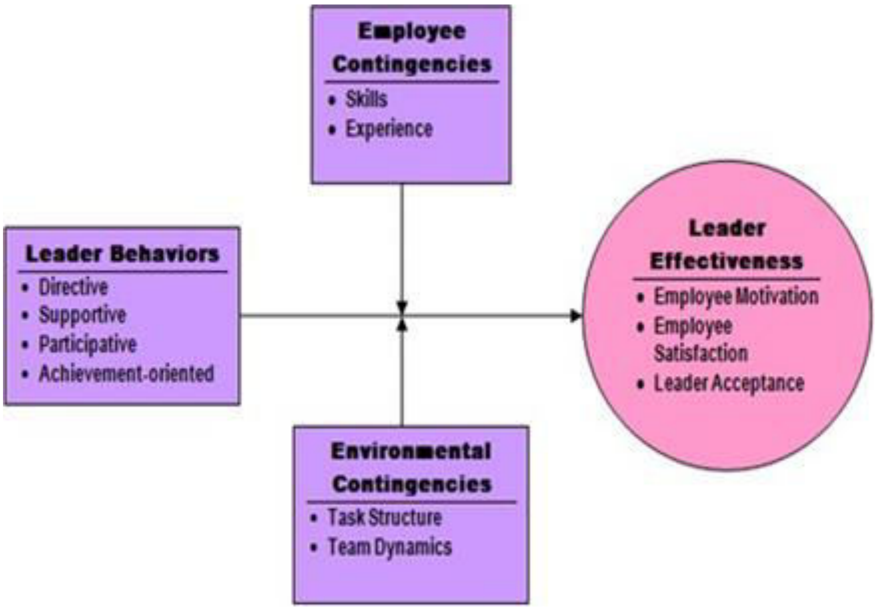
The model ignores the importance of internal and external limits, matter and scenario. Also, there are some more aspects of leadership that can be covered but are not.

2. House's Path Goal Theory

The expectation theory of motivation served as the foundation for Robert House's hypothesis. The hypothesis is predicated on the idea that a leader's actions have a significant impact on how an employee perceives the expectations between his or her effort and performance. By making clear the routes to the objectives and reducing barriers to performance, the group leaders assist the members in achieving rewards. They accomplish this by offering the data, assistance, and other resources needed for staff to fulfil the assignment.

The notion of House promotes servant leadership. According to the philosophy of servant leadership, leadership is not seen as a position of authority. Instead, they serve as their subordinates' mentors and facilitators. The efficacy of a leader is dependent on a number of personnel and environmental contingent elements, as well as certain leadership philosophies, according to House's path-goal theory.

 ISBN: 978-93-93810-34-2



3. Trait Theory of Leadership

The trait model of leadership is based on the characteristics of many leaders - both successful and unsuccessful - and is used to predict leadership effectiveness. The resulting lists of traits are then compared to those of potential leaders to assess their likelihood of success or failure.

Researchers using the trait approach tried to correlate the emergence of leaders and their effectiveness with a variety of traits, including physical (appearance, height, and weight), demographic (age, education, and socioeconomic background), psychological (personality, self-confidence, and aggression), intellectual (intelligence, decisiveness, judgement, and knowledge), task-related (achievement drive, initiative, and persistence), and social (sociability and cooperativeness).

Successful leaders definitely have interests, abilities, and personality traits that are different from those of the less effective leaders. A collection of fundamental characteristics of effective leaders have been found via several studies done in the final three decades of the 20th century. These qualities are fundamentally viewed as prerequisites that equip people with leadership potential. They do not, however, serve as the primary determinant of whether a person will be a great leader or not.

Among the core traits identified are:

Achievement drive: High level of effort, high levels of ambition, energy and initiative

Leadership motivation: an intense desire to lead others to reach shared goals

Honesty and integrity: trustworthy, reliable, and open

 ISBN: 978-93-93810-34-2

Self-confidence: Belief in one's self, ideas, and ability

Cognitive ability: Capable of exercising good judgment, strong analytical abilities, and conceptuallyskilled

Knowledge of business: Knowledge of industry and other technical matters

Emotional Maturity: well adjusted, does not suffer from severe psychological disorders.

Others: charisma, creativity and flexibility

Strengths/Advantages of Trait Theory

- It is naturally pleasing theory.
- It is valid as lot of research has validated the foundation and basis of the theory.
- It serves as a yardstick against which the leadership traits of an individual can be assessed.
- It gives a detailed knowledge and understanding of the leader element in the leadership process.

Limitations of the Trait Theory

- There is bound to be some subjective judgment in determining who is regarded as a 'good' or'successful' leader
- The list of possible traits tends to be very long. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities.
- There is also a disagreement over which traits are the most important for an effective leader
- The model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors. For example, a minimum weight and height might be necessary to perform the tasks efficiently in a military leadership position. In business organizations, these are not the requirements to be an effective leader.
- The theory is very complex

Implications of Trait Theory

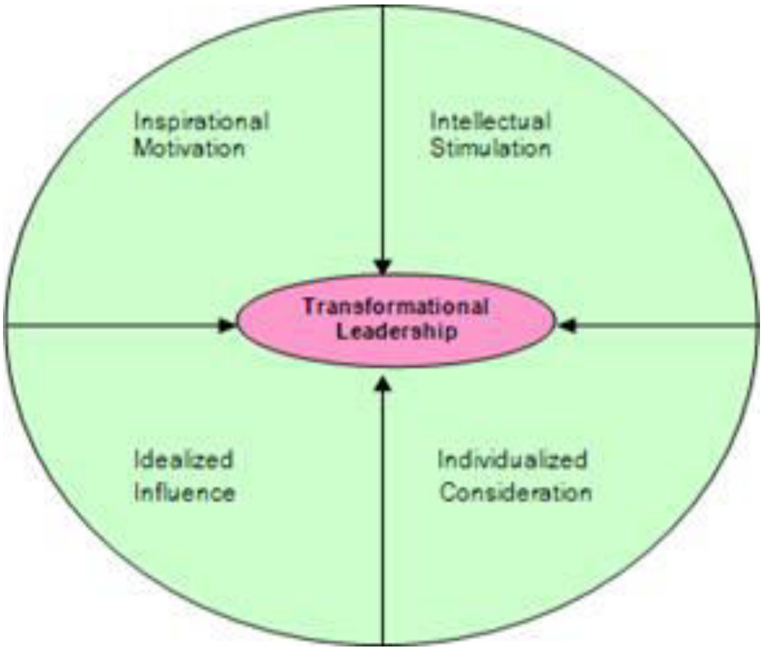
The trait theory offers useful insights on leadership. People at various levels and in all kinds of organisations can use it. The information in the theory may be used by managers to determine where they stand within the company and how to strengthen that position. They can gain a thorough awareness of who they are and how their actions will effect other people inside the business. This approach helps managers become aware of their strengths and flaws so they may learn how to improve their leadership skills.

 ISBN: 978-93-93810-34-2

4. Transformational LeadershipTheory

It is now more crucial than ever to have a high-performance workforce, and corporate leaders must be able to motivate employees to go above and beyond the call of duty. New theories of leadership have as a result been developed, transformational leadership being one of them.

All organisational levels-teams, departments, divisions, and the overall organization-can exhibit transformational leadership. Such leaders have a clear vision, are motivating, courageous, adventurous, and reflective. They appeal to those with charm. However, charisma cannot change an organization's culture on its own. For bringing major changes, transformational leaders must exhibit thefollowingfourfactors:



Model of Transformational Leadership

Inspirational Motivation: The promotion of a consistent vision, purpose, and set of values to the members is the cornerstone of transformative leadership. They are so committed to their goal that they are clear about what they want from every engagement. Transformative leaders inspire people by giving them a feeling of purpose and difficulty. They strive fervently and positively to promote the values of dedication and collaboration.

Intellectual Stimulation: Such leaders inspire creativity and innovation in those who follow them. They support fresh suggestions from their followers and never publicly fault them for their errors. Leaders concentrate on the "what" of issues rather than the assigning of blame. If an old technique they established turns out to be unsuccessful, they have no qualms about abandoning it.

Idealized Influence: They believe to the notion that a leader can only sway subordinates when he lives according to his ideals. Leaders serve as examples for followers to follow. Such leaders consistently earn their followers' respect and trust by their deeds. Typically, they prioritise the needs of their followers over their own, give up their own interests in favour of others, and act in an ethical manner. Such leaders utilise their position of authority in an effort to persuade others to work toward the organization's common objectives.

Individualized Consideration: Leaders coach their followers and give them praise for their originality and ingenuity. Different approaches are taken with the followers based on their skills and expertise. They have the authority to make choices, and they are constantly given the assistance they need to carry those decisions through.

The common examples of transformational leaders are Mahatma Gandhiand Obama.

Criticisms of Transformational LeadershipTheory

- Since impression management is a component of transformational leadership, it encourages leaders to promote themselves in an unethical way.
- Because the theory is a synthesis of other leadership philosophies, it is particularly challenging to train or teach.
- Leaders may influence followers, and there is a danger that they may cause them to lose more than they gain.

Implications of Transformational Leadership Theory

Transformational leadership must prevail at all levels of the company in the current context, which is marked by uncertainty, global unrest, and organisational instability. Following such leaders results in high levels of organisational commitment and work satisfaction, as well as organisational citizenship behaviours. With such a committed staff, it will undoubtedly be beneficial to think about building strategies for transforming organisations via leadership.

5. Transactional LeadershipTheory

Max Weber initially introduced the transactional style of leadership in 1947, followed by Bernard Bass in 1981. The managers are the ones who employ this method the most. It concentrates on managing, organising, and short-term planning—the fundamental management processes. McCarthy and de Gaulle are two well-known examples of leaders who employed the transactional style.

Transactional leadership involves motivating and directing followers primarily through appealing totheir own self-interest. Transactional leaders' formal authority and duty inside the organisation give them influence. The primary objective of the follower is to carry out the leader's orders. The approach is often known as a "telling style."

The leader thinks that encouraging people through a system of incentives and penalties works best. A reward will come when a subordinate performs what is expected, and a punishment will come after he disobeys the leader's instructions. Here, the leader and follower interact to accomplish recurring performance objectives. Theseexchangesinvolvefourdimensions:

Contingent Rewards: Transactional leaders link the goal to rewards, clarify expectations, provide necessary resources, set mutually agreed upon goals, and provide various kinds of rewards for successful performance. They set SMART (specific, measurable, attainable, realistic, and timely) goals for their subordinates.

Active Management by Exception: Transactional leaders actively monitor the work of their subordinates, watch for deviations from rules and standards and taking corrective action to prevent mistakes.

Passive Management by Exception: Transactional leaders intervene only when standards are not met or when the performance is not as per the expectations. They may even use punishment as a response to unacceptable performance.

Laissez-faire: The leader provides an environment where the subordinates get many opportunities to make decisions. The leader himself abdicates responsibilities and avoids making decisions and therefore the group often lacks direction.

Assumptions of Transactional Theory

- Employees are motivated by reward and punishment.
- The subordinates have to obey the orders of the superior.
- The subordinates are not self-motivated. They have to be closely monitored and controlled to get the work done from them.

Implications of Transactional Theory

Standard norms and processes, as well as specific, short-term goals, are overemphasised by transactional executives. They make no attempt to foster the innovation and originality of followers. This type of leadership approach may be effective in situations when organisational challenges are straightforward and well-defined. Such leaders frequently do not encourage or disregard suggestions that do not align with their current plans and objectives.

Kurt Lewin and his colleagues at the University of Iowa made some of the earliest attempts to scientifically assess effective leadership behaviours. They mainly concentrated on three leadership philosophies: authoritarian, democratic, and laissez-faire.

The authoritarian boss typically makes decisions without discussing subordinates, establishes work practises, only very little communicates goals to workers, and on occasion, gives unfavourable criticism.

6. Iowa and Michigan Studies:

Some of the first attempts to evaluate good leadership behaviours empirically were conducted by University of Iowa researcher Kurt Lewin and his colleagues. Three leadership philosophies-autocratic, democratic, and laissez-faire-were their main focus.

The authoritarian leader frequently makes choices without consulting subordinates, specifies work procedures, informs staff of objectives only to a very limited extent, and occasionally delivers unfavourable feedback.

The democratic or participatory leader involves the group in decision-making; he consults the subordinates on potential courses of action and promotes their involvement. Democratic leaders allowed the group to decide on working procedures, communicate overarching objectives, and utilise feedback to assist subordinates. Laissez-faire leaders seldom ever exercise their authority.

They grant the group total autonomy. Such leaders rely heavily on their followers to determine their own objectives and ways of attainment. They perceive their function as providing information to followers and serving primarily as a liaison with the group's external environment in order to facilitate the followers' activities. They also refrain from offering criticism.

Lewin and his colleagues taught certain people to demonstrate each leadership style in order to find which one is the most effective. They were subsequently given control over a number of squads in a pre-teen boys' club. They discovered that groups with laissez-faire leaders underperformed in contrast to both the autocratic and democratic groups on every research criterion.

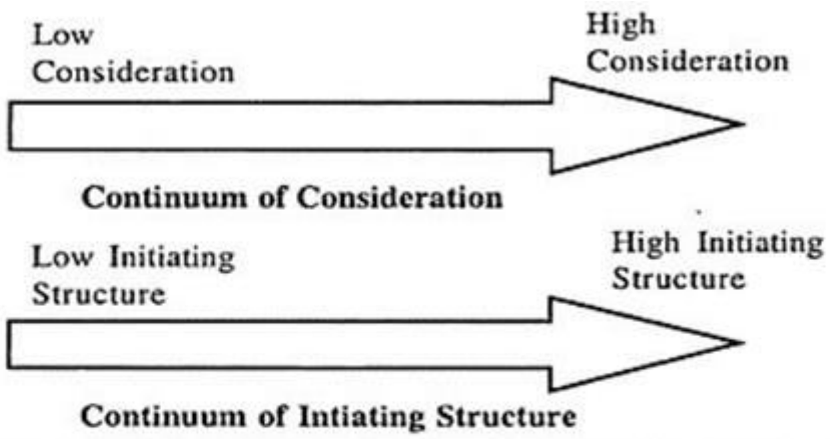
Both groups with autocratic and democratic leaders produced an identical quantity of work, but the democratic groups produced work of higher quality and with more group satisfaction. Therefore, it revealed that democratic leadership produced both high quantity and quality of labour as well as pleased employees.

OHIO STATE STUDIES: A team of academics from Ohio University started in-depth studies on leadership in 1945. They started the process by highlighting certain crucial leader behaviours. The researchers then created a questionnaire to evaluate the actions of several leaders and monitor variables like team output and satisfaction to determine which actions were most successful. The research' discovery of two characteristics of leadership behavior- "initiating structure" and "consideration"- was their most widely reported finding. To what degree a leader specifies both his and her own function and that of subordinates in order to accomplish organisational goals is known as initiating structure.

It resembles the Michigan studies' job-centered leader behaviour but encompasses a wider variety of administrative tasks like organising, leading, and planning. It primarily

 ISBN: 978-93-93810-34-2

focuses on difficulties that are task-related. The level of respect and care the leader has for the opinions and feelings of his subordinates are important factors to take into account.



The employee-centered leader behaviour in the Michigan research is comparable to consideration. It stresses concerns involving humans. A consideration-oriented leader is more likely to be cordial with staff members, promote involvement in decision-making, and uphold effective two-way communication.

7. Likert's Management System

At the University of Michigan in the United States, RensisLikert and his colleagues spent three decades examining the behaviours and management styles. They came up with a four-part model of management systems. The model was created using data from a survey given to managers in more than 200 firms and research on the performance traits of various organisational kinds. The four systems of management system or the four leadership styles identified by Likert are:

System 1 - Exploitative Authoritative: The persons at the top of the hierarchy are in charge of responsibility. Subordinates are not trusted or believed by the superior. Subordinates are forced to accept the judgments, and they are not at all comfortable discussing work-related issues with their superior. Very little collaboration or communication occurs, and threats are used as motivator.

System 2 - Benevolent Authoritative: The management layers of the organisational structure are in charge, not the lower levels. The superior has contemptuous faith in and confidence in the workers (master-servant relationship). Once more, employees don't feel comfortable talking to managers about work-related issues. Very little collaboration or communication occurs, and the system of incentives is used to motivate people.

System 3 - Consultative: The organisational structure distributes responsibility widely. The superior has a good deal of but not total faith in the subordinates. There is some communication between the superior and the subordinates regarding matters relating to their jobs. There is some cooperation present, and both vertical and horizontal communication occurs. Rewards and participation in the work are the main sources of motivation.

System4-Participative: The whole organisational hierarchy shares responsibility for attaining the organization's goals. There is a lot of trust between the supervisor and his subordinates. Teamwork, communication, and involvement are all highly valued.

Likert'sorganisational characteristic profile has been used to define the nature of these four management systems.

In this profile, the four management systems have been compared with one another on the basis ofcertainorganizationalvariableswhichare:

- Leadershipprocesses
- Motivationalforces
- Communicationprocess
- Interaction-influenceprocess
- Decision-makingprocess
- Goal-settingorordering
- Controlprocesses

Based on this description, Likert distributed a questionnaire to a number of individuals from various firms and administrative roles (both line and staff). His research demonstrated that the least productive departments or units used management techniques from Systems 1 and 2, whereas the most effective departments or units used techniques from Systems 3 and 4.

Advantages

It was feasible to quantify the outcomes of the group dynamics research with the aid of the profile created by Likert. Likert theory made it easier to gauge the "soft" aspects of management, such communication and trust.

8. Hersey Blanchard Model

According to this strategy, the leader must modify their leadership style in response to their followers' staged and cycled levels of readiness. This concept is often known as the leadership life-cycle theory.

The Paul Hersey and Kenneth Blanchard-developed idea is predicated on the degree of "readiness" that the target audience has to be influenced. The degree of followers' skill and desire to do a certain activity is referred to as their level of readiness. Ability, also known as work preparedness, is the knowledge, experience, and skills a person possess to perform the job. The drive and dedication needed to complete a task are known as willingness. The style of leadership depends on the level of readiness of the followers.

The readiness(R) is divided into a continuum of four levels which are:

R1 - Low Follower Readiness - refers to low ability and low willingness of followers i.e. those who are unable and insecure.

R2-low to Moderate Follower Readiness-refers to low ability and high willingness of follower's i.e.those who are unable but confident.

R3 - Moderate to high follower readiness - refers to high ability and low willingness of followers i.e.those who are able but insecure.

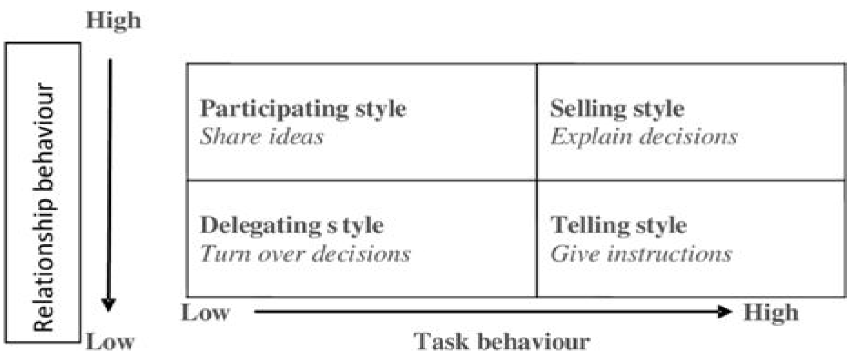
R4 - High Follower Readiness- refers to high ability and high willingness of followers i.e. those who are both able and confident.

At the lowest readiness levels, the leader gives the instructions. The decisions are therefore dictated by the leader. On the other side, followers with higher readiness levels are the ones who give the guidance. As a result, follower guided decisions are made in this situation. The combinations of task and interpersonal behavioursthat are suitable to the circumstance start to alter as the followers' progress from low to high degrees of preparation.

The leadership style employed may be a blend of task and relational conduct for each of the four stages of preparation.

Task Behavior: The degree to which a leader outlines the obligations and responsibilities of a follower, including giving them guidance, establishing objectives, and defining roles for them. Typically, there is a one-way communication that is intended to provide followers guidance.

Relationship Behavior: Extent to which the leader listens to the followers, and provides encouragement to them. Here, a two-way communication exists between the leader and thefollower. By combining the task and the relationship behavior, we arrive at the following four different styles of leadership which correspond with the different levels of readiness.



 ISBN: 978-93-93810-34-2

S1 - Telling: This style is most appropriate for low follower readiness (R1). It emphasizes high taskbehavior and limited relationship behavior.

S2 - Selling: This style is most appropriate for low to moderate follower readiness (R2). It emphasizes high amounts of both task and relationship behavior.

S3 - Participating: This style is most appropriate for moderate to high follower readiness (R3). It emphasizes high amount of relationship behavior but low amount of task behavior.

S4 - Delegating: This style is most appropriate for high follower readiness (R4). It emphasizes low levels of both task and relationship behavior.

9. Fiedler's Contingency Model

Based on research on a variety of group effectiveness, Fred E. Fiedler's contingency theory of leadership effectiveness focused on the link between leadership and organisational success. One of Fiedler's first situation-contingent leadership ideas is this one. He contends that if an organisation seeks to attain group effectiveness via leadership, it is necessary to evaluate the leader in light of an underlying trait, evaluate the challenges he or she is facing, and create a match that is appropriate between the two.

Leader's trait

Fiedler created the "least preferred co-worker" (LPC) scale, which asks leaders about the coworker they least enjoy working with, in order to gauge their attitudes. The measure, a questionnaire with 16 elements, is designed to assess a leader's general attitude toward working with people. The LPC scale includes the following items: good/bad, friendly/unfriendly, rejecting/accepting, unenthusiastic/enthusiastic, tense/relaxed, cold/warm, helpful/frustrating, cooperative/uncooperative, supportive/hostile, quarrelsome/harmonious, efficient/inefficient, gloomy/cheerful, distant/close, boring/interesting, self-assured/hesitant, open/guarded One score between one and eight points, with eight points denoting the most positive assessment, is assigned to each item on the scale.

According to Fiedler, leaders with high LPC scores value relationships, while those with low levels prioritise tasks. Leaders with high LPC scores found the most enjoyment in their interpersonal interactions, and as a result, they have a generally positive opinion of their least favourite coworkers. These leaders don't consider job completion until the interpersonal requirement has been satisfactorily met. The low LPC score leaders, on the other hand, found joy in completing tasks and achieving goals; only after these tasks were finished did these leaders focus on building positive interpersonal and social relationships.

 ISBN: 978-93-93810-34-2

Situational factor

According to Fiedler, a leader's behavior is dependent upon the favorability of the leadership situation. Three factors work together to determine how favorable a situation is to a leader. These are:

Leader-member relations - The degree to which the leaders is trusted and liked by the group members, and the willingness of the group members to follow the leader's guidance.

Task structure - the degree, to which the group's task has been described as structured or unstructured, has been clearly defined and the extent to which it can be carried out by detailed instructions.

Position power - Fiedler created eight permutations of group-task circumstances using these three factors to measure the strength of the leader based on organisational position and the extent to which the leader can exert control over group members in order for them to follow and accept his direction. These combinations were employed to determine the leadership style.

10. Vroom-Yetton Model:

The extent to which subordinates participate in decision-making is a key topic in the study of leadership. Victor Vroom and Philip Yetton, two scholars, created a situational leadership model to aid managers in determining when and how much to involve subordinates in resolving a specific issue. The Vroom-Yetton model classifies leadership into five categories based on how much decision-making is delegated to subordinates.

Situational Characteristic	Diagnostic Question
Quality of the decision	How important is the technical quality of the decision?
Availability of information deci n?	Do you have enough information to be able to take a high quality decision.
Structure of the issue	Is the problem well-structured?
Necessity of commitment of subordinates	How important is the subordinates' commitment in putting the decision into practice?
Probability of commitment	If you took the decision by yourself are you certain the subordinates will commit themselves to putting it into practice?
Congruency of objectives	Do your subordinates share the organizational objectives that will be reached by solving the issue?
Conflicts among subordinates	Can conflicts among subordinates come up because of their preferences for certain solutions?

The five leadership styles are as follows:

 ISBN: 978-93-93810-34-2

6.11 POWER

There are many ways to describe power, but what matters is how those in positions of power use it. The power dynamics and equations within the corporate setting need to be carefully handled since they have a significant influence on the degree of employee motivation and engagement. Additionally, it establishes the culture of the company generally and its approach to employee relations specifically. A very hierarchical and power-driven company finds it challenging to accept new and creative ideas; any change is violently rejected; egos clash; and the high performers are given fewer opportunities, which slows down organisational growth. On the other hand, in an organization which is flat in structure, people are encouraged to innovate and explore, thus bringing in new concepts and ideas to accelerate organizational growth and expansion.

DIFFERENT TYPES OF POWER

Since the beginning of human society, power has played a significant role. Power can be social, political, or physical. Power dynamics frequently have a significant impact on choices and interpersonal interactions in the corporate world as well. Therefore, defining power may be challenging since it is perceived and understood in many different ways. However, power cannot be referred to as a force that helps you achieve your goals. Position or authority generally confers power, which has the ability to have both positive and bad effects on others.

For simplicity and understanding purposes power is usually classified into following categories:

Coercive Power - This sort of power entails using threat to persuade others to do what one wants. It translates into threatening someone with a transfer, termination, demotion, etc. in an organisational setting. People are essentially compelled to comply with demands out of fear of losing something.

Reward Power - As the name implies, this kind of power influences individuals by offering incentives, advantages, new possibilities for work or training, improved roles, and monetary compensation. However, an intriguing component of this form of power is that it is not sufficient in and of itself, as many other individuals, such as senior managers and the board, are involved in decisions about compensation in corporations.

Legitimate Power - This power derives from a position of authority that someone holds, whether it be in a company, government, bureau, etc. This power has a limited lifespan because a person can only utilise it while holding that posture and its range is also limited because the position held firmly defines it.

Expert Power - This is a unique sort of strength that comes from the better calibre, harder to find knowledge and abilities that one person possesses. The person can use their expertise to persuade others in such a circumstance. Since it is highly individualised and talents may be developed over time, it has greater authority and respect.

Referent Power - Celebrities and movie stars have enormous followings among people who admire them, connect with them, and follow them, therefore they wield this influence. Consequently, they have a significant impact on a lot of people's decisions, from what kind of automobile to buy to who to vote for to hold a higher position in the government.

6.12 MOTIVATION

Motivation is the process of initiating, guiding, and maintaining goal-oriented behaviours. It considers the biological, emotional, social, and cognitive factors that influence behaviour. In everyday discourse, the phrase "motivation" is commonly used to express why someone does something.

Motivation is something that is unique to each of us and allows us to attain desirable goals such as enhanced performance, increased well-being, personal growth, or a feeling of purpose. It is a method of changing our way of thinking, feeling, and doing.

Motivation may be defined as your reasons for doing something or your level of desire to complete a task. a strong desire to seek or achieve something Motivated people prefer to take action and make a difference rather than sit back and wait for things to unfold. Nothing can be achieved unless you are driven. Motivation is a necessary life skill.

It is significant because each individual on our planet is unique and has a purpose. To effectively manage your purpose, you must be inspired to strive for your objectives, which allows your aspirations to become a reality.

To achieve any goal, whether it is in health and fitness, starting a new business or project, or simply keeping up with day-to-day operations, motivation is necessary. A lack of motivation may be immensely damaging to one's self-esteem and make success significantly less likely. Motivation is a psychological process that takes place within an individual. When a person sees a scarcity of some essentials, he feels forced to work more. The desire to satisfy one's ego motivates one to do better than normal.

The primary goal of motivation is to create situations in which individuals are eager to work with fervour, initiative, curiosity, and excitement while experiencing high moral pleasure on a personal and communal level. Motivation also fosters feelings of duty and commitment. An individual's motivation is important since it will help him achieve his personal goals. Individuals that are motivated will be happy in their employment.

 ISBN: 978-93-93810-34-2

Motivation will help with personal growth. Working with a dynamic team is usually advantageous. Motivation is related to an individual's commitment and satisfaction with their employment. Motivated employees are more likely to do a good job and work hard. Motivation is essential for attracting new employees, retaining current employees, and enhancing overall productivity in an organisation.

6.12.1 IMPORTANCE OF MOTIVATION

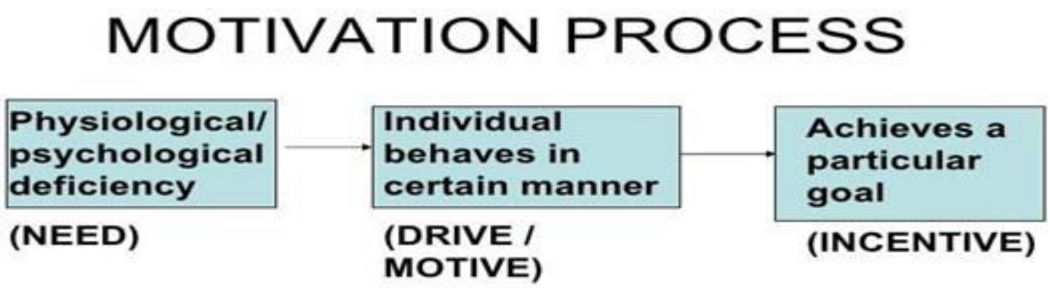
Motivation improves both the organisation and the individual. Motivation has become a highly effective technique for accomplishing organisational goals, and a manager must use it to encourage or inspire staff members in their various professions so that they may work successfully and efficiently. Motivation is critical for both organisations and individuals, and it is also seen as a fundamental element in performance. Following are some of the importance of motivation:

- **Improvement in Cooperation**: As a result of the effective motivation, employees will be willing to assist in the organization's succession. Employees, on the one hand, help the organisation achieve its goals by extending effective teamwork, and on the other, they solve their problems/get satisfaction. Thus, if incentives are appropriately implemented inside the company, prosperity on both sides may be observed.
- **Higher Morale of Personnel:** When employees are motivated, their morale increases. Employees with higher morale are seen as assets to the organisation. A motivated employee may benefit the company by reducing turnover and absenteeism. Increased turnover and absenteeism pose a number of issues to the organisation and undermine its reputation. Motivation can help to reduce these rates.
- **Utilization of Factor of Production:** Human resources are one of the most important resources, and if this resource is used correctly, only other factors may be used effectively. Motivation drives human resource workers to do jobs honestly and efficiently. Only when personnel perform well will other production components be able to be employed effectively and to their full capacity. As a result, motivation assists in the management of the production component.
- **Higher Productivity:** Motivation may assist an organisation attain a higher level of productivity because a manager can inspire subordinates to perform more successfully, which will help the organisation increase total production and productivity. Workers' intrinsic characteristics may be cultivated and used for the organization's and subordinates' success if they are induced utilising a variety of motivating techniques.

- **Best Remedy for Resistance to Change:** Work and work approaches evolve as a result of advancement. Organizational changes in industrial technology, marketing procedures, and even environmental changes cause regular changes in organisational structure and working techniques. Employees may be uncomfortable, feel nervous, assume insecurity, and express their unhappiness and protest when changes occur in the firm. However, if they are correctly, swiftly, and sensitively motivated, and managers give knowledge and inspiration, they will embrace the change even more enthusiastically.
- **Healthy Industrial Relation:** Internally, motivation fosters excellent labour relations. The relationship between management and labour unions will be friendly. There would be no conflict between management and trade unions with the use of incentives. As a result, motivation fosters positive engagement in the workplace.
- **Realizing Organizational Goals:** Motivated employees create a sense of entire involvement in the organization's job and strive tirelessly to achieve organisational goals. Employees should be motivated to focus more on the company goals. As a result, employee motivation aids in the achievement of corporate goals.

6.12.2 PROCESS OF MOTIVATION

Need: Needs or expectations drive the motivating process. Employees cannot be motivated if they have no need or expectation. Employees rush to meet or satisfy a demand or expectation. The desire for expectancy is a critical motivational mechanism. Managers of commercial organisations must take into account the demands and expectations of their personnel. Food is a good illustration of this.



Drive/Action: The motivation is action-oriented. People look for work once they have met their expectations. To address the need or expectations, action is required. Employees cannot tackle food concerns unless they take action. As a result, when a need arises, people mobilise to meet it.

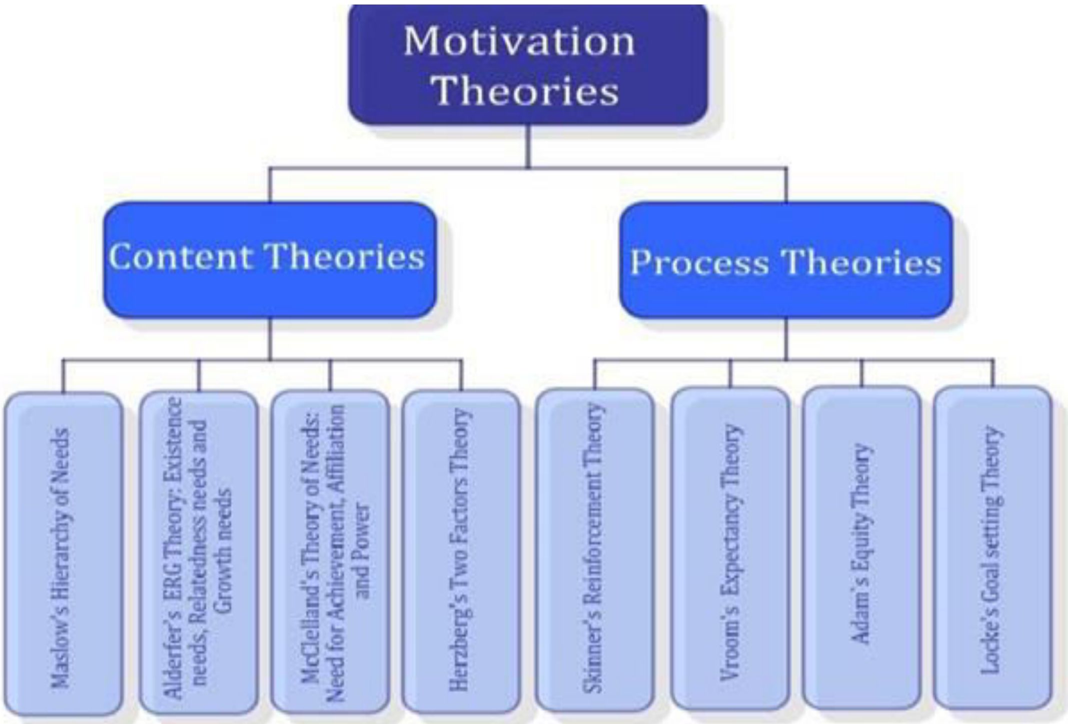
Incentives: An incentive is the final stage of motivation. Employees should be supplied for and paid competitively once they have a job. It aids in the resolution and fulfilment of a need or anticipation. Employees join a company to sell their expertise, talent, and labour. Employees will receive rewards when they sell their labour.

 ISBN: 978-93-93810-34-2

6.12.3 MOTIVATION THEORIES

The **main content theories** are: Maslow’s needs hierarchy, Alderfer’s ERG theory, McClelland’s achievement motivation and Herzberg’s two-factor theory. The **main process theories** are: Skinner’s reinforcement theory, Victor Vroom's expectancy theory, Adam’s equity theory and Locke’s goal setting theory.

There is no particular motivation theory that can explain all facets of people's motivations or lack thereof. Each theoretical explanation can serve as the foundation for the creation of motivational tactics.



1. Maslow– Hierarchy of Needs: Abraham Maslow (1943) created this, the first and most generally recognised theory of motivation, in the 1940s and 1950s. This idea categorises demands into five broad groups. Maslow arranged these requirements in a hierarchy, starting with fundamental psychological needs and progressing through safety, belonging and love, esteem, and self-actualization. According to his view, the least fulfilled need becomes the most strong and significant demand. The most pressing need motivates an individual to take action in order to meet it. Needs that are met do not motivate. When lesser wants are met, an individual seeks a greater need.

Maslow's hierarchy of needs is frequently shown as a pyramid, with the most basic requirements at the bottom and the most complicated need (need for self-actualization) at the top. Maslow never drew a pyramid to explain these stages of human needs, but it has become the most well-known way to portray his hierarchy.

 ISBN: 978-93-93810-34-2

Physiological Needs (e.g.food, water, shelter, sleep)

It comprises the most fundamental requirements for human survival, such as air, water, and food. Maslow underlined that if these criteria are not met, our bodies and minds would not operate properly. These physiological demands are the most important. So, if someone is missing everything in his or her life, the main reason would most likely be to meet his or her physiological requirements rather than any other. A person who lacks food, safety, love (including sex), and esteem is more likely to hunger for food (and also for money to buy food) than for anything else. If all wants are unmet, the organism is overridden by physiological requirements, and all other needs fade into the background. All capacities are put into the attendance of satisfying hunger.

Safety and Security (secure source of income,a place to live,health and well-being)

If the physiological needs are sufficiently satisfied, additional wants, known as safety needs, will emerge. The need for security or protection is referred to as a person's safety requirements. Essentially, everything appears to be less essential than safety and protection (the physiological needs even sometimes). Our culture's healthy and prosperous adults are mostly satisfied with their safety demands. The tranquil, certain, secure, and unshakable civilization helps us feel protected from criminal attacks, murder, amazing natural disasters, and so on. In such circumstance, people's primary motivators are no longer safety concerns. We consider the absence of economic safety when we meet with safety needs indicated as a desire for insurance policies, savings accounts, or job stability, etc. Children have a stronger desire to feel safe. Because of this, this level is more significant for youngsters. Personal security; financial security; health and well-being; safety mesh against accidents, illnesses, and their negative consequences To tell the truth, amid actual risks and traumas - such as war, murder, natural disasters, criminal attack, and so on - human demands for safety become an active, first-line, and dominating mobilizer.

Belongingness and Love (integration into social groups, feel part of a community or a group; affectionate relationships)

When the physiological and safety demands are met, the attachment, love, and belongingness needs take centre stage. According to Maslow, humans need to belong and be accepted in their social groupings. Group size is irrelevant: social groupings might be vast or tiny. People need to love and be loved by others, both sexually and non-sexually. This demands for belonging may outweigh physiological and security requirements depending on the power and pressure of the peer group.

Love needs both giving and receiving affection (love is not synonymous with sex – sex is a physiological need). When a person is dissatisfied, they will instantly erase the absence of friends, peers, and a relationship. Many people suffer from social nervousness, loneliness, social isolation and also clinical depression because of the lack of this love or belonging ness factor.

Esteem (respect for a person as a useful, honourable human being)

In our society most people long for a stable and high valuation of themselves, for the esteem of othersandforself-respectorself-esteem.

Being esteemed indicates that you are cherished, respected, and appreciated by others. Humans require a sense of worth, such as being valuable and required in the world. People who have poor self-esteem frequently require respect from others. Maslow classified esteem requirements into two categories: lower and higher. The need for respect from others is the 'lower' form of esteem: for example, attention, prestige, position, and loving their opinion. The 'higher' form is the desire for self-respect: the individual may require independence, freedom, or self-confidence.

Respect from others provides the most steady and hence best self-esteem. External recognition or popularity, as well as undeserved admiration, will not increase self-esteem, though you may feel better for a time.

Self-Actualization (individual's desire to grow and develop to his or her fullest potential) 'What humans can be, they must be.'(Maslow, 1954).

The desire to grow and develop to one's full potential is reflected in self-actualization. People enjoy having the option of creating their own versions, tough positions, or innovative jobs. This level is defined by Maslow as the "desire to accomplish everything that one can, to become the most that one can be." Maslow felt that humans must transcend their other wants, as indicated above, rather than just meet them. Individual variances are greatest at this stage. As each level of the hierarchy is satisfactorily met, we are motivated to satisfy the next level in the hierarchy, as new and higher demands emerge. This is what we mean, whenthebasic humanneeds aredrawn like a pyramid, a hierarchy. Life experiences, including divorce and loss of job, may cause anindividual to fluctuate between levels of the hierarchy. These five different levels were further sub-categorised into two main groups: deficiency and growth needs.

Deficiencyneeds– The very basic needs for survival and security. These needs include: physiological needs, safety and security needs, social needs, esteem needs.

If these 'deficiency requirements' are not met, there may be no bodily symptoms, but the individual may feel nervous and tense. As a result, the most fundamental level of requirements must be met before a person may focus on secondary or higher level needs.

Growth needs – Personal growth and fulfilment of personal potential.These needs include: self-actualisation needs.

This hierarchy is not as strict as we may have suggested. For example, some people appear to value self-esteem or self-actualization more than love or belonging. This theory of motivation's appeal stems from its simplicity and rationality.

2. Alderfer–ErgTheory: ExistenceNeeds, Relatedness Needs and GrowthNeeds

Three levels or classifications of requirements were identified by Alderfer (Furnham, 2008): existence, relatedness, and growth. The physiological and safety requirements identified by Maslow are a part of the existence needs. Relationship quality can be balanced with sense of community and respect for others. Maslow's self-esteem plus self-actualization are equivalent to growth. Maslow and Alderfer both made an effort to explain how these requirements, and the phases of needs, change how essential they are to different people.

Existence Needs: These include needs for basic material necessities. In short, it includes an individual's physiological and physical safety needs.

Relatedness needs: Individuals need significant relationships (be with family, peers or superiors), love and belongingness, they strive toward reaching public fame and recognition. This class of needs contain Maslow's social needs and external component of esteem needs.

Growth needs: Need for self-development, personal growth and advancement form together this class of need. This class of needs contain Maslow's self-actualization needs and intrinsic component of esteem needs.

ISBN: 978-93-93810-34-2

3. Mcclelland–Needs Theory – Need for Achievement, Affiliation and Power

Maslow's research served as the foundation for McClelland's early 1960s description of three human motivators. According to McClelland (Arnold et al., 2005), people learn and acquire their motivators through time, which is why this theory is frequently referred to as the "Learned Needs Theory." He states that regardless of our gender or age, we all have three motivational factors. One of these motivations or requirements will rule our behaviour.

Maslow's and Alderfer's theories, which emphasise meeting current wants rather than generating or developing new ones, contrast with McClelland's notion. Naturally, the dominating motivator is influenced by our culture and experiences in life (but the three motivators are permanent).The three motivator sare:

Achievement Motivation – A need to accomplish and demonstrate competence or mastery. It pertains to a person’s need for significant success, mastering of skills, control or high standards. It is connected to a variety of activities. People strive for success, the accomplishment of difficult goals that are also feasible, and promotion at work or in education. Both internal motivational forces (intrinsic motivation) and external pressure from other people's potential outcomes affect this desire (extrinsic motivation). Low need for accomplishment may indicate that people prefer to reduce their chances of failing, and when failure is unavoidable, people may pick very simple or very challenging jobs as a result. Contrarily, those who have a high need for accomplishment tend to select jobs that are optimally challenging enough to provide them the best opportunity of succeeding—but only after putting in the necessary effort and personal growth.

High performers enjoy getting regular feedback on their development and accomplishments. They frequently prefer working alone, enjoy a challenge, and value a high degree of freedom. Praise for success, goal-setting abilities, one's own ability and effort to achieve anything, and it does not depend solely on chance; of course happy sentiments and also independence in infancy; can all be sources of strong demand for achievement. According to McClelland, education and training can heighten a person's desire for success. Because of this, some people contend that the desire for accomplishment is actually a value rather than a necessity.

Affiliation Motivation –a need for ove, belonging and relatedness

These individuals have a strong need for friendships, a desire to fit in with a social group, and a need to be well-liked and respected by their peers. They are good team players, yet they could perform worse in leadership roles. People with a high demand for affiliation receive assistance from people they interact with frequently and who are typically in cordial interpersonal relationships. People require far greater connection after or during stressful situations. People band together in these situations and find

 ISBN: 978-93-93810-34-2

safety in one another. When it comes to affiliation motive, people occasionally like to be alone while other times prefer to be with others. People really dislike excessive risk and uncertainty.

Authority / Power Motivation – a need to control over one's own work or the work of others. Thesepersons are authority motivated. They have a great desire to take the lead and make their ideas successful. In order to elevate one's rank and reputation, it is also necessary. This individual aspires to have power over and influence over others. According to research by McClelland, male managers with high needs for affiliation and power tended to operate more productive divisions in a sales company than managers with high needs for affiliation.

It's important to discuss how women and men seek power differently. It is believed that males who have a strong need for power tend to be more aggressive, drink more, act in sexually exploitative ways, engage in competitive sports, and get involved in political turmoil. Women who have a greater demand for power concurrently display more socially acceptable and responsible behaviour and are more sensitive and concerned. These people favour positions in large, global corporations, enterprises, and other powerful professions.

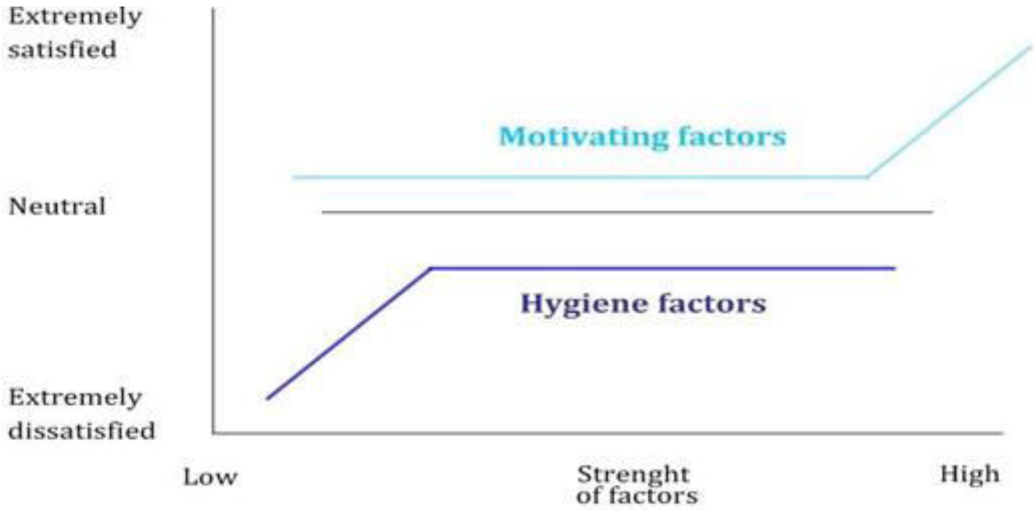
McClelland believes that individuals with a strong drive for success may make for the strongest leaders, as we said above. However, because they believe that their staff members share their high success focus and results-driven attitude, there might be a propensity to ask too much of them. Consider your instructors and teachers! Although I'm sure they all want the best for you and want to help you grow, I doubt you always feel the same way. According to McClelland, the majority of persons exhibit a mix of these traits.

4. Herzberg–Two Factor Theory

The motivation-hygiene theory is another name for it. No satisfaction is the opposite of satisfaction, not unhappiness. The elements that affect how well a task is done, according to Herzberg (1987), whereas the factors that affect how poorly a job is done affect the context of the job.

If the **hygiene factors**, for example salary, workingconditions, work environment, safety and securityare unsuitable (low level) at the workplace, this can make individuals unhappy, dissatisfied with theirjob.

 ISBN: 978-93-93810-34-2



Motivating Factors, on the other hand, can raise job satisfaction, and motivation is based on a person's desire for personal development. These factors can inspire someone to put out above-average performance and effort if they are successful. Examples of human attributes that might result in satisfaction include responsibility and success (Dartey-Baah, 2011).

To ensure that an employee is not unhappy, hygiene requirements must be met.

To ensure employee happiness and encourage an employee to work at a greater level, motivation elements are required.

Achievement, recognition, the work itself, responsibility, and development are Herzberg's five driving reasons for labour.

Only these things can inspire us. To accomplish more productive work, however, we also require a lack of complaints (hygiene factors, or "workpeace").

Herzberg identified five variables for job dissatisfaction: business policy and administration, supervision, remuneration, interpersonal interactions, and working environment (hygiene factors - deficient requirements).

Can we incentivize people with money or a raise in pay? What did Maslow and Herzberg say? Is it only the same or is it anything else?

Herzberg addressed the issue of income not being a key incentive in the same way that success and recognition are. Although we cannot argue that a wage is an incentive, it can serve as a motivation if it increases consistently. According to Maslow, one needs money or a paycheck to buy food to eat, to have a place to live and sleep, etc. It could be a physiologic need.

5. Skinner's Reinforcement Theory

The Reinforcement theory, based on Skinner's operant conditioning theory, says that behaviour can be formed by its consequences (Gordon, 1987).

 ISBN: 978-93-93810-34-2

Positive reinforcements, for example praise, appreciation, a good mark/grade, trophy, money, promotion or any other reward can increase the possibility of the rewarded behaviours' repetition.

Negative reinforcement when we give a meal to a hungry person if he behaves in a certain manner/way. In this case the meal is a negative reinforcement because it eliminates the unpleasant state (hunger).

Punishment can promote undesirable behaviour or provide unwanted reinforcement. For instance, if a student consistently arrives late to class, receives unfavourable verbal criticism, and is required to clean the classroom at the end of the day, the unfavourablebehaviour is rewarded with an unfavourablereinforcer. The penalty reduces the propensity to be late.

Since punishment does not provide an alternative behaviour, it only attempts to stop undesirable behaviour. This leads to unpleasant feelings and negative attitudes toward the activity, and the person administering the punishment only temporarily suppresses the behaviour. Positive reinforcement, on the other hand, offers a permanent solution to the problem.

Eliminating the reinforcement after behaviour has been repeatedly reinforced will decrease the drive to continue doing that behaviour. Therefore, it is preferable to refrain from rewarding every time. When rewards are not delivered for all responses, reinforcement in the workplace typically occurs on a partial or irregular reinforcement schedule.

6. Vroom's Expectancy Theory

The expectancy theory incorporates the needs, equity, and reinforcement theories and emphasises both the process and the substance of motivation.

The expectation hypothesis developed by Victor Vroom in 1964 seeks to explain why people select particular courses of action. According to Vroom, motivation is a mechanism that controls how we decide amongst available voluntary behaviour options. This theory's fundamental premise is that motivation originates from the conviction that choices will result in the results we want.

The evaluation of three criteria establishes the motivation to engage in an activity.

Expectancy – a person's belief that exerting greater effort would provide success. You'll perform better if you put forth more effort.

Is it possible for me to succeed on a math test if I learn more in this situation? This factor's evaluation is based on the student's effort to study math, math knowledge, prior math exam experience, self-efficacy, and particular self-rated skills.

Instrumentality – the individual's conviction that an action and a goal are related. You will be rewarded for good work.

 ISBN: 978-93-93810-34-2

Will I receive the promised benefit (a good grade) for scoring well on a math test in this instance? This factor's evaluation is dependent on how accurate and reliable the marking is. The motivation will decline if I receive a high mark one day and a negative grade the next for the same performance.

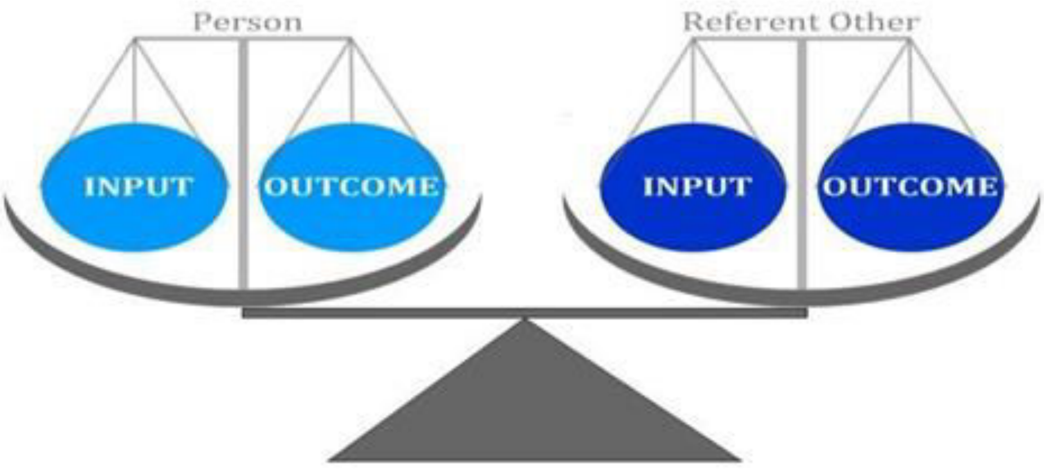
Valence– The degree to which a person values the reward, the results of success.

Nobody will have expectations if they don't understand the connection between hard effort and achievement. A person will lack instrumentality if they are unable to comprehend the relationship between effort and reward. Anyone who doesn't value the anticipated result will find the reward to be worthless.

The expectation theory, which demonstrates how people differ in their drive, includes three useful factors. This notion suggests that fairness and the relevance of consistent rewards are also (Konig& Steel 2006).

7. Adams'EquityTheory

The equity theory states that people are motivated if they are treated equitably, and receive what they consider fair for their effort and costs. The theory was suggested by Adams (1965) and is based on Social Exchange theory.



 ISBN: 978-93-93810-34-2

At work, employees provide their knowledge, experience, effort, and energy with the expectation that in return, they would receive compensation, recognition, a promotion, verbal praise, and equally interesting and demanding work.

The equality idea is applicable not just in the workplace but also in educational settings. For instance, there is injustice if two students receive different grades for the identical oral test performance. In this situation, the student who received the lower grade can lose interest in learning (decrease his or her efforts), convince the instructor to give him or her higher grade, or alter how the reference person is perceived as performing ("I did not know everything, but my classmate could answer all the questions"). If someone who never studies or never performs better than the rest consistently receives high grades at school, it might demotivate other pupils. The greater the inequity the greater the distress an individual feels, which will motivate the endeavour to make the outcomes and the inputs equal compared to the reference person.

8. Locke'sGoal-SettingTheory

Similar to expectancy theory, Locke's (1990) goal setting theory is an integrated model of motivation. Goals can be divided into groups based on their specificity, complexity, and acceptability. More performance may be monitored and attained with a defined objective as opposed to a very general one like "Try your best!" A challenging but achievable objective may inspire greater drive than one that is too simple or too demanding. Participation in goal setting is advised since accepting the objective is equally vital.

The following guidelines have been useful in the goal-setting:

The following recommendations have been helpful in developing goals: Set ambitious yet realistic objectives. Goals that are too simple, too challenging, or unrealistic fail to inspire us. Make measurable, clear goals. These can be directed toward your preferred result and used to track your progress.

It is essential to make sure goal commitment. People won't make an attempt to achieve any goals, even those that are difficult or specialised, if they don't make a commitment to them. Participation in the goal-setting process, the use of extrinsic rewards (bonuses), and increasing intrinsic motivation by giving employees feedback on goal accomplishment are all alternative routes to achieving this. Goal-related pressure is useless since it might lead to dishonesty and shoddy performance.

Helping elements must to be offered. For instance, inspiration, resources, tools, and moral support.

Measuring the results is crucial, thus goals must be quantifiable and feedback is required.

FREQUENTLY ASKED QUESTIONS

1. Define staffing.
2. What are the elements of staffing?
3. List the importance of staffing.
4. Brief the process of staffing.
5. Define recruitment.
6. What are the sources of recruitment?
7. Explain the selection process.
8. What do you meant by interview?
9. List the principles of interview.
10. Brief the kinds of interview.
11. Who is leader?
12. Define leadership.
13. What are the leadership functions?
14. Write the importance of leadership.
15. Explain the leadership Styles.
16. Brief the leadership theories.
17. Define power and explain its types.
18. Define motivation.
19. Explain the process of motivation.
20. Brief the motivational theories.

 ISBN: 978-93-93810-34-2

Unit – VII

Controlling

 ISBN: 978-93-93810-34-2

7.1 INTRODUCTION

Controlling is the managerial job that aids in obtaining desired outcomes from employees at all organisational levels, including supervisors and subordinates. The managing role identifies any deviations from the organization's goals, tracks progress toward them, and suggests necessary corrective action. Monitoring the efficacy of a manager's leading, organising, and planning tasks is facilitated by controlling. Controlling establishes what is being completed, i.e., assessing performance and, if required, implementing corrective actions to ensure that performance occurs as intended.

Control is a key objective - oriented function of management in an organisation. It is the process of comparing actual performance to the declared standards of the company to ensure that operations are carried out as planned and, if not, corrective action is implemented.

Every manager must monitor and analyse his employees' activities. It aids management in taking corrective action within the time range given to avoid a contingency or business loss. Control is exercised at the lower, middle, and senior management levels.

Control is among the most major responsibilities of a manager. A manager must retain effective control over their operations in order to achieve the required results from their employees. In other words, the controlling position guarantees that an organization's activities are carried out as planned. Controlling also ensures that an organization's resources are used effectively and efficiently to achieve set goals.

- Controllingisapurpose orientedfunction.
- Itisaprimaryroleofeverymanager.
- Controllingtheroleofamanagerisapervasivefunction.

7.2 IMPORTANCE OF CONTROLLING

Consider the value of control today. Control is a vital task of management without which an organization's regulating role cannot be fulfilled and even the best-laid plans can fail. A good control system helps a business in the following ways:

- **Accomplishing Organizational Goals:** The controlling role involves completing measures that promote the business goals while noting irregularities and recommending corrective action. As a result, it contributes to the achievement of organisational goals by playing a controlling function.
- **Judging Accuracy of Standards:** A good control system enables management to verify whether the standards specified are accurate and objective. The efficient control system also assists in keeping a careful and progress check on the changes that occur in the organisation and in the environment, as well as in evaluating and changing the standards in light of such changes.

 ISBN: 978-93-93810-34-2

- **Making efficient use of Resources:** The fact that each action is carried out in accordance with preset standards and norms ensures that resources are used as effectively and efficiently as possible to ensure their continued availability is another crucial function of managing.
- **Improving Employee Motivation:** A strong control system guarantees that each employee is aware of their expectations as well as the performance criteria that will serve as the foundation for their evaluation, which is another crucial function of regulating. Consequently, it aids in boosting their potential and inspiring them to achieve at their best.
- **EnsuringOrder&Discipline:** Controlling helps to reduce employee dishonesty by fostering an atmosphere of order and discipline inside the workplace. The corporation can track and identify dishonest employees by employing computer monitoring as part of their management system since it maintains a tight eye on employee activity.
- **FacilitatingCoordinationinAction:** The last significant role of managing is to ensure that every department and employee is subject to predetermined standards and goals that are clearly understood and coordinated with one another. This guarantees that overall organisational goals are achieved in a comprehensive way.

7.3 FEATURES OF CONTROLLING

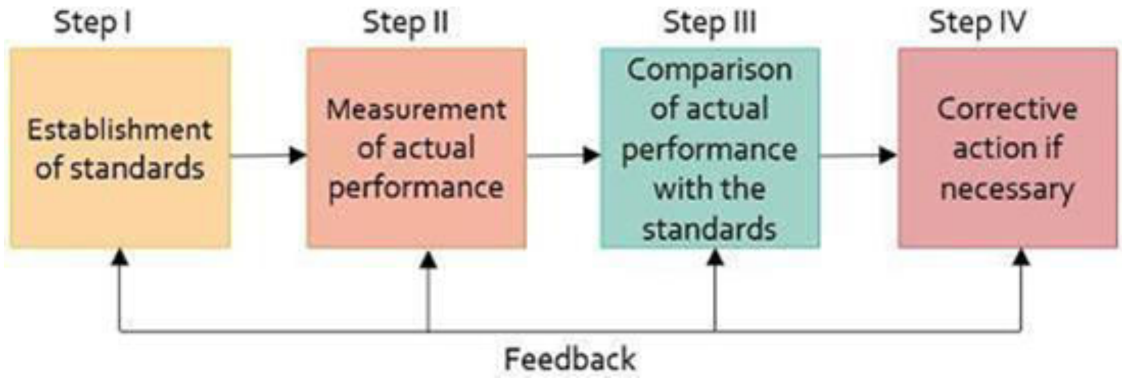
An effective control system has the following features:

- Ithelpsinachieve theorganizationalgoals.
- Allows for the most efficient use of resource.
- It assesses the standard's precision.
- Italsosetsdisciplineandorder.
- Increases staff morale and motivation.
- It Provide for future planning by modifying standards.
- Improves overall performance of an organization.
- It also minimizes errors.

Planning and controlling are associated because controlling provides a crucial input into the following cycle of planning. Controlling is a backward-looking function that returns the management cycle to the planning function. Planning is a forward-thinking activity since it entails generating predictions about the future.

7.4 PROCESS OF CONTROLLING

Control process involves the following steps as shown in the figure



Step 1: Establishing Standards: This organisational commitment the objective that must be met in order to finally accomplish organisation objectives. The performance criteria are indicated by standards.

Control standards are defined as quantitative or qualitative. Money is used to represent quantitative norms. In contrast, qualitative criteria cover intangible objects.

Step 2: Measurement of actual performance: The employee's actual performance is compared to the objective. The measuring of performance gets more complex as management levels rise.

Step 3: Comparisonofactualperformancewiththestandard: This examines the degree of deviation between actual and standard performance.

Step 4: Takingcorrectiveactions: The manager starts it and fixes any issues with actual performance.

7.5 TYPES OF CONTROL

There are three types of control viz.,

Feedback Control: In this process, information regarding completed activities is collected, analyzed, and used to enhance similar tasks in the future.

Concurrent Control: Other name for it is real-time control. It examines any problems and takes corrective steps before any losses are made. Consider a control chart.

Predictive / feed – forward Control: This type of control enables issue identification before it occurred. As a result, action can be taken before such a situation occurs.

7.6 TECHNIQUES OF CONTROLLING:

There are several controlling methods, sometimes known to as controlling aids. These restraint methods may often be divided into two types traditional procedures and modern ones. Now that we can focus on both strategies specifically in this post, so that one may understand fully them and put them into practise in their companies to accomplish their set goals.

7.6.1 TRADITIONAL CONTROLT ECHNIQUES:

The main objective of the control function is to evaluate whether or not the activities are proceeding as intended. If they don't follow the plans, management needs to take corrective action to stop the deviations. Management should establish standards for this reason so that they may be easily compared to them. Many different methods have been devised for this goal. The simplest examples among these are the classic ones, such budgeting and budgetary control, cost control, production planning and control, inventory control, etc. Although more current methods have been created to enhance the quality of the controlling process, these methods are still widely employed in businesses today.

1. Budgeting and Budgetary Control:

BUDGETING:

Budget is a commonly employed tool for management control. It is a numerical representation of the action plan. It alludes to a financial expression of an organization's goal. It establishes financial projections for different organisational operations over a predetermined time period in order to monitor actual performance.

The following are the important definitions of a budget:

"A budget is pre-determined statement of management policy during a given period provided a standard for comparison with the results actually achieved". — J. L. Brown & L.R. Howard

"A budget is a financial or quantitative statement prepared prior to a defined period of time of the policy to be pursued during that period for the purpose attaining a given objective". — I. C. W. A. England

From the above definitions the following characteristics can be summarized:

- A budget often refers to a specific future time period.
- It is distinct from goals or policies since it is expressed in precise numerical terms.
- Itshouldbeflexible
- Since it's essential to the business, senior management gives it their attention and support.

Importance of Budgeting

- Budgeting consists of creating spending strategies based on clear action plans.
- It also fulfils the crucial function of coordinating the strategies and initiatives of many departments and sectors.
- It makes it easier to maintain control over costs, revenues, and profits.

Types of Budget

There are many types of Budgets which are generally used in an organization. They are:

 ISBN: 978-93-93810-34-2

- **Labour Budget**– Along with the basic salaries that must be paid, it lists the different labourer skill levels and the approximate number in each category that will be needed in a particular time frame.
- **Master budget** – This is created for the entire business by assembling the many subsection budgets, which are then approved and worked on.

Budgetary Control: It is the method of developing various budgeted numbers for the organization's upcoming period, comparing them to actual performance, and then identifying gaps. This makes it possible for management to identify deviations and implement corrective action as necessary. Budgetary control is the final goal; thus, a budget is the means to that aim.

Definition

"Budgetary control is system which uses budget as a means of planning and controlling all aspects of producing and or selling commodities or services".

"Budgetary control is the planning in advance of the various functions of business so that the business as a whole can be controlled".

Characteristics of budgetary control:

- It suggests that activities for each department should be planned.
- It involves the actual performance being recorded for the sake of comparison and control.
- It essentially takes the required actions to fix the issue and stop subsequent deviations.
- It involves coordination of the finances and programmes of several departments.

Advantages

- The goal of budgetary control is to maximise an organization's earnings.
- It gives the management a way to regulate planned programmes.
- It makes it easier for an organization's many operations to coordinate.
- Wastageisminimizedandhence efficiencycanbeachieved.
- Budgetary management makes it possible to implement compensation plans with incentives.
- Itcreatesconsciousnessamongthe employees.
- Economical utilisation of the nation's resources and the elimination of waste.
- It offers top management an efficient way to assign power and responsibility without compromising overall control.

Limitations of Budgetary Control:

- The utility of the budgetary control system is reduced by future uncertainty.
- Budgetary control may cause disagreements among functional departments.
- Poor performance results from a lack of coordination across departments.

ISBN: 978-93-93810-34-2

- Hiring more personnel for budgeting raises an organization's spending, which small businesses typically cannot afford.

2. Cost Control: An organization's income is influenced in large part by the cost of production. As a result, every company makes every effort to maintain costs within acceptable bounds. Setting cost standards for various cost components and comparing actual cost data with standard cost are two strategies for cost control. Standard costing is the practise in question. This word "standard costing" refers to a predetermined cost estimate that can serve as a benchmark.

Under standard pricing, this standard cost serves as the foundation for management. Actual cost is contrasted with benchmarks; variances are examined; and appropriate steps are made to address them. Standard costing might therefore be seen primarily as a cost control instrument.

Advantages:

- It aids in the identification of efficient and wasteful organisational tasks.
- It really is useful for filing tenders or quoting pricing for items and services.
- It reduces cost of an organization.
- Cost data serve as a foundation for future production policies.
- The causes of profit fluctuations can be determined.

Limitations:

- It is very expensive to apply.
- The success of this method depends on there liability and accuracy of standards.

3. Production Planning and Control:

It is a key duty of the production manager. This requires looking forward, assessing challenges that will arise, and taking corrective action to address them. It directs and leads the production process to ensure the best possible manufacturing of the items.

Following techniques are helpful in production planning and control:

- Routing–It involves choosing the precise course that will be taken during manufacturing. It chooses the most advantageous and affordable order for the actions to be performed.
- Scheduling–It includes deciding the time and date that each operational activity will begin and end.
- Dispatching–It refers to the processo fact ually ordering the work to be done.
- Followup and Expediting– It is related to evaluation and appraisal of work performed.
- Inspection– It is to see whether the products manufactured are of requisite quality or not.

 ISBN: 978-93-93810-34-2

4. Inventory Control:

It is the good management of materials that delivers the highest return on working capital. It is crucial to the efficient operation of the manufacturing department. Maintaining an adequate supply of material at the lowest possible price is its key goal.

This control is exercised at three phases:

- Purchasing of materials
- Storing of materials
- Issuing of materials.

This can be exercised by establishing various criteria such as

- Safety inventory level
- Maximum inventory level
- Reordering level
- Danger level

5. Profit and Loss Control:

Finding the immediate profit or cost elements responsible for the success or failure of an organisation may be done with this straightforward and often utilised overall control method. Using it as a controlling tool, management is able to anticipate revenues, costs, and ultimately profits.

Different departments' sales, costs, and profits are contrasted. The division turns into a cost centre. The department head is in responsibility of the unit's performance. To evaluate the performance, historical comparisons are used as well. If there are performance discrepancies, efforts are done right away to fix them.

6. Statistical Data Analysis:

It is an important control method. In order to identify deviations and their causes, this analysis may be done by comparing ratios, percentages, averages, trends, etc. from various time periods. This approach may be used for quality control, production control, and inventory control. Within these established minimum and maximum control limits, deviations are permitted.

When differences above acceptable levels, action is done right away to fix them. With the aid of the gathered data, statistical control charts are created, and allowable limits are drawn. This graph will show whether or not everything is proceeding according to plan. As a result, data analysis is a crucial tool for control

7.6.2 MODERNTECHNIQUES:

There are other more strategies that have developed in more recent times in addition to the classic ones that were covered above. These methods are often known as non-budgetary methods.

 ISBN: 978-93-93810-34-2

1. Return on Investment Control (ROI):

The ratio of a company's net earnings to its investment is one of the most effective control techniques for gauging both its absolute and relative success. A ROI was frequently mentioned in this method. It will be regarded as good performance if the rate of return on investment is sufficient. The return on investment may be contrasted with that of other similar companies as well as over a longer period of time.

The return on investment can be computed with the following formula:

$$\text{Return on investment} = \frac{\text{Net Profit before interest and tax}}{\text{Capital employed}}$$

2. Programme Evaluation and Review Techniques (PERT): The accomplishment of a target within the allotted budget and time determines the success of an organisation. Management should identify the tasks that need to be completed and how they relate to one another in order to estimate the resources and time needed to execute these tasks on time as well as to track and manage the project's time and cost.

The project's completion time and overall project cost can both be reduced using network analysis techniques. PERT and CPM are the two key forms of network analysis employed in contemporary management for this aim.

It is a technique of project which is used in the following managerial functions:

Planning: The project's planning process comprises a list of the many tasks that must be carried out to finish the project. In this situation, the planning process involves determining the quantities of workers, supplies, and equipment needed as well as the expenses and duration of the various jobs.

Scheduling:

It involves organising the project's real tasks in accordance with the order in which they must be completed. At this point, the amount of labour and materials needed are determined, along with the anticipated completion time for each task.

Control: Beginning with a comparison of the discrepancy between schedules and actual results, the control process is initiated. The core of the control process is the analysis of differences and the remedial action that is done.

The project must be broken up into activities and their occurrence ordered, or in other words, it must be decided which tasks must be finished first, before PERT can be implemented. The following step is to create a graph that illustrates the activities and their ancestor and successor relationships. Grasp PERT requires a full understanding of the procedures involved in the graph's development.

 ISBN: 978-93-93810-34-2

Advantages:

The following are the important advantages of PERTare:

- It compels managers to devise a strategy for integrating all activities as a whole.
- It is useful for focusing attention on crucial components that may require changes.
- It aids in the resolution of scheduling issues for one-time projects, i.e., tasks that are not undertaken on a regular basis.
- It helps in the completion of a project on time by coordinating the many tasks required in its fulfilment.

Limitations:

- The expected time for each activity of any programme cannot be determined with certainty.
- It is suitable for programmes where time is essential consideration.

3. Critical Path Method (CPM):

The approach is useful for identifying the more important components of a plan so that the entire project may be properly designed, planned, coordinated, and controlled. This method, which was created by Walker of the Dupont Company in the 1950s, divides a project into many operations or activities and establishes the linkages between them.

With the use of a diagram known as a network diagram, these relationships are displayed. Utilizing the network diagram can help you make the most use of your time and resources. This method is predicated on the idea that activity times are proportional to the size of resources allotted to them, and that activity times and project completion timeframes may be changed by altering the quantity of resources.

Objectives of CPM Analysis:

The following are the main objectives of critical path analysis in a network:

- To predict a route or path between two or more activities that optimises some performance indicators.
- Identifying the places of contention and difficulty in the implementation of any project.
- Todeterminestarting andendingtimesforeachactivity.
- Todeterminetheslackassociatedwitheachnon-criticalactivity.

Advantages:

The application of CPM leads to the following advantages:

- It identifies the most crucial aspects and prioritises these operations.
- It results in the most efficient use of resources and facilities.

- It provides a standardised approach of conveying project plans, timelines, and costs.
- Itconcentrateson thetimelycompletionofthewholeproject.
- Itimprovesthequalityofplanning andcontrolling.
- It saves time, energy, and money on unimportant tasks.

Limitations:

CPM is having two major limitations:

- It has limited use and application in routine activities for recurring projects.
- Time given for different activities may prove to unrealistic.

4. Management Information System (MIS):

This approach places a strong emphasis on giving the appropriate person in the company timely, sufficient and correct information that will enable them make the best decisions possible. It is a methodical method for sharing knowledge inside a company for improved management. With this approach, information is gathered from every source conceivable and correctly processed for later use. Therefore, this system should be created in a way that aids management in effectively exerting control over all facets of the company.

MIS is of two types:

- Management operating system and
- Management reporting system.

The first one meant for meeting the information needs of the lower and middle level managements and second one is to supply information to top level management for decision-making.

5. Break Even Analysis:

The study of break-even point, which describes the link between sales and costs in such a manner as to indicate at what volume income exactly covers expenses, is an important and widely used control approach among corporate organisations and industries. This method calculates profit based on various levels of output. As a result, break even analysis—the study of the relationship between cost, volume, and profit—is commonly used.

Break-even analysis "indicates at which level expenses and income are in balance," according to Matz and Curry. Therefore, the computation of the break-even point is related to break-even analysis. No profit, no loss point is another name for it. This point may be mathematically determined and graphed on paper as well.

The method of calculating break-even point is as follows:

$$\text{Break even point} = \frac{\text{Fixed cost}}{\text{Selling price} - \text{variable cost}}$$
$$= \frac{\text{Fixed cost}}{\text{Contributing margin per unit}}$$

Assumption:

The break even analysis is based on the following assumptions:

- All cost factors, such as production, administration, selling, and distribution, may be classified into fixed and variable components.
- Variable cost is constant per unit of production and so varies directly in response to variations in output volume.
- Fixedcostremainsconstantatallvolumesofoutput.
- The volume of output is the sole factor that determines.
- Thereisasynchronizationbetweenproductionandsales.

Advantages:

- The break even analysis provides several benefits for managerial direction.
- It helps in the calculation of profit for various sales quantities.
- It is feasible to calculate the sales volume required to provide the desired profit.
- It focuses on calculating the selling price per unit for a specific break-even point.
- Ithelpsindeterminationofmarginofsafety.
- It helps in determining the amount of sales necessary to offset a price cut.
- Ithelpsinchoosingthemostprofitablealternatives.
- Ithelpsindetermining theoptimum salesmix.
- It helps in the estimation of the sales volume necessary to cover the anticipated expenses.

Limitations:

The break even analysis is based on number of assumptions which are rarely found in real life. Hence, its managerial utility becomes limited. Its main limitations are as follows Thisanalysisoverlooksthetimelagbetweenproductionandsale.

- In practise, the assumption of maintaining constant parameters such as plant size, technology, and production process in order to obtain an efficient break-even chart is impractical.

- The appraisal and allocation of expenses in an organisation is typically arbitrary, which lowers the utility of this research.
- This study does not account for the capital spent in manufacturing and its expenses, which is a critical issue in profitability choices.

6. Management Audit:

This audit identifies inconsistencies and flaws in how management functions. It also offers suggestions for how to boost managerial effectiveness. On the basis of a set of criteria, it investigates and assesses different management policies and functions. It places a strong emphasis on assessing how well various organisational management procedures are working.

According to **Taylor and Perry**, a management audit is a thorough evaluation of a company's organisational structure, policies, and processes to determine if good management is present at all levels, guaranteeing effective linkages with the outside world.

According to the **Institute of Internal Auditors, Management audit** is a "future oriented, independent and systematic evaluation of the activities of all levels of management for the purpose of improving organizational profitability and increasing the attainment of the other organizational objectives".

Hence, from the above two definitions it can be concluded that management audit concentrates on the examination of policies and functions of the management on the basis of certain standards and norms.

Objectives:

The following are the main objectives of management audit:

- It enables management in achieving coordination across the organization's many departments.
- It detects any irregularity in the process of management and also it suggests improvement to achieve best results.
- It assists all levels of management through constant watch of all activities of the organization.
- It suggests changes in the policies and procedures for a better future.
- It guarantees the most effective external relationships and the most efficient internal organisation.
- It focuses on managerial performance via rigorous examination of inputs and results.

- It ensures that excellent relationships are established with workers and that the obligations, rights, and liabilities of the entire workforce are defined.
- It suggests a better approach to human relations, new management development, and overall organisational goals and objectives.

Importance:

- It assists management in enhancing its internal and external communication systems.
- Itisusefulingiving advicestotheprospectiveinvestors.
- Itisverymuchuseful inreviewing plansandpolicies.
- It provides proper advice to management in order for them to accomplish their duties effectively.
- Financial institutions may request a management audit to guarantee that their investment in the firm is safe and secure in the hands of management.

Advantages of Management Audit:

- It assists management in developing plans, objectives, and policies, as well as recommending methods and means to put such plans and policies into action.
- Proper management audit techniques help the business to stop capital erosion.
- Management auditing improves a company's overall profitability by conducting regular reviews of its solvency, profitability, and efficiency.
- Management auditing eliminates inefficiencies and ineffectiveness in management.
- Management audit techniques are relevant not just to all aspects of production, but also to all cost elements.
- It helps the top management to take effective decisions in time.
- It assists management in enhancing its internal and external communication systems.
- It helps management in preparation of budgets and resources management policies.
- It helps management in training of personnel and marketing policies.

Disadvantages:

The disadvantages of management audit can briefly be stated as follows:

- The implementation of this audit approach is expensive.
- Management audit cannot provide result-oriented service due to the ineffectiveness and inefficiency of the management auditor.

- ❖ Management auditors may engage in behaviours that are adverse to the societal objectives of auditing, such as tax evasion.
- ❖ Advantages of controlling
- ❖ Saves time and energy
- ❖ Allows managers to focus on more vital responsibilities. This enables for more efficient use of management resources.
- ❖ Helps in timely corrective action to be taken by the manager.
- ❖ Managers can delegate tasks so routinely chores can be completed by subordinates.
- ❖ Controlling, on the other hand, suffers from the limitation that the organisation has no influence over external circumstances. It may be an expensive event, especially for small businesses.

Limitations of Controlling:

The defects or limitations of controlling are as following:

- ➢ Difficulty in Developing Quantitative Standards: It is extremely difficult to compare actual performance to established standards if these standards are not articulated quantitatively. This is particularly true in terms of work satisfaction, human behaviour, and staff morale.
- ➢ No Control Over External Elements: An organisation lacks control over external factors such as technical advances, competition, government regulations, and changes in customer tastes, among others.
- ➢ Employees frequently oppose control systems because they see them as restrictions on their freedom. Closed-circuit television surveillance, for example (CCTV).
- ➢ Costly Affair: Controlling is an expensive business since it requires a lot of money, time, and effort. Managers must ensure that the cost of implementing and managing a control system does not exceed the advantages expected from it.

FREQUENTLY ASKED QUESTIONS

1. Define controlling.
2. Write the importance of controlling.
3. Explain the controlling process.
4. Brief the traditional techniques of controlling.
5. Brief the modern techniques of controlling
6. List the limitations of controlling.

ABOUT THE AUTHORS

Dr. B. Jayalakshmi
Associate Professor
Department of Commerce and Management Studies
VivekanandhaCollege of Arts & Science for women (Autonomous)
Elayampalayam, Tiruchengode, Namakkal (Dt), Tamilnadu

Dr. B. Jayalakshmi is an Associate Professor in the area of Marketing Management. She has 15 plus years of experience in academics. She has obtained his Doctorate from Bharathiyar University, Coimbatore in the area of MarketingManagement. She has published more than 15 Research articles in various refereed journals. She is very active Co-ordinating the programmes, and Criteria Co-coordinator of NAAC. At present she is working as an Associate Professor in the Department of Commerce and Management studies, Vivekanandha College of Arts & Science for women (Autonomous), Elayampalayam, Tiruchengode, Namakkal (Dt), Tamilnadu.

Dr. M. Sankar
Assistant Professor
Department of Business Administration
Mahendra Arts &Science College (Autonomous)
Namakkal, Tamilnadu

Dr. M. Sankar is an Assistant Professor in the area of Human Resource Management. He has 12 plus years of experience in academics. He has obtained his Doctorate from Bharathiyar University, Coimbatore in the area of Human Resource Management. He has published more than 14 Research articles in various refereed journals. He is a very active person in Industry training cell, and Criteria Co-coordinator of NAAC and NBA. At present he is working as an Assistant Professor in the Department of Business Administration, Mahendra Arts and Science College (Autonomous), Namakkal, Tamilnadu.

ABOUT THE BOOK

We have attempted, in this simple contribution to business community in general and students community in particular. The aim of this book is to set out the basic principles of business management simply and clearly. It consists of managerial function like planning, organizing, directing, leading, motivating, controlling and various theories related to the managerial aspects. This book entitles fundamentals of business management is intended to serve as text book for students taking upon B.Com, B.Com(CA), BBA, and MBA degrees, and other professional courses.

EMPYREAL
PUBLISHING HOUSE

ISBN 978-93-93810-34-2

9 789393 810342

India | UAE | Nigeria | Uzbekistan | Montenegro | Iraq | Egypt | Thailand | Uganda | Philippines | Indonesia

www.empyrealpublishinghouse.com