B21BB01DC

PRINCIPLES OF MANAGEMENT

Bachelor of Business Administration

SREENARAYANAGURU
OPEN UNIVERSITY

Self Learning Material

SREENARAYANAGURU OPEN UNIVERSITY
The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

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Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Principles of Management
Course Code: B21BB01DC
Semester - I

Discipline Core Course
Bachelor of Business Administration
Self Learning Material

B21BB01DC
Principles of Management
Semester I

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Dear

I greet all of you with deep delight and great excitement. I welcome you to the Sreenarayanaguru Open University.

Sreenarayanaguru Open University was established in September 2020 as a state initiative for fostering higher education in open and distance mode. We shaped our dreams through a pathway defined by a dictum 'access and quality define equity'. It provides all reasons to us for the celebration of quality in the process of education. I am overwhelmed to let you know that we have resolved not to become ourselves a reason or cause a reason for the dissemination of inferior education. It sets the pace as well as the destination. The name of the University centres around the aura of Sreenarayanaguru, the great renaissance thinker of modern India. His name is a reminder for us to ensure quality in the delivery of all academic endeavours.

Sreenarayanaguru Open University rests on the practical framework of the popularly known "blended format". Learner on distance mode obviously has limitations in getting exposed to the full potential of classroom learning experience. Our pedagogical basket has three entities viz Self Learning Material, Classroom Counselling and Virtual modes. This combination is expected to provide high voltage in learning as well as teaching experiences. Care has been taken to ensure quality endeavours across all the entities.

The university is committed to provide you with a stimulating learning experience. Bachelor of Business Administration is one of the most sought-after disciplines due to the present demand for qualified human resources. This was a signage for us while we framed the curriculum for the programme. It provides both a deep understanding of the theory and a lucid exposition of practices. Care has been taken to avoid the overdose of the management modules with a view to ensure the immunity of the discipline. The SLM is designed with great care for enunciating examples. We assure you that the university student support services will closely stay with you for the redressal of your grievances during your studentship.

Feel free to write to us about anything that you feel relevant regarding the academic programme.

Wish you the best.

Regards,
Dr. P.M. Mubarak Pasha   01.10.2023

Contents

BLOCK - 01
Introduction to Management

Unit - 1
Introduction to Management

This unit will enable the learner to:
- ◊ describe the meaning, importance and nature of Management
- ◊ examine the functions of Management and role of Managers
- ◊ familiarise with the concept of Levels of Management
- ◊ identify the differences between the terms Administration and Management

P Prerequisite

Management is a fundamental concept applicable to various aspects of life. While commonly associated with business and organisations, its principles extend to everyday situations. In personal life, managing time, finances, and relationships leads to better outcomes. Parenting involves managing family dynamics, while planning events requires effective coordination. Even hobbies like gardening or cooking involve managing resources for optimal results. Understanding management empowers individuals to navigate life's challenges, make informed decisions, and achieve success in various endeavors, making it a valuable skill for everyone.

Good management is the backbone of any successful organisation. It empowers ordinary people to achieve extraordinary things. Acquiring knowledge of management principles allows you to gain profound know-how for the functioning and operations of diverse organisations, such as businesses, governments, schools, and families. Whether you aim to be a manager or work with one, gaining insight into the concept of management is invaluable. This course will introduce you to key management principles.

Top Level, Middle Level, Lower Level, Informational roles, Interpersonal roles, Decisional roles, Administration, Management

Discussion

Management is the most crucial and inevitable function of any organisation irrespective of its size, nature, or activities it performs. Management is fundamentally the driving force of an organisation for its best performance and always it focuses on the fruitful accomplishment of the objectives in hand.

Let us discuss the concept of management in detail.

1.1.1 Meaning and Definition

Management is a vibrant and dynamic function of business organisations. It is a fundamental pre requisite for the efficient function of all business activities which involves group effort. The importance of management in the business sector enormously increased with the advent of industrial revolution, development of corporate form of organisations and frequent change in the socio-economic scenario coupled with the technological advancement.

Today management is considered as the vital function of organisations and it is imperative for the successful running of all business units. An organisation is originated when a group of persons join and work for the accomplishment of a given job. To attain a given goal or objectives it needs the logical arrangements of the '6 Ms' of industries namely men, material, money, machinery, methods and

management. The element that sets the organisation in motion, establishes order and systematic the procedure is commonly called management.

To have a clear-cut idea, we can get into different viewpoints and various concept of management.

1.1.2 Concept of Management

Different scholars have different approaches to the concept of management. Different viewpoints on the concept of management are explained below.

1.1.2.1 Theo Heiman concept

A notable authority in management studies namely Theo Heiman has used the term management in three different senses: They are:

a. As Noun: It refers to a group of managerial personnel of an enterprise. It includes all those who have supervisory responsibility and chief executive of the enterprise.

b. As a Process: It refers to the process of planning, organising, staffing, guiding, directing, supervising, and controlling.

c. As a Discipline: It refers to the body of knowledge and the practice of the whole. Strictly speaking management is a

functional concept and does not include persons who practice the management.

Apart from these, the term management is perceived differently by many experts in the field. Let us discuss it in detail here.

a. Management is what manager does

Management is what a manager does to achieve goals and coordinate resources efficiently. According to Henry Fayol who is known as the 'father of management', "to manage is to forecast and plan to organise, to command, to coordinate and to control".

Imagine a soccer team with a coach as the manager. The coach plans strategies for each game (planning), assigns positions to players (organising), communicates tactics and motivates the team (coordinating), and adjusts tactics during the match (controlling). The coach ensures players work together, maximising their strengths to win games. Similarly, in any organisation, a manager plans, organises, coordinates, and controls resources like people, time, and budget to achieve objectives effectively. They lead the team, making critical decisions and driving success through their management skills.

b. Management refers to the process

Management refers to the process of guiding and directing activities towards achieving desired outcomes. Imagine running a lemonade stand. The process involves planning the recipe, organising ingredients, setting up the stand (planning and organising), serving customers and managing inventory (coordinating), and adjusting prices based on demand (controlling). The manager ensures smooth operations, handling challenges like running out of lemons or long customer lines. Similarly, in a business, management is a continuous process involving planning, organising, coordinating, and controlling to achieve goals efficiently. It ensures resources are utilised effectively, problems are addressed, and the organisation operates successfully towards its objectives.

c. Management is a process for the utilisation of growth inputs

Management is a process that involves efficiently utilising resources to achieve growth. Imagine a farmer cultivating a crop. The management process includes planning the crop type and schedule, organising seeds and tools, planting and nurturing the crop (planning and organising), coordinating irrigation and fertilisation (coordinating), and monitoring crop health (controlling). The farmer ensures that land, water, and nutrients are utilised optimally to maximise the crop's growth and yield. Similarly, in business, management involves planning, organising, coordinating, and controlling various resources like finances, manpower, and technology to foster growth and success, just as the farmer nurtures the crop to achieve a bountiful harvest.

d. Management is art of getting things done

Management is the art of getting things done efficiently and effectively. Mary Parker Follet defines management as "the art of getting things done through others". Imagine a chef running a busy kitchen. The chef plans the menu, organises the ingredients and kitchen staff, coordinates cooking processes, and ensures the dishes meet quality standards (planning, organising, and

coordinating). They also control the cooking time and temperature to deliver perfectly cooked meals (controlling). The chef's management skills ensure smooth operations, timely delivery, and customer satisfaction. Similarly, in any organisation, management involves the art of planning, organising, coordinating, and controlling resources to achieve objectives, just like the chef arranges a successful kitchen to serve delightful meals.

e. Management is the development of people

According to Lawrence Appley: "Management is the development of people and not the direction of things". Management involves developing people's potential. For example, recall the earlier example of soccer team and coach as the manager. The coach identifies players' strengths, offers individualised training, fosters teamwork, and provides feedback. Similarly, in organisations, management invests in employee growth, offering training and support to build a skilled and motivated workforce.

f. Management as a profession

Profession is a well-defined body of knowledge which is learned intellectually and in an organised way. Profession basically refers to an occupation which requires specialised skills. It is an occupation backed by specialised knowledge and training. The basic requirements of profession are:

◊ Existence of skills and specialised body of knowledge

◊ Availability of formal method of training and experience

◊ Existence of professional organisation

◊ Formal ethical code of conduct for the guidance of its members.

◊ Charge of fees based on the nature of services rendered.

Management is relatively a new and emerging branch of knowledge. It is developing as a profession because of the need for acquiring skills and expertise for solving various managerial issues.

g. Management is both an Art and Science

Art involves application of skill and science involves practical application of theoretical knowledge. Management is a combination of organised body of knowledge and skillful application of this knowledge. Effective performance of management functions needs an adequate basis of knowledge and scientific approach.

Management is an art because it requires creativity, intuition, and unique approaches to solve problems and make decisions. It is a science because it involves data analysis, systematic processes, and evidence-based strategies to achieve goals efficiently and effectively. The combination of creativity and precision makes management both an art and a science.

1.1.3 Objectives of Management

The objectives of management shall consist of the following:

i. Planning the activities to achieve the objectives laid down by the concern.

ii. Organising the efficient performance of work.

iii. Economical utilisation of resources.

iv. Mobilisation of specialised personnel.

v. Ensure smooth production and regular supply of goods to the society.

vi. Periodical evaluation and assessment of performance.

vii. Evolve suitable policies to promote and maintain peaceful atmosphere.

viii. Visualising possibilities of future business expansion.

ix. Assist Economic development.

x. Appraise and improve the functions of the undertaking

1.1.4 Significance or Importance of Management

Management is an extensive, broad, and comprehensive subject and its scope is not limited to the business field but it encompasses so many other fields such as social, political, religious, military, private and public sectors. Today the impact of management has attracted so many newer areas such as labour management, charitable organisations, hospitality industry etc. The importance of management is increasing day by day.

According to Peter Drucker, the pioneer in developing the concept of management "Without management the resources of production remain idle and never become productive". These above words sufficiently prove the importance of management. Thus, management can be regarded as a universal solution for the unlimited needs and wants of business entities, governments, social and charitable organisations and the manifold issues of all nations too. The **importance of management** can be summarised as follows

i. **Optimum utilisation of resources**: Every business tries to ensure the optimum utilisation of resources with the help of efficient and motivated workers under the supervision and control of qualified managerial persons.

ii. **Economic growth**: Economic growth of the nations are ensured by better management practices. Management plays a vital role in the economic development of a nation through increased productivity, provision of employment, better quality products and services.

iii. **Achievement of Group Goals:** The management is powerful mechanism for the accomplishment of group goals through efficient planning and control

iv. **Fulfilment of Social Obligations**: Management is highly useful for the fulfilment of social obligation. It has a lot of working plans for the preservation of environment and needs of the society. In the present scenario big or giant business have a separate division for this purpose under the head corporate social responsibility.

v. **Meet the Challenges of Changes**: The present day management is equipped with the measures to meet the changes due to several factors such as technology, fashion, preferences of customers etc. The management is dynamic through innovation and power development division

vi. **Stability**: The modern business

units have a special eye on growth and development. Therefore, stability is one of the core objectives through proper control and coordination of work among individuals in the organisation

As we discussed, every organisation needs proper management, but the nature of management fluctuates depending on where it is being applied. Even then, there may be certain basic features that can be attributed to the term management which is explained below.

1.1.5 Characteristics/ Features of Management

i. **Management is an integrated process**; Basically, management is an integrating force which bind or pull the organisation into motion. It harmoniously links and unite the entire functions for the accomplishment of the defined objectives in hand.

ii. **Management is goal oriented:** The accomplishment of specific objectives is the core function of management. The fundamental principles of management is applicable to everywhere. The manager must perform the same functions at all levels of the organisation. Thus, management is universal and found at everywhere.

iii. **Management is a social process**: management is commonly referred as a social process due to the presence of the interpersonal relationships. Human factor is the most valuable factor in the organisation because it is governed by social values, culture, and beliefs.

iv. **Management is situational**: The management function sometime focuses its attention to situations. Thus, the decisions are made accordingly. The successful managers always consider the gravity of a particular situation and act accordingly.

v. **Management is a distinct activity**: The specialty of management function is that it always shows a distinct status. Each function has its own role in the accomplishment of common goal. Thus, each function of the management can be regarded as a separate compartment having a distinct function.

vi. **Management is a continuous process**: Management is not a one-time process but it is a continuous process. A continuous effort is required for the successful accomplishment of goals. Therefore, the management process should continue as long as the organisation exists. Similarly, without proper and effective management, no organisation can continue successfully.

vii. **Management is multidisciplinary in natu**re: The basic nature of management is multidisciplinary. The management always considers the skill and knowledge derived from other disciplines like Sociology, Anthropology, Psychology, Economics etc., as management in an organisation is mainly concerned with managing people and other resources at work. Hence management is multi-disciplinary in nature.

1.1.6 Functions of Management

Let us understand the functions of management with an example. Azel Sol Limited is an American multinational technology company. For inspiring the employees, the company gives away the 'best employee award' every year. For the past three consecutive years, Mr. Jacob Preston, General Manager of the company, has been receiving this award. He received this award for his hard work, dedication, and loyalty towards the company. He joined the company 15 years back as an Assistant Manager and worked his way to the top of the management hierarchy.

As major portion of Mr. Preston's career was spent in management positions of the company, his responsibilities always revolved around planning, organising, staffing, directing, and controlling activities. These are the major fundamental functions of management. The roles and responsibilities of management are based around these five basic functions, which are explained below.

1.1.6.1 Planning

As the General Manager of Azel Sol Limited, Mr. Preston is responsible for foreseeing the future course of action for the company and creating the blueprint and communicate with the employees i.e., he is responsible for planning the organisational activities.

Planning function of management involves developing organisational goals, the future course of action (Plan) and control standards, thereby, pre-emptively deciding on the appropriate course of actions to achieve these goals.

1.1.6.2 Organising

In Azel Sol Limited, Mr. Preston is responsible for coordinating all the activities for the achievement of organisational goals. Many resources including the workers are required to perform varied activites and bringing everything together in an orderly manner is the task of the manager, which is called as organising.

The 'Organising' function of management involves bringing together physical, financial, human resources and developing productive relationship amongst them for the achievement of organisational goals. That is, coordinating all aspects of an organisation to achieve its goals.

1.1.6.3 Staffing

Mr. Preston takes up the task of appointing the personnel in vacant positions in Azel Sol Limited. He analyses the job available in the company and identifies the required number of people to do the job and appoints them after proper procedures. This function is called staffing.

Staffing function of management involves manning the organisation structure and keeping it manned. It aims to put the right man for the right job at the right time.

1.1.6.4 Directing

As general manager of Azel Sol Limited, Mr. Preston guides the working of each department and employees working under him. He is responsible to lead them giving instructions, and communicating with everyone to run the business smoothly. This function is called as directing.

Directing function of management involves influencing, guiding, supervising, and motivating the employees through

effective communication for the achievement of organisational goals.

1.1.6.5 Controlling

In Azel Sol Limited, Mr. Preston is responsible for establishing standard operating procedures and goals as well as ensuring that they have been materialised as per plan. He must ascertain the actual performance of the company and compare it with the set standards set. This is called controlling function.

Controlling function of management involves measuring accomplishments against the established standards and correcting deviations if required, to ensure the achievement of organisational goals.

1.1.7 Managerial Roles

The function or process are common among the entire management structure of an organisation. In the traditional and contemporary view, management typically consists of three levels of managers, top-level managers, middle-level managers and lower-level managers. Top-level managers are responsible for developing the organisational strategy, its vision and

mission. The middle-level managers are responsible for interpreting these strategies and decide on the actions to achieve these strategies. The lower-level managers are responsible for implementing these actions.

In general, managers are responsible for the processes of getting things done efficiently with and through other people thereby contributing to the overall realisation of organisational goals. There have been many studies that try to generalise what managers do or what are their roles and responsibilities in an organisation the most noteworthy among them was by a Canadian academic and management author, Professor Henry Mintzberg in the early 1970s. After observing many managers around for several weeks, Mintzberg concluded that the nature of managerial work has changed very little since its conception and to meet the demands of performing the managerial functions, managers assume multiple roles. He identified ten roles of managers that are common for the entire management in his book, "Mintzberg on Management: Inside our Strange World of Organisations", published in 1990.
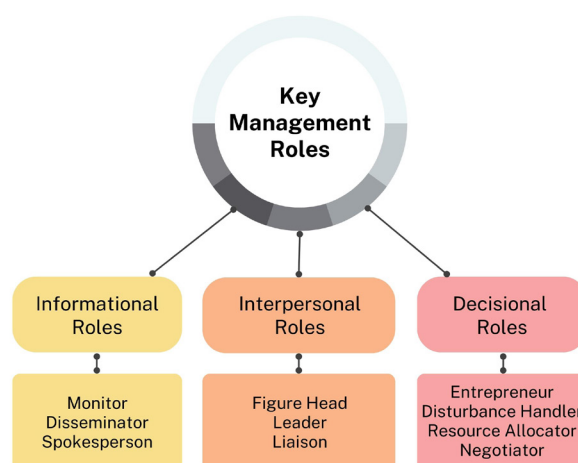

Figure 1.1.1   Mintzberg's Managerial Role

As per Henry Mintzberg, management roles can be classified into three distinct categories that are, Informational Roles, Interpersonal Roles, and Decisional Roles. This is as depicted in the above figure.

As mentioned earlier Mr. Preston has played many roles during his tenure in Azel Sol Limited. During his tenure in the company, Mr. Preston has played many roles such as being a figurehead, leader, liaison officer, monitor, disseminator, spokesperson, entrepreneur, resource allocator, disturbance handler, negotiator etc. These roles are based on the inflow, processing, and outflow of information in an organisation. Let us explore and understand each role one by one and their corresponding responsibilities.

1.1.7.1 Interpersonal roles

As a General Manager, Mr. Preston always made sure to maintain a good relationship with his colleagues and outsiders. This is the interpersonal role of a manager, which is explained below.

These roles are based on leadership and interaction of management with other people. According to Mintzberg, the managerial roles in this category involve providing information and ideas. That is based on the circumstances, a manager needs to act as a figurehead, leader, and liaison officer.

i.   Figurehead

Mr. Preston has represented many departments in Azel Sol Limited as the General Manager at the company meetings over the years. This is the figurehead role of a manager, which is explained below.

Managers are heads of their departments in the organisation. They have legal, ceremonial, and social responsibilities. It is often top managers who fulfill figurehead responsibilities. They mostly serve as the public face of the management team and represent the organisation in legal, economic, and social forums.

ii.   Liaison

Ten years back when Mr. Preston was a Sales Manager, he had mediated many deals with his sales team members and customers in Azel Sol Limited. This is the role of a manager as a liaison.

The manager communicates with many people outside their department. They liaise between other departments and people outside the organisation. It is mostly the immediate managers who liaise between middle management, employees, and people outside the organisation.

1.1.7.2 Informational role

Mr. Preston is responsible for collecting and dispersing information to different departments as required by Azel Sol Limited. This is the informational role of a manager, which is explained below.

These roles are based on receiving and sending information. According to Mintzberg, the role of management in this category involves processing information such as the monitor, disseminator, and spokesperson for the organisation.

i.   Monitor

As a General Manager, Mr. Preston is constantly monitoring the governing policies so that he can implement necessary changes to the operations of Azel Sol Limited. This is one of the informational roles of a manager.

All Managers regularly seek out information related to the organisation and industry, especially regarding relevant

changes in the environment. Further, they have the responsibility to monitor their department in terms of productivity and personnel well-being. It is the most common responsibility of every manager in an organisation.

ii. Disseminator

Thirteen years back when Mr. Preston was an Assistant Sales Manager, he was the one who updated the revised sales targets to the respective sales team members of Azel Sol Limited. This is the disseminator role of a manager.

Managers have the responsibility to communicate between their departments and the rest of the organisation regarding key information. The first-line managers are responsible for weighing the value of the information they receive from top managers, then, disseminating only relevant information that is necessary for employees to further their contributions to organisational goals. The managers have a responsibility to make sure that the employees understand what they need to be successful in their jobs.

iii. Spokesperson

Mr. Preston represents Azel Sol Limited in many public forums. He has revealed new products in various press conferences. This is the spokesperson role of a manager.

Managers represent and speak for the organisation. In this role, managers are responsible for communicating about the organisation and its goals to the outside people. Top managers act as the voice of the organisation. So, they must be careful even in their personal opinions as it will come in the name of organisation.

1.1.7.3 Decisional role

Mr. Preston is responsible for making decisions regarding the distribution of resources to various departments of Azel Sol Limited. This is the decisional role of a manager, which is explained below.

Managers are responsible for decision making and they can do this in different ways at different levels. Entrepreneur, Resource Allocator, Disturbance Handler and Negotiator are the managerial roles fall under the category of Decisional Role.

i. Entrepreneur

Mr. Preston is usually takes up the task of convincing the Board of Directors to invest in new ventures for Azel Sol Limited. Here, the idea generation and the vision of generating new investments is done by the manager himself. This is the entrepreneurial role of a manager.

The top-level managers in the organisation have the responsibility of entrepreneurs. They are required to identify economic opportunities and strength of the organisation as well as to initiate strategies and changes to be successful in the market. design.

ii. Disturbance Handler

As a General Manager, Mr. Preston is responsible for handling disputes between managers and staffs in Azel Sol Limited. Any problems arising within the organisation invites the interference of him as the manager, and proper solutions must be sought out. This is the disturbance handler role of a manager.

It is the responsibility of top and middle managers to tackle disturbances or unexpected events in the organisation, whether internal or external. They must assess and decide the corrective actions to

resolve the problems.

iii. Resource Allocator

Mr. Preston allocates resources to every department as per the annual plan of Azel Sol Limited. This is the resource allocator role of a manager.

It is the responsibility of every manager to make resource allocation decisions. This decision must be always taken based on whether the decision affects the entire organisation or a single department or a particular task or activity.

iv. Negotiator

As a General Manager, Mr. Preston is responsible for negotiating with distributors of Azel Sol Limited. This is the negotiator role of a manager.

It is the responsibility of top and middle-level managers to carry out most negotiations, based on how it affects the organisation, Top managers are responsible for handling negotiations that affect the entire organisation like union contracts or trade agreements, etc., whereas middle-level managers negotiate on matters related to salary and hiring.

Managers play many roles. They are mostly assessed based on the performance of their roles and responsibilities. It is always better to have a diverse management team in an organisation, it ensures that the management has a diverse talent pool to tackle various challenges confronted by the organisation. The most successful organisations have the best strategies along with managers who can assume multiple roles and responsibilities while performing their job.

1.1.8. Levels of Management

For the sake of convenience, the management process in an organisation can be divided into subdivisions or levels. These subdivisions are inevitable for administrative convenience and managerial efficiency. Levels of management is the division of management functions into separate groups based on the levels of managerial positions in an organisation. It involves a method of spreading the total task of management among various positions with varying degrees of authorities.

1.1.8.1 Top level management

It is the apex position in the organisation structure and is the highest policy making body of an institution. It takes the shape of Board of Directors. This section ordinarily comprises high ranking offices like the president / Chairman, Managing Director/CEO, General Manager and Assistant General Managers. They are the responsible body for formulating the basic broad policies and taking major decisions and managing the business operations successfully. These people have high degree of ability, wide range of knowledge and vast experiences in their respective fields.

The functions of top-level management include;

◊ establishing long term corporate plans of the company,

◊ design of compensation scheme to employees,

◊ formulation of sound financial structure,

◊ deciding working capital requirements,

◊ management of corporate profit,

◊ review and appraisal of

performance of employees,

◊ appointing departmental heads and key executives.

The top-level management is fully responsible to the stakeholders of the organisation including shareholders, investors, and the general public. Commonly the General Manager (GM) of the undertaking act as the chairman of the Board. It is a supreme position in the organisation structure and coordinates the policies of the Board with the Management.

1.1.8.2 Middle Level management

The middle level management is the linkage between top level management and lower-level management. They are the second line or level of management. This level includes all Departmental Managers, Branch Managers, Deputy Managers, Assistant Managers etc.

The functions of middle level management are as follows.

◊ To monitor and control the operating performance

◊ Responsible for developing the operational level plans.

◊ Creates confidence among top and middle level management

◊ To interpret and explain the plans and policies and to maintain high

degree of discipline

◊ Lay down rules to be followed by supervisory personnel

1.1.8.3 Lower-Level Management

It is in the final stage in the levels of management. They are responsible for the day-to-day activities of the concern. Therefore, they are the supervisory staff in the concern. They do not possess any kind of executive powers. The primary task of these people is to supervise the workers under their responsibility.

The functions of lower level include:

◊ To supervise and control the operations of workers and thereby maintain personal contact with them

◊ To advise and assist the workers by explaining the work procedures

◊ To arrange training programmes to the workers.

◊ To plan the day-to-day activities within the activities of the higher level

◊ To report feedback and workers problem back to the top management.

Figure 1.1.2 Levels of Management

1.1.9 Management and Administration

Management and administration are the two closely related concepts that are essential for the successful operation of the business. Some suggest that there is no fundamental difference between the two. But some others suggest that there is difference between the two terms because both represent different activities.

Let us have a look at the difference between the terms.

Administration is the process of formulation of broad objectives, plans and policies while Management is the process of getting things done through others by guiding their efforts towards the achievement of predetermined objectives. Let us examine the scope of the terms at different levels of management through the figure below.
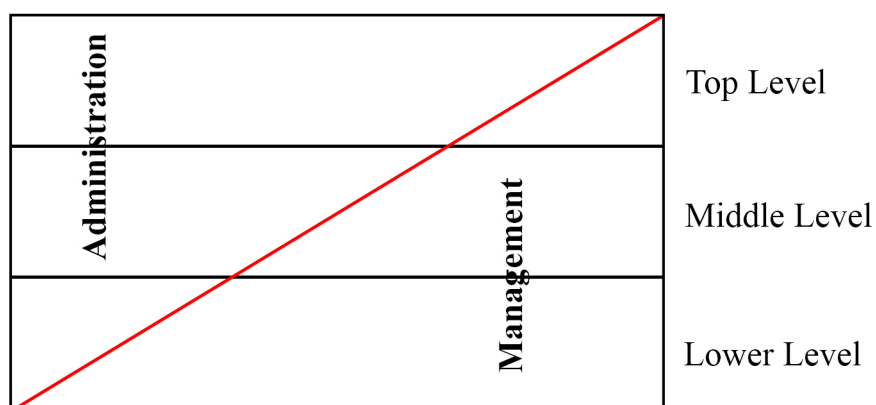
Figure 1.1.3 Management and Administration

1.1.9.1 Difference Between Management and Administration

Now, let us understand the differences between the two. Based on what we have discussed so far, we can distinguish between management and administration function as depicted in the following table.

Table 1.1.1 Difference between Management and Administration

Basis	Administration	Management
Meaning	It means the determination of objectives and policies of an enterprise.	It is the art of getting things done through and with other persons in a formally organised group
Aim	Aims at determining objectives, plans, targets, policies etc., of an enterprise	Aims at achieving predetermined objectives of an enterprise.
Nature	It is a decision making or thinking process.	It is an executive or doing function.
Level	Administration is more applicable at top-level like CEO, Managing Director, Directors, Proprietor etc.	Management is more applicable at middle level and supervisory like the Operations Manager, Finance Manager, Marketing Manager, HR Manager etc.
Usage	It is used with reference to non-business entities like military organisations, government, social and religious organisations.	It is used with reference to business enterprise.
Influence	Administrative decision is influenced by government policies, rules, and political and economic environment	Management decisions are mainly influenced by targets of enterprise, opinions of managers and profit motive.
Relation	Mainly related with the owners and top level of an enterprise.	Management is related mainly with workers and employees of an enterprise.
Scope	Administration has wider scope than management.	Management has limited scope than Administration

Recap

◊   Management- the act or art of managing

◊   Management can be a process, discipline, profession, both art and science

◊   Three levels of Management- Top level, Middle level, and Lower level

◊   Managerial functions-Planning, Organising, Staffing, Directing, and Controlling

◊   Mintzberg's managerial roles- Interpersonal roles, Informational roles, and Decisional role

◊   Administration and Management are different on various aspects.

Objective Questions

1. What is meant by the term management?

2. Why is management considered a process?

3. Is management an art or a science?

4. What is interpersonal role of managers?

5. What is informational role of managers?

6. What is decisional role of managers?

7. What are different levels of management?

8. Which managerial level does administration function?

9. What are the major functions of management?

10. Is management and administration different?

Answers

1. Act of managing people or events

2. It involves series of activities

3. Both art and science

4. Maintaining relationship within organisation

5. Ensuring proper communication

6. Taking decisions when needed

7. Top level, Middle level, and Lower level

8. Top level

9. Planning, Organising, Staffing, Directing, and Controlling

10. Yes

Self-Assessment Questions

1. Define management?

2. Why is management considered as art and science?

3. Why is management a profession?

4. Explain different functions of management

5. Why is management important for an organisation?

6. What are the major objectives of management?

7. What are the features of the management function?

8. Explain three different levels of management?

9. Explain the Mintzberg's managerial roles?

10. Differentiate management and administration?

Assignments

1. Consider a few organisations in your locality like school, grocery shop, bank, etc. and list out the different functions they carry out. Is it in par with the managerial functions you learned?

2. Suggest a few organisations in your locality which can use the different managerial roles you learned and explain why.

Suggested Reading

1. Prasad, L. M. (2020). *Principles and practice of management*. Sultan Chand & Sons.

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6. Koontz, H., O'Donnell, C., & Weihrich, H. (1986). *Essentials of management* (Vol. 18). New York: McGraw-Hill.

Unit - 2

Evolution of Management Thought

Learning Outcomes

After reading this unit the learner will be able to:

◊ identify the evolution of management thought over the years

◊ examine the contributions of F.W. Taylor, Henry Fayol, and Max Weber to Classical Management theory

◊ describe the Neo-Classical theories of management

◊ explain the Contemporary Management theories like Quantitative, Systems, and Contingency Approach

Prerequisite

Management has been present since ancient times, with tribal chiefs coordinating their communities for hunting and herding. In ancient Egypt and India, management was practiced in various fields like politics and military strategy. The industrial revolution emphasised its importance as industries grew, requiring better organisation and supervision. Pioneers from different disciplines proposed solutions to manage workers and capital-intensive equipment. This led to the development of the management discipline, which has evolved over the years through the works of various pioneers. Today, management principles are applicable in every aspect of life, helping us achieve goals efficiently and effectively.

Let us see how management has evolved so that we understand the dynamic nature of management and its adaptability to changing environments. This will help you comprehend the principles of management and their effectiveness in tackling the problems in various situations.

Classical Approach, Neoclassical Approach, Contemporary Approach, Scientific Management, Administrative Management, Bureaucratic Management, Human Relations Movement, Behavioral Sciences, Quantitative Theory, Systems Theory, Contingency Theory.

Discussion

Management thoughts are theoretical frameworks for the study of management. Each of this thought is based on different assumptions about organisations and their people. It was in the late 19th century that the formal study of management began. Over time, management thinkers have organised and classified these management practices and termed them as management theories or approaches.

Let us understand the evolution of management through the growth of Ztech Inc.

Ztech Inc. is an Indian multinational home appliances company. It took nearly 40 years to evolve from a small electronics repair shop to an MNC. The credit of Ztech Inc.'s success goes to its founder and Managing Director Mr. Raja Ram. It was his adaptive management style that led Ztech Inc. to be one of the most successful electronics companies. Let us go through the journey of Ztech Inc.

1.2.1 Evolution of Management Thought

The evolution of management thought can be classified into management theories of three eras as depicted below. The following figure depicts the evolution timeline of these management theories.
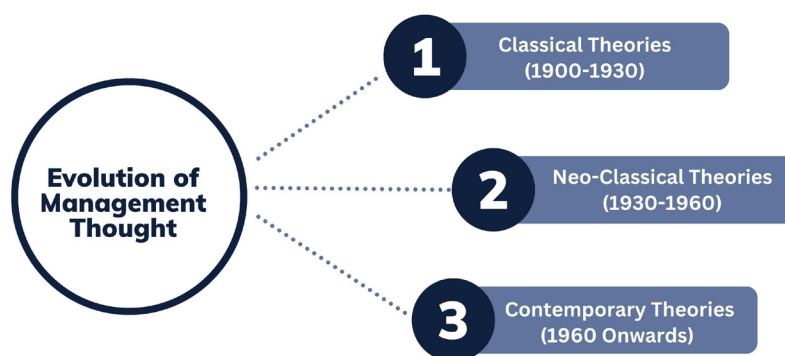

Figure 1.2.1 Evolution of Management Thought

Please note that the periods mentioned are not definite, but these are the most agreed upon periods by many experts in the field.

Now let us begin with the first documented and most traditional theory of management, which is the classical theory of management.

Let us discuss the case of Mr. Raja Ram who was an electronic technician, started

a small electronic repair shop named AZ Electronics in Chennai. His apt dealings with customers and first-class customer services increased the popularity of AZ Electronics. Mr. Ram used this opportunity to expand his business by starting an electronics retail outlet and service centre. After 10 years, AZ electronics started its electronics manufacturing unit and renamed as Ztech Inc.

This development also brought in challenges for Mr. Raja Ram like,

How to manage all the employees?

How to organise various activities of Ztech Inc?

How to maximise productivity?

Mr. Raja Ram identified that these are the management problems and decided to understand and apply certain Classical Management Theories in order to solve these problems.

1.2.2. Classical Management Theory (1900 to 1930)

Classical theory or the traditional theory of management was introduced during 1900 to 1930. These management ideas took form during the industrial revolution. It arose from the need for a better way to organise and coordinate huge production process at the factories. It was during this time scholars and practitioners from different streams were coming up with their methods to improve the management practices. This gave rise to the notion of achieving efficiency and effectiveness in managing people especially the workforce at factories. This theory is based on the belief system that people have only physical and economical needs. Their social needs and job satisfaction are not important. It emphasises specialisation of employees, centralised decision making, and profit maximisation.

The major contributions to the classical management theory were from Max Webber's Bureaucratic Model, F W Taylor's Scientific Management and Henry Fayol's General Administrative Theory.

Let us explore each of them one by one.

During the conception of Ztech Inc, Mr. Raja Ram identified the need for a proper organisational structure. So, he segregated his workforce to specialise in operations and marketing activities, thus forming the first two departments of Ztech Inc. He appointed managers to head each of these departments, thus forming a proper structure for Ztech Inc. Further, he also formulated policies as per the official hierarchy to ensure anticipated outcomes. As per Ztech Inc policies, the employees were hired based on their competencies and skills without any sort of bias.

Let us understand these management decisions through the bureaucratic management theory.

1.2.2.1 Bureaucratic Model

Max Weber (1864 -1920), a German sociologist in his classical work, "The Theory of Social and Economic Organisation" (1920) proposed a management method which came to be known as the Bureaucratic Theory of Management or The Bureaucratic Model.

Bureaucracy is the structure and set of rules that control the activities of people that work for organisations. This system includes a standardised procedure for every activity, formal division of responsibility, a proper hierarchy, and professional relationships.

Max Webber believed that recognition and exercise of authority in an organisation is the key requirement for better management. Here exercise of authority implies a Bureaucracy or Bureaucratic System. It implies, an ideal organisation is a bureaucratic one with a well-defined division of labour and rationally thought activities and objectives.

Based on this, the Bureaucratic model proposes that establishing bureaucracy is the most efficient way to set up and manage an organisation. It is the key to achieve maximum productivity in a large organisation with many employees and tasks. It also advocates that administrators or managers should be selected solely based on their merit.

Let us investigate benefits and limitations of the Bureaucratic Model to better understand its utility.

In the case of Ztech Inc, the following benefits of the application of the Bureaucratic Model can be deduced.

Benefits of Bureaucratic Model:

a. **Specialisation:** The work is divided among employees or teams as per their areas of expertise. Thus, employees can specialise in their respective fields and show improved performance.

b. **Structure:** A hierarchical organisational structure is established with clear lines of communication and division of labour. Thus, forming a clear chain of command with specific duties and responsibilities and reporting relationships within this hierarchy.

c. **Predictability:** The rules, regulations, specialisation, structure, and training provide predictabil-

ity which ensures stability in the organisation. The adherence to these rules and roles in the organisation bring order to cope with complexity.

d. **Democracy:** The Emphasis on skill and technical competence gives the organisation a democratic structure. Everyone in the organisation is guided by the rules, regulations, and practices rather than by patronage, favouritism and other arbitrary bases are not given weightage.

Ztech Inc faces several problems also by adopting the Bureaucratic Model which is as follows:

Limitations of Bureaucratic Model:

a. **Rigidity:** The Rules and regulations are often rigid and inflexible. The strict compliance with these rules and regulations discourages initiative and creativity. In the name of following rules, people tend to avoid responsibilities.

b. **Impersonality:** The organisational structure enforces a mechanical way of doing things. The rules and regulations are prioritized over an individual's needs and emotions.

c. **Compartmentalisation of Activities:** As Jobs are categorized, people are restricted to perform within the category. This may hinder to show one's full potential. Also, employees are forceful to do redundant jobs.

d. **Paperwork:** Heavy documentation is exercised where everything is recorded and nothing moves without proper paperwork. In simple words, every decision

must be put into writing and these documents have to be maintained for future reference.

e. **Empire Building:** In a bureaucratic setup, everyone uses their positions and resources to accumulate power and resources as it is considered a symbol of power and prestige.

The bureaucratic model aided in the development of big corporations like Ford. It still retains its essence in modern civilization. Even today, business institutions, schools, government etc. are largely based on the concepts of bureaucracy.

With this, we conclude Max Webber's bureaucratic model of classical management theory.

Now that we understand the bureaucratic model, let us explore the contribution of FW Taylor's scientific management to classical management theory.

Ztech Inc started gaining popularity and market share. Though orders kept increasing, the productivity remained constant. After a detailed observation of production, Mr. Raja Ram identified that unskilled labour with poor technical know-how was the cause of stagnant productivity. The production manager proposed certain management decisions that could further improve productivity.

Let us understand these management decisions through scientific management.

1.2.2.2. Scientific Management

The scientific management theory takes its root during the industrial revolution in the United States, where skilled labour was in short supply. Increasing the efficiency of workers was the only best alternative available to increase pro-

duction during that period. A Mechanical Engineer at Midvale and Bethlehem Steel Company in Pennsylvania, Mr. Frederick Winslow Taylor (1856 – 1950) proposed a scientific method to come around these issues. This method utilised investigation, analysis, and measurement. It served as a means of improving production.

As per F W 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 basic premise of scientific management is to divide organisational activities into small tasks so that they could be done more efficiently in less time, resulting in higher productivity. That is, improving the efficiency of everyone in an organisation result in overall better output.

The scientific management is carried out in four steps:

Step 1: Study the work Scientifically.

Step 2: Select Workers and train them.

Step 3: Match jobs and workers properly.

Step 4: Distribute the gains of the organisation among employees and employers.

As a summary, the theory of Scientific Management served to select the right workers as well as the right tools and equipment for each job. Monetary benefits are necessary for employee motivation which in turn increase their productivity. As a result, the overall productivity of the organisation will increase.

Principles of Scientific Management

As we saw earlier, by applying various management theories, Ztech Inc grown to an Indian multinational home appliances company over the last four decades. Mr. Raja Ram, the MD of Ztech Inc started the business as a small electronic repair shop named AZ Electronics in Chennai. With his dedicated efforts, he expanded his business into the current level. To form a proper organisational structure, he applied the bureaucratic model. Meanwhile the organisation is confronted with the problem of low productivity. So, he appointed Mr. Kay as the production manager to analyse the situation. After observing for a month, he identified the following issues as the root cause of low productivity:

◊ There were no work standards.

◊ Employees lacked the motivation to do extra work.

◊ The supervisors did not assign work as per the abilities and aptitude of workers.

◊ Most of the time, management decisions were based on hunches and intuitions.

◊ There existed a constant conflict between management and workers regarding their work load and wages.

Mr. Kay was assigned to solve the above listed issues. He applied Principles of Scientific management to solve the issues and increased efficiency and productivity of the organisation. Following are the major principles;

a. **Replacement of old rule of thumb method**: Scientific investigation should be done for taking managerial decisions instead of considering intuitions and rule of thumb.

b. **Scientific Selection and Training of workers**: Selection and training of workers should be done scientifically.

c. **Co-operation between workers and management**: There should be good cooperation between the employees and the managers inside the organisation.

d. **Mental Revolution**: It implies changing the attitude of workers and managers. Mental Revolution aims at improving the thinking of both the parties to create a better working environment. Workers and their managers should change their attitude and each one of them should realise the importance of the other. Both should work towards the accomplishment of the common goals of the organisation. The management should take care of the needs of the workers and share benefits with them. Similarly, workers should put in their best effort to increase their efficiency and productivity along with utilising the resources optimally.

e. **Maximum output/Productivity**: Scientific Management focuses on finding the best and most efficient way of completing tasks; therefore, achieving maximum productivity.Techniques of Scientific Management

Taylor has developed several methods and techniques to improve efficiency of an organisation through his experiments at workplace. Some of the major techniques of scientific management are as follows:

I. Work Study: Work study implies an organised, objective, systematic, analytical, and critical assessment of the efficiency of various operations in an enterprise. It is a general term used to examine human work in all its forms that leads to a systematic assessment of all elements having influence on efficiency and economy of operations. Following are the major elements of work study;

a. *Method study*- This is conducted to know the best method of doing a particular job.

b. *Motion Study*- This involves observation of the movement of body and limbs of an individual required to perform a job. The objective of motion study is to identify the minimum required movements of the employees to complete the job within minimum time and efficiency.

c. *Time study*- This is used to determine the precise time required for each element of a man's work.

d. *Fatigue study*- This is to determine the duration and frequency of the break time or rest time in order to complete the task or the job efficiently.

II. Standardisation of Tools and Equipment's: Taylor campaigned for the standardisation of tools and couplings, along with costing system and other related items. Efforts should be made to provide a standardised working environment and production procedures to the workers. Standardisation would help to reduce spoilage and waste of materials, enhance job quality, lower manufacturing costs, and reduce worker fatigue.

III. Scientific Task Setting: It is critical to establish a standard task that an ordinary worker typically performs during the course of a working day. Taylor described it as "a good day's work". He underlined the need of establishing a fair day's work schedule since it will prevent workers from performing work that is far beyond their capacity. Before the workers, the usual task will serve as a guideline. Workers will work below his capacity if no standard is set.

IV. Scientific Selection and Training: Management should devise a systematic selection procedure to ensure that the best men are chosen for the best roles. The first stage in scientific selection is to identify the works that demand the involvement of workers. The most suitable qualification, training, experience, and level of efficiency for the required to perform the work are then determined. Finally, the workers are chosen based on this pre-determined criteria in a fair manner.

V. Functional Foremanship: Planning and execution are separate functions in Taylor's functional foremanship. He suggested a total of eight foremen to oversee the various stages of manufacturing. In the planning department, he offered four foremen: route clerk, instruction card clerk, time and cost clerk, and shop disciplinarian. Gang boss, speed boss, repair boss, and inspector are the four foremen advised for attaining the required performance from the workers.

VI. Differential Piece-Rate System: Taylor advocated two piece rates, so that if a worker performs the work within or less than the standard time, he is pad a higher piece rate, and if he does not complete the work within the standard time, he is given a lower piece rate. The underlying principle of this system is to penalise a slow worker by paying him a low piece rate for low production and to reward an efficient

worker by giving him a higher piece rate for a higher production. Taylor was of the view that an inefficient worker should have no place in the organisation and he should be compelled to leave the organisation by paying him a low piece rate for low production.

Benefits of Scientific Management:

Scientific Management gained wide acceptance around the world, as it was a proven approach based on Taylor's experiments at the Bethlehem steel plant.

The application of Scientific management in the Ztech Inc production unit will have the following benefits.

a. *Enhanced production*: It enhances production as there is a constant need for steady improvements in operations. Further, as there is cooperation between managers and workers it encourages teamwork and achievements.

b. *Standardization*: A proper standards are set for each work, thus encouraging managers to find the best way to carry out each task.

c. *Incentivization*: It improved production as employees were motivated through economic incentives for their increased output.

d. *Staffing*: Employees were selected and allocated to specific jobs based on their skill and competencies.

Simultaneously, Ztech Inc faces the following issues by adopting the Scientific Model which are as follows:

Limitations of Scientific Management:

a. *Capital Intensive*: It requires heavy capital investment, as the approach involves establishing work-study and employee training, making it an expensive practice.

b. *Depersonalised Work*: Employees are treated as a mechanical entity of the organisation. Personal work relationships are discouraged. That is, employee's social needs and job satisfaction are not considered by management in the decision-making process.

The scientific management is concerned with improving the operational efficiency at the factories only. That is, the emphasis is on increasing the efficiency of workers thereby improving production. It may not be suitable for other types of works including services, knowledge works etc.

Scientific Management is considered as the turning point in the field of management with a properly written guideline for managers. F. W. Taylor is popularly known as the father of scientific management theory. Thus, scientific management is also referred to as Taylorism or Taylor System.

With this, we conclude F W Taylor's Scientific management of Classical Management Theory. We have learnt Scientific Management theory, now let us explore the contribution of Henri Fayol's General Administrative Theory to Classical Management Theory.

Ztech Inc. improved its operational efficiency through increased productivity of the employees, leading to the growth of the business. Improved efficiency was witnessed only in the manufacturing unit, but not in the rest of the organisation.

There was a lot of confusions in the business. Mr. Raja Ram observed a lot of flaws in the internal activities of the company. There was no proper coordination among employees handling different responsibilities like cash, security, accounting, commercial and managerial activities. He called a management meeting and expressed his concern to everyone. The newly appointed General Manager Mr. Singh pointed out the need for the company should work as a single unit. For this, he recommended the formulation of an organisational level policy wherein he proposed an administrative structure with clearly defined obligations and authorities for every employee with monetary incentives and proper communication.

Let us understand the management approach Mr. Singh suggested, through General Administrative Theory.

1.2.2.3. General Administrative Theory

Scientific Management Theory improved production significantly but it was limited to the production side of an organisation. When the volume of production increased, the volume of all the related business activities and facilities are increased such as amount of capital investments, capacity of production units, volume of storage and distribution; thus, making factories into bigger organisations. These organisations were becoming difficult to manage using just the contemporary methods of management.

Henri Fayol (1841 – 1925) a French Mining Engineer and company executive, proposed a comprehensive method of administering an entire organisation. He also proposed universal principles for effective management. It was published by him in French as "Administration Indus-

trielle et Générale", which was later published in English as "General and Industrial Management" in 1949. This theory later came to known as the Administrative Theory of Management and laid the foundation for management studies.

Unlike Scientific Management which only focused on the production aspect of an organisation, General Administrative Theory emphasise the whole organisation and its management. The general administrative theory focuses on principles that can be used by managers to coordinate the internal activities of organisations.

Now you may ask what makes this theory so significant? Why is it regarded as the foundation of management studies?

Fayol's general administrative theory was concerned with the management of an entire organisation. In simple words, this approach was developed for administrators (top-level management). Thus, it came to known as the administrative theory of management.

In this approach, the entire business or organisational activities are classified into technical, commercial, financial, security, accounting, and managerial activities. As other activities are already defined, it further classified the managerial activities into planning, organising, commanding, coordinating, controlling. These five activities got recognised as functions of management, which is considered as the fundamentals for management to all organisations.

Henry Fayol's Principles of Management

Fayol also proposed that management is a skill and could be taught like any other skill once its fundamental principles

are understood. For this, he established principles of management; also known as "14 Principles of Administrative Management". These are Division of work, Authority and Responsibility, Discipline, Scalar chain, Unity of command, Unity of direction, Centralisation- Decentralisation, Subordination of individual interest to the general interest, Remuneration, Order, Equity, Stability of tenure, Initiative and Union is strength (Esprit de Corps). The principles of management were universally applicable. Following are the major principles;

i. Division of Labour

Dividing the work inside an organisation is the key for achieving efficiency through specialisation and for better achievement of goals. Fayol suggested that all labour should be divided and subdivided, and different people be assigned different tasks based on their expertise in different areas.

ii. Authority- Responsibility

Every manager should have the right to give orders and direction to subordinates. Such authority comes with equal responsibility. It is essential to understand that when you exercise authority on some activity, you automatically have the responsibility on the same.

iii. Centralisation-Decentralisation

Every organisation should maintain a balance between centralisation and decentralisation. Centralisation means concentration of authority in top level and decentralisation means delegating authority to lower levels.

iv. Unity of Command

As per Fayol's opinion every employee should receive orders from a single head and should be accountable to that person to avoid confusion in the responsibilities and to run the organisation smoothly.

v. Unity of Direction

According to this principle the efforts of all the members of an organisation should be directed towards a single goal. There should be one plan for one head or one group of activities should have one objective. This avoids duplication of work.

vi. Scalar Chain

It refers to the chain of authority from top level to lower level. Scalar chain should be followed for all orders, instructions, messages, requests and all sorts of communications flow from top to bottom and vice versa. Skipping this chain for convenience and using shorter communication path is called 'Gang Plank'.

vii. Discipline

According to Fayol, "Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise". Simply, there has to be respect for the rules and regulations among the members.

viii. Subordination of individual interest to general interest

Company should always make efforts to reconcile individual interests of members with common interests. When a conflict occurs between these two, then common interest should be considered.

ix. Remuneration

Company should be careful in offering fair and reasonable remuneration to the employees by considering their

contribution towards the common objectives.

x. Order

In an organisation, there should be a proper order. Anything and everything in the organisation should be at its place.

xi. Equity

Employees in an organisation should be treated with equity and kindness. Efforts should be made to ensure justice for members.

xii. Stability of tenure of personnel:

No employee should be shifted from one job to another frequently otherwise, employees will not get chance to specialise. Employees should also have job security.

xiii. Initiative

There should be given ample opportunity to initiate activities, incorporate their ideas and creativity in the work they perform.

xiv. Esprit de corps

The term 'Esprit de corps' means 'Union is strength'. This refers to ensuring harmony among members of the organisation.

The application of the General Administrative Theory by Ztech Inc put forward the following benefits.

Benefits of General Administrative Theory

a. *Official Administrative Structure*: A formalized administrative structure is established with a clear hierarchy of authority from top to bottom. This structure also includes defined responsibilities and functions for everyone in the organisation.

b. *Division of Labor*: All departments are defined with proper division of labour. Tasks are allocated based on employee skills and qualifications to achieve optimum efficiency.

c. *Monetary Incentives*: Employees are motivated through monetary incentives for their effort. These incentives should be fair to both employee and the employer.

d. *Communication Channel*: This theory strives for the proper network of information flow within the company for the decision-making process. It emphasises on establishing communication channels that enable the free flow of information in both directions among management and workers.

Adopting the General Administrative Theory by Ztech Inc is confronted with the following limitations.

Limitations of General Administrative Theory

a. *Neglect of human factors*: This approach views human beings can react to organisational rules and economic incentives only. Human attributes like emotion, attitude, creativity etc., have not been considered.

b. *False Assumption*: This approach assumes it can be universally applied to any type of organisation. It does not recognise the differences in tasks and problems that are confronted by various organisations.

c. *Pro Management Bias* – This approach is more concerned with what management should

know and do. It does not provide guidelines on how these principles must be applied.

This theory laid the foundation for management studies, that is all subsequent management approaches are built upon the administrative management theory. Henri Fayol is widely considered as the father of Modern Management. Thus, administrative management is also referred to as Fayolism.

With this, we conclude Henri Fayol's General Administrative Theory in classical management theory.

The entire Classical Management Theory is based on the principle that employees have physical and economic needs only. It ignores their social needs; ego needs and job satisfaction. Instead, it emphasises on the specialisation of labour, profit maximisation, centralised leadership, and decision making.

With this, we conclude the classical management theory. Let us move on to the next era in the evolution of management thought termed as Neoclassical Management Theory.

In the previous section, it is seen that Ztech Inc improved its productivity and operational efficiency with its application of classical management theory. Ztech Inc became one of the biggest competitors of that time but with certain adverse effects. Mr. Raja Ram noticed that the company was unable to retain its employees. As a result, the consistent hiring and training of employees were becoming a costly affair. Therefore, he, along with the personnel manager of the company who oversaw hiring employees, started assessing the employee's behaviour. They realised the fact that employees are unsatisfied with their job even with economic benefits

because the current management approach lack socialization in work.

Let us understand the management approach Mr. Raja Ram would need to implement through Neo-Classical Management Theory.

1.2.3. Neo-Classical Management Theory (1930 to 1960)

Neo-Classical Management Theory is an extension of classical management theory. As we learned, that the classical management theory is only concerned with the job and machine, while ignored human behaviour.

This theory is based on the notion that an organisation is a social system and its performance is highly influenced by human behaviour. Thus, greater emphasis should be given to the man (employees) behind the machine.

So, Neo-classical management theory tries to compensate for the deficiencies of classical management theory by adding the 'people' aspect to it.

Neo-Classical Theory of Management is classified into Human Relations Approach and Behavioural Approach.

Let us begin with the first stream of neoclassical management theory, which is the Human Relations Approach.

In Ztech Inc. Mr. Raja Ram changed certain policies to reduce employee turnover. As per the new policy, he made the work timing more lenient. The new policy insisted that the managers create a positive work environment and make the employees work in teams. Team efforts were rewarded which motivated the employees to work for Ztech Inc.

Let us understand the management

tactic Mr. Raja Ram is trying to implement, through Human Relations Approach.

1.2.3.1. Human Relations Approach

The Human Relations Approach was founded by an Australian Psychologist and a Professor of Industrial Research at Harvard Business School named Elton Mayo (1880 – 1949). It was developed from the findings of a series of experiments conducted at the Western Electric Company in Hawthorne, near Chicago, from 1924 to 1933. These experiments are popularly referred to as Hawthorne Studies or Hawthorne Experiments, they explored the linkage between employee satisfaction and workplace productivity.

These studies brought to light the important relationships between social factors and productivity. It was found that employee participation leads to job satisfaction, not just economic incentives as assumed by Scientific management and Administrative Theory.

This approach emphasises employee is social and psychological being, not just an economic being. Therefore, the satisfaction of economic needs is not the only motivation for employees. Thus, an organisation should be a humanistic or informal organisation rather than a mechanical workplace, it must represent a democratic work environment where everyone can coexist.

These new policies of the Human Relations approach provide the following benefits to Ztech Inc.

Benefits of Human Relations Approach:

a. Positive Work Environment

It attempts to create an optimistic work environment where people can achieve both their personal and organisational goals simultaneously.

b. Interpersonal Relationship

It insists on managers studying the inter-personal relationships among the people at work.

c. Attitude

It highlighted the importance of human attitude for high productivity in an era where economic satisfaction and work conditions were considered as the major motivators.

d. Work Groups:

It introduced managers to think in terms of group process and group rewards which propagate to team building and teamwork in the future.

e. Motivation:

It motivated employee to achieve their peak performance.

Implementing policies of the Human Relations approach by Ztech Inc is confronted with the following limitations.

Limitation of Human Relations Approach:

a. Omitted Economic Aspects:

The economic aspect of work satisfaction is ignored.

b. Overstretching of Human Relations:

It assumes all organisational problems can be solved through human relations.

c. Limited Work Focus:

It lacks adequate focus on work.

Human Relation Approach is still considered as an improvement over classical management theory as it treated people as living being not just as an interchangeable asset to an organisation. Also, it paved way for Human Resources Movement. This was a movement in management thinking and practice that emphasised the study of people's behaviour in groups, especially in workgroups and related concepts in fields of industrial and organisational psychology.

Elton mayo is also referred to as the father of the Human Relations Movement.

With this, we conclude the Human Relations Approach of Neoclassical Management Theory.

Let us begin with the second stream of neoclassical management theory, which is the Behavioural Science Approach.

After a year Mr. Raja Ram realised that the policy change, he made was not fruitful. Though it improved employee turnover a bit, it lacked the zeal to improve productivity. This made him realise that he needs a specialised department to deal with employees' social, economic, psychological needs and personal problems. Creating such a department can extract the full potential of the employees thereby enhancing the work environment along with employee participation. For making this a reality, he organised a management meeting.

Let us understand the management decisions that Mr. Raja Ram might need to apply, through the behavioural science approach.

1.2.3.2 Behavioural Sciences Approach

Behavioural Sciences Approach is a natural progression of Human Relations theory. The Behavioral Sciences Approach also known as Human Resource Approach. It applies the ideas of behavioural sciences like anthropology, psychology, and sociology in managing people. Many Behavioural scientists believed that Human relations theory gives an oversimplified explanation that workplace socialisation leads to increased productivity. They advocated the requirement of a deeper understanding of human behaviour to form a better management approach. As such many behavioural scientists put forward their theory with regards to the human aspects of management, thus the behavioural sciences approach is the culmination of these theories. This is as depicted below.

The basic idea behind Behavioural Science Approach is that people will be productive if given opportunities to use their skills and abilities.

Now let us discuss some of the theories by Abraham Maslow, Douglas McGregor, Chris Argyris, Rensis Likert, who are regarded as the most prominent contributors of the Behavioural Science Approach.

In the management meeting, Mr. Raja Ram realised that to handle the employees appropriately, the needs of the employees should be recognised.

Let us understand this through Abraham Maslow's Need Hierarchy Theory.

◆ **Abraham Maslow's Need Hierarchy Theory**

The first notable work that adds to the behavioural sciences approach is by Abraham Maslow (1908-1970). He was an American psychologist who came up with a motivation theory called Need Hierarchy Theory also known as Maslow's Hier-

archy of Needs.

As per this, people have 5 levels of needs namely Physiological, Safety, Social (belongingness & love), Self-esteem and self-actualisation. These take form in a person as depicted in the following figure:
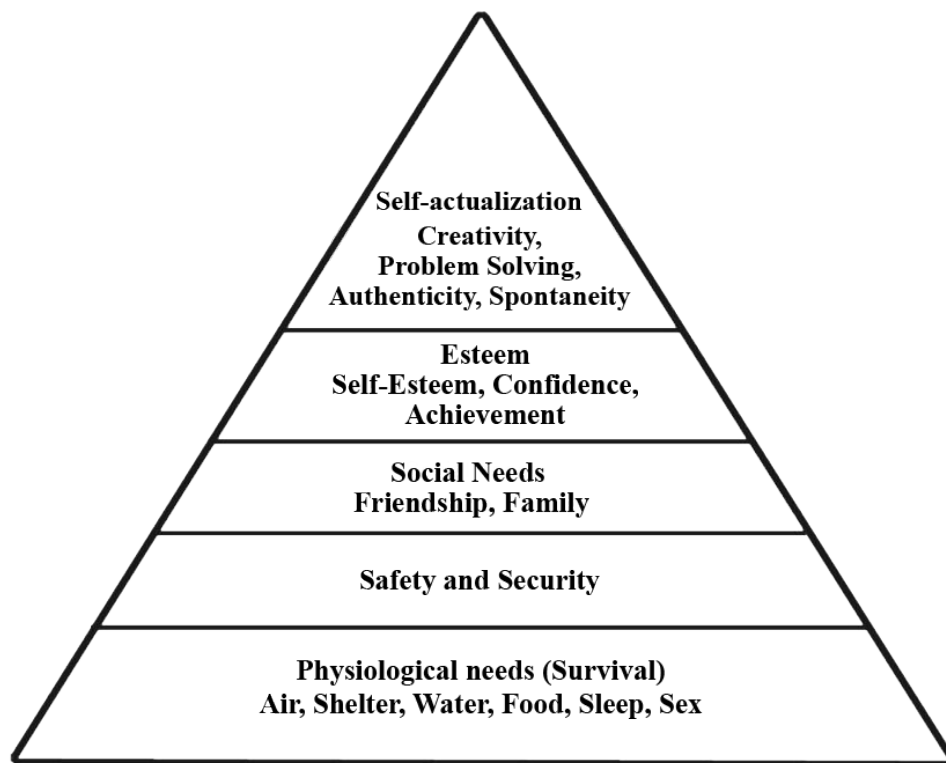
Figure 1.2.2: Maslow's Hierarchy of Needs

i.   Physiological needs are biological needs to preserve one's life like food, clothing and shelter. As per Maslow physiological needs are the most important needs until they are met. Once they are satisfied, then only they consider security and safety.

ii. Safety needs are physical safety needs towards, accident, fire, murder, unemployment etc. As per Maslow, people need order, predictability, and control in their life. Once these needs are met, they strive for love and belongingness.

iii. Social needs are psychological needs for love, affection, belong-ingness, acceptance, interpersonal relationships etc. As per Maslow, these needs are met by being a member of social groups or work-group. Once it satisfies them, self-esteem becomes their priority.

iv. Self-esteem needs are higher psychological needs resulting from prestige, power, recognition, status, achievement etc. The primary element of self-esteem need is self-respect. Self-esteem is the confidence in one's potential for personal growth and accomplishments, whereas self-respect is the belief that one is valuable and deserving dignity. As per Maslow, self-esteem is of two types,

◊ Esteem based on respect and acknowledgement from others.

◊ Esteem based on ones owns self-assessment, which stems from self-confidence and independence.

Once self-esteem needs are satisfied, a person reaches self-actualisation.

v. Self-actualisation needs are the self-fulfillment needs that actuates from self-realisation of his/her purpose in life. It is also known as self-fulfillment needs since it requires the full potential of an individual to realise these needs. This is why it occupies the topmost spot on Maslow's pyramid.

As per Maslow, self-actualisation needs are growth needs, whereas physiological, Safety, Social and Self-esteem needs are deficiency needs. Thus, growth need only becomes a priority when deficiency needs are met. In simple words, the needs hierarchy theory states that people satisfy their needs in order of their importance.

It is Maslow's needs hierarchy theory that serves as the foundation for other Behavioural scientist's works like Douglas McGregor's Theory X & Y of motivation, Chris Argyris's Immaturity-Maturity Model of Personality and Rensis Likert's management system.

Now let us look at Douglas McGregor's work, which adds to Behavioural Sciences Approach.

In an annual meeting, Mr. Raja Ram enquired the functional managers working under him about the kind of management that is to be adopted in the organisation in order to enhance the motivation of workers based on the difference in nature of employees. What might be the reason behind this enquiry?

Let us understand this better by going through McGregor's Theory X and Theory Y.

◆ **McGregor's Theory X and Theory Y**

Prof Douglas McGregor (1906 – 1964) an American Professor of management at MIT has developed theories of motivation based on hypothesis relating to human behaviour. According to him the functions of motivating people involves some assumptions based on human nature. McGregor states that there is two alternative set of assumption theory X and theory Y

Table 1.2.1 Assumptions of X and Y Theory

Theory X	Theory Y
People hate work	People like work
People must be forced to work	People drive themselves and work effectively
People prefer to be told to work	People will take the initiative given opportunities
People are selfish and have no interest in the organisation	People will commit themselves to objectives if it is beneficial to them

When we correlate it with Maslow's Need Hierarchy Theory and Theory X assumes that people are focused on physiological needs and safety needs. While, Theory Y assumes that people are focused on social, self-esteem and self-actualisation needs.

According to McGregor, Theory Y is more likely than Theory X. Thus, he recommends cordial team relationships, stimulating jobs and a participative decision making process in all organisations.

With this, we conclude McGregor's Theory X and Theory Y. Now let us look into Chris Argyris's contribution that adds to Behavioural Sciences Approach.

In the management meeting, Mr. Raja Ram raised a concern regarding the newly hired employees being immature towards their responsibilities and he enquired about the same to the General Manager. He responded that the replacement of the bureaucratic setup with a humanistic setup will induce only a gradual change among the newly hired employees.

Let us understand this statement through Immaturity-Maturity Motivational Theory.

◆ **Immaturity-Maturity Motivational Theory**

The Immaturity-Maturity motivational theory was developed by Chris Argyris (1923-2013) an American Business theorist and Professor at Harvard Business School. He examined industrial organisations to determine the effects of management practices on individual behaviour and their personal growth.

As per Argyris, there are two different organisational setups:

a. Bureaucratic

b. Humanistic

The bureaucratic organisational setup will not permit the free expression of feelings. It reduces interpersonal competence leading to intergroup conflict. Whereas, the humanistic Organisational Structure encourages authentic relationships among people. It increases interpersonal competence, intergroup cooperation, and flexibility. Here people are treated as human beings. They are allowed to develop to their fullest potential.

So, a formal organisational setup will not allow the development of maturity in people.

When people join an organisation, they are given few opportunities. They are mostly encouraged to be passive and dependent. Thus, they behave immaturely. But there is a tendency on the part of people to move towards maturity with age.

Argyris suggested immaturity tends to exist not because of peoples' nature of laziness, but due to organisational setting and management practices. Thus, management needs to provide a work environment in which everyone has a chance to grow and mature as individuals.

In short, management practices have a direct impact on an employee's development and growth. If a manager treats employees like children, he motivates wrong behaviour. Argyris states that immaturity in employees is the result of organisational structure and management style. To make employees grow mature, a gradual shift from an existing bureaucratic organisation setup to a humanistic organisational setup, where a more flexible and participative management style is practiced. If you correlate Maslow's theory,

a humanistic setup will not only satisfy employees deficiency needs but will motivate them to reach higher and subsequently contributing to organisational goals.

Please Note: This theory is also known as Immaturity-Maturity Model or Immaturity-Maturity Motivational Theory or Immaturity-Maturity Theory of Personality.
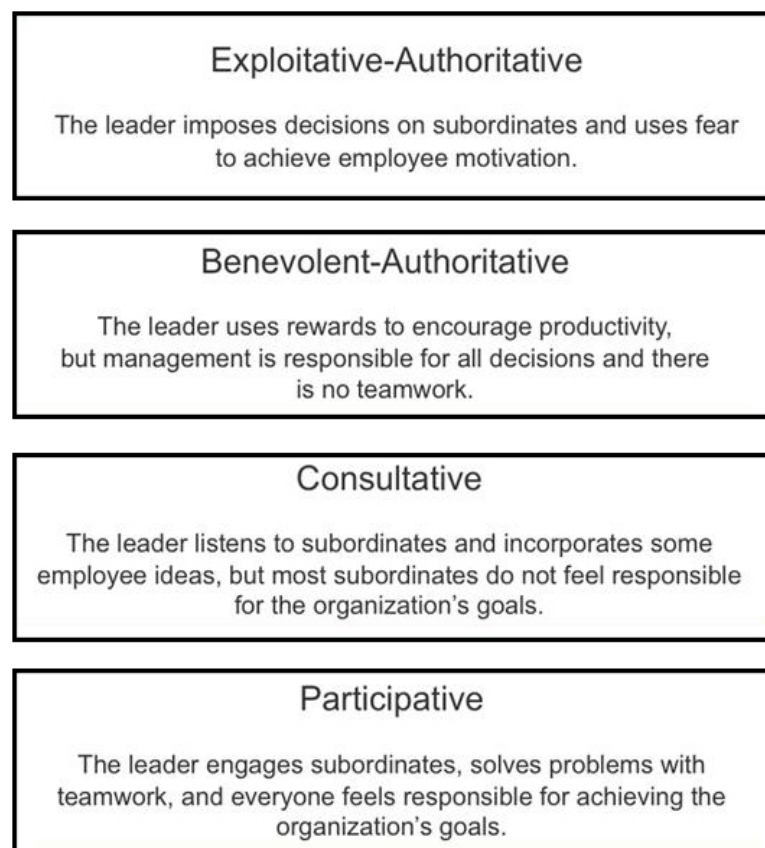
With this, we conclude Immaturity-Maturity Motivational Theory. Now let us look at Rensis Likert's contribution that adds to Behavioural Sciences Approach. In the management meeting, Mr. Raja Ram suggested a participatory approach to management. Let us understand this statement through Likert's Four System of Management.

◆ **Likert's Four System of Management**

Likert's Four System of Management was developed by Rensis Likert (1903 – 1972) an American Social Psychologist. He conducted an extensive study for over three decades across 200 organisations into the patterns and styles of management. Through this research, he derived a four-fold management model reflecting leadership behaviour.

According to this model, management systems or styles are of four types. This is

Exploitative-Authoritative

The leader imposes decisions on subordinates and uses fear to achieve employee motivation.

Benevolent-Authoritative

The leader uses rewards to encourage productivity, but management is responsible for all decisions and there is no teamwork.

Consultative

The leader listens to subordinates and incorporates some employee ideas, but most subordinates do not feel responsible for the organization's goals.

Participative

The leader engages subordinates, solves problems with teamwork, and everyone feels responsible for achieving the organization's goals.

Figure 1.2.3 Likert's Management Styles

depicted in the following section.

a. Exploitative Authoritative Management Style:

Employees are not permitted to participate in the decision-making process as management has no confidence in them.

b. Benevolent Authoritative Management Style:

Management and employees maintain a master servant relationship. Thus, management shows very little confidence in employees.

c. Consultative Management Style:

Management has limited confidence in its employees and they are permitted partial participation in the decision-making process, only if the decision affects the employee.

d. Participative Management Style:

Management fully trusts employees and their participation in all matters is encouraged. This leads to superior communication, teamwork, and participation in the organisation.

As per Likert, when an organisation reaches the participative style of management it is likely to have better staff retainment and higher productivity with lower wastage of resources, achieving optimum performance.

Mr. Raja Ram and General Manager concluded the meeting by proposing to implement the Behavioural Sciences Approach with immediate effect. Thus, they formed a Human Resource department in Ztech Inc, as discussed in the meeting and given ample focus on the wellbeing of the employees.

Now that we are aware of the most prominent theories by behavioural science pioneers. Let us understand how these individual contributions of different experts got pooled in making behavioural sciences approach.

Douglas McGregor, Chris Argyris and Rensis Likert encouraged that the existing management practices should be restructured so that employees have an opportunity towards satisfaction of their higher-order needs. They all encouraged the same idea that management should humanize work to stimulate employee performance. In simple words, the people of an organisation are to be treated as its assets.

The implementation of the Behavioural Sciences Approach has the below mentioned benefits.

Benefits of Behavioral Sciences Approach

◊ Full potential - It encourages managers to utilise every employee's full potential in the service of the organisation.

◊ Enhanced Work Environment - It compels managers to develop a healthy, safe, comfortable, and convenient work environment for their employees.

◊ Employee Participation - It encourages employees to participate and involve in all important decision making process of management.

Following are the limitations of this approach.

Limitations of Behavioral Sciences Approach

◊ Ignorance of Technical Aspects – It does not take the mechanical

aspects like technology, manufacturing, and tasks in an organisation into account.

◊ Lack of Clarity – Behavioural Scientists differ in their advice for dealing with a single problem due to the complexity of human behaviour. Hence managers find it difficult to decide on which advice to follow. That is, the ideas and concepts of the behavioural science approach are not easily understood by everyone. This hinders its universal application.

Behavioural Sciences Approach has enhanced our knowledge of the motivations of an individual, behaviour of a group, interpersonal relationships at work, and the importance of work to people. But it should be kept in mind that findings of behavioural sciences are tentative and not applicable to all situation's due complexities of human nature.

Behavioural Sciences Approach has led to the emergence of an entirely new discipline called Human Resource Management under management studies. This discipline considers people in an organisation as Human Resources and emphasizes their effective utilisation towards achieving organisational efficiency.

Neo-classical management theory evolved from the idea that management means getting things done through employees. It is based on the notion that management should focus on employees who are at the centre of technology, production, and structures in organisations. Hence the entire Neo-classical management theory is concerned with the best ways to motivate, allocate, and support people within the organisation. It is also referred to as Behavioural Management or Human Relations Movement.

Now that we understand Neo-classical management theory, let us move on to the next era in the evolution of management thought termed as Modern/Contemporary management theory.

Before deliberating the theories in detail, let us discuss a scenario in Ztech to complement the same. Since the formation of the Human Resource Department, Ztech Inc's employee turnover rate improved. Despite certain limitations, the company flourished and expanded its business globally. After some time, Mr. Raja Ram noted that even with the abundant flow of information from all the branches, he was unable to track activities and sort out apt information from various departments, branches, and outlets etc. This blinded him from many of the business opportunities. He wanted to know how to tackle this situation.

Let us understand how Mr. Raja Ram needs to handle this situation, through the applications of Modern Management Theory.

1.2.4. Contemporary Management Theory (1960 onwards)

Modern management theory takes origin after the end of the second world war. At this point of the modern era, there was expanding use of measures and statistics in every field. This led to a sudden influx of huge data requirement in business practices. Traditional approaches were becoming insufficient in extracting useful information. This propagated the use of mathematical and statistical tools to convert data into useful information.

The modern management thought process begins with the end of the Hawthorne Experiments. It is a consolidative

system that integrates concepts from classical management theory, social and natural sciences (mathematics and statistics). Morden management theory takes inspiration from system analysis.

Modern Management Theory can be classified into three streams. Let us begin with the first stream of thinking in modern management theory that is, the quantitative approach.

Since Ztech Inc has evolved into a Multi National Corporation (MNC), it has implemented Information Technology into its organisational structure. To maintain and further improve its position in the global market, Research and Development, and Market Research is conducted. For this purpose, statistical tools and mathematical techniques are used to analyse the data collected through various means. From the data analysis, the inferences made are applied in management decision making.

Let us understand this mode of management through the Quantitative Approach.

1.2.4.1. Quantitative Approach

Quantitative generally means "measuring by its quantity". Quantitative techniques are referred to statistical, mathematical, or numerical methods of data analysis. It was developed during the second world war to deal with its massive logistical problems.

The quantitative management perspective emerged from the contribution of many experts from different fields. But their work was based on the mathematical and statistical approaches devised by F.W. Taylor during the development of Scientific Management Theory.

The quantitative approach utilises mathematical, statistical, and informational aids to support the managerial decision making process and thereby organisational effectiveness. It has mainly three branches namely Management science, Operations management, and Management information system.

Let us know them one by one to understand the scope of the quantitative management approach:

Management Sciences – This approach uses advanced mathematical and statistical tools to increase decision effectiveness. It aims to solve technical problems rather than human behavioral problems. With the introduction of computers, this approach has become more effective at solving bigger and complex problems that otherwise take too long. The Management Science approach is also known as the mathematical or quantitative measurement approach, it envisions management as a logical process, where the actions can be stated in terms of mathematical symbols, relationships, and measurement data.

Operations Management - This approach aims at managing the manufacturing and delivery of products and services of an organisation. It encompasses fields like production planning, design and location, inventory management, work scheduling and quality control.

Management Information Systems (MIS) – It is the field of management that emphasizes the design and implementation of an information system using computers. Its purpose is to aid management with effective and real-time decision making. This system turns raw data into information that is required at various levels of management in an organisation.

Now let us understand,

Why did the quantitative approach gain so much prominence?

Why it has become an integral part of business administration?

This is because when the quantitative approach is applied, every decision making problem can be reduced to a mathematical equation by identifying the variables affecting the said problem. In simple words, a management issue is converted into a well-defined mathematical problem and since a specific answer can be obtained for a well-defined mathematical problem, a pinpoint decision can be made for the said issue.

The benefits of applying the Quantitative Approach are as follows.

Benefits of Quantitative Approach

◊ **Simplified decision making** - It simplifies decision making through quantitative aids. It also develops quantitative tools to help with the development of product and services of an organisation.

◊ **Optimum Solutions** - Every problem concerning an organisation is converted into a mathematical equation or formula or models, which is then repeatedly Analysed and processed to find the most viable solutions.

◊ **Organised Thinking** - It compels managers to be well organised and think holistically about every factor affecting a decision.

◊ **Rational Thought Process** - It eliminates subjective elements in decision making like hunches and intuitions. Only factual data and logical analysis are used to aid decision making. Hence it provides valuable quantitative techniques and tools for making rational decisions.

Following are the limitations of quantitative approach.

Limitations of Quantitative Approach

◊ **Lack of Inputs** – All the required inputs for decision-making may not be readily available. This can hinder the requirement of timely actions.

◊ **Data Dependence** - It is a data dependent approach. That is, the quality of the decision depends on the data used. Thus, if the data is not accurate and up to date, it will not produce the desired results.

The quantitative approach is part of most big organisations, where decision making is a data driven process. Nowadays, it is widely used as it can summarise a problem, by generating knowledge and understanding of the social world. Thus, providing a logical viewpoint to look at things.

Now let us look to the next stream of modern management theory, the systems approach.

Since the quantitative approach is purely data oriented, it only takes into account the collected data and no other aspects such as human emotions. Many a times, inaccurate and outdated data has led to errors in decision making. These errors resulted in a disastrous marketing campaign for Ztech Inc in the Middle East and Europe. This made Mr. Raja Ram adopt an inclusive approach to management decision making which is more reasonable and time saving.

Let us understand the inclusive management approach Mr. Raja Ram would need to implement through the Systems Approach

1.2.4.2. Systems Approach

The systems approach stemmed from the work of Ludwig Von Bertalanffy (1901-1972), an Austrian Biologist, who introduced principles of General Systems Theory (1950) based on his understanding of living things. Though many thinkers have contributed to the systems approach, it was first introduced by management pioneer Chester Bernard (1886-1961), in his book "*Functions of an executive*", (1938).

A collection of elements or components that are organised for a common purpose is referred to as a system, whereas smaller systems within a larger system are referred to as subsystems.

Systems can be open or closed. A closed system can function without interacting with its environment. But since an organisation interacts with its environment and depends on it for survival, it is mostly viewed as an open system. This is well explained in the following figure. In simple words, like a human body, the organisation is a system made up of many interrelated and interdependent parts (subsystems), put together to achieve some specific objectives.

Organisation as Open System

Nowadays companies are much more complex. They are large and employ a lot of people and do business in both domestic and international markets. They operate in a complex fast changing business environment that can quickly turn opportunities into threats and strength into a weakness. Thus, management decisions in these organisations have a wider impact especially on the internal and external group of an organisation.

Let us consider an organisation like PepsiCo Inc. (system), it is made of inter-related parts (Subsystems) like marketing, production, Human resources, Finance departments. So, decisions like closing down a factory, laying off workers, bonus declaration, promotions etc. not only impact the production, human resources, marketing and finance departments but affects the output of the entire PepsiCo also.

In simple words, a manager needs to think of his organisation as a system and every decision taken, may affect this system at multiple levels. Thus, a systems approach encourages managers to look for connections between different parts of the organisation and its environment.

The ideology of the systems approach is for managers to create synergy. Synergy occurs when two or more subsystems working together can produce more than they could be working apart.

In practice, managers need to evaluate patterns and events in their domain of the organisation to determine the best management approach. Further, they need to find connections in different parts of the organisation to form a collaboration and work as a collective whole rather than as isolated units.

In systems approach, the success of an organisation depends on certain key elements like synergy, interdependence, and interrelations between various subsystems. The other crucial elements to have an impact on this success includes departments, workgroups, and business units. The benefits of applying the systems approach in Ztech Inc are as follows.

Benefits of Systems Approach

◊ **Assessment Capability** - It builds a careful assessment capability in managers where they evaluate the effects of their actions.

◊ **Reasonable Decision** - The decisions are formed considering every aspect of the organisation instead of just technical like in scientific management or activity side like in administrative management or human side like in human relations management. Every decision is forced to view the situation in total and arrive at the most reasonable decision.

◊ **Maintains Balance** - It tries to maintain a good balance between the needs of various parts and organisational goals.

◊ **Faster Decision Making** - It takes a reasonably shorter time to make decisions. The limitations of the Systems Approach adopted by Ztech Inc are as follows.

Limitations of the Systems Approach:

◊ **Abstract and Vague** - The systems approach is very abstract and vague as it cannot be directly applied to practical problems.

◊ **No Specialised Methods** - There are no tools and techniques specified in this approach to deal with problems.

The systems approach is highly relevant to management as it views organisations as open social systems that must interact with their environment. Based on this, society views organisations as their part. This view aids organisations in adapting to the changes of the business environment and survive.

Please Note: Systems Approach or theory is also called a big picture approach.

Now let us look to the last stream of modern management theory, the contingency approach.

The lack of proper techniques and tools to aid in decision making led Mr. Raja Ram to substitute the systems approach with a situational approach in Ztech Inc., wherein apt decisions based on emerging situations could be taken. Under this approach, different decisions can be taken for similar situations occurring at different period, thus its applicability is extensive and pragmatic.

Let us understand the management approach Mr. Raja Ram would need to implement in light of the Contingency Approach.

1.2.4.3. Contingency Approach

Contingency theory was first proposed during 1970 by Jay William Lorsch, an American Organisational theorist, Professor of Human Relations at Harvard business school and Paul Roger Lawrence (1922-2011), an American Sociologist, Professor of Organisational Behaviour at Harvard Business School in their publication, "Differentiation and Integration in Complex Organisations"

The contingency approach implies a situational approach. It can be viewed as an extension of the systems approach. Consistently many research has shown that management methods used for a problem in one situation hardly works for the same problem in another situation. This implies that there is no universal management method to deal with every problem in every situation. Thus, an appropriate managerial action depends on the parameters of the situation.

The core concept of the contingency approach is based on the belief that there is no single way to solve a problem. That is, management action depends on the situation. This is because every organisation differs from the others. They all have dif-

ferent People, environment, task and locations, management methods etc. Thus, the management approaches of each organisation depend upon the situation, nature of the job and people involved in it.

Practically, the management approach varies with the organisation and its environment. This approach attempts to analyse and understand the interrelationship between the organisation and its environment. Thus, taking the specific managerial action necessary to deal with the issue. The benefits of applying the Contingency Approach are as follows.

Benefits of Contingency Approach

◊ **Adaptive** - Any single management approach is not blindly followed to deal with a problem rather each situation is carefully Analysed to find the best way to manage it. Thus, classical management theory and behavioural management theory can be applied as per the situation.

◊ **Dynamic Nature** - It necessitates management to be aware, active, innovative, creative and dynamic in handling any situation and find the most suitable action to deal with a situation.

◊ **Wider Applicability** - It has wider applicability in an organisation, as it can apply any approach based on the requirement of the situation. For example, it can apply the scientific management approach at the factory (where the focus is technical) and the human relations approach (where the focus is human elements) at the corporate office or it can combine both and apply. Following are the limitations of Ztech Inc with a Contingency Approach.

Limitations of Contingency Approach

◊ **Complexity** - It is highly complex in application. Even a simple problem involves the analysis of many organisational parameters. Often, managers may find it to be a tedious and complex exercise.

◊ **Scarcity of literature** - It lacks literature for reference. It is not developed to an extent where it can provide meaningful solutions to various managerial problems in a specific way.

The contingency approach is highly valid for small scale organisations where management takes into consideration both internal as well as external requirements before making decisions. But still Many argue that contingency theory is still in its infancy (incomplete) and needs a lot of development before incorporation. Hence, the contingency approach holds a lot of importance for the development of future management theories. Contingency Approach is also known as the Situational Approach.

Modern management theory is inspired by the process of systems analysis. Unlike, the classical management theory which emphasises centralised leadership, decision making and profit maximisation, and neoclassical theory which emphasises the human aspect of work. The modern management theory focuses on all aspects of an organisation and its environment. It is an integrative theory that combines the valuable concepts of classical and behavioural management theory with the social and natural sciences. With this, we conclude the modern management theory.

Recap

◊ Classical theory: Bureaucratic, Scientific, and Administrative Management

◊ Bureaucratic model: Exercise of authority in organisations for better management.

◊ Scientific Management: Division of human activities into small tasks for efficiency

◊ General Administrative Theory: Follow principles to coordinate the internal activities of organisations

◊ Neo-Classical Theory: Human relations and Behavioural science approach

◊ Human Relations Approach: Satisfaction of employees' basic needs. Based on Hawthorne Experiment

◊ Behavioural Science Approach: - People will be productive if given opportunities to use their skills and abilities

◊ Contemporary management theory- Quantitative, Systems, and Contingency Approach

◊ Quantitative Approach- Utilises mathematical, statistical, and informational aids for the managerial decision-making

◊ Systems Approach: Organisation is a system, made of different subsystems

◊ Contingency Approach: Management action depends on the situation it needs to be taken

Objective Questions

1. How is the evolution of management thought classified?

2. Which theory is based upon the belief system that people have only physical and economical needs?

3. What is the basic premise of scientific management?

4. Who is the father of Scientific Management Theory?

5. Who is the father of modern management?

6. What is neo-classical Management Theory also known as?

7. .Who is the father of the Human Relations Theory of management?

8. What is a manager's objective as per the systems approach?

Answers

1. Classical, Neoclassical and modern theory of management.

2. Classical Management Theory

3. Division of human activities into small tasks so that it could be done more efficiently in less time increasing production

4. F W Taylor

5. Henri Fayol

6. Human Relations Movement

7. Elton Mayo

8. To coordinate between subsystems to attain objectives

Self-Assessment Questions

1. What is the contribution of Max Webber towards classical management theory?

2. List the managerial functions as per administrative theory?

3. What is proposed by the bureaucratic model?

4. Which techniques are advocated in modern management theory to Analyse and understand all aspects of an organisation?

5. Which management approach branches into Management science, operations management and management information system?

6. When does synergy occur as per the systems approach?

7. What is the contingency approach referred to as?

8. Which approach applies the ideas of behavioural sciences like anthropology, psychology and sociology in managing people?

9. What is Abraham Maslow's contribution to the behavioural sciences approach?

10. Which theory of Douglas McGregor denotes a more mature view of human nature?

11. Which theory of Behavioral Sciences Approach suggests that management practices have a direct impact on an employee's development and growth?

12. What is Benevolent Autocratic Management Style?

13. Which management approach enhance the knowledge in motivations of an individual, behaviour of a group, inter-personal relationships at work, and the importance of work to people.

Assignments

1. Determine which of the management theories is applied by an organisation of your choosing and state your reasons. Suggest better choice management strategy for three organisations in your locality.

2. Will you advocate the idea of implementing Scientific management principle in your organisation? Why? List your arguments for and against the idea.

Suggested Reading

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BLOCK - 02
Functions of Management

Unit - 1
Planning

After completing this unit, the learners will be able to:

◊   gain insights on the concept of planning

◊   familiarise the components of planning

◊   create an awareness on the process involved in planning

◊   identify the importance of planning in decision making

P Prerequisite

There is a saying, "if you don't know where you want to go, no road will reach you anywhere." The ability to foresee the future course of action helps to achieve things better. This holds profound relevance to the visionary endeavors of Elon Musk and the success of Tesla. Through innovative and effective strategic planning, Elon Musk's Tesla has not only established itself as a leader in the electronic mobile market but has also set its sights on transforming the automobile industry. By understanding the importance of having a clear vision and a well-defined roadmap, Tesla has been able to navigate the challenges and uncertainties of the market while excelling as a global leader.

The relevance of planning in management extends beyond a single instance of Tesla's success story. It serves as a fundamental pillar for any organisation striving for excellence and growth. By setting clear goals, developing comprehensive strategies, and aligning efforts across all levels of the organisation, effective planning provides the necessary direction to turn aspirations into tangible achievements.

Discussion

The relevance of planning in management cannot be overstated, as it serves like a compass planning guides organisations towards their desired destinations, just like Tesla and Elon Musk's visionary ventures. In today's dynamic and competitive business landscape, planning in management becomes critical as it enables businesses to remain agile, responsive, and future-ready. Organisations that invest time and effort in strategic planning are better equipped to navigate uncertainties, seize opportunities, and build a sustainable path to success. Let us have a look into planning in management.

2.1.1. Meaning and Definition

Planning is deciding in advance what to do, when to do, how to do and who is to do a particular course of action. It is the basic and the foremost function in the management process. Planning is basically looking ahead. It involves the selection of the best course of action from among the available set of alternatives.

To have a clear-cut idea about the term planning we can peep into the following standard definitions.

◊ Henry Fayol: "Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the pre-determined goals."

◊ Koontz and O' Donnell: "Planning is an intellectual process, the con-scious determination of a course of action, the basic of decisions on purposes, facts and considered estimates."

◊ Billy E Goetz: "Planning is fundamentally choosing and a planning problem arises only when an alternative course of action is discovered."

◊ George R. Terry: "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualising and formulation of proposed activities believed necessary to achieve desired results."

◊ Louis A. Allen: "Management planning involves the development of forecast, objectives, policies, programmes, procedures, schedules and budgets."

From the analysis of the above definitions, it is clear that planning is primary function of management and basically it is an intellectual process to foresee the events which are supposed to happen in future and suggesting the clear cut and effective ways for accomplishing the goal or objectives in hand. Planning actually bridges the gap between from where we are to where we want to go.

2.1.2 Objectives of Planning

Management and administration in today's world must lay a strong foundation for any business or industrial unit to succeed, and this can only be accom-

plished through planning. In any organisation, planning entails deciding the objectives, drafting plans and programmes, and defining policies for optimum utilisation of the available resources to attain the predefined objectives. Consequently, plan helps managers and administrators of any business or industrial unit to achieve their goals as per the needs of the desired objectives. The following are some of the objectives of planning.

◊ **Forecasting**

The first and most important ingredient in planning is forecasting. It involves predicting future events and outcomes based on historical data, trends, and relevant information which helps managers to anticipate potential opportunities and challenges, enabling them to make informed decisions and develop effective strategies.

◊ **Setting of goals**

The primary aim of planning in management is to define precise and well-defined goals and objectives for the organisation. These goals act as a roadmap, offering direction to the entire organisation and aligning employees' efforts towards a shared purpose.

◊ **Decision making**

Planning helps in making informed decisions by considering various alternatives and evaluating their potential outcomes. It allows managers to analyse different courses of action, anticipate potential problems, and select the most effective approach to achieving the objectives.

◊ **Forecasting of risk**

The purpose of planning is to forecast and overcome future threats, therefore technical strategies are often mapped out and chosen in advance to manage the inconsistency and solve problems. By anticipating these risks, managers can develop contingency plans to mitigate their impact and maintain business continuity.

◊ **Helps in establishing co-ordination**

A planning process is the leading initiator of coordination within an organisation. Planning aims to facilitate coordination and collaboration among different departments and teams within the organisation. It ensures that everyone is working in sync towards common objectives.

◊ **Resource allocation**

Planning involves determining the necessary resources (such as finances, personnel, technology, and materials) required to accomplish the goals. It helps in allocating resources efficiently to different activities and projects to avoid waste and ensure optimal utilisation.

◊ **Delivering information useful for organisational success**

The planning process provides adequate information to employees in the organisation as well as portraying to the outside world a positive picture of the organisation, its policies, performance, and results. Stakeholders gain confidence and trust as the organisation portrays a positive image of its

policies, performance, and results, building strong relationships with customers, investors, and partners. Moreover, adequate information sharing allows for risk mitigation, compliance with regulations, and continuous improvement, ensuring the organisation remains adaptable and responsive to changing circumstances and challenges.

◊ **Economy in management**

When employees and management work together more effectively, the predetermined goals are met, waste is reduced to a minimum, thereby achieving efficiency in the overall economy of management.

◊ **Performance measurement**

Planning provides a basis for evaluating performance and progress towards the set objectives. By comparing actual results with the planned targets, managers can identify deviations and take corrective actions as needed.

◊ **Supports in maintaining healthy competition**

Those in an organisation are in constant competition with their fellow employees of any specific department, because the basis for future incentive or promotion is the actual job performance and achievement of those employees. In doing this, colleagues may be forced to be jealous or use unfair job-hindering techniques, which ultimately hampers the overall goals of any business or industrial unit. This requires an ethical attitude and unbiased planning for the growth of the business or unit in reality.

2.1.3 Types of Planning

Even when we say planning is a pervasive function meaning it can be applied to any organisation, the type of planning required for one firm will not be the same as the other firm. According to the nature of planning, some important types of plans are as follows:

2.1.3.1 Financial/Nonfinancial planning

The financial plans are basically the most common type of plan. It exclusively relates to the monetary aspect of the business. It helps the concern to know the financial position as well as the sources where by money can be raised or borrowed. On the other hand, plans relating to the physical resources of the concern are termed as non-financial plan. Both plans are equally important for the smooth running of the business.

2.1.3.2 Formal/Informal planning

When a plan is prepared on the basis of clear cut thinking and homework and is deliberately prepared in black and white or in written form is known as formal plan. On the contrary mere thinking about a future action is known as informal plan. The formation of formal plan is very important for the successful running of the business.

2.1.3.3 Specific/ routine planning

When a plan is prepared for a specific or special purpose is known as specific plan. This needs special attention and devotion from the part of planners. On the other hand, as the name suggests routine planning is meant for accomplishing the day to day affairs of the organisation. For both plans the procedure are somewhat identical or same.

2.1.3.4 Short and long-range planning

The question regarding long-term or short-term plan is the outcome of the decision of the management. As the name indicates when an organisation prepares a plan for three to four or five years, it is commonly known as long-term planning. The purpose of this plan is the accomplishment of long-term objectives. Whereas short-term plan is prepared for time duration of six months to one year. This plan is an annual plan and the purpose is to attain the ordinary course of business activities.

2.1.4 Components of Planning

The following are the key components of planning.

2.1.4.1 Goals/Mission

Goals are end means that the organisation plans to achieve. Goals are achieved by means of fulfilling the objectives. It can also be called as a mission or purpose. For example, producing quality products and low price to customers can be considered as the goal of an organisation.

2.1.4.2 Objectives

Objective is the core element of planning which constitutes the very basic purpose of the enterprise. These are the end towards which all managerial activities are directed. An organisation can grow and develop in orderly and progressive manner only if well-defined goals have been established to guide its progress. Objectives make every human activity purposeful. It must be clear, simple, definite and realistic one. An example of an objective set by an organisation can be to reduce wastage by 5 per cent. The objec-

tives should be expressed in concrete terms. Mostly the objectives are set by the top management and the success of the organisation certainly depends upon the clarity of objectives.

An objective may be

◊ Major or minor

◊ Short-term or long-term

◊ Economic or social

The objectives make all activities purposeful. Therefore, an objective shall be one which is capable to attain the given goal of the organisation within the limits and opportunities of the environment in which the business is operating.

2.1.4.3 Policies

Policies are basically guidelines to action. It provides a broad guidelines as to how objectives are achieved in a given situation. It can be defined as "the mode of thought and principles underlying the activities of an organisation or an institution." They indicate the manner in which a given situation should be handled. Policies generally set up broad limits for decision making. These are general plan of action that guides the members of the enterprise in the conduct of the business. According George R. Terry "policy is a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which managerial action will take place."

Policies are necessary at all levels of management. Generally, a policy may be top management policy, middle management policy, written or implied policy, operating force policy, sales policy, production policy, research policy, financial policy, costing policy, accounting policy etc.

Importance of policy

A sound policy is an inevitable factor for the successful running of an organisation. The importance of policies arises due to the following facts:

◊ They act as the main guidelines for the proper functioning of various departments.

◊ They help the mangers to discharge duties fairly and timely.

◊ They provide stable foundation for performing various functions.

◊ They complement the planning functions.

◊ They provide proper guidelines as to which a manager should act in a given situation.

Principles of a good policy

A good policy should satisfy the following principles:

◊ It should be clear and precise.

◊ It should be enforceable.

◊ It should be stable.

◊ It should be flexible.

◊ It should be based on facts and accurate information.

◊ It should be based on sound judgment.

◊ It should be comprehensive.

2.1.4.4 Procedure

These are basically guide to action rather than guide to thinking. It tells the manner or methods by which work are to be performed. Policies lay out a broad field where the area is determined by objectives and the limits, whereas procedures tells the sequences as to which the work is to be accomplished. It defines the ways of doing things. The essence of procedure is to fix chronological sequences of required action. It is an administrative specification and gives operational guidance of activities in future. Thus, a procedure is a standard practice for the organisational performance.

The purpose of procedure is to establish standardisation of work and to obtain uniformity of actions, so that everyone who engages himself in the work will do in the correct manner. The procedure shall be simple and understandable to the concerned group. Normally a procedure or set of procedure with the under mentioned characteristics will contributes in appositive way in the organisation.

◊ **Based on clear facts:** A procedure should be based on adequate facts and information relating to a particular situation. Thus, while setting the procedure due consideration shall be given to the objective, the physical facilities, the personnel and the type of work.

◊ **Stability:** Stability is the core element of procedures. Once it is established changes shall be made only when fundamental modifications in the factors affecting the operation of the procedure occur.

◊ **Flexibility:** Flexibility of procedures is desirable in order to adjust with a crisis or emergency, special demand or for meeting an unforeseen contingency. Therefore, a balance should be maintained between stability and flexibility of procedures.

◊ **Updated and up to date:** The procedures are to be frequently analysed and to be updated in accordance with the passage of time. The periodical review may specify the type changes that are needed in the procedures to make them more workable.

◊ **Procedures as a system:** For more effectiveness, it must be recognised as system of interrelated activities of a network. Procedures cannot bring efficiency unless their complex systematic structure is analysed and support system is provided.

Difference between policy and procedure

Table 2.1.1 Policy Vs Procedure

Policies	Procedure
They are general guidelines to thinking	They are specific instructions for action
They are laid down by top management	They are made at the lower level management and operate within the policy for the concerned work.
They are the basic frame work within which decision are made	They are the indicators of specific routes to perform a given job
They give comprehensive approach to management	They emphasise the details of doing a work
They are directions	They are instructions

2.1.4.5 Programme

A programme is a sequence of activities designed to implement policies and accomplish objectives. It is a step by step approach to guide the action necessary to reach a predetermined goal. It must be closely integrated with objectives. It is basically a set of planned sequence of activities based on clear cut time table and vision

2.1.4.6 Methods

These are the prescribed modes of performing a specific step in the process of work. A method can be developed through custom and practice or through careful planning. Anyway, the developed method shall be economical and realistic. The methods seek to increase the efficiency in operations. Methods are based on research and are regarded as logical or rational. For example, for the valuation of stock, there are several methods such as, FIFO, LIFO. NIFO, HIFO, etc..

2.1.4.7 Budget

A budget is a plan of action of expected results expressed in numerical terms. Budgets may be stated in time, money,

materials or other units. They help in controlling costs, setting financial targets, and monitoring the organisation's financial performance.

2.1.4.8 Strategies

According to Koontz and O'Donnell;

"Strategies are general programme of action towards the attainment of comprehensive objectives".

These are basically interpretative planning or plan made to suit a special situation. These are actually the corrective weapon in the hands of managing people for meeting the crisis in a given/ recurring situation.

It has been derived from the Greek word "strategos" which means general. In business it had been borrowed from military terminology, It means the art of moving or dispensing the instruments of warfare (troops, ships, aircrafts, missiles etc.) as to impose upon the enemy of the place, time and conditions for fighting by oneself.

Strategy is the determination of organisational objectives in the light of environmental variables and determination of course of action and commitment of organisational resources to achieve the objectives. Thus in brief, strategies are plan against plan and meant for overcoming a special situation or for defeating the competitors. Thus in nut shell it is imperative planning.

Nature of strategies

◊ Strategy is a contingent plan.

◊ Strategy provides the direction which human and physical resources will be deployed.

◊ Strategy relates an organisation to

its external environment.

◊ Strategy is the right combination of different factors.

◊ Strategy is forward looking.

◊ It is generally long-term in nature.

◊ It is flexible and dynamic.

2.1.4.9 Rules

Rules are specific instructions in regard to what may or may not be done. Rules spell out specific actions, allowing no discretion. Rules are the decisions taken by the management regarding what is to be done and what is not to be done in a given situation. For example "No smoking in the plant" is a rule.

2.1.5 Essentials of a Good Plan

A good plan typically means an effective plan that covers every organisational activity and reaches every goal. In simple words, a good plan is capable of realising the pre-determined objectives of an organisation within given time and resources.

◊ Simple – A good plan has to be simple so that it is easily understandable, paving way for easy implementation by employees at various levels. A plan should be designed in such a manner that technicalities can be dealt with by any management levels and departments, to avoid unanticipated consequences and complications in the future.

◊ Objective - A good plan is developed to attain the pre-determined objectives of any organisation. A plan is like a roadmap to reach the objectives,

so if objectives are not clear and certain, then the plan is useless. Hence, a plan must be designed with clear objectives in mind.

◊ Futuristic - Plans are always developed for accomplishing certain tasks in the future. Thus, a good plan needs to be a future-oriented action. It must be envisioned with the future needs and goals of an organisation in a predictable future business environment.

◊ Time-bound – A good plan should allocate a specific time for each activity in a plan. A plan should include a predetermined time for the execution of each activity at various levels of an organisation. This schedule should be in sequence and needs to include the average time taken to complete every activity.

◊ Flexible - A good plan needs to be flexible so that it can accommodate upcoming opportunities and modifications which may arise due to the changing circumstances in the future. In simple terms, a good plan should be envisioned with the future requirements and circumstances of an organisation. A rigid plan is most likely to fail in an ever-changing business environment.

◊ Efficient - Efficiency translates to economical or low cost or within a budget. That is, a good plan should aid an organisation to achieve its goals at the minimum possible cost. In simple words, a good plan aims towards the efficient utilisation of resources.

◊ Operational - A good plan should

not be limited to paper but, it should be working in the intended situation. In other words, a plan is to be designed in such a way that it is practical and operational in the real world.

◊ Stable - A good plan should be stable, that is minor changes arising from future opportunities or circumstances must not affect the core plan. To establish a steadfast plan, it needs to be designed, based on the past facts and results with consideration of organisational objectives and predictable future business environments.

◊ Comprehensive - A good plan needs to be comprehensive, that is a plan should include every aspect of an organisation and its business environment. It must contemplate and integrate several aspects of an organisation like long-term objectives, short-term goals, departmental goals, policies and procedures, time limit, business environment, routine activities, powers and authorities delegated to the employees, responsibilities of the staffs, etc..

◊ Participative - A good plan should inculcate participation from everyone, as an organisation can be effective only when all its elements are working together in harmony. Similarly, a good plan should include participation from the entire management and subordinates at every level of an organisation. That is, it should consider each department of an organisation and aid in all their development.

◊ Reliable - A good plan needs to be reliable. Every organisational

activity needs to be based on reliable information and facts to be more effective. As plans include control standards for each activity it has to be based on reliable data, facts, information from trustworthy sources. A plan developed with precise information and facts is found to be more successful.

◊ Applicable - A good plan can be easily implemented. Thus, a good plan is developed in such a way that it arranges for organisational activities to be in line with necessary resources at precise time schedules which aid in its easy implementation.

A good plan results in maximum returns with optimum investment, thus it should contain all the above features to be a good plan. In simple words, a plan that results in efficient and effective execution is always good.

2.1.6 Planning Process or Steps in Planning

1. **Establishing objectives:** This is the initial step in the planning process. Objectives are specific and measurable goals that an organisation aims to achieve within a given time frame. These objectives should align with the organisation's mission, vision, and overall strategic direction.

2. **Developing Planning Premises:** Planning premises are assumptions about future conditions or events that will affect the organisation's plans. It involves forecasting and considering various factors such as economic conditions, market trends, technological advancements, legal and political developments, and any other relevant environmental factors. These premises provide a foundation for decision-making during the planning process. Planning premises may be classified as follows:

◊ External and internal premises.

◊ Tangible and intangible premises.

◊ Controllable and uncontrollable premises.

3. **Determining alternative course of action:** One of the major steps in the planning process is the determination of alternative course of actions. Here we choose those courses of action which is urgently needed and vital for running of the business. These alternatives can be based on different approaches, resources, and scenarios to address the organisation's goals.

4. **Evaluating alternative course of action:** The alternatives so found earlier are subjected to screening in this step. It is based on the relative merits and demerits, economic gain and other vital contributions that can be had from the alternatives in future.

5. **Selecting an alternative course of action:** This is the cardinal step in the planning process. It is actually the point of decision. If we have more than one course of action, a particular alternative will be decided on the basis of the relative merits and significance of

the same in future.

6. **Formulating derivative plans:** After having the selection of the best course of action, the selected plan has to be implemented. The next step in the planning process is the implementation programme. Here the black and white idea is visualised into action. For this purpose, various steps are formulated; the breakdown of those steps into various sequences and the manger will prepare the final plan for action.

7. **Follow up:** During the implementation phase, it is crucial to continuously monitor the progress of the plan. Regularly track the actual results against the planned objectives and milestones. This enables the organisation to identify any deviations, challenges, or opportunities that may arise during the execution of the plan. As part of the follow-up and monitoring process, if deviations or issues are identified, it is essential to take corrective actions promptly. This may involve making adjustments to the plan, reallocating resources, or revising the strategies to ensure that the organisation stays on track to achieve its objectives.

2.1.7 Importance of Planning

Planning plays a crucial role in the success and effective functioning of organisations across various sectors. The significance of planning is as follows:

◊ **Sets clear objectives**: Planning provides a clear direction and purpose to the organisation by setting specific objectives and goals. It ensures that all efforts and resources are aligned towards achieving these objectives, preventing any wastage of time or resources on unrelated activities.

◊ **Minimise uncertainty and risks**: Planning helps to identify potential dangers and overcome their adverse effects to a great extent. Thus by predicting future conditions, risk due to uncertainty can be reduced.

◊ **Planning helps to convert challenges to opportunities**: The success of the plan mostly depends on predicting and overcoming the uncertainties in future events. Provides systematic and scientific approach to management.

◊ **Planning helps to achieve the predetermined objective:** While considering the alternatives, the best alternative will be identified by the management and they will take the appropriate decision to achieve the goals. Results in economy and efficiency.

◊ **Proper planning helps to reduce the cost:** Planning helps to reduce wastage and increase the revenue of the organisation.

◊ **Facilitates control:** Plans serve as standards for the evaluation of performance. The organisation can always compare the actual performance with the planned one. If they detect any deviation, they can easily take precautions to control it

◊ **Helps in coordination:** The organisation can always compare

the actual performance with the planned one. If they detect any deviation, they can easily take precautions to control it.

◊ **Encourages innovation and creativity:** Planning helps to direct all the activities towards the common goal of the organisation. It gives unity of direction to the employees. Better coordination helps to achieve the common goal.

2.1.8 Advantages of Planning

The following are the advantages of planning:

◊ The business objectives can be easily accomplished through plans because planning is purposeful and requires an orderly action.

◊ It facilitates the process of decision making.

◊ It helps the organisation to implement the future programmes in a systematic manner

◊ Planning helps the manager to cop up with the fast-changing technological changes, automation and cybernetics schemes.

◊ The planning process is a catalyst for achieving the economies of large-scale production etc..

2.1.9 Limitations of Planning

Even though the planning process resulted in manifold advantages, it is not free from criticisms or disadvantages. The planning process is subjected to certain limitations. They are:

◊ Planning is time consuming activity.

◊ The basic limitation of planning is the lack of accurate information. Quality of planning depends upon the accuracy of information

◊ In majority cases, the planning mechanism is highly rigid and biased.

◊ Planning has only limited scope in industries under rapidly changing situations such as business dealing with clothing and apparel.

Planning is an expensive affair as it involves forecasting, collection of information, evaluation of alternatives which needs the service of experts.

Recap

◊ Planning - thinking before doing or acting.

◊ Forecasting – predicting future events.

◊ Financial plan - monetary aspect

◊ Non-financial plan- physical resources.

◊ Formal plan- based on clear cut thinking and homework.

◊ Informal plan- mere thinking about a future action.

- ◊ Specific plan - special purpose.

- ◊ Routine plan - day to day affairs.

- ◊ Long-term plan- 3 to 5 years.

- ◊ Short-term plan- 6 months to 1 year.

- ◊ Goals- end means

- ◊ Objective- specific goals expressed in concrete terms.

- ◊ Policies- broad guidelines.

- ◊ Procedure - guide to action.

- ◊ Programme- sequence of activities.

- ◊ Methods - specific step in the process of work.

- ◊ Budget – plan of action in numerical terms.

- ◊ Rules – what to do and not to do.

- ◊ Strategy - general programme of action.

Objective Questions

1. What is the primary purpose of planning in management?

2. Which level of management sets objectives?

3. Which term is used to denote a plan developed for 3 to 5 years?

4. Which type of plan sets idea about what to do and what not to do?

5. Which function of management bridges the gap between where we are and where we want to go?

6. Name the type of plan that is prepared on the basis of clear cut thinking and homework.

7. Which type of plan offers chronological sequences of required action to be performed in an organisation?

8. Which term is used to denote general programme of action towards the attainment of comprehensive objectives?

Answers

1. Setting objectives

2. Top level management

3. Long-term plan

4. Rules

5. Planning

6. Formal plan

7. Procedure

8. Strategy

Self-Assessment Questions

1. Define planning.

2. 'Planning is an intellectual process', explain.

3. Name five types of planning.

4. What is formal planning?

5. What are the characteristics of a good plan?

6. Explain the mission or purpose of planning.

7. Explain the concept of planning. Discuss the nature of planning.

8. 'Planning is the thinking process and managers being men of action, should have no use for it,' comment.

Assignments

1. Plan the next year's activities for an organisation and list the factors that will be taken into account while preparing the plan.

2. Give example for different type of plans you use in real life with justification.

3. Explain the steps in planning taking the example of plan for a leisure trip for you and your family.

4. How planning helps an organisation in achieving objectives? Elaborate your understanding stating an example of a successful organisation.

Suggested Reading

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5. Gupta, M. (2011). *Principles of management*, PHI Learning Pvt. Ltd. New Delhi.

Unit - 2
Organising

After completing this unit, the learner will be able to:

◊ familiarise themselves with the concept of organising

◊ distinguish between formal and informal organisations

◊ identify the different forms of organisation

◊ gain an in-depth knowledge of the principles of organisation

P Prerequisite

Imagine the buzz of energy on the morning of the school festival. Students are running around making final preparations, decorations are being put up, and delicious aromas blow gently from the food stalls. At first glance, it looks like exciting chaos, but there is actually careful organisation underlying all the activity. Meet Priya, head of the organising committee. Months before the event, she worked with teachers and students to brainstorm ideas and set goals. Knowing they wanted a fun fair theme with games, food, and music, Priya broke down the tasks. She put together teams to handle logistics like ticketing, facilities, and budget. Other teams got creative with decorations, activities, and menus.

Leading up to the festival, Priya oversaw the teams to make sure all the pieces came together. She coordinated schedules, approved plans, and helped solve problems. Thanks to Priya's diligent organising, the day of the event goes off without a hitch.

As you walk around enjoying the festival, you are witnessing organisation in action. You admire the colourful decorations made by the creativity team. You play fun games set up by the activities team. The delicious smells are from the menu team's food stalls. And it's all held together by Priya's organising expertise. Organisation is like an invisible force that allows many people to unite their diverse skills and accomplish an exciting collective goal. So as you dance, play, and feast at the festival, remember the organised efforts that made it all possible!

Authority, Responsibility, Span of Control, Delegation

Discussion

Organising is the second cardinal function of management. It essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objective In static sense organisation is a structure manned by a group of people who are working together for accomplishing a common goal. In dynamic sense it refers to the process of welding together a framework of positions, which can be used as a management tool for the most effective pursuit of the goals of an enterprise.

2.2.1. Meaning and Definition

The word organisation is derived from the Latin word "organism" which means structure of body divided in to parts. Organisation is the means of achieving the common goal. It can be used as a structure, a process and as a group.

To have clear idea regarding the term organisation, we can peep in to the following standard definitions.

Chester I. Barnard "Organisation is a system of cooperative activities of two or more persons."

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

In brief organising is the determining, grouping and arranging of the various activities deemed necessary for the attainment of a common objective

2.2.2 Purpose and Importance

The core or basic purpose of an organisation is to enable people to work together effectively for the accomplishment of a common goal. A good organisation creates relationships that minimise friction, focus on objectives, clearly define responsibilities for all parties, and facilitate the attainment of goals.

A sound organisation always ensures smooth and efficient functioning, a better degree of coordination between individuals, defines the positions of individuals, and creates their own responsibilities. All of these factors contribute to the smooth accomplishment of objectives.

A well-planned organisation has manifold advantages:

◊ Provides better facilities for administration.

◊ Promotes specialisation through the division of work.

◊ Permits growth within and outside the enterprise.

◊ Ensures diversification of work through proper assignment.

◊ A sound Organisation always ensures the optimum utilisation of resources.

◊ A well-organised structure motivates employees to work effectively.

◊ It fosters team spirit among members.

◊ A sound Organisation always leads to innovations and technical improvements.

A sound and planned organisation creates a high degree of integration of various jobs, ultimately leading to the materialisation of ultimate objectives."

2.2.3 Steps /Process of Organising

The four-fold process for establishing organisation are;

a. Determination of objectives

The primary step in the organisation process is the determination of objectives. The objectives determine the various work to be undertaken by the entire members of the organisation. This is the guiding force for the work to be performed by the individual in the undertaking. The objective should be clear, legible and practicable and time bound.

b. Grouping up of activities

Here, activities of similar nature are clubbed together and forms themselves divisions, sections and departments. This will ensure time bound and efficient functioning of the organisation.

c. Assignment of duties

This is a crucial step in the organisation process. This step involves allocation of work among people who are to perform the job and fixing their individual responsibility. While assigning duties care should be taken to see that the right job is given to the right persons with due amount of authority and responsibility

d. Delegation of Authority

This is the last step in the organisation process. Delegation refers to the granting of authority to subordinates to perform the entrusted task well. It empowers managerial personnel to use money, men and materials for the visualisation of objectives.it is an in dispensable element of administration. The proper delegation ensures the smooth functioning of the firm.

2.2.4. Principles of Organisation

A sound organisation needs a set of rules/principles for its smooth functioning. These are popularly known as principles of organisation. They are;

i. Unity of objectives

The organisation as whole should have a clear idea about the overall objectives.it is necessary because of the fact that every member of the organisation know his own objectives which guide the activities towards attainment of common goal.

ii. Unity of command

This principle states that there should be one superior for a subordinate at a time, i.e., a subordinate is responsible to act as per the direction of only one superior at a time. This principle ensures clarity of direction for the smooth functioning task assigned to the subordinates. This is based on the principle that "no man serves two masters at a time".

iii. Span of control.

Span of control or span of management is one of the lucrative principles of an organisation. Span means limit as such

span of control refers to the limit with which the superior can effectively control the number of subordinates. The purpose of this principle is to ensure the smooth running of the business through moderate and effective control over the subordinates. Generally, span may be too small in the Top and moderate in the middle level and little large in the lower-level management.

iv. Principle of exception

This principle implies that the procedure of entrusting /referring the matters not come under the normal and routine business to higher level management. It is an arrangement whereby all 'decisions relating to the routine affairs are handled by the lower-level management and all the problems involving unusual matters should be referred to higher level'.

v. Scalar principle

The flow of authority from the top level to the lower level of the organisation in a graded manner is known as "Scalar principle". According to this principle "The Authority and responsibility should flow in a clear unbroken line from the top to the bottom.it is created through a process of delegation. This principle is also known as 'chain of command'.

vi. Departmentalisation

It is the grouping up of similar activities into division, units or departments. It is based on specific norms. The basic purpose is to enable the individual managers to handle the work effectively e.g. production, marketing, personnel, finance etc.

vii. Decentralisation

Decentralisation is one of the cardinal principles of organisation. It is a policy granting permission to take decisions at lower levels of an organisation. Here subordinate get considerable amount of authority to manage the affairs of the concern. It is made through proper delegation of authority. However, the key decisions are taken only at the top level management. It is fine democratic function of the management.

viii. Principle of balance

An organisation is a blend of different departments /division / sections. Each department differs from the other in terms of its activities. Even then all of them should contribute in their allotted task in attaining the goal. To achieve this, proper balance has to be maintained between various departments. There should be a fair and proper balance between the allocation of resources, delegation and assignment of duties.

ix. Delegation of Authority

The concept of delegation refers to the transfer of due amount of authority to subordinate for the visualisation of the entrusted task. It is a fine administration technique. It is meant for the easy accomplishment of the goals of the organisation and to reduce the burden of the superiors. When proper delegation is made it will ensure the smooth realization of objectives. The basic purpose of delegation is to reduce the administrative burden of the top management.

x. Flexibility

A sound organisation should practice the principle of flexibility, which means allowing adjustments for changes within the Organisation. The fundamental characteristic of a fine organisation is 'the ability to adapt itself to new conditions.' Therefore, the structure should be such that it can incorporate changes.

xi. The principle of specialisation

These principle states that the division of work in accordance with qualification and relative experience of each job in the organisation. It is based on the assumption that each human being only a limited capacity at his disposal. Therefore, for the accomplishment of group goals it needs the exercise of specialized knowledge from different part as well as persons of the organisation.

2.2.5 Organisation Structure

An organisation structure is the graphical representation of the positions from an authority and responsibility of each individual in a formal organisation. It is an invisible framework of an organisation. It is in reality equal to an architectural plan of a building.

The architect or engineer who draws the plan has to consider a host of factors before finalising the plan. He has to consider the location, availability of areas, purpose of the building, available financial resources etc. Similarly, in the case of an organisation structure, there are a number of factors to be considered such as objective, attitude and nature of management, available personnel, size, location etc.

Some eminent authorities have described organisation structure as the framework or anatomy upon which the organisation develops and operates. Generally, an organisation structure represents hierarchical arrangements of various positions in the organisation. It can be defined as "a system of job position, the roles assigned to them and the authority-responsibility relationship among various positions.

Broadly, an organisation structure is an invisible framework that ties together

various technical and managerial experts and specialists. In reality, it outlines the activities and establishes the relationship between different positions.

2.2.5.1 Formal and Informal Organisations

Broadly, there are two forms of Organisations. They are;

a. Formal Organisation.

When an organisation is formed on the basis of a clearly defined organisation chart it is known as formal organisation. Here the position, authority, responsibility, duties etc. are clearly defined.

It is a purposeful and pre-determined pattern of structure indicating the superior subordinate relationship that should prevail in order to fulfil the objectives. It lays down the manner in which the person by whom each work in the organisation shall be done.

The formal organisation is impersonal and institution oriented and deliberately planned. It is "system of well-defined jobs each bearing a definite measure of authority, responsibility and accountability".

According to Chester I. Bernard "an organisation is formed when the activities of two or more persons are consciously co-ordinated towards a common objective"

Features of formal organisation

i. Formal organisation is planned and created by management

ii. It is established with the aim of achieving the predetermined goals of the firm

iii. It gives importance to positions

and not to individuals

iv. It is based on authority and respon-sibility

v. It has written rules that decides the actions of each individual

vi. It is based clearly on the principles of organisation

vii. It has official channel of communi-cation and a clear-cut organisation chart

Advantages

i. Clearly laid down duties, responsibility and authority

ii. There is a division of labour and sub division of activities

iii. Responsibility for the failure or non- performance of a job can be fixed on individual easily

iv. Clear rules and regulations are followed

v. Easy and effective co-ordination and control over the activities.

Disadvantages

i. There is no personal consideration or importance

ii. Rules are given more importance than persons

iii. It discourages the spirit of individ-ual initiatives

iv. It is not an organisation of people, but of jobs or positions.

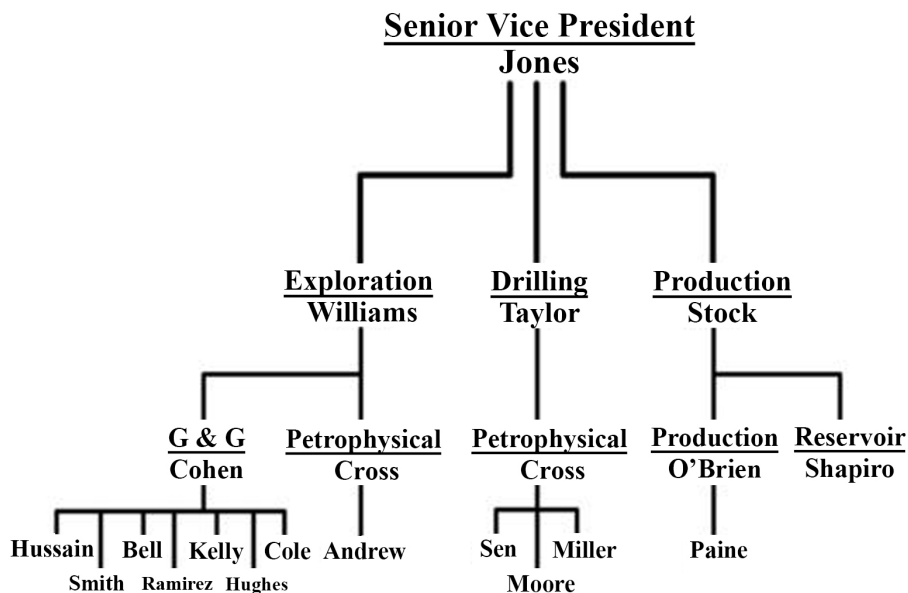v. There is a chance of misuse of authority

figure 2.2.1 Structure of formal Organisation

b. Informal Organisation

These are spontaneously growing parallel organisations inside formal organisations through the process of informal communication or grapevine. They mostly arise from social gatherings of people who work together in an establishment. It is natural that whenever people work together and meet each other, they develop personal friendships and interpersonal relationships. This leads to opportunities for social gatherings where members exchange their views and ideas on policy matters, the style of functioning, and other common interests.

It is observed that 'the informal organisations modify and simplifies the formal system'. The informal organisation is not at all the outcome of a formal agreement, but out of social gathering. The informal organisation influences formal organisation to take decisions on matters which are omitted from organisation pattern. Commonly, the informal organisations take place from social interactions. This organisational form helps the management in grabbing the response of the employees on different issues.
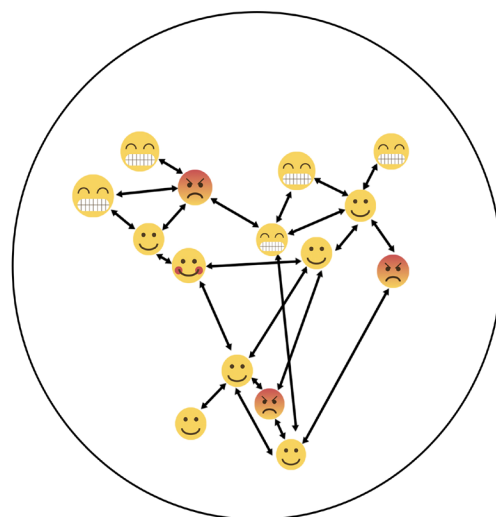
Features of informal organisations

i. It is unplanned and arise spontaneously

ii. It's goals are ill defined and intangible

iii. It shows social relationship among employees

iv. It is based on common interest in art, culture and social issues

v. The membership in this organisation is voluntary

vi. It has no written rules

vii. There is no organisation chart for informal organisation

Advantages

i. It fills up the gaps and deficiency of the formal organisation.

ii. Informal organisation gives satisfaction to the workers and maintains the stability of the work.

iii. It is a useful channel of communication

iv. The presence of informal organisation encourages the executives to plan the work correctly and act accordingly.

v. The informal organisation also fills up the gaps among the abilities of the manager.

Disadvantages

i. It has the nature of upsetting the morality of workers.

ii. It cats according to mob psychology.

iii. Informal organisation indirectly reduces the efforts of management to promote greater productivity.

iv. It spread rumour among the workers regarding the functioning of the organisation unnecessarily.

Figure 2.2.2 Structure of informal Organisation

2.2.6 Organisation Charts and Manuals

Organisation chart is a graphical representation of the position, authority, responsibility and duties of each and every position in the organisation. It is the vivid representation or portrait of various positions, their authority, respective responsibility, duties and functions every individual. As far as a stranger to the organisation concerned, he/she will get a clear idea at a glance by referring to organisation chart. This chart is very important in the organisation for avoiding collusion between various individual because it clearly depicts the respective place as well as the duties and roles of each individual in the organisation.
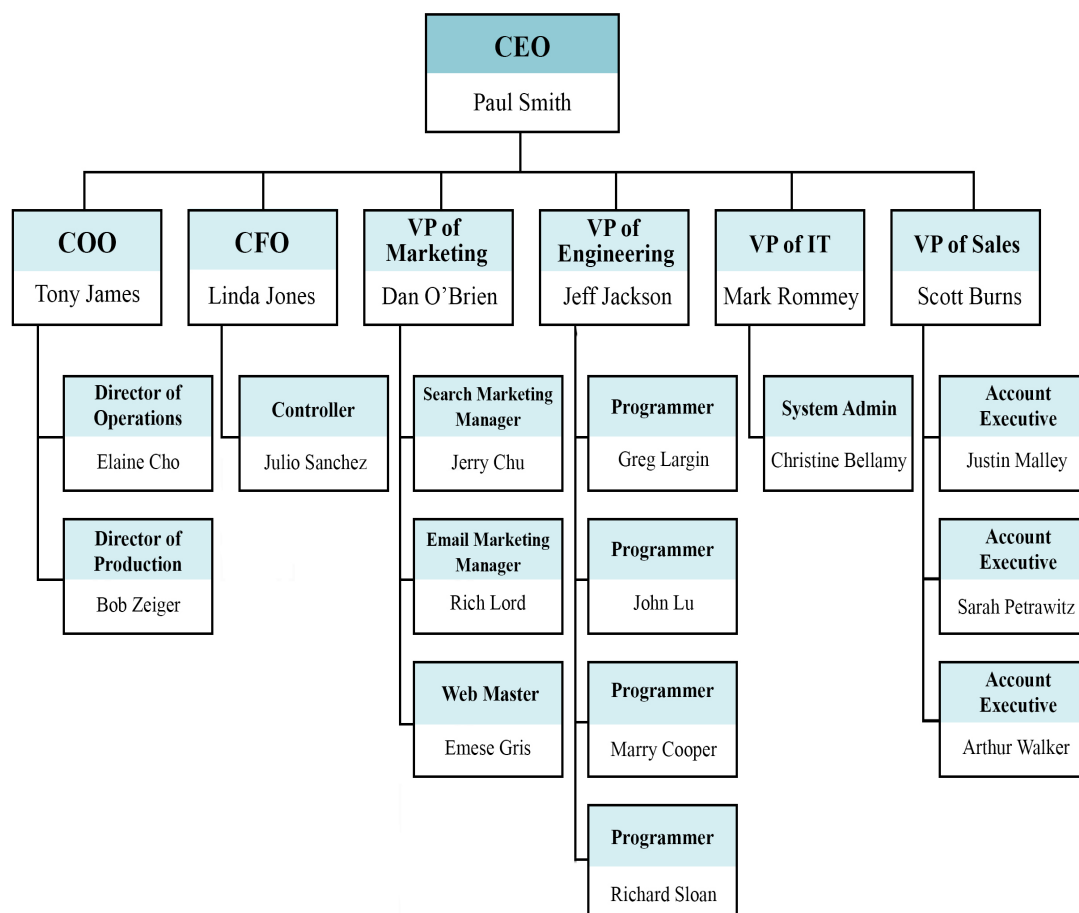

Figure 2.2.3 Comprehensive organisation chart

2.2.7 Types of Organisations

i. Line Organisation

ii. Line and Staff Organisation

iii. Functional Organisation

iv. Committee Form of Organisations

2.2.7.1 Line Organisation

Line organisation is the oldest form of organisation. It is the most direct, simple and most common type of organisation. It is also known as "military organisation or "traditional" or "hierarchical organisation", because the line of authority and responsibility resembles the one followed by the military organisation, church and such forms of social institutions.

In this type of organisation each position has general authority over lower positions in the hierarchy in the accomplishment of major goals of the organisations.
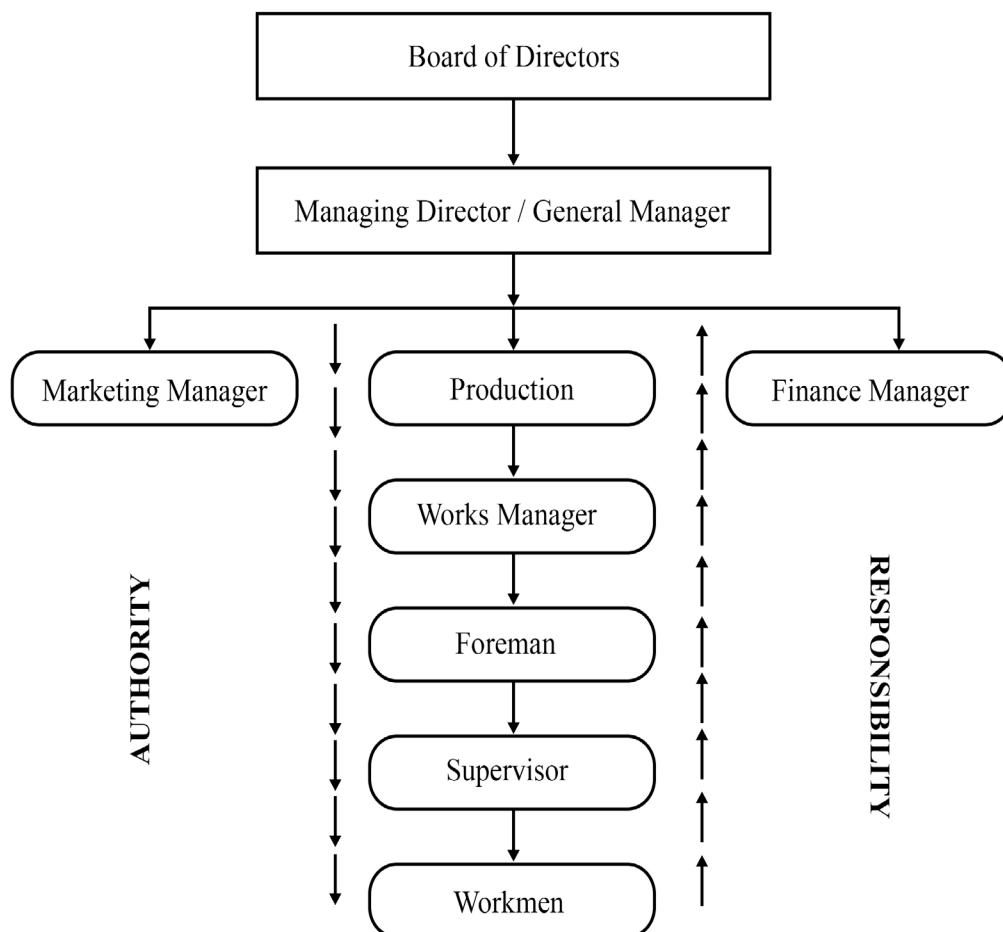

Figure 2.2.4 Line Organisation

There is downward flow of authority from the top to bottom directly from managing director to the worker .On the other hands the responsibility goes upwards in an ascending manner from worker to the top level executives. In this type of organisation scalar principle and principle of unity of command is strictly followed. No subordinate is under dual command or with two or more superiors the line of authority is simplest subdivision and the promotion is step by step upwards.

The system can be successfully used:

i. Where the scale of operation is comparatively small, and the subordinates are not too many.

ii. In continuous process industries like oil refinery, spinning and weaving etc:

iii. Where the machinery is nearly; not entirely automatic so that there is no call on the intelligence of the foremen.

iv. Where the work is simple and is almost of routine in nature.

v. Where there are no or hardly no labour problems to solve.

Advantages

The system resulted in manifold advantages. They are:

i. It so simple and easy to work.

ii. It is economical and effective.

iii. It makes use unity of command and scalar chain principles.

iv. It fixes definite responsibility for definite task.

v. It is stable and less expensive.

Disadvantages

i. It is based on autocratic management.

ii. The division of work is more whimsical.

iii. It hampers progress and prevent effective working of the unit.

iv. It creates high degree of nepotism and bureaucracy.

v. Line organisation is rigid and inflexible.

2.2.7.2 Line and Staff Organisation

The line and staff organisation are developed due to the inherent limitations of line organisation and due to the growing demand for the business to use experts' service. Here the term staff actually denotes to group of individuals who are assumed to be specialist in various intricacies of business activities. In line organisation line managers are fully concentrate on maintenance of discipline and control over the activities. But they are not able to give attention of every phase of management. Thus, a specialist group is formed known as 'staff'. The line and staff organisation is the mixed blend of line organisation with advisory function. Here the staff are considered as experts having in depth knowledge in various spheres of industrial issues and having sufficient technical knowhow. In its origin staff was added purely as advisor to the line structure with no authority to pace recommendations into action. The staffs are officers who are not in the line supposed to give proper advice from time as and when the line mangers demand.

The concept of staff idea has also borrowed from military where they are doing

advisory function to the commanders. In military they are concentrating on the collection and dissemination of information for the decision making purposes.

In the industrial or business scenario, the staff organisation came into existence as result of the inability of the line managers to think, analyse and plan for the future activities. The line mangers are always concentrated on maintenance of discipline and control activities, as the business grow bigger and is a subject of fast growth due modernisation and innovation, the requirement of the business is also growing at faster pace. To keep going on this line the expert or specialist service is inevitable which leads to the wide scale acceptance of staff. Thus, it leads to new form of organisation called the Line and Staff Organisation

The line and staff organisation made a distinction between thinking and doing. Here as the name suggest the line is concerned with the management of affairs and maintenance of discipline. On the other hand, staff is purely concentrating on thinking or advisory functions. Thus, the staff functions are clearly detached from line management. Here staffs are concerned with the work of research, investigation, recording, standardisation, and other advisory functions. As a result, the line and staff organisation made a clear demarcation between thinking and doing.

It is to be noted that staff functions are cooperative and coordinative, but they do not stand to one another in any order of ascending or descending scale. Thus, to conclude the role of staff is essentially one of advice, assistance and the provision of expert and specialised services. However, it is be noticed that the element of service is relatively more important in the higher level and lesser in lower level of the organisation. However, the staff in the lower level too is doing fine advisory functions to the line staff at lower level. For the sake convenience the staff in the organisation may be

◊ **Personal staff:** here the staff official attached to a line manager as a personnel assistant, or advisor to line manager. The functions are to render advice and services to the line managers as and when required

◊ **Specialised staff:** These are expert staff acting in the pinnacle position of the Organisation such as Accounting, Personnel, Public relationship to render advice to the persons in the top level or at the helm of affairs.

◊ **General staff:** These staffs are located at the central office and render to services to top and middle management as and when required.

The line and staff system is one of the great classifying human factor between: men of action leaders, mangers, executives i.e.; the line and thinkers who are concerned with 'why' and 'how' and less with doing like Scientist, Planners, Organisers, Engineers, Accountants etc.

Advantages

i. It is based on planned specialisation.

ii. The line management will get expert advice from staff managers

iii. It provides for better utilisation of human resources leads to better skill development

Disadvantages

i. The line and staff mangers relationship often lead to friction and jealousy

ii. If the allocation of duties and responsibilities are clear and well, it led to friction and confusion thorough out the organisation

iii. There is danger that the staff expert remaining ineffective due to lack of authority and recognition.

2.2.7.3 Functional Organisation

Functional organisation is a logical extension of the line and staff organisation. Here, thinking and doing functions are clearly separated. The functional organisation is essentially the outcome of blending the scientific management system with the business scenario. Under this plan, specific functions common to all departments are each placed in the hands of a person specially qualified for their particular job. Instead of attending to all functions in one department, each person focuses on one aspect across all departments. This scheme is based on the theory of the division of labour, where personnel in an organisation are split up into various functional areas such as personnel, marketing, accounting, maintenance, and so on.

A notable point of distinction between line and staff organisation and functional organisation is that, in functional organisation, specialists' positions are just above advisors; they become executives in charge of single techniques that command several units of work. Employees are no longer under one boss but instead have as many bosses as their specific job functions demand.

The need for functional mangers arises due to

i. The complexity of the modern big businesses.

ii. The need to make the fuller utilisation of specialist

iii. The necessity for avoiding undue burden on line mangers in the day today decision making and allied issue of the business.

Taylor's Functional Foremanship or Organisation

The functional foremanship is propounded by F.W.Taylor as a part of scientific management . It is based on the separation of thinking and doing. This focus on higher productivity and improved efficiency through the use of specialised skill and knowledge. He saw a single man, concentrating on a limited number of tasks, could become highly skilled.

Thus, in functional foremanship, Taylor advocated eight foremen in place one foremen, Four in the shop and four in the planning department.

Executive Bosses.

Taylor has suggested four foreman or supervisors on the shop level

a. Gang boss

He is responsible for preparing the work for the machine and getting it to the worker, also providing necessary tools, drawings and materials.

b. Speed boss

Responsible for machine speeds and workers performance so as to see the job was performed in the correct way and at the right speed.

c. Inspector

Responsible for the checking of quality and to provide guidance to drawings

d. Repair boss

Responsible for repairs and maintenance of machines.

Functional bosses.

They were employed in the department and include

a. Route clerk or order of work clerk

Responsible for giving direction how the job has to be done and to see the production order was completed

b. Instruction card clerk

Responsible for the issue clear cut instruction card to workers

c. Time and cost clerk

Responsible for predetermination of time, cost and its recording

d. Shop disciplinarian

Responsible for the upkeep of keen discipline throughout the work

One of the striking features of this system is that each worker had eight foremen, in place of only one in normal situations.

Advantages

i. It ensures specialisation and efficiency, as one man devotes the entire time and energy in doing one thing.

ii. Each person devotes his entire time and best efforts, because he develops according to his best abilities.

iii. It gives ample opportunity to study well the work and able to give creative suggestions,

iv. It encourages organisational growth through the growth and development of individuals or workers

Disadvantages

Total confusion throughout the organisation due to the lack of proper definition to various position in the Organisation.

i. Overlapping of authorities due to multiple foreman ship

ii. The flow of authority responsibility relationship is totally lost due to functional foremanship.

iii. The system increases clerical and related work

The coordination of work is not easy and creates lot of complexities.

2.2.7.4. Committee Form of Organisation

As the name suggest it is the democratic form of organisation. A committee is a group of people who formed on the basis of a plan and discuss some particular subject. The need arising from technological and commercial development and the urge of employees in decision making.

Theo Haimann defines a committee as "a group of persons either appointed or elected who are to meet for the purpose of considering matters assigned to it".

Thus, a committee consist of one person or a body of persons. It develops the new ideas and approaches of the organisation.

Purpose

The fundamental purpose of a committee is to take advantage of the benefits arising from group thinking, group discussion and group opinion or views about a given matter. It also aims at joint decisions based on sound judgement.

Requisite of a good committee

The fundamental requisite of good committee are clearly stated objectives, terms of references, preferably in writing, granting adequate authority, wise selection of members, a competent chairman and an efficient secretary.

A committee may be constituted by the management for a specific purpose, which may be temporary or permanent in nature. The management decides the number of members.

Generally, there are two types of committees Formal and Informal. A formal committee is one which formally organised to assist the management. For example; finance committee. On the other hand, a committee is not formally set up for some general purpose is called informal committee and the subject matter for discussion may not be an official one.

2.2.8 Departmentalisation

The process of organising of an enterprise is a twofold process.

◊ Dividing and the work to be done and

◊ Assigning different duties and responsibilities to different individuals

Departmentalisation is the process used to group up the activities in to units for the purpose of convenience of administration.

Department comprise a frame work for an organisation and are an agency of management. Departmentalisation provide sufficient scope for the executives for their development and efficient performance

Broadly, departmentalisation takes the following forms;

◊ By function

◊ By territory

◊ By process

◊ By product/service

i. Functional basis

The most common form departmentalisation followed in almost all the cases is on the basis of function. Here the departments are set up on the basis of functions such as sales, personnel, finance, marketing etc.

ii. Territorial basis

When the size of the business is very big and the geographical coverage is wide in nature this departmentalisation is made. This will help the managers to identify the key issues relating to respective area and can do the best.

iii. Process basis

This departmentalisation is suitable for the manufacturing business. Here the jobs are identified on the basis similar activities. Here similar machine and operations are pooled under one department to ensure smooth functioning, for e.g.; lathe machines, drilling machines/department.

iv. Departmentalisation on product basis

This departmentalisation is suitable for those firms producing multiple products. On the basis of nature and type of prod-

ucts here departments are established and given responsibility to respective managers. The product wise departmentalisation is highly suitable for the use of specialised knowledge, machines and method of production.

2.2.9 Span of Control

Span of control or span of management is one of the lucrative principles of an organisation. Span means limit as such span of control refers to the limit with which the superior can effectively control the number of subordinates. The purpose of this principle is to ensure the smooth running of the business through moderate and effective control over the subordinates. Span of control in general refers to "the number of people one can supervise directly". It postulates the limitation of human beings to control and coordinate the efforts of large number of people at one time. The purpose is to ensure smooth functioning of the firm through moderate and effective control over subordinates.

Generally, span may too small in the top and moderate in the middle level and little large in the lower-level management. There is no clear-cut rule or answer for the length and number in definite level for determining the span.

Factors determining the span

The following are the factors determine the span.

i. Nature of work

ii. Intellectual capacity and supervising ability of superiors.

iii. The skill and ability of employees

iv. The organisational stability

v. The general attitude of the management towards delegation and decentralisation of authority

vi. The willingness and synergy of the subordinates to accept responsibility

vii. The system of control devices employed

viii. The duties of executives

ix. The stage of company's growth etc

There are different opinions about the number of subordinates in the span of control. According Lyndall Fownes Urwick, the ideal number of subordinates for general supervision is four. On the other hand, General Ian Hamilton suggests that the ideal number of subordinates in a span is between 3 to 6. He believes that the human brain cannot effectively control more than 5 to 6 other brains.

An empirical formula for determining the appropriate number of subordinates was developed by the French management consultant, Mr. V.I. Graicunas. He identified three types of superior-subordinate relationships for the purpose of determining the exact number of subordinates at each level.

a. Direct single relationship

b. Direct group relationship

c. Cross relationship

2.2.10 Authority and Responsibility

2.2.10.1 Authority

Authority is the outcome of the formal organisation structure followed by definition to various positions. In an undertaking the manager assumes authority by virtue of his positions.

According to Koontz and O'Donnell "Authority is the power to command others, to act or not to act, in manner deemed by the possessors of authority".

Henry Fayol consider authority as "the right to give orders and the power to exact obedience."

Thus, from the above it is clear that authority is the right of management to take decisions, issue orders, directions and guidelines to subordinates for the accomplishment of defined goals or objectives.

Authority flows from the top to the bottom. It creates superior –subordinate relationship in which the organisation built up. The purpose of authority is to govern the activities, maintain order, and secure systematic functioning. It is quite different from power. Power is fundamentally the ability of an individual to influence another for performance of a task authority is acquires through delegation whereas power is not the result of delegation. It may be noted that all types of power are not authority; only the power relationship exist between superior and subordinate can be termed as authority. Based on the above comments, we can sum up the following characteristics to authority

i.   Authority basically legitimised and confers right to the position holder by which he can regulate the behaviour of his subordinate to act or not to act in a given situation in given way.

ii. The authority gives right to decision making in recurring situation based on the needs of the Organisation.

iii. Authority is exercised to influence the behaviour of others to whom it has been exercised.

iv. The authority itself is an objective because it is given to a position but its exercise may be subjective.

Authority is the basis for responsibility and the binding force of an Organisation. Thus, in nutshell it is the cohesive force which grant permission to a superior to act or not act in a given is called authority

2.2.10.2 Responsibility

Responsibility implies obligation of the subordinates to the superiors as well as to the organisation to carry out the duties assigned. According to Theo Haiman "responsibility is the obligation of the subordinate to perform the duty as directed by the superiors". It is applicable to only human factor in an industry and not to any other factors of production. Responsibility cannot be delegated. It is the counter part of authority. In other words, if an individual has conferred with an authority has a corresponding responsibility for the proper use of that authority. It flows upwards from bottom to top of an organisation. The subordinates usually assume operating responsibility whereas superiors assume ultimate responsibility in an organisation

2.2.10.3 Accountability

Accountability makes a person answerable for his or her work based on their position, strength, and skills. In other words, accountability means that a task has been assigned and authority to complete it has been delegated, and the employee is accountable to their superior for their own performance on the task and the proper exercise of delegated authority.

According to Mac Farland, "Accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility".

Table 2.2.1

Authority, Responsibility and Accountability

Basis	Authority	Responsibility	Accountability
Meaning	The right to take decision and instruct subordinates	The obligation to perform the assigned task	Answerable for the final outcome
Origin	From job position in the scalar chain	From delegated authority	From responsibility
Flow	Downward from superior to subordinates	Upward from subordinate to superior	Upward from subordinate to superior
Delegation	It can be delegated	It cannot be delegated entirely	It cannot be delegated.

2.2.11 Delegation of Authority

Delegation of authority is an art. It is an indispensable technique of management in getting the decided objectives through proper participation and involvement of individuals in a formal organisation structure. It is now widely accepted because of the fact that, without proper delegation the task of managing become very difficult.

Meaning and definition

The word delegation is derived from the Latin word "delegare' which means to grant or confer or send away. In other words, 'it literally means substitute a person with authority to on behalf of one another'. In simple words to delegate means to send a representative.

According to Koontz and O'Donnel "Delegation is an elementary act of management. It has become the basis of an organisational functioning and it is the key to an organisation"

According to Louis A.Allen "When one person gives another the right to perform work on his behalf and in his name, and the second person accepts a corresponding duty or obligation to do what is required of him", delegation of authority comes into existence.

Theo Haimann defines delegation as "the means of granting of authority to subordinates to operate within the prescribed limits."

Delegation actually an art of division work for the realisation of objectives. It is the grant of permission to the subordinates with equal amount of responsibility. It is the act of passing a part of job a superior expected to perform in the normal working conditions. In order to enable the subordinate to perform the task assigned, they are granted required authority. In turn they are also made responsible for the work allotted. According to George R. Terry "conferring authority from one executive to another or from one unit to another in order to accomplish a particular assignment. It is actually the dynamics of management. It is the act of dividing the work by top executives to the bottom in

a gradual and descending manner to the lower level for the smooth performance of a given task.

Delegation of authority has the following features.

i. Delegation is an authorisation to a manager to act in a given situation in a given manner.

ii. The degree of delegation prescribes the limit within which the manger has to decide the things.

iii. Delegation has dual characteristics: as a result of delegation, the subordinate gets certain amount of authority but at the same time his superior retains all his original authority

iv. Authority once delegated can be enhanced, reduced or withdrawn depending on the situation and requirements.

v. Delegation of authority may be general or specific. It is specific when it is transferred for a given or definite purposes and on the other hand if it is transferred for all work, it is general in nature.

vi. Delegation of authority is always to the position created through the process of organising. He/she can exercise the authority as long as he holds the authority.

2.2.11.1 Steps in delegation

a. **Determination of results expected**: This is the primary step in the process of delegation. The degree of delegation is the outcome of results expected in a given situation. This implies that the amount of authority shall be sufficient enough to complete the task entrusted. Thus, the primary requirement of the delegation process is to determine the volume of work or results expected from a particular manager or executive.

b. **The assignment of duties:** After having the decision regarding the determination of results expected from each individual, the next step in the delegation process is the assignment of duties. It implies that the specification regarding the task or activities to be performed by the subordinates. Upon delegation each individual is expected to be a responsible person for the performance of the entrusted task well. Hence it is necessary to define the task well and clear.

c. **Granting of authorities**: The third process in the process of delegation is the granting of sufficient authority to perform the entrusted task well. Soon after getting the authority, they can proceed the work. They will get necessary resources, power and all other amenities to complete the task well

d. **Creation of responsibility**: The final stage of delegation is the creation of equal amount of responsibility at par with the authority delegated. In other wards the subordinates are responsible for discharging their duties well. It is the creation of accountability for the non-performance of the task. There is a saying that "Authority without Responsibility is dynamic danger, while responsibility without authority is empty vessel".

Once a subordinate is granted the necessary authority, he must be permitted to use that authority safely. The subordinate can prevent unnecessary interference from other side. So, he can complete the job satisfactorily.

2.2.11.2 Features of delegation

The salient features of delegation are outlined as follows:

i. A person cannot delegate all his authority.

ii. Delegation does not mean avoiding responsibility the manager who delegated the authority is still responsible.

iii. We cannot delegate someone's authority. A person can delegate only the authority vested with him.

iv. Normally routine matters are only delegated and the prime matters are handled by the superiors itself.

v. Delegation may be oral or written, general or specific.

Guidelines for making delegation effective

The following points are to be born in mind for making the delegation an effective one:

i. Function, duties and authority etc of subordinates shall be clearly defined.

ii. In accordance with the importance task delegated to the subordinates, sufficient authority shall also be delegated.

iii. Subordinates shall be responsible to only one superior at a time.

iv. The delegation should follow the established chain of command

The delegation process shall provide necessary motivation to subordinates.

2.2.11.3 Principles of delegation

i. **Assignment of duties in terms of objectives**

For the effective delegation, the duties, responsibilities as well as the results expected from each subordinate should be clearly defined. There should be a functional definition for all activities undertaken, the degree of delegation and the amount of responsibility to be shouldered by the subordinates etc will help in the smooth flow of delegation process.

ii. **Classification of limits of authority**

In delegation process the authority probably assumed by each individual in each and every position shall be clearly defined. This will enable the subordinates to know their areas of work and respective authority.

iii. **Parity of authority and responsibility**

There should be a parity or synchronisation of authority and responsibility. In other words, the distribution authority in turn match with equal amount of responsibility and vice versa

iv. **Absoluteness of accountability**

Accountability being an obligation, cannot be delegated. No executives can escape from the respective responsibility and the responsibility of the

subordinate under him. He cannot pass this obligation to others.

v. **Authority level principle**

This principle states that each superior in the organisation shall assume only the respective authority assigned to him. It means that he can do all the things within his jurisdiction and not go for a decision or for permission from a superior for an act beyond his authority

vi. **Unity of command**

This principle is a cardinal principle for the effective delegation. It states that there should be only one boss for a subordinate at a time. In other words, it focuses on avoiding dual command.

vii. **Effective communication**

The communication between superior and subordinate shall be a two-way communication. What the superior assumes that has to be communicated to the subordinate in the most simple and legible manner.

2.2.11.4 Difficulties of delegation

It is quite natural that we may experience a host of difficulties at the time of delegation of authority.

a. On the part of superiors

i. I can do better feeling: some executives may think that they are only able to do the job better. They are reluctant in delegating the authority

ii. Lack of ability to direct: A superior who lacks the ability to direct the subordinates will avoid delegation of authorities.

iii. Lack of confidence on the subordinates: The superior may not have a strong belief in the capacity of the subordinates about the performance of an entrusted task well

iv. Lack of proper control: There may not be proper controlling system in the organisation. In the absence such system he will not delegate the authority.

b. On the part of the subordinates

i. Fear of criticism

ii. Lack of information

iii. Dependence on the manager

iv. Lack of self confidence

v. Inadequate incentive

2.2.12. Decentralisation

Decentralisation refers to delegation of authority to lower levels of management and to all departments of the organisation. Each level of management retains some of their authority delegates to the lower-level remaining authority and decision making power. In this is way, authority is pushed down to the lowest level. Therefore, decentralisation is an extension of delegation on a wider area. Decentralisation is a management approach of giving lower-level employees an important role in decision making process.

According to Henry Fayol, "Everything that goes to increase the importance of the subordinate's role is decentralisation"

Recap

◊ Organising - Determining, grouping and arranging of the various activities.

◊ Organisation structure - Graphical representation of the positions.

◊ Types Of Organisations - Line Organisation, Staff Organisation, Functional Organisation. and committee form of Organisations.

◊ Formal organisation - System of well-defined jobs each bearing a definite measure of authority, responsibility and accountability.

◊ Informal organisation - Social relationship among employees.

◊ Span of control - The number of people one can supervise directly.

◊ Departmentalisation - Grouping of the activities for administration.

◊ Authority - Power to command.

◊ Responsibility - Obligation of the subordinates.

◊ Accountability - Obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility.

◊ Delegation- Transfer of work from superior to subordinate.

◊ Decentralisation - Delegation of work from top level to lower level.

Objective Questions

1. What is a formal organisation?

2. Define span of control.

3. What is delegation of authority?

4. What do you mean by organisation structure?

5. What is informal organisation?

6. Define organisation chart

7. What is line organisation

8. What is functional foremanship?

9. What is scalar principle

Answers

1. Organisation is formed on the basis of a clearly defined organisation chart

2. The limit with which the superior can effectively control the number of subordinates.

3. Delegation of authority literally means substitute a person with authority to on behalf of one another.

4. Representation of authority and responsibility relationship.

5. Parallel Organisations inside the formal Organisations through the process of informal communication or grape wine.

6. Graphical representation of the position, authority, responsibility and duties of each and every position holder in the organisation.

7. It is the most direct, simple and most common type of organisation hierarchical in nature.

8. Separation of thinking and doing. Focus on higher productivity and improved efficiency through the use of specialised skill and knowledge.

9. The Authority and responsibility should flow in a clear unbroken line from the top to the bottom.

Self-Assessment Questions

1. Discuss in detail the various forms and types of organisations.

2. Explain briefly the principles of organisation.

3. What is delegation? When does it become effective?

4. Span of control is the determining factor for the number of subordinates under a superior. Could you explain it?

5. Is departmentation the foundation of a sound organisation? Discuss.

6. Differentiate delegation and decentralisation.

Assignments

1. Find out different scenarios in your daily life where you delegate the authority to another person and state the benefits of the act.

2. For a large business organisation, is delegation or decentralisation more useful? Explain.

3. How does informal organisation benefit the organisation?

Suggested Reading

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3. Rao, V. S. P., & Krishna, V. H. (2009). *Management: Text and cases*. Excel Books India.

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5. Gupta, M. (2011). *Principles of management*, PHI Learning Pvt. Ltd. New Delhi.

Unit - 3
Staffing

L Learning Outcomes

After reading this unit the learner will be able to:

◊   familiarise the concept of Staffing

◊   explain the process of Staffing

◊   understand how recruitment and selection of personnel is done in corporates

◊   know   how performance appraisal of personnel can be done

P Prerequisite

Let us say you are planning a big birthday party for your friend. This party is like a project, and you are the project manager. Now, imagine you are putting together a team to help you organise the party. You have a friend who is creative and good at making decorations, another friend who loves cooking and can prepare delicious snacks, and someone else who is great at hosting games and keeping everyone entertained. You are choosing these friends because each of them has a special skill that is needed to make the party awesome.

In this situation, you are practicing 'staffing' function. You are selecting the right people with the right talents to form your party planning team. Just like a manager at a company would pick employees with different skills to work on a project, you are assembling a team of friends with different abilities to make the birthday party a fantastic event.

This unit explains the concept of staffing in detail.

Discussion

Once organisational activities are structured and job positions are defined, the process to find the right people for these job positions is referred as crucial. This can only be done by the process called staffing. Now, we can go deep into the function of staffing.

2.3.1 Staffing – Meaning

The management function of finding the right person for the right job at the right time is called staffing. It is a continuous process. This is because retaining and maintaining manpower is a never-ending process, as managers have to regularly maintain the size and composition of personnel required by the organisation. So, a manager does this function regularly. Staffing involves finding the right person for the right job, having the right qualification, for doing the job at the right time. This doesn't mean staffing is limited to just recruiting a qualified person for a job. But it involves recruitment, selection, training, development, transfer, promotion and compensation of personnel.

As per prominent management authors, Koontz and O'Donnell, "Staffing is filling and keeping filled, positions in the organisational structure. This is done by identifying workforce requirements, inventorying the people available, recruiting, selecting, placing, promotion, appraising, planning the careers, compensating, training, developing existing staff or recruits so that they can accomplish their tasks effectively and efficiently."

An organisation can only take advantage of opportunities if the people employed are good enough to identify these opportunities. So, the strength of an organisation depends upon the strength of its members or personnel. Thus, organisations become efficient and effective based on the effectiveness of their staffing function. For instance, all physical, financial and other resources of the organisation are handled by human resources. Hence, their efficient and effective utilisation to reach organisational goals depends on these personnel. It is the people or personnel of an organisation, that gives it a distinct identification and advantage over others.

2.3.2 Process of Staffing

Let us try to understand the process staffing with an example. Aztec Corp is an Advertisement Company. As part of their business expansion into online platforms, the company has tasked Human Resource Manager, Mr. Hanu Teja to form a digital marketing team. As Mr. Teja is the Human Resource Manager of Aztec Corp, he is responsible for hiring eligible candidates for the company. Let us look at how Mr. Teja fulfils this assignment.

The staffing process involves a series of activities taken up to find and maintain manpower in an organisation. Mainly there are five steps in staffing process

which starts with manpower planning.

As per the decision of the top management of Aztech Corp., the digital marketing team require five staffs – a manager and four digital marketing executive. This decision is part of manpower planning which is explained below.

◊ Manpower Planning

◊ Job Analysis

◊ Recruitment and Selection

◊ Training and Development

◊ Performance Appraisal

2.3.2.1 Manpower Planning

The first part of staffing is manpower planning, it is the process of determining the size and composition of personnel required by the organisation for the task ahead or future goals. Manpower planning also involves the formulation of relevant strategies, rules, regulations and programs to meet the manpower requirements efficiently.

As per management author Dale S. Beach, "Manpower planning is the process of determining and ensuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved."

Objectives of Manpower Planning

Now you may ask why such elaborate planning for hiring people? The objective of manpower planning in an organisation as follows.

OBJECTIVES OF MANPOWER PLANNING
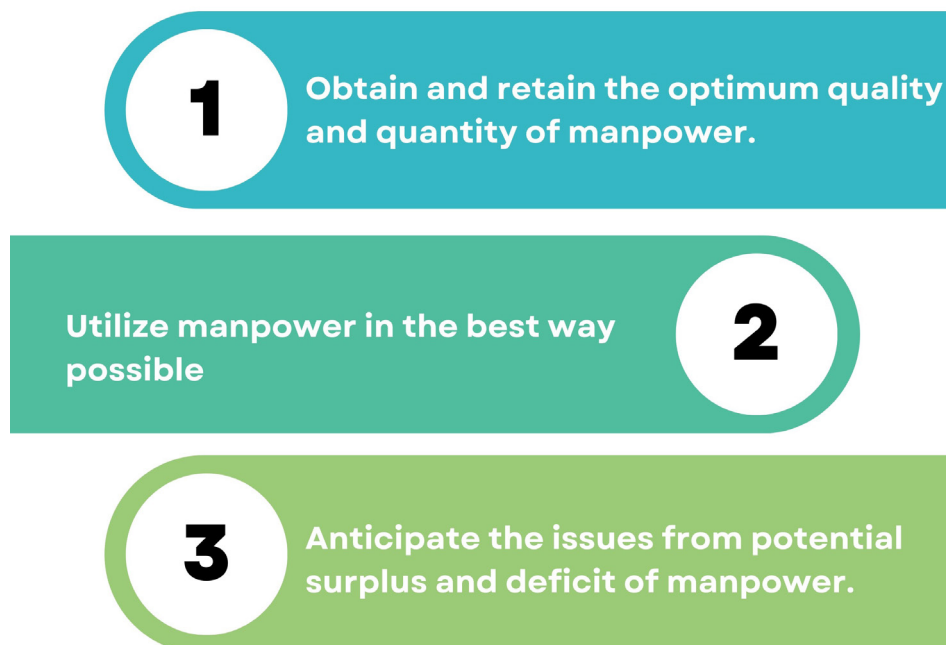
1 Obtain and retain the optimum quality and quantity of manpower.

Utilize manpower in the best way possible **2**

3 Anticipate the issues from potential surplus and deficit of manpower.

Figure 2.3.1 Objectives of Manpower Planning

It empowers organisations like Aztech Corp to have total freedom and control over the size and quality of its personnel continuously.

Let's look at the activities involved in manpower planning!

In Aztech Corp, First, management has to prepare the account of the current size and composition of personnel, based on their position, skill, experience, age, qualification etc. This provides means to forecast the future manpower requirements of the organisation.

Next, the management has to take into consideration future expansion plans, technological changes in operations, changes to organisation structure, employee turnover, department budget, promotions and transfers of existing personnel, the behaviour of the employment market and business environment. Based on these criteria, the future manpower needs of the organisation can be estimated.

Now let us understand the process of manpower planning carried out by organisations like Aztech Corp.

Manpower Planning Process

Once the strength of the digital marketing team is determined by the management of Aztech Corp, they establish the type of work, qualification and skill set, working hours, duties and miscellaneous tasks that the digital marketing team will be required to do. That is referred to as Job Analysis which is described below.

Manpower Planning Process

1 Determination of organizational goals and subsequent departmental objectives.

2 Determination of the skill and expertise required to achieve organizational goals and subsequent departmental objectives.

3 Determination of the additional manpower required concerning the organizations' current human resources strength

4 Formulating action plans to meet determined manpower requirements

Figure 2.3.2 Process of Manpower Planning

Once the strength of the digital marketing team is determined by the management of Aztech Corp, they establish the type of work, qualification and skill set, working hours, duties and miscellaneous tasks that the digital marketing team will be required to do. That is referred to as Job Analysis which is described below.

2.3.2.2. Job Analysis

Job Analysis is at the centre of manpower planning, it is the process of analysing the established jobs in an organisation, to determine the qualification, skills, experience and expertise required by people to fill these jobs. It includes the following process,
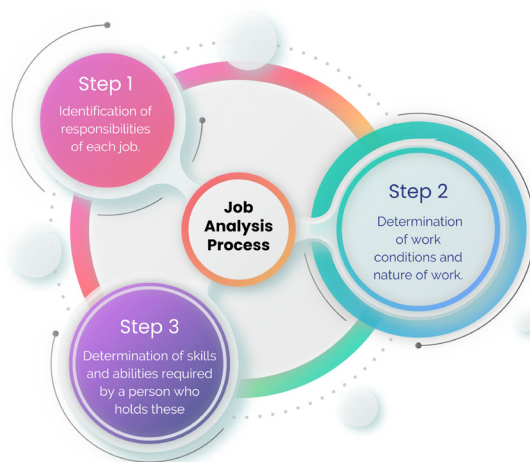
Figure 2.3.3 Process of Job Analysis

In Job analysis, the first step leads to the job description, whereas the third step leads to the job specification. Let's understand the two major aspects of Job Analysis.

As per Aztech management, a Digital Marketing Manager will be doing the formulation of strategies for digital connections with customers, monitor and engage with social media brands, and create a content plan for social media, email marketing etc. Whereas a Digital Marketing Executive will be responsible for Creating and executing SMS and E-mail based marketing campaigns, monitoring Aztech's social media strategy, maintain Aztech's website etc. That is referred to as Job Description which is described below.

Job Description

It is a written narration describing duties and activities to be carried out in a job, the relationship of the job with other jobs, the tools and equipment involved, the nature of supervision, working conditions and hazards of the job. In an organisation, all jobs have to be described in detail to determine the qualifications and skills required for each job.

As per Aztech management, The Digital Marketing Manager must be an MBA graduate in Marketing along with five years of experience in digital marketing. The Digital Marketing Executives must be marketing graduates with a minimum of one year of experience and should have completed a search engine optimisation (SEO) course. That is referred to as Job Specification which is described below.

Job Specification

It is a written statement specifying the qualifications, skillset, physical abilities, experience, judgement and attributes required to perform the job. In simple words, it states the minimum qualities required for performing the job.

You may ask why these two aspects of job analysis are highlighted?

This is because Job description and job specification are the most important prospect utilised for the recruitment and selection process of staffing. They also serve as the guideline for wage structure, orientation, and training of every recruit. Job Description and Job Specification is part of Job Analysis which is, in turn, is a part of Human Resource Planning or Manpower Planning.

Let us move on to its next logical process of Job Design.

Aztech's Management also establishes the way the company's digital marketing tasks are organised. This includes who oversees which digital marketing activities, digital marketing tasks, how it should be done, how much is to be done and in which order. It also includes reporting authority, leaves, daily breaks, working time, shifts etc. That is referred to as Job Design which is described below.

Job Design

Job design is the consequential step to job analysis. As job analysis provides the information about the qualification, skill, abilities and competencies required by an individual to perform the job efficiently, Job design organises tasks, duties and responsibilities into a job so that it contributes towards attaining the organisa-tional objectives.

As per management author Michael Armstrong, "Job design is the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in terms of techniques, systems and proce-dures and on the relationships that should exist between the jobholder and his supe-riors, subordinates and colleagues."

The design of the job has a significant impact on productivity and job satisfac-tion, as a job that is poorly put together or designed often leads to boredom, high employee turnover, job dissatisfaction, high cost and low productivity in an organisation. Hence job design is an effort to synchronize job requirements and man-power attributes.

Now let us understand the objectives of Job design in an organisation like Aztech Corp.

Objectives of Job Design

- To meet the organisation requirements like technical efficiency, quality of work and high productivity.

- To satisfy the employees needs like satisfaction in terms of interest in job, challenge and achievements.

- To integrate the organisation requirements with the employee needs.

Factors Influencing Job Design

The job Design of an organisation like Aztech Corp can be influenced by many factors. This is as follows.

There are many factors influencing job design, but they all can broadly be classified under organisational, environmental and behavioural factors.

Organisational Factors – The internal elements of an organisation that an individual is exposed to when at a job, like work nature, workflow, ergonomics, organisational practices and organisational culture.

**Environmental Factors** – The external elements that an organisation and the individual depend upon to a considerable extent like, employee availability, employee skill and abilities, employee social and cultural expectations.

Behavioural Factors – The human elements that originate from human wants, needs and work satisfaction like, diversity of work, responsive feedback, use of skills and abilities and autonomy that promotes interdependence, creativity, and efficiency.

So, an organisation like Aztech has to design its Jobs, keeping the above factors in mind to be most effective.

Aztech Corp applies the following techniques to design jobs.

Factors influencing Job Design

| Organisational Factors	Environmental Factors	Behavioural Factors
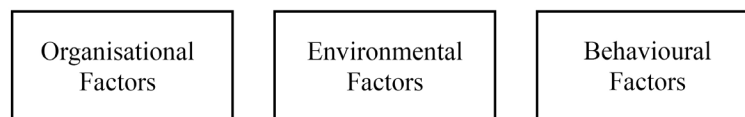
Figure 2.3.4 Factors Influencing Job Design

Techniques of job design help to analyse the job and design its content based on how the job needs to be carried out. Job design can be carried out using various techniques or methods but the most frequently used methods are as follows,

A Digital Marketing Executive who does one particular task say, for instance, Search Engine Optimisation for a week will be shifted to perform another task like email marketing in the next week. Similarly, other employees of the team are shifted likewise. This is known as Job Rotation which is given below.

Job Design Techniques

Job Rotation	Job Enlargement	Job Enrichment	Job Simplification
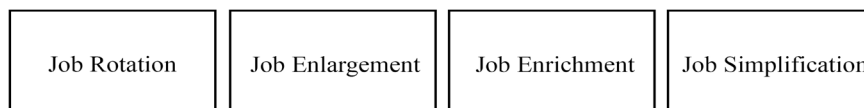
Figure 2.3.5 Job Design Techniques

Job Rotation – In this method, an employee is shifted from one position to another at the same level so that he or she learn and understand every aspect of each job in the department. Based on his or her performance during this, management decides the position, he or she is best suited for.

A Digital Marketing Executive is given additional task along with his existing task to develop their skillset. This is called Job enlargement which is given below.

Job Enlargement – In this method, various activities at the same level are combined and added to an existing job. This increases the scope of the job. It is also known as horizontal expansion of job.

Financial and recreational incentives such as paid leaves, awards, rewards etc., are given to the Digital Marketing Executives on achievement of their targets. This is called Job enrichment which is given below.

Job Enrichment – In this method, few motivators added to an existing job to make it more interesting, challenging and rewarding. Motivating factors can be anything from incentives, awards, payoffs etc. This provides extra freedom but at the same time increases responsibilities, this further encourages higher participation from the employees.

A big project is divided into small modules and is assigned to the whole Digital Marketing Team to make the process simple and increase efficiency. This is called Job Simplification which is given below.

Job Simplification – In this method, a job is divided into smaller tasks, where each task is assigned to a separate employee who repeats this job again and again. This increases the proficiency and productivity of an employee.

The methods of job design are utilised based upon the type of job and its purpose.

Aztech Corp utilises the technical and social needs of the organisation and the employee respectively for designing jobs, thus, making use of the socio-technical approach. There are various approaches to job design which are given below.

Over the years different approaches have been adapted for job design. Three main approaches that take precedence are as follows,

Job Design Approaches

Engineering Approach	Human Relations Approach	Socio-Technical Approach
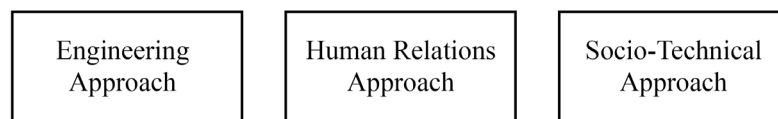
Figure 2.3.6 Approaches of Job Design

Engineering Approach – In this approach, all the work is planned and put out by management at least one day in advance. This approach was adopted during the scientific management period. Each employee is given proper instruction on what to do, how to do and the time taken for completion.

Human Relations Approach – In this approach, specialised works are redesigned to include human touch to be more satisfying and rewarding to the

employees. The scope of flexibility was introduced in job design considering social needs which necessitate casual interaction with coworkers and supervisors.

Socio-Technical Approach – In this approach, both technical systems and social systems are taken into consideration when designing a job. This synchronises and merges the technical needs of the organisation and the social needs of the employee.

Each approach is considered based on the requirement of the organisation and their business environment.

Job design is not a static concept but a dynamic concept. This is because the variables affecting job performance keeps changing. These variables include technology, socio-culture expectations, ergonomics, organisational practices, factors influencing individual performance. Hence, even a well-designed job becomes irrelevant after some time and needs a job redesign. As the nature of job keeps changing, the redesign of jobs as per new parameters may result in the elimination of certain jobs or jobs might be changed. Thus, job redesign is nothing but job designing based on new parameters.

2.3.2.3. Recruitment and Selection

Mr. Teja, the Human Resource Manager of Aztech Corp, wanted to attract maximum candidates for the digital Marketing Team for which he advertised the vacancies on various platforms. This will result in attracting more incumbents to apply for the job and this process is known as recruitment as explained below.

Recruitment

Manpower planning and job design lead to the recruitment process. It is the overall process of identifying, attracting, screening interviewing, and onboarding suitable candidates for jobs in an organisation.

As per management Author, Edwin Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation."

The recruitment process is carried out by locating the sources and the availability of potential candidates. Then the organisation needs to cast a wide net to publicise their requirements to attract many people to apply for these jobs. The whole purpose of recruitment is to bring in as many potential candidates as possible so that the organisation has a wide pool of candidates to select from. In simple words, the process of attracting individuals to apply for job positions that are vacant from time to time in an organisation is referred to as recruitment.

Aztech Corp first circulates an internal memo and email regarding these vacancies within the company. Even after two weeks when no one applied, the company placed an advertisement for the same in newspapers, employment exchange, private recruitment agencies. Thus, covering all sources of recruitment. This elaborated below.

Sources and Types of Recruitment

There are two sources of recruitment, internal source and external source. The internal source includes filling positions within the organisation i.e., from the employees of the organisation, whereas filling positions with people outside the organisation are the external source. The organisation's preference of sources is based on the employee caliber, bargaining

power of union, organisational policies, management preference and job requirements.

Internal Recruitment

The recruitment process involving within the employees of the organisation is called internal recruitment. For instance, Aztech Corp initially notified their employees about the vacancies so that those interested could apply. As per the notification, Mr. Binoy and Mr. Kiran who were the team leaders of the marketing department applied for the post of Manager digital marketing. This is known as Internal Recruitment.

Many organisations prefer to nurture their talent pool by providing them opportunities in the form of promotions to an upper position and transfers to a new location. These organisations regularly maintain a record of the skill, qualification and experience of employees to check their eligibility for promotion and transfer. Internal recruitments are mostly notified through internal communications like notifications, internal emails, memos etc.

Through internal recruitment Aztech Corp receives the following benefits;

Benefits of Internal recruitment

◊ **Inexpensive process** – Recruiting from within the organisation is comparatively less expensive, as it requires minimal resources and time to find potential candidates.

◊ **Familiarity with recruits** – As the recruits are employees of the organisation, it is more familiar with the strengths and weaknesses of potential candidates and their background.

◊ **Efficient talent utilisation** – This serves as an opportunity for the organisation to recognise and utilise the most talented people in the organisation.

◊ **Improves Morale** – This process ensures that employees with talent have a better opportunity within the organisation than outside increases their morale.

◊ **Basis of Motivation** – This method of recruitment serves as a basis of motivation to the employee of the organisation, to advance their careers and economic status. Hence this process ensures competent employees are attracted and retained at the organisation.

Hence this process ensures competent employees are attracted and retained at the organisation.

Aztech Corp faces the following limitations through internal recruitment.

Internal Recruitment Limitations

Limiting options – This method restricts an organisation from accessing the vast talents in the employment market. It's more or less like inbreeding not healthy for the future of an organisation.

Restricted competition – As the candidates are not worried about outside competition, they may take promotions for granted and don't show the initiative and performance that are the set benchmarks for promotions.

Skill saturation – In the long run, this may lead to skill saturation of employees, limiting the organisational talent pool. This propagates to an obsolete workforce, which leads to decreased productivity and efficiency in an organisation.

Endorsing unsuitable candidates – There are chances that suitable candidates are not available within the organisation. So, the organisation may have to compromise on the requisites of job positions by promoting average candidates.

Internal Conflicts – Internal recruitments may lead to a conflict of deservedness among peers regarding promotions. That is, there is always the question of who deserved it and why. Further, this method can lead to controversies that may affect the group dynamics in the organisation.

Based on the newspaper advertisement, many people have applied for the post. Out of which fifteen candidates were called for interview. This is known as External Recruitment as explained below.

External Recruitment

The recruitment process involving the vast majority of people outside the organisation is called external recruitment. These are mostly notified through media advertisements, educational institutions, employment exchange, external agencies etc.

There are various methods of external recruitment like formal employees, educational institutions, labour unions, employment agencies, other organisations etc. For highly specialized jobs organisations may adopt many unconventional methods of external recruitment like organisational acquisitions, Simulations or Competitions, Internships etc. External recruitment and its success greatly depend upon employment market conditions, organisational reputation, the scale of economic benefits etc.

Through external recruitment Aztech Corp receives the following benefits;

Benefits of External Recruitment

Increases talent pool – External recruitment casts a wider net to reach people with better talent and skillset, this has the potential to increase the organisational talent pool.

Higher odds of Selection - It increases the odds of the selection process, as it is not limited to the organisation but open to a large section of people. This increases the chances of getting the right candidates for the job.

Prospect of better candidates - As the external sources have a wider talent pool there is a chance for getting even better candidates than expected.

Maintains a healthy competitive environment – The new external recruit does their job with more vigour and enthusiasm to prove themselves, this, in turn, creates a healthy competitive environment in the organisation.

Aztech Corp faces the following limitations through external recruitment.

External Recruitment Limitations

Expensive process – It is an expensive process as external recruitment needs more resources and time to be executed. Further, there is no assurance of this will result in getting the best candidates.

Orientation requirement – As the candidates are new to the organisation they need to be familiarized with the organisation. This requires a dedicated training process so that the recruits are acquainted with the organisational culture and its structure, to be able to sync with the work environment.

Probability of Mistakes is higher – Due to the involvement of a higher

number of candidates and information, there is a high chance that it may lead to the selection of wrong candidates due to misinformation.

Discontent among existing employees – External recruitments may lead to discontent among existing employees as they feel ignored by their organisation. This leads to existing employees becoming more unsure of their carrier with the organisation, discouraging them from putting more effort into their work. This overall affects the productivity and efficiency of the organisation.

Recruitment ends with people showing interest in the job and applying for the same. Now, let us look into the selection process of Aztech Corp which succeeds its recruitment process.

In Aztech Corp, a total of 107 job applications were received for the digital marketing team. out of which a total of 17 candidates were selected after the screening process. The selected candidates underwent two rounds of the interview process, out of which 5 were selected for the posts. This is known as selection which is explained below.

Selection

The process that follows recruitment is called selection; it is a process of selecting the most eligible candidates who applied for the job during recruitment.

As per management author Harold Koontz, "Selection is the process of choosing from the candidates, from within the organisation or from outside, the most suitable person for the current position or the future positions."

Selection is enabled by gathering maximum information from prospective candidates. Here the information refers to the candidate's name, age, educational qualification, work experience, skill level, accomplishments, family background, aptitudes, interests, physical fitness etc. The selection process is a series of steps involved in choosing the right candidate with the right qualifications to fill the job position.

Please remember selection is not a simple process but a multi-step process. Let us understand the overview of how the selection is carried out in steps.

In Aztech Corp the selection is carried out in four stages - Job Application, primary screening, reference verification, interview and final decision. This is also referred to as the selection process of an organisation which is explained below.

Selection Process

The selection process is a series of steps that aims at choosing the most qualified candidate for the job position, this is carried out in the following steps.

Step1: Job Application - The process starts with candidate providing their complete information using an application form or resume. The information provided serves as the basis for their suitability and the eligibility for next steps.

Step2: Primary Screening - The process of the initial assessment of basic suitability of candidates for a job position by comparing their job application with job description and job specification. The Primary screening is aimed at reducing the overall selection cost by eliminating unsuitable candidates at the beginning itself.

Step 3: Qualification Tests – This process involves subjecting the candidates who cleared primary screening to a

certain test. These tests serve as a means to evaluate a candidate's personality, aptitude, skill, knowledge and work experience. Based on the results of the test candidate's suitability for the job can be determined. There are different types of qualification tests used for the selection process like aptitude test, intelligence test, performance test, personality test etc., these tests explore further dimensions of the candidate's suitability to the job position. It further streamlines the selection process by removing unqualified candidates who filtered through primary screening.

Step 4: Interview – This process or method of selection involves a face-to-face interview by a person or a group of experts also known as an interview panel. The interviewers ask candidates spontaneous questions and based on their response, candidates are assessed and evaluated. This evaluation serves as a means of selection. It is the most widely used method of selection as it gives the selectors a first-hand personal experience of the candidate's attitude, personality, knowledge base, communication and other skills etc. which is not possible with any previous process of selection.

Step 5: Checking References – The process of checking candidates' truthfulness and trustworthiness by crosschecking all the information gathered during the selection process with his previous employer or teacher who knows the candidate very well. Every candidate is required to provide references while applying for the job.

Figure 2.3.7   Process of Selection

Step 6: Physical Examination – Once the most eligible candidates are filtered through the interview process, they are subjected to physical examination. It is the process of determining a candidate's physical fitness for the job, through a series of physical exercises or medical examinations. This is mostly carried out by a qualified physical trainer or medical practitioner appointed by the organisation.

Step 7: Final Decision – The process of deciding on the most suitable person from the shortlisted candidates of previous selection processes. The final decision is based upon the recommendations of the interview panel and the opinion of the respective manager who requested the personnel.

There is no full-proof plan for selection and it is an organisation-specific activity, so the selection process is tailored to meet the organisational policies and practices. For example, some organisations don't conduct tests instead skip to interviews, whereas, others omit tests, physical examination and do interviews instead. Please understand the whole purpose of the selection process is to gather as much information as possible from the recruits and assess them for their suitability for the job position.

Recruitment is the process of addition, whereas, the selection is the process of elimination. One adds people whereas the other eliminates them to find the best out of the best. Both these processes complement each other and serve as a basis for attaining and maintaining an efficient and effective human resource in the organisation.

Recruitment and selection serves as the cause for the right man for the right job. It is the basis of creating an organisation of efficient, capable and loyal people.

2.3.2.4 Training and Development

In Aztech Corp five employees were selected in the digital marketing team. To acquaint them with their roles and responsibilities in the company they were subjected to induction training. This program included an overview of the company with its mission, vision, values, organisational structure and internal operations. All employees must undergo this program without fail. This is part of Aztech Corp's Training and Development programme, which is explained below.

Training is the process of aiding employees to gain more knowledge and attain particular skills, values and attitude necessary for performing their jobs efficiently. Everyone in an organisation especially the new employees need training as it provides a means to improve at their jobs and progress in their careers. It is an important element of staffing function, as such a dedicated training department headed by a well-qualified expert in training techniques is always recommended.

Please note that most organisations provide formal and informal training to all their managerial and non-managerial employees.

As per Management authors Swanson & Holton, "Training and development is defined as a process of systematically developing work-related knowledge and expertise in people to improve performance"

Now let us understand the difference between training and development.

In general training and development means educational activities in an organisation formulated to enhance the knowledge and skillsets of its people by providing instruction and information on how to better perform each task of their job.

But explicitly, there exists a distinction between both.

The selected four digital marketing executives will be undergoing technical training to enhance their technical knowledge and skill, it is as explained below.

Training is a short-term process that aims at enhancing the technical knowledge and work skills of its recruits or existing employees as per their job specifications. It mainly focuses on organisational orientation, skill improvement, performance enhancement of employees. It is mostly associated with workers and nonmanagerial employees of an organisation.

Mr. Neil Bhatia who was selected as the digital marketing Manager will be undergoing a leadership programme which is a development programme, it is as explained below.

Development is a long-term process that aims towards the acquisition of conceptual and theoretical knowledge that helps with overall growth and development. It focuses on improving the overall personality of employees. It is mostly associated with managerial employees and executives of the organisation.

Training and development serves the following purposes.

Significance of Training and Development

◊ Familiarising new employees – As new employees are raw talent, training and development is essential for their orientation and familiarisation with their job and organisation. It helps them in reaching their peak efficiency at their work.

◊ Adapting to new technologies - As the technology keeps changing so does the work methods, which makes it very important for employees to acquire a new skill set to adapt to these changes. By this, it helped an organisation to stay relevant with the updated technology and business environment.

◊ Offers new skill set to existing employees – It helps existing employees with acquiring new and enhanced skills and knowledge, thereby keeping them current and updated.

◊ Prepares for carrier advancement – It helps prepare employees for their promotions or to take additional or higher responsibilities. That is, it makes an employee more eligible for promotions or job changes.

◊ Improves employee attitude and behaviour – It helps with orientation and reorientation of employees with their job and works environment. That is, it helps employees with improving their attitudes and behaviour concerning work equipment, materials, relationship with coworkers and superiors, regular attendance and discipline.

Mr. Gyan Dayal, Marketing Head of Aztech Corp. mentors Mr. Niel Bhatia in the management activities of the company. Whereas, the four digital marketing executives are sent to Digitech Solutions for advanced training in Digital Marketing. These are the training methods adopted by the company.

Let us understand different methods of training adopted by companies like Aztech Corp, as given below.
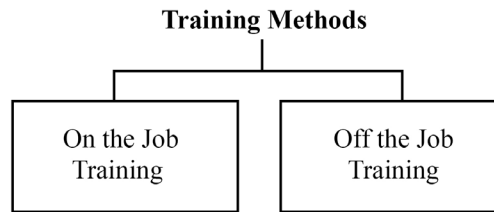
Training Methods

Figure 2.3.8 Training Methods

There are three prominent methods of training. They are as follows,

◊ **On the Job Training** - It involves providing training to the employee during their job. Here experienced employees, supervisors or managers serve as trainers to the employees. It is based on the principle of learning by doing. The merit of this method is that trainees are learning from the real-time work environment by experiencing it. The techniques of on-the-job training include Job Rotation, Coaching, Job Instruction Training, Committee Assignments and Internship Training.

◊ **Off the Job Training** – It involves providing training to an employee at a place away from their work environment. Here qualified experts serve as trainers to the employees. It is based on the principle of more learning than doing. The merit of this method is that trainees learn things at a steady and systematic pace without job pressures. The techniques of off the job training include Case Study Method, Incident Method, Role Play, In-basket Method, Lectures, Business Games, Grid Training, Simulation, Management Education and Conferences.

Vestibule Training – Also known as Near job training, it involves providing training to the employee at a specially designed workplace that simulates the work environment as closely as possible. It combines the merits of on-the-job training and off the job training methods and helps train a large number of employees in a relatively short period. Though it's a kind of off the job training it still retains the essence of on-the-job training.

As you are aware that training is organisation-specific, so is the methods and techniques used for training its employees. Also, even within an organisation like Aztech Corp different method are utilised to train different people based on their hierarchical level and job specifications.

In Aztech Corp, The Digital Marketing Team starts their operations. After a month Mr. Neil Bhatia decides to put all his team members on monthly job rotation to familiarise all team members with the overall job responsibilities of the Digital Marketing Department. At the same time, Mr. Bhatia is placed in the top management team by the Marketing Head of the company so that he can develop

communication and interpersonal skills. This also gives him the opportunities to get acquainted with the viewpoints of higher-ups. These are the development programmes opted by Mr. Bhatia and the Marketing Head respectively.
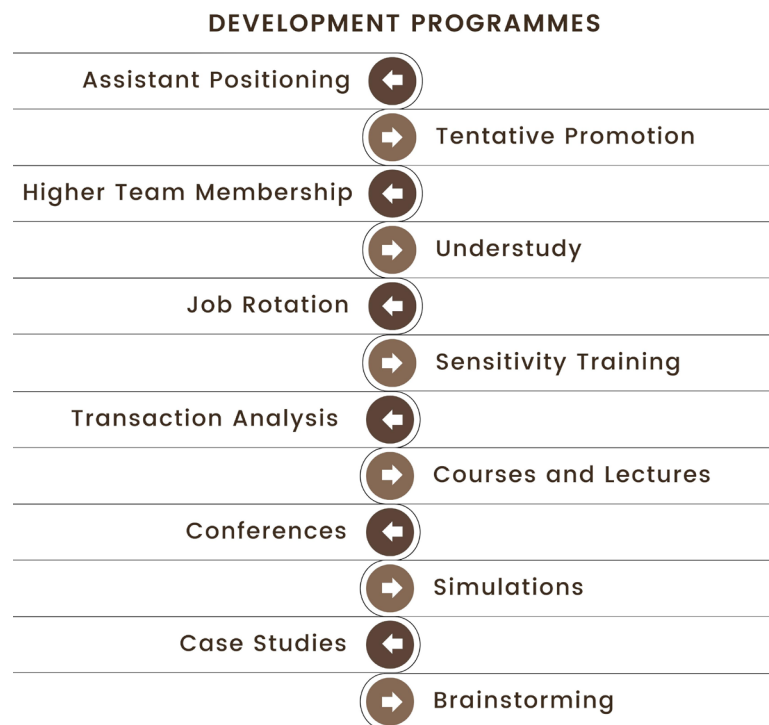
Let us understand different development programmes adopted by companies like Aztech Corp, as given below.

Development Programmes

Most of the times, training programmes are utilised as development programmes, so the techniques of management program are as follows,

Development Programmes

◊ **Assistant Positioning** – It involves the creation of an assistant position

DEVELOPMENT PROGRAMMES

Assistant Positioning	
	Tentative Promotion
Higher Team Membership	
	Understudy
Job Rotation	
	Sensitivity Training
Transaction Analysis	
	Courses and Lectures
Conferences	
	Simulations
Case Studies	
	Brainstorming

Figure 2.3.9 Development Programmes

for a senior employee so that a junior employee can shadow a senior and learn from their insights and experiences.

◊ **Tentative Promotion** – It involves providing exposure to an employee by promoting them temporarily so that they acquire and develop the necessary perspectives and skills to acquire that position permanently.

◊ **Higher Team Membership** – It

involves adding an employee to a higher team, this serves as a training ground for developing communication and interpersonal skills. It also helps in understanding the viewpoints of higher-ups.

◊ **Understudy** – In this method, a person who is about to replace a retiring or an existing employee works with them to understand the responsibilities and duties so that they can take over from them.

◊ **Job Rotation** – It involves rotating employees on different but related assignments to broaden their perspectives and give them an all-around experience before assuming a permanent position.

◊ **Sensitivity Training** – It is a psychological development method that uses intense group discussions and interaction to develop sensitivity in trainees about the view, feelings and reaction of self and others.

◊ **Transaction Analysis** - It is a psychoanalytic method where the social transactions of a trainee are analysed to determine their ego state. It serves as a basis for understanding the behaviour of another person so that communication becomes effective.

◊ **Courses and Lectures** - It involves trainees attending lectures and coursework on principles, processes and practices through oral instruction, reading materials. Here trainees are assessed through assignments and tests.

◊ **Conferences** – It involves trainees partaking in seminars, workshops and interactive sessions moderated by a trainer to carry out multilateral communication, exchange of ideas, feedback of experiences, broadening of knowledge and insights.

◊ **Simulations** – In this method trainees are exposed to a close to working environment setting in which they will be eventually working. In-basket techniques, role-playing and business games are some of the simulation techniques.

◊ **Case Studies** – It involves trainees studying and understanding actual problem situations. Interactions and discussions are encouraged to enhance knowledge about actual organisational problems and situations. It helps to develop the conceptual, problem solving and judgmental skills of an employee.

Brainstorming - It is a method that helps to create innovative ideas. It is mostly a group creativity technique that involves an effort to find a solution to a specific problem from a list of ideas spontaneously generated by the group members. The method involves creating a situation where a group of people meet under a mediator, where they are encouraged to suggest as many ideas as possible under a specific topic of interest or for a specific problem by removing all their inhibitions. All these ideas, no matter how radical they seem are noted down without criticism and these ideas evaluated at the end of the session.

Though theoretically training programs are mostly aimed at nonmanagerial employees and development programs are mostly aimed at the managerial employee. The training and development programs are developed for every member of the organisation.

In Aztech Corp, Digital Marketing Department has completed six months of operation. The department consists of Mr. Neil Bhatia the Digital Marketing Manager and four Digital Marketing Executives. As per company policy, all team members should be evaluated based on their performance. This is conducted to examine if they are eligible to continue as permanent staffs of the company. The above mentioned process is referred to as

the performance appraisal of the company, which is as explained below.

2.3.2.5 Performance Appraisal

Performance appraisal is a systematic evaluation process to access an employee's present job capabilities and potential for growth and development. This is mostly performed by the employee's immediate supervisor.

As per prolific management philosopher Carl Heyel, "performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally".

Aztech Corp conducts annual appraisals for every employee on the first week of December as part of their Human Resource Development programme.

Appraisals can be formal and informal, where informal appraisals are unplanned and random, the formal appraisals are periodically organised by an organisation to assess the performances of their employees. Unlike informal appraisals, the formal appraisal is deemed to give better results due to reduced chances of bias and impulsive judgement.

In Aztech Corp, performance appraisal serves as the core of their Human Resource Operation. It serves as the basis for evaluating and retaining a diverse talent pool in the company. It also serves as a control method to obtain new standards to improve and update their organisational activities. Similarly, objectives of performance appraisal vary across different

organisations, the most common of these objectives are as follows.

Objectives of Performance Appraisal

Performance appraisals are designed to meet both employee and organisational needs. The science of performance appraisal is directed to serve two prime goals, to create a gauge that can accurately evaluate the level of a person's job performance and to create an assessment system that can advance operational functions in an organisation.

But specifically, they serve the following objectives.

◊ To recognise personnel strengths and weakness.

◊ To identify personnel aspirations and training needs.

◊ To accumulate relevant and valid information about personnel.

◊ To generate recommendations regarding personnel transfers, promotions, salary and administration and Increments of rewards.

◊ To help improve personnel performance.

◊ To establish desirable traditions and culture in the organisation.

◊ To help with the planning career development and human resource management based on potentialities.

◊ To accumulate research data for improving the overall human resource information system.

If you look from an organisational standpoint, the main objectives of

conducting performance appraisal are as specified above. But from an employee's standpoint performance appraisal is to evaluate the performance of employees to determine if they require training, salary reviews and promotion.

Let us understand how this process works?

In performance appraisal, there are two parties involved an appraiser and an appraise. The former is the person who is going to evaluate the performance and later is the person whose performance is going to be appraised. In Aztech Corp, Mr. Bhatia evaluates the performance of the four Digital Marketing Executive. Here, Mr. Niel Bhatia, is the appraiser and Digital Marketing Executives are the appraise. Similarly, Mr. Neil Bhatia will be the appraisee who will be evaluated by the Marketing Head. The Performance Appraisal at Aztech Corp is a six step process as explained below.

Process of Performance Appraisal

A performance appraisal is carried out in the sequence of steps as depicted below,

◊ **Step 1: Establishing performance standards** – In this step, a clear and measurable performance standard are established through analysis of each job.

◊ **Step 2: Communicate established standards** – In this step established performance standards are communicated to everyone concerned especially the appraiser (the person who is going to evaluate the performance) and appraise (the person whose performance is going to be appraised).

◊ **Step 3: Measure the actual performance** – In this step, the actual performance of the personnel is measured after a specific period. This is done by the appraiser using four common sources namely personal observation, statistical reports, oral reports and written reports.

◊ **Step 4: Compare actual performance with established standards** – In this step, actual performance is compared with established performance standards, any deviation between actual and standard performance is recorded for the next step in the process.

◊ **Step 5: Feedback to personnel** – In this step, the results of step 4 is discussed with the personnel.

◊ **Step 6: Taking corrective action, if required** – In this is final step corrective actions are advised by the appraiser if performance is not up to the mark or poor.

This is a continuous process and performed at specified intervals of time as recommended by the human resource planning of the organisation.

Aztech Corp makes use of standard checklist technique to evaluate its employees. In this technique, the immediate managers are the ones who mark the checklist consisting of various performance criteria. This checklist is regularly updated to be at par with the changing business environment. Similarly, there are various performance appraisal techniques used by different organisations, they are explained below.

Performance Appraisal Methods
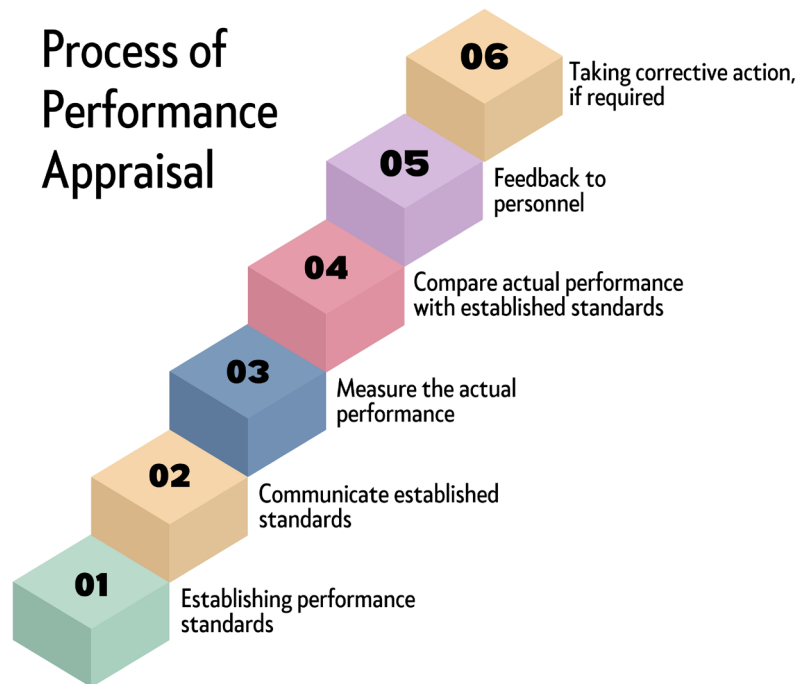
Figure 2.3.10 Process of Performance Appraisal

◊ **Ranking Method** - In this method a rank list is maintained based on the same set of parameters to rank the employees as per their performance, beginning with the top performer.

◊ **Graphic Rating Scale Method** - In this method employees are rated on a scale based on the extent to which they exhibit the desired behaviour or the extent to which they meet the desired performance criteria. These criteria include specific desired traits, behaviour factors, performance criteria like quality and quantity of work, cooperativeness, analytical ability, decisiveness, initiative, emotional stability, etc.

◊ **Critical Incidents Method** - In this method the immediate supervisor makes a record of all the good or bad incidents of a personnel's work-related behaviour. Whenever employees do something good which contributes to overall output or work environment it is recorded as their positive contribution and vice versa. This record is later utilised to evaluate their overall performance.

◊ **Checklist Method** - In this method, the immediate manager maintains a checklist that lists factors like, does the employee cooperate with other co-workers, do they keep their workplace neat and clean, do they follow their supervisors' instructions closely, do they reach their workplace in time, and are they able to achieve the work targets assigned to them

properly. Each factor receives a numerical value based on its perceived importance to successful job performance.

◊ **Essay Method** - In this method immediate manager provides a detailed report describing the performance of personnel. The report is to include parameters like the job knowledge and potential of the employee; employees understanding of the company's programs, policies, and objectives; employees promotability; overall appraisal of the employee's performance; and employees' relation with co-workers and superiors.

◊ **Management by Objectives Method (MBO)** - It is a comprehensive management approach used for conducting performance appraisals. The primary aim of this method is on establishing a set of objectives that are to be achieved by the personnel. Their performance is analysed based on the extent of objectives they have achieved.

◊ **360° Feedback Appraisal** - This method involves a process of collecting information about an employee's behaviour from the people around them like managers, coworkers, customers, suppliers etc. This method is based on the principle, that a person who works closely with an employee sees his or her behaviour in various settings and circumstances than a supervisor. Thus, the term 360° implies that everyone around is involved in evaluating the performance. It is also known as multi-rater feedback, multisource feedback, full-circle appraisal and group performance review.

◊ **Potential Appraisal** - It is a future-oriented appraisal to identify and evaluate the potential of personnel, who are to assume higher positions and responsibilities in the organisational hierarchy. It is done to predict whether they are capable of taking on more demanding work, and the speed at which they are capable of advancing. The potential appraisal is carried out through Self-appraisals, Peer appraisals, Superior appraisals, MBO, Psychological and psychometric tests, Management games like role playing, Leadership exercises etc.

As with any organisational activity, there is no best method to be followed for performance appraisal, rather it depends upon the human resource planning of organisations like Aztech Corp.

Performance Appraisal is not just about rating employees but it aims at reviewing and providing guidance to employees. It is to enable employees to develop realistic self-perception and plan their career and development. A good appraisal system should encourage and motivate employees to realize their personal and career objectives.

Performance Appraisal Methods

Ranking Method **01**	**02** Graphic Rating Scale Method
Critical Incidents Method **03**	**04** Checklist Method
Essay Method **05**	**06** Management by Objectives Method (MBO)
360° Feedback Appraisal **07**	**08** Potential Appraisal

Figure 2.3.11 Methods of Performance Appraisal

Recap

◊ Staffing: Finding the right person for the right job at the right time.

◊ Manpower planning: The process of determining the size and composition of personnel in organisations.

◊ Job Analysis: The process of analysing the jobs in an organisation, to determine the qualification, skills, experience and expertise required.

◊ Recruitment: Searching for prospective employees and stimulating them to apply for jobs.

◊ Two sources of recruitment: internal and external.

◊   Selection: Choosing the most suitable person for the job position.

◊   Selection Process: Job application, Primary screening, Qualification tests, Interview, Checking references, Physical examination, Final decisions.

◊   Training: Process of aiding employees to gain more knowledge and attain particular skills, values and attitude necessary for jobs.

◊   Development: Process that aims towards the acquisition of conceptual and theoretical knowledge that helps with overall growth and development.

◊   Performance appraisal: Systematic evaluation process to access employee's present job capabilities and his potential for growth and development.

Objective Questions

1. What is the management function of finding the right person for the right job at the right time called?

2. Which process determines the size and composition of personnel required by the organisation?

3. Which staffing process Analyses the established jobs in an organisation to determine the qualification, skills, experience and expertise required by people to fill these jobs?

4. Which method of job design states that "an employee is shifted from one position to another at the same level"?

5. What is the other term for horizontal expansion of job?

6. What are the two sources of recruitment?

7. Which process of staffing follows recruitment?

8. What is selection?

9. Which process focuses on improving the overall personality of employees.

10. Which training method involves providing training to the employee during their job?

11. Which training method is also known as near job training?

12. Which category of employees are mainly subjected to development programs?

13. Which process evaluates the performance of the employees in an organisation?

14. What is the first step of the performance appraisal process?

15. Which comprehensive management approach is used for conducting a performance appraisal?

16. Which performance appraisal method deems the immediate manager to provide a detailed report describing the performance of personnel?

17. Which method explains that a workplace colleague better recognises co worker behaviour in various settings and circumstances than a supervisor?

Answers

1. Staffing

2. Manpower planning

3. Job Analysis

4. Job Rotation

5. Job Enlargement

6. Internal and External Source

7. Selection

8. Choosing the most suitable person for the job positions.

9. Development

10. On the Job Training

11. Vestibule Training

12. Managerial Employees

13. Performance appraisal

14. Establishing performance standards

15. Management by Objectives Method (MBO)

16. Essay Method

17. 360° Feedback Appraisal

Self-Assessment Questions

1. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?

2. To facilitate a near accurate prediction of an applicant's success on the job, the selection methods should meet several generic standards. What according to you, should these standards be?

3. As an HR manager, how do you see the difference between the recruitment and selection process?

4. Will you prefer the scheme of employee referrals in your organisation? If yes, in which situations, if no, why not?

Assignments

1. Based on your understanding, write a report on the recruitment and selection process of an organisation of your choice.

2. Prepare a tailor-made recruitment and selection process best suited for an organisation of your choice and state your reasons for the same.

3. Based on your understanding, write a report on the performance appraisal system of an organisation of your choosing.

4. Based on any method of performance appraisal, design the process of the performance appraisal for an organisation of your choosing.

Suggested Reading

1. Prasad, L. M. (2020). *Principles and practice of management*. Sultan Chand & Sons.

2. Bhushan, Y. K. (1965). *Fundamentals of business organisation and management*. Sultan Chand.

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5. Gupta, M. (2011). *Principles of management*, PHI Learning Pvt. Ltd. New Delhi.

Unit - 4
Directing

This unit will enable the reader to:

◊ introduce the concept of Directing

◊ describing elements of Directing

◊ explain the principles of Directing

P Prerequisite

During our daily life, we might have come across situations like a supermarket manager directing his staff to complete certain activities to display products on shelves or a film director instructing actors how to play their characters in the film. In all these situations, we are observing the function of directing being carried out to achieve a certain predetermined objective. This function or the act of directing lies at the core of all managerial activity. It is perceived to be the main activity of a manager. Business enterprises have always given prime importance to their managers who are capable of leading others. These managers use various ways to properly communicate, lead, motivate and inspire their subordinates, thereby achieving organisational objectives efficiently and effectively. These various ways are collectively termed as directing function.

As quoted by prominent management science educator Theo Haimann, "in order to make any managerial decision meaningful, it is necessary to convert it into effective action, which the manager accomplishes by directing. Without this managerial function, nothing or at best very little is likely to come about. Planning, organising, and staffing can be considered preparatory managerial functions the purpose of control is to find out whether or not the goals are being achieved. The connecting and actuating link between these functions is the managerial function of directing, which means the issuance of directives and the guidance and overseeing of subordinates."

Supervision, Motivation, Leadership, Communication.

Discussion

Mr. Roy Patrick is a Manager at the Fresh n Good supermarket. He opens the supermarket daily at 09.00 am. He allocates duties to various staffs and guides them to successfully carry out the same for the day. For instance, he allocates Mr. Shyam on floor supervising duties instructing him to help and guide the customers to the products on inquiry, and Ms. Giggi on Shelf Duty instructing her to fill and maintain the shelves. Mr. Patrick is performing the directing function of management, as explained below.

2.4.1. Meaning and Definition

In a general sense, directing is providing instruction and guidance to people to do work. But from a managerial perspective, directing is the process of instructing, guiding and overseeing employee performance to achieve predetermined objectives. It is considered to be the heart of the management process, that is all other management activities of planning, organising, staffing and controlling is centred around directing.

As per organisational theorist Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on-the-job instructions and of course, issuing orders."

As the Manager of Fresh n Good Supermarket, he takes the role of a supervisor, who observes and guides his subordinates; motivator who inspires and encourages his subordinates; leader who leads and influences his subordinates; communicator who processes and conveys information to all in the supermarket. These are the elements of directing, this is as explained below.

2.4.2.Characteristics of Directing

Mr. Shyam an employee of Fresh n Good, starts his work as a floor supervisor as directed by Mr. Patrick who is his immediate manager. Thus, directing initiates action, as explained below.

◊ **Initiates action** - Directing is the central managerial function. During discharge of his duties, a manager initiates planning, organising, staffing and controlling through directing, that is as other functions prepare a setting for action, directing initiates action in an organisation.

Mr. Rook the Managing Director of Fresh n Good supermarket directs Mr. Patrick to follow a new stacking method for the products. Subsequently, Mr. Patrick instructs the same to Ms. Giggi who is assigned on shelve duty. Thus, directing is at every level of management, as explained below.

◊ **Is at every level of management** - Directing exists wherever there is a superior-subordinate relationship. Every member of management from the top executive to line

manager or supervisor performs the function of directing. So, we can say that directing is a pervasive and comprehensive function as it relates to all level of management irrespective of the type and size of business.

In organisations like Fresh n Good, managers may be replaced over time but the directing process continues, as, without directing the organisational activities cannot take form.

◊ **Continuous process** - Directing is a continuous function. It takes place throughout the organisation during its entire lifetime irrespective of the people occupying managerial positions.

Mr. Rook, the Managing Director of Fresh n Good supermarket directs Mr. Patrick the manager to distribute pamphlets containing the latest discount offers to the customers. Based on this, he instructs Ms. Giggi and Mr. Shyam to provide pamphlets to every customer they meet during the day. Thus, directing flows from top-level to bottom level, as explained below.

◊ **Flows from top-level to bottom level** - Directing function initiates at the top level and flows to the bottom level throughout the organisational hierarchy. That is, every manager subjected to directing function from his or her superior, based on which he or she directs the subordinates.

Mr. Patrick directs Ms. Giggi and Mr. Shyam to introduce the newly arrived products to the customer on regular basis. This way increasing the sales at Fresh n Good supermarket. Thus, directing is performance-oriented, as explained below.

◊ **Performance-oriented** - Directing is a performance-oriented function, it converts plans into performance. The prime objective of directing is to increase performance efficiency. That is, directing function attempts to coordinate the performances of individuals towards realizing organisational goals.

As a Manager of Fresh n Good Supermarket, Mr. Patrick guides Ms. Giggi and Mr. Shyam in their jobs based on their strengths and weakness. Thus, directing is based on Human Element, as explained below.

◊ **Human Element** - Directing function is based on the study of human behaviour. It is always attempting to improve the interpersonal and intergroup relationship, thereby motivating employees to work to their best ability.

Let us look at the fundamental ideas behind directing function in Fresh n Good Supermarket and other organisations.

2.4.3 Importance of Directing

Directing is considered as the heart of management, hence it is referred to as the life spark of an enterprise as it is the central activity of an organisation around which accomplishment of organisation goals take place.

As operations of an enterprise are initiated through the directing function of management, it is sometimes called actuating function of management. The following points encapsulate the importance of directing function in an organisation.

◊ **Initiates action** – Directing is the starting function from where

the action takes place. Through directing only subordinates understands their jobs and carry out the same as per instruction from superiors.

◊ **Integrates efforts** – Directing relates and integrates the efforts of every individual in such a way that each effort contributes to the organisational function.

◊ **Means of motivation** – Directing guides subordinates to realise their potential and capabilities, thereby motivating them to work harder and reach up to their full potential.

◊ **Provides stability** – It nurtures commitment and cooperation among people thereby attaining balance and stability among various groups and activities of the organisation.

◊ **Facilitates needed changes** – Directing can mitigate resistance to changes through proper communication, motivation and leadership thereby, reducing such resistance and develop required cooperation.

◊ **Generates effective utilisation of resources** – Directing help in clarifying the role of subordinates towards his work and responsibilities, ensuring reduction in wastage, avoidance of duplication of efforts and overlapping of performances. This leads to effective utilisation of resources of men, machine, materials, and money in organisations.

Thus, directing is the prime function of management that kick starts and runs an organisation.

Let us look at the characteristics of directing function in organisations like Fresh n Good.

2.4.4 Principles of Directing

Directing is a complex function as it deals with people having different attitudes and experiences. So, the below essential guiding principles are followed.

Good incentive plans like commission on sales and employee of the month award can motivate Mr. Shyam and Ms. Giggi to bring out their best performance for the Fresh n Good Supermarket as they may feel that their maximum effort will bring them suitable rewards. This conveys the maximum individual contribution as explained below.

◊ **Maximum individual contribution** - This principle states that directing practices must help every individual to contribute to their maximum potential towards the achievement of organisational objectives. It should tap into the unexplored vigour of employees and serve towards the efficiency of the organisation.

Mr. Shyam may expect better monetary benefits to fulfil his personal needs, whereas, the Fresh n Good Supermarket may expect employees to improve efficiency to increase profits. This conveys the harmony of objectives as explained below.

◊ **Harmony of objectives** - This principle states that directing should synchronise individual and organisational objectives by convincing employees that rewards and work efficiency are complementary to each other. That is most often, individual objectives

and organisational objectives conflict with each other.

Mr. Patrick, the Manager is the one, directing the employees, whereas Mr. Rook the Managing Director only directs the manager and doesn't interfere in the daily operations of employees. This conveys the unity of command as explained below.

◊ **Unity of Command** - This principle emphasises that in an organisation one person should receive instruction from one superior only. That is, if an individual receives instruction from more than one superior may lead to conflict and disarray in the organisation.

In Fresh n Good Supermarket, Mr. Patrick is aware that for Mr Shyam incentives (economic benefits) act as a powerful motivator while for Ms. Giggi promotion act as an effective motivator. This conveys the appropriateness of the direction technique as explained below.

◊ **Appropriateness of direction technique** - This principle emphasizes that directing people should be carried out using appropriate motivational and leadership technique based on subordinate needs, attitudes, capabilities and other situational variables.

In Fresh n Good Supermarket, Mr. Patrick checks and rechecks the progress of each assigned task so that there is no miscommunication in his instructions for the day. This conveys managerial communication as explained below.

◊ **Managerial communication** – This principle emphasises that directing should convey clear instructions to subordinates which will avoid misunderstanding. Further, it should induce a proper feedback action so that superiors ensure that subordinates understand their instruction clearly.

In Fresh n Good Supermarket, Mr. Patrick strictly provides instruction to the employees in the morning while assigning work but he also makes sure to meet them during break and offers them guidance on how to finish their work efficiently. This conveys to as leadership as explained below.

◊ **Use of informal organisation** – This principle emphasises that directing should be through formal and informal channels of the organisation, especially it must always include informal channels. Every organisation exists with formal and informal groups and for the effectiveness of directing function, informal groups are not to be ignored during conveying instructions.

In Fresh n Good Supermarket, Mr. Patrick owns up to any mistakes committed by the employees but at the same time gives them credit for their good work. This conveys the leadership quality as explained below.

◊ **Leadership** – This principle emphasises that a superior should exhibit leadership while exercising directing function, to influence the subordinates positively without causing displeasure among them.

In Fresh n Good Supermarket, Mr. Patrick makes sure to take rounds and visit each employee at their work station to check on the performance of each

employee with regards to their assigned work. This is referred to as follow-through as explained below.

◊ **Follow through** – This principle states that every directing function should be continuously reviewed or followed up. This is to see if the conveyed orders are being implemented accordingly to plan and to take necessary action to counter problems.
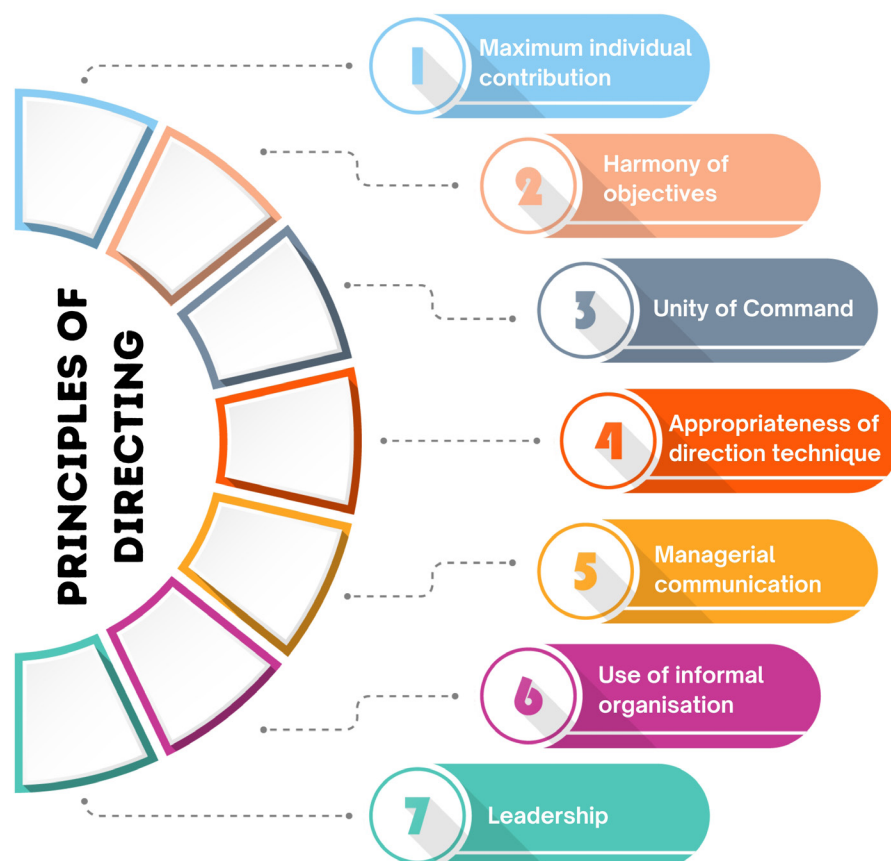
Figure 2.4.1 Principles of Directing

These principles should be considered before instruction are levied to make directing more efficient and effective.

Directing is an indispensable managerial function since it directly deals with human behaviour. That is why directing is considered the heart of the administration.

Planning and organising function only meet preparations for work whereas performance and the real work begins with directing function of management.

Directing play an important role in creating favourable and healthy conditions within and outside the organisation for

enabling employees to develop their attitude to work. In simple words, without directing, (guiding and supervising subordinates), nothing would be accomplished in an organisation. It not only gets the work done, but it develops future managers also.

2.4.5 Elements of Directing Function

Directing function involves guiding, coaching, instructing, motivating and leading people in an enterprise to realize its organisational objectives. These activities can be categorized into four aspects of directing also known as traits or elements of directing function. This is as depicted in the following figure and as explained below;

Supervision

It is the process of overseeing the work of subordinates by their superiors. It involves observing and guiding subordinates and their work.

Motivation

It is the process by which superiors inspire and encourage subordinates through social or economic incentives.

Leadership

It is the process by which superiors leads and influences subordinate's work in the desired direction.

Communication

It is the process of conveying information including experiences, opinions etc. from one person to another. It creates a bridge of understanding.

So, directing function should include these 4 elements to be effective. Each of these elements are explained in detail in the coming units.

Figure 2.4.2 Elements of Directing

Recap

◊ Directing: Process of instructing, guiding and overseeing employee performance.

◊ Elements of directing: Supervision, Motivation, Leadership, Communication.

◊ Importance of directing function: Initiates action, integrates efforts, means of motivation, provides stability, facilitates needed changes, generates effective utilisation of resources

◊ Characteristics of directing: Initiates action, Is at every level of management, Continuous process, Flows from top-level to bottom level, performance-oriented, Involves Human Element.

◊ Principles of directing: Maximum individual contribution, Harmony of objectives, Unity of Command, Appropriateness of direction technique, Managerial communication, use of informal organisation, Leadership and Follow through.

Objective Questions

1. What is Directing?

2. Which function is termed as the heart of management?

3. Which element of directing makes the superiors inspire and encourage subordinates through social or economic incentives?

4. What does directing nurtures among people to attain balance and stability among various groups and activities of the organisation?

5. Why is the directing function called the central managerial function?

6. Why is directing a performance-oriented function?

7. Which principle of directing states that it should synchronize individual and organisational objectives?

8. Which principle of directing emphasizes that it should convey clear instructions to subordinates so they have a total understanding?

Answers

1. The process of instructing, guiding and overseeing employee performance to achieve predetermined objectives.

2. Directing

3. Motivation

4. Commitment and cooperation

5. A manager initiates planning, organising, staffing and controlling through directing.

6. As directing converts plans into performance.

7. Harmony of objectives

8. Managerial communication

Self-Assessment Questions

1. How does directing help in efficient and effective functioning of the organisation? Explain by giving any three points.

2. Explain the meaning and any three characteristics of directing.

3. Directing is the heart of the management process. Do you agree? Give any four reasons in support of your answer.

4. 'Every action in the organisation is initiated through directing'. Explain any four points of importance of directing in the light of this statement.

5. Explain the different principles of directing in detail.

Assignments

1. Write a report by applying principles of directing function to an organisation of your choosing. Explain each principle with examples.

2. Explain the importance of directing in an organisation of your choosing. Elaborate each point with examples.

Suggested Reading

1. Prasad, L. M. (2020). *Principles and practice of management*. Sultan Chand & Sons.

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BLOCK - 03
Motivation and Leadership

Unit - 1
Motivation

Upon the completion of this unit, the learner will be able to;

◊ get an awareness on motivation theory and different aspects of motivation.

◊ explain the meaning, significance and types of motivation.

◊ familiarise the theories of motivation

P **Prerequisite**

A young aspiring entrepreneur named Alex had always dreamed of starting his own business and making a signature in the world. He had big ideas and endless enthusiasm, but there was one thing that often held him back was lack of inspiration. It was like the fuel that powered his dreams and drove him forward. However, there were days when Alex found it difficult to get stimulated. The daily grind, the challenges, and the uncertainties sometimes made it hard to keep going.

One sunny morning, as Alex sat in his favourite coffee shop, feeling a bit lost and unsure, he noticed a poster on the wall. It read, "Unlock Your Full Potential: The Power of Motivation in Business Management." Intrigued, Alex decided to attend the workshop advertised on the poster. At the workshop, he met a charismatic speaker named Lisa, who had been a successful business manager for many years. Lisa shared her own journey of ups and downs, highlighting the importance of motivation in overcoming obstacles and achieving goals. She explained that motivation was like a compass, guiding entrepreneurs like Alex towards his desired destination. Lisa emphasized that understanding what truly motivated them was the key to unlocking their full potential. She encouraged them to reflect on their passions, interests, and values, as these would shape his business endeavours.

As the workshop progressed, Lisa introduced various strategies for cultivating and sustaining motivation. She talked about setting clear goals, breaking them

down into smaller achievable tasks, and celebrating even the smallest victories along the way. Lisa also emphasized the importance of maintaining a positive mindset and surrounding oneself with a supportive network of mentors and peers. With every passing minute, Alex's excitement grew. He could see how motivation was not just a vague concept but a powerful tool that could fuel their dreams and propel their business forward. The stories, insights, and practical advice shared by Lisa and other participants ignited a fire within Alex's heart. Armed with new-found knowledge and inspiration, Alex left the workshop with a renewed sense of purpose. He was determined to apply the lessons learned and build a business that would not only bring success but also make a positive impact on the world.

From that day forward, whenever Alex felt his motivation waning, he would recall the workshop and the stories that had touched his heart. He would remind himself of his goals, the reasons behind their entrepreneurial journey, and the immense potential he had within. With passion and perseverance, Alex embarked on his business management adventure, knowing that motivation would be their constant companion, guiding him through the challenges and propelling him towards his dreams.

And who knows? Maybe one day, Alex's business would be the subject of a motivational story for other aspiring entrepreneurs, inspiring them to unlock their own potential and make their mark in the world of business management.

Keywords

Motivation, Behaviour, Goals, Knowledge and Skill, Psychological Motivation

Discussion

The ever-shining achievements of Byju Raveendran in the field of business is really an inspiration to many budding businessmen across the world. This inspiration will be an input to many talented young businessmen to follow perseverance in the business whenever confronted with problems and failures. This is what we call it as motivation. People can be motivated from different things, people, situations and so on. The ignite of motivation is different for different people. Only a motivated person can perform better and provide fruitful contribution to the well-being of the soci-ety and the nation as a citizen.

3.1.1 The Concept of Motivation

Currently, Byju Raveendran is one of the wealthiest businessmen in India. He redefined the Indian corporate history and emerged as one of Forbes' top billionaires. Byju won many awards including CNBC-TV 18 Crisil Emerging India Award in Education, Big Research NDTV Profit Business & Service Excellence Award, Deloitte Technology Fast 50 India and Fast 500. His views are widely followed and

admired by a wide spectrum of business leaders and prominent personalities across India. Among the business and other sectors, he is a motivator who is of high standing.

The word 'motivation' is derived from the Latin word 'motive' which means needs, desire, wants or drive within the individuals. It is the process of stimulating people to accomplish their needs/wants. In other words, motivation is the reason for act or behaviour of people to accomplish their desire in a particular way. The reason or stimulating factors for motivation may be, money, recognition, prestige, positions, satisfaction etc. The motivation is exercised only when people willing to act from the inspiration. On the other side, the firms and business organisations are utilising the desire of both employees and customers to accomplish the organisational goals.

In all enterprises, whether private or public, employee motivation plays a pivotal role in helping them to achieve their goals along with organisational goals. In order to achieve the business goals or work towards a productive outcome, motivation theories are helpful to the management. Managers can use motivation theories to support their workers more effectively. It could enhance the productivity of businesses and encourage them to earn more profits. Organisations without motivating their employees may suffer from the consequences of depression, turnover and burnout which can disrupt their success.

3.1.2 Meaning and Definitions

Motivation is the process of stimulating people to accomplish their goals. It is an inner state that energises and directs one's behaviour towards goals. Motivation may be the cause to act, for example to get a glass of water to reduce the thirst or to read book to acquire knowledge. Motivation contains the biological, emotional, social, and cognitive forces that stimulate behaviour of the individuals. Motivation simply means, a reason for acting or behaving in a particular way.

Berenson and Steiner (1964) defined motive as the "inner state that energies, activates or directs behaviour towards goals"

Stanley Vance defined motivation as, "any emotion or desire which so conditions one's will that the individual is driven into action."

The above definitions depict the following characteristics of motivation.

1. Motivation is the internal feeling of a person.

2. It is a continuous process.

3. Motivation generates goal-oriented behaviour.

4. Motivation is partly logical and partly emotional.

5. It can be either positive or negative.

3.1.3 Significance of Motivation

Motivation is the key element in personnel management. Motivation helps to achieve the best performance of the individuals and reach the organisational goals. It supports to increase the production and productivity of the enterprises. The following are some of the major significances of motivation.

i. Productivity

A firm provides additional training for the capacity building of its employees which helps to increase the productivity of the organisation. The desire to acquire knowledge drives the employees to build new skills. Motivation helps the employees to create the desire to enhance their knowledge and skill. In the modern competitive world, the acquisition of new skills and updation of innovative technologies are vital to ensure the success. New technical skills help to reduce the cost of production and increase the productivity which helps to earn more revenue. The measure of productivity is the ratio between output and inputs, that is, it measures how efficiently labour and capital are being used in an organisation to produce a given level of output. The higher revenue earned by the organisation will reflect in the earnings of employees in the form of hike in salary, bonus and other non-monetary benefits as well. This enables the employees being more productive and able to achieve individual goals and organisational goals mutually.

ii. High Efficiency

Compact fluorescent light bulb is more popular because of their superior energy efficiency. Efficiency refers to avoiding waste in time, effort, or resource usage. Efficiency simply means what goes into as inputs versus what comes out as output. Sometimes small efforts can produce big results. Highly motivated employees are able to do a task successfully, without wasting time or energy. This will help to improve the efficiency of the organisation.

iii. Public Image

People are interested in working for highly reputed companies like Google, Microsoft, etc. The public image of the companies can create a pride in their employees, which helps them to work enthusiastically. Motivating employees to work hard is possible through the public image of the company.

iv. Better Supervision

A company such as Google takes good care of its employees by providing facilities to education, health care, recreational opportunities and the like. The employees are given opportunities to express their hidden and special talents apart from the work they do. Example: Talents on Fridays, TGIF happy hours at 4 pm etc. These activities will make the organisational environment more friendly and happy which in turn make the employees motivated. The friendly and motivated environment of an organisation will help to achieve the organisational goals within the stipulated time. The enthusiastic and committed employees need only a little or less supervision to achieve their goals.

v. Co-operation among Employees

'Working together' provides team members an opportunity to come together on a common platform and achieve common goals by thinking, brainstorming, and offering perspectives to provide solutions. Working towards the same goal provides the team members with a strong sense of purpose. As a team, working towards a common goal provides everyone with a mutual reason to work together and it is mutually benefited to the company and the team as well. The team members are given equal opportunity to participate and express their opinions. Such environment will help to improve the efficiency, productivity and overall performance of the employees and this in turn will reflect in the organisational performance too.

vi. Job Satisfaction

Motivation is positively correlated with

the level of job satisfaction of employees. The level of job satisfaction can be described as an employee feeling self-motivated, satisfied, and contented with what they are doing. This occurs when the employee finds stable work, career advancement, and a good work-life balance. This implies that the employee is satisfied with the job only when his expectations are met by the organisation and the job itself. Firms can satisfy their employees by providing better payment, congenial work environment, smooth relationship with co-workers and superiors, better opportunities for career advancement and so on which in turn motivate them as well. etc. This will help to make the employees loyal to the organisation which will helps to produce more quality output.

3.1.4 Types of Motivation

There are many factors which affect the level of motivation, it may be intrinsic (from within) or extrinsic (from outside). The motivational level can influence the productivity, dedication, commitment and overall performance of the employee. Understanding different types of motivation techniques is very helpful to accomplish personal and professional goals effortlessly. The various types of motivation are explained below.

i. Incentive motivation

The organisations motivate employees by providing rewards depending on their performance. This performance helps to achieve the organisational goals quickly and at the earliest. Once they reached the target, they will get paid which includes higher salary and allowances in the form of dearness, house rent etc. Several companies are offering cash prizes, concert tickets, free admission to events, and even free food coupons at local restaurants as incentives to encourage employees

to work efficiently. However, not all incentives are equally motivating for people. According to Stephen L. Franzoi, "The value of an incentive changes over time and in different situations."

ii. Competence & Learning Motivation

Competence and learning motivation are based on the internal rewards like self-improvements and helping others etc. In this type of motivation, people are motivated by the process, not by the rewards. The main reason is that individuals are continuously evolving in terms of their knowledge and skills through the process of continuous learning. As a result, their level of competence is enhancing day by day which is a great motivation to the employees. Such employees expect promotion based on their learning on new skills and knowledge rather than hike in salary. Competency and learning motivation is considered as one of the valuable types of motivation because employees with updated skills, knowledge and expertise are the real asset of the organisation who can create a competitive edge to the company on a long term perspective.

iii. Achievement Motivation

Achievement motivation states that people are ambitious by nature and have desire to follow the passion and make achievements in life, both professional and personal. Achievement motivation is typically self-motivation and it is process oriented. Such motivation focusses on the achievements of goals and not only on the rewards. For a scientist who creates a vaccine against COVID-19 will get fulfilment and motivation only when his vaccine is proved an effective remedy to get rid-off the disease. rather than the potential commercial value of

his discovery. An achievement-driven individual may also spend a lot of time developing a production process to reduce waste while improving productivity.

iv. Fear motivation

There is an accountability while setting up goals and achievements. This accountability creates a fear in the mind of people who are focused on their goals and achievements. Sales executives are prompted to learn new ways of winning clients and polish their cold-calling skills when they face the threat of losing their livelihoods because of missing sales goals. This fear will help to motivate people for achieving their goals.

v. Power motivation

The term "With great power comes great responsibility" applies to leaders. They inspire their followers to overcome challenges and help to organise their work and assume it is their responsibility to leads others. Employees holding managerial positions have more responsibilities along with power to manage work as a team. The prestige or reputation has a great role in the power motivation. People are motivated to the position/goals because it delivers power to the title. They can influence others and are capable of taking risk in their personal and professional life.

vi. Affiliation motivation

In affiliation motivation, the people are motivated by social factors like belongingness to certain groups and acceptance in the society. Affiliation motivation can be a driving force to connect with others and to achieve the social goals. Professionals can draw motivation from the recognition that colleagues and superiors give them for contributing to the success of the enterprise.

vii. Creative motivation

Creativity is the propensity to develop ideas, alternatives and possibilities which can be utilised for solving problems and give new direction to the organisation. The expression of creativity can be in the form of word, art, song, business, or production etc., and these are always interesting to all. Creative employees are the intangible assets of every organisation because they are the one who give innovative product/service ideas which in turn be a profit-making unit for the company. For example, the intrapreneurs are the creative and innovative employees, bring innovative ideas and convert it into a commercially viable and profitable products or services like the case of 'Post - it note' by 3M company, Gmail of Google, Orkut of Google etc.

viii. Attitude motivation

An employee who is willing to lead a campaign in the office to change employee expectations regarding a proposed change that will affect their roles and job content. It can also manifest in helping your team achieve its highest potential. This type of motivation depends on the attitude of the people and their willingness to do work. They mostly depend on their desire and they are least concerned about other people. Attitude motivation always helps to fix the problems of others and they want to be the change.

ix. Physiological motivation

Physiological motivation includes, food, water, air, sleep, warmth etc., which might not be visible but it is the primary needs of every human being to survive. The reward may not always be tangible for physiological motivation, but it is always felt. No doubt, basic human needs cannot be negated. The desire to be healthy, to sleep more, all of these goals are driven by physiological motivation. Satisfaction in physiological needs helps the employees being more productive and efficient.

3.1.5 Theories of Motivation

Motivation is a set of behaviours of people to achieve desired goals energetically and enthusiastically. Motivation inspires people to work with high commitment and focus, which helps them to overcome the difficulties. Motivation is a driving force behind human action. There are many forces which guide and direct behaviour. Numerous psychologists have studied human behaviour and have formalized their discoveries in the form of several motivational theories. These motivational theories provide insights into the way people behave and what motivates them. Theories of motivation drive people to work towards the accomplishment of goals. In business management, it is essential to motivate their employees to become more productive and efficient in their employment.

Motivation theory is the way of looking at the motivation of a person and analysing how it influences his behaviour regardless of personal or professional matters. It is vital for all fields including business and management. Motivation is the key to make employees productive and only a productive employee will be profitable to the business. Following are the leading motivational theories practiced in the contemporary world.

3.1.5.1 Maslow's Hierarchy of Human Needs

Abraham Maslow's Hierarchy theory is based on human needs that are hierarchically ranked. According to Maslow's theory, some of the needs are basic to human beings and it is essential for everyone. Once they satisfy their basic needs, then start to look for satisfying higher needs. It is explained as people want to increase their needs and prioritized according to its importance. Maslow's hierarchy of needs forms the foundation of theories that try to explain levels of satisfaction of human needs. Maslow described need hierarchy in the form of a pyramid and organises the different levels of human psychological and physical needs in order of importance.
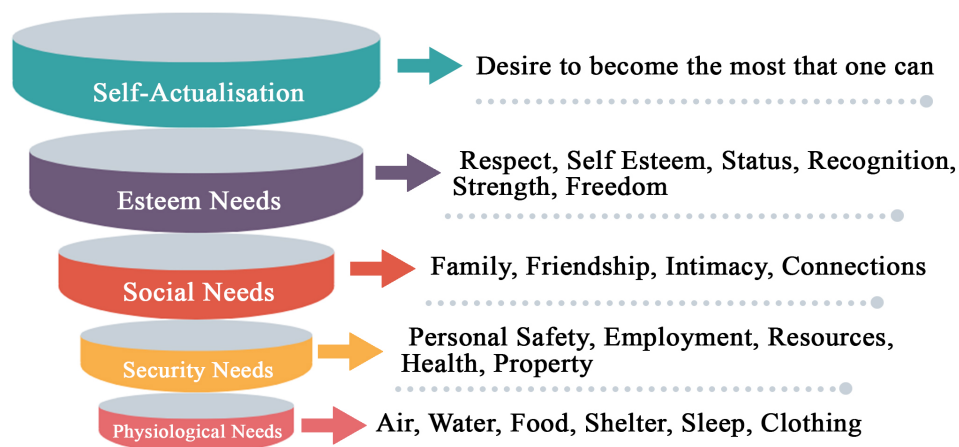

Figure 3.1.1 Maslow's Hierarchy of needs

i. Physical or Physiological Needs

The bottom of the pyramid represents the basics needs which includes food, clothing, shelter, water etc. These needs relate to the survival and existence of human life.

Every individual's essential requirement is to fulfil their basic needs and move forward to the next level. To emerge into next level of needs, the basic needs should be fulfilled. Once the basic needs fulfilled, they no longer motivate them.

ii. Safety or security needs

After achieving the physical need, every individual is concerned about the security which includes safe environment. Security needs comprise personal security, financial security, and health and well-being of the individuals. To fulfil these needs involves more money and efforts, hence, the individual is encouraged to work hard.

Like physiological needs, these become inactive once they are satisfied and move on to the next level.

iii. Social or Belongingness Needs

People are interested in social interaction, companionship, belongingness etc., because they are social beings. Social needs include love, affection and social interaction of the individuals.

Now a days the social interactions of the individuals is made through professional organisations, clubs, religious groups, social media sites, and so forth. So, many of them are prefer to work in groups, especially older people.

iv. Esteem Needs

These needs contain two features that are self-esteem or self-respect through personal accomplishment and social esteem through respect and appreciation from others. These needs include self-confidence, achievement, competence, knowledge and independence. Accomplishment of these needs helps to increase the self-confidence, strength and capability of being useful in the organisation.

v. Self-Actualisation Needs

Once an individual enters into the level of self-actualisation, it is the culmination of all other lower-level needs. In other words, it is top level need in the need hierarchy model. It refers to "becoming all you are capable of becoming." At this stage, people feel that they accomplished their goals or overcome the challenges and marked by new sense of self confidence.

According to Maslow's need hierarchical theory, human needs follow a sequence of domination. In other words, the second need arises only after completion of first/ basic needs and third arises only after second and it goes on till self-actualisation. The other side of need hierarchy is human needs are unlimited. There are many other criticisms against the need hierarchy theory, following are some of them;

a. Needs are not the only determinants of human behaviour.

b. The hierarchy of needs is personalised, different people may have different orders.

Need satisfaction do not always follow the hierarchy.

3.1.5.2 Alderfer's ERG theory

ERG theory, developed by Clayton Alderfer, is a modification of Maslow's

needs hierarchy theory. In its place of the five needs that are hierarchically organised, Alderfer proposed that basic human needs into three categories specifically, existence, relatedness, and growth. The difference between ERG theory and Maslow theory is that ERG theory does not rank 'needs' in any particular order and explicitly distinguishes that more than one need can be activated at any point of time. In other words, the results of the lower-level needs do not require to accomplish higher level needs.

i. Existence needs

This need consists of basic requirements for living. It comprises both psychological needs and safety needs of Maslow's theory. psychological and safety needs include health, secure employment, and property.

ii. Relatedness needs

This explains the importance of interpersonal relationship between individuals and their social interaction. The main purpose of maintaining interpersonal relationship is to get public recognition and reputation. It is aligned with Maslow's social and esteem needs.

iii. Growth needs

These needs explain the importance of intrinsic desire for personal development. In other words, it is for self-development and personal growth and advancement. This need comprises Maslow's esteem needs and self-actualisation needs.

ERG theory explains that more than one need is operational at the same time and fulfilment of a higher-level need is subdued, there is an increase in desire for satisfying a lower-level need. On the other hand, Maslow explains that an individual remains at a particular need level, until it is satisfied.
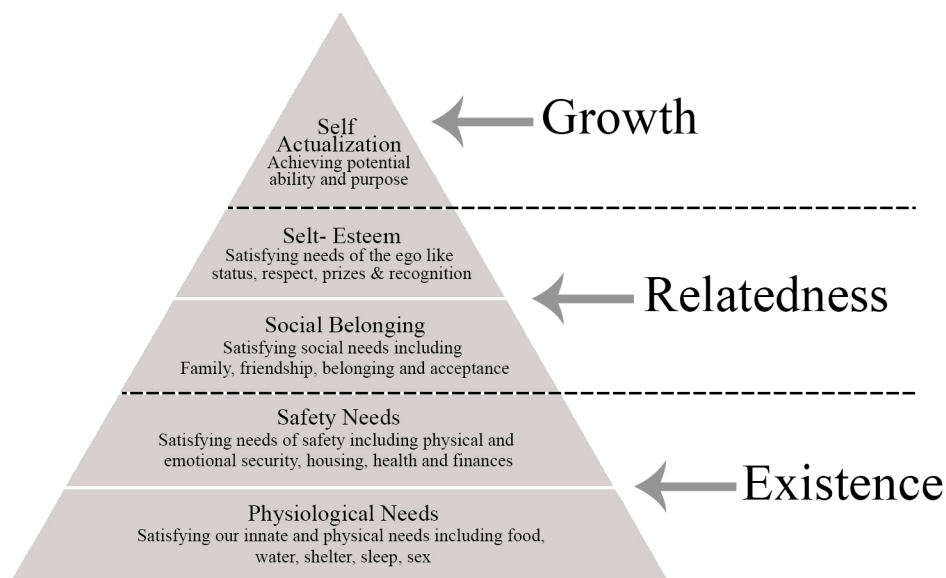
Figure 3.1.2 Comparison of Maslow's Hierarchy of Needs and Alderfer's ERG theory

3.1.5.3 McGregor's theory X and theory Y

McGregor developed two theories by which managers perceive and address employee motivation. He referred to these contrasting motivational approaches as Theory X and Theory Y, which was formulated in 1960s. Each assumes that the manager's role is to organise resources, including people, to best benefit the company. However, beyond this commonality, the attitudes and assumptions they embody are quite different. Theory X and Theory Y suggest two aspects of human behaviour at work. Theory X explain the negative aspects and Theory Y explain the positive aspects. Theory X and Theory Y explain based on certain assumptions. The following are assumptions.

Assumptions of Theory X

◊ Intrinsically, a typical employee dislikes working and tries to avoid it whenever possible.

◊ Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organisational goals. Therefore, Managers need to provide close supervision which results in more of a dictatorial approach.

◊ Typically, employees value job security more than aspiration or ambition, and lack aspiration or ambition

◊ Responsibility is generally disliked by employees.

◊ The employees are resistant to change.

◊ Most employees require formal guidance.

Assumptions of Theory Y

◊ Work can be perceived as relaxed and normal by employees. This allows them to exercise their physical and mental capacities effectively.

◊ If the employees are truly dedicated to achieving the organisational objectives, employees may not require threats, external control, and coercion to do their work.

◊ Those who are rewarded and satisfied at work will be loyal to their employers and committed to the business

◊ An average employee is capable of recognising their responsibility and admitting it.

◊ Organisational problems can be solved by utilizing the employees' creativity, resourcefulness, and innovative abilities.

3.1.5.4 Herzberg's Motivation-Hygiene theory

Herzberg's Motivation Theory model, or Two Factor Theory explains that there are two factors which influences motivation of employees, called motivational factors and hygiene factors. The motivators can encourage the employees to work harder.

The motivators comprise of Performance and achievement, Recognition, Job status, Responsibility, Opportunities for advancement, Personal growth and the work itself.

On the other hand, Hygiene factors do not directly encourage hard work and can be a cause to demotivate the employees. These factors include salary, working con-

ditions, physical workspace, relationship with colleagues, relationship with supervisor, quality of supervisor, policies and rules etc. The core concept of this theory is that an individual cannot achieve higher performance only by improving the working environment.

Recap

◊ Motivation: Process of stimulation

◊ Motivating factors: Intrinsic or extrinsic.

◊ Hierarchy of needs: Physiological, safety, social, egoistic and self-actualisation.

◊ Three types of human needs as per ERG theory: Existence, Relatedness and Growth.

◊ Human nature has Negative aspects and Positive aspects.

◊ Two factor theory: Motivators and Hygiene factors

Objective Questions

1. What is motivation?

2. How does incentive motivation work?

3. Which are the categories of Alderfer's ERG theory?

4. What are the aspects of Theory X and Theory Y?

5. What are the factors of Two Factor Theory?

Answers

1. Motivation means any emotion or desire which so conditions one's will that the individual is driven into action.

2. The employees are provided with high rewards depending on their performance by the organisations.

3. Existence, relatedness, and growth

4. Theory X explain the negative aspects and Theory Y explain the positive aspects.

5. Motivators and hygiene factors.

Self-Assessment Questions

1. What are The Early Theories of Motivation, How Well Have They Been Supported by Research?

2. Critically examine Maslow's need priority model. How far up the hierarchical ladder do most people progress?

3. What are the important assumptions made in X theory?

4. What are the types of motivation?

5. Explain the steps involved in motivation process

Assignments

1. Make a visit to any organisation and identify the motivational practices followed by the organisation.

2. Take any one public sector enterprise in Kerala as an example and describe the types of motivation followed by public sector enterprises.

Suggested Reading

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Unit - 2

Leadership

After the completion of this unit, the learner will be able to:

◊   get an awareness on Leadership

◊   familiarise with the theories of Leadership

◊   create an awareness on Qualities of a good leader

P Prerequisite

Let's take a closer look at the remarkable journey of Lakshmi Mittal, the Chairman and Chief Executive Officer of ArcelorMittal, one of the world's leading mining and steel producing companies. In 1976, he took a leap of faith and started his own steel mill in Indonesia, marking the beginning of his entrepreneurial endeavors.

Mittal's magical touch was evident in 1989 when he acquired two struggling state-owned steel companies in Trinidad and Tobago. With his leadership and vision, he transformed these companies from losses to profits. This success story continued as he recently bought Essar Steel, a bankrupt and loss-making company. Under Mittal's guidance, Essar Steel not only survived bankruptcy but also thrived, moving forward in the business world.

These achievements in the business realm demonstrate Mittal's exceptional ability to bring direction and success to failing ventures. This remarkable ability is often referred to as "leadership." It is Mittal's leadership qualities that have earned him prestigious awards such as the Padma Vibhushan and the Forbes Lifetime Achievement Award. His leadership serves as an exemplary model for the corporate world to emulate.

In this unit, we will learn the concept of leadership in greater detail. We will explore the qualities and skills that make a great leader and examine the impact of effective leadership on organisations. Through inspiring examples like Lakshmi Mittal, we will gain valuable insights into the world of leadership and learn how it can shape the success of businesses and industries. So, let's embark on this journey of understanding leadership and its significance in the corporate world!

K Keywords

Behavioral theory, Situational theory, Trait theory, Managerial Grid

Discussion

Throughout the centuries, there arise many leaders. Some of them were successful and others were unsuccessful. But the history mostly celebrated the successful ones. With the rise of industrial revolution, every management started to believe leadership has important role in the success of business management. The successful leadership has the capacity to establish the directions, ability to stimulus, motivating and committing to make the impossible one possible. During the industrial revolution, there are many studies conducted to identify the best model for the successful leaders and it is still going on.

3.2.1 Meaning and Definition

The concept of leadership is important for both personal and professional life of every individual. In order to become a good leader, an individual needs to acquire and comprehend the knowledge and skill of leadership. The meaning of leadership is the ability to execute, direct, guide and influence the people to accomplish specific goal of the institution. It is also an art to motivate people towards a common goal. It induces the subordinate to work with confidence and achieve the organisational goals. It can manipulate the behaviour of the people to achieve their dreams. It also has the capacity to influence a group of people towards a particular goal. To accomplish the goal, a leader must have mission, vision and ability to motivate the subordinate.

According to Keith Davis, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates towards goals."

According to George Terry "Leadership is the activity of influencing people to strive willingly for group objectives".

According to Gay and Strake "Leadership is both a process and property. The process of leadership is the use of noncoercive influence to direct and coordinate the activities of the members of an organised group towards the accomplishment of group objectivities. As a property, leadership is the set of qualities or characteristics attributed to those who are perceived to successfully employ such influence".

Leadership is based on ideas, that

are effectively communicated to the employees in a way that it will inspire people to accomplish the goals. It is an inter-personal relationship with people towards the fulfilment of a particular goal. The quality of a good leader includes intelligence, maturity and personality which are necessary in shaping and molding of employees to reach the higher destinations. Furthermore, a person who can bring out the changes is the one who holds the capability to be a leader. As per the above discussion, leadership has three elements: Leader, Followers and a Situation.

3.2.2 Importance of Leadership

Leadership clarifies, guides and motivates the employees to achieve the organisational goals. It elucidates policies and plans of organisation. A leader can influence and make changes in the behaviour of his followers by developing a good relationship with them. It is a continuous process to achieve a common goal. The effective leadership is all about completing the work within specified time period with minimum cost and resources. History reveals that leadership is the key factor of both the success and failure of any organisations. Leaders play a vital role in the management of an organisation because he allocates resources; guide and motivates the subordinate to accomplish the target. The importance of leadership is explained below.

i.   Initiating Action

One of the most imperative roles of a leader is to explain the vision of the company to the employees. The leader may communicate policies and plans to the employees before the work begins. They explain the vision along with strategic plan to accomplish the organisational goals. The road map includes steps, resource availability and requirements to achieve the common goal.

ii.   Providing Motivation

Employees are provided the motivation through financial and non-financial-benefits. Financial motivation includes monetary rewards whereas non-financial motivation consists of recognition, job enlargement, job enrichment, job rotation, participation in decisions, flexible schedules, feedback etc. The leaders are well aware of the motivational factors which influence the subordinate.

iii.   Providing guidance

Proper guidance is essential to accomplish the goals and the leader guide the employees to sharpen the focus on pre-determined plans. The guidance of the leader enhances the capabilities of subordinates and improve the quality of outcome.

iv.   Creating confidence

The roles and guidance will improve the confidence level of employees. The proper support in resolving complaints and problems of the employees will also help to expand the confidence level.

v.   Building work environment

A constructive and resourceful work environment supports in constant progress of the organisation. Through encouraging team collaboration and communication, a good work environment can be developed. The work environment determines the work culture and it will influence the organisational goals.

vi.   Co-ordination

Communication is the key to

coordination which helps to understand the mission and vision of the organisation. To complete the task, a collective effort is needed. The harmony of team helps to encourage all employees to play their role very well. The effective coordination of employees will reflect in the final outcomes of the organisation.

vii. Influence people

Leaders influence people to accomplish the goals efficiently. They help them by providing support, encouragement and confidence. It helps to develop an inter personal relationship, so a leader can handle the conflicts within the organisation effectively. Leader provides training for the subordinate to accomplish the goal and also build the successor and helps in succession process.

3.2.3 Theories of Leadership

Leadership theories try to explain why and how leaders are emerging. These theories mainly focused on characteristics and behaviour of leaders, which can adopt and improve the leadership abilities in different situations. It also tries to explain what traits, behaviours and skills make a good leader. There are many leadership theories developed by social scientists from time to time. Following are some of the famous leadership theories, which sharpen the skills and empower the manager to become a good leader.

3.2.3.1 Traits theory

Traits theories are developed to understand the personality traits of leaders both successful and unsuccessful. The traits include consistent, stable, and unique characteristics of people. Traits theories assume that people inherit certain qualities which make them great leaders. Traits

theory identify the behavioural characteristics of a good leader like extroversion, self-confidence, and courage. Traits theory is commonly used as leadership theory, which may help to identify a good leader and predict the effectiveness of leadership.

i. Allport's Trait Theory

Allport's trait theory explains the uniqueness of individuals which are internal cognitive and motivational process influences the behaviour of people. He assumes that the personality behaviour is organically determined at birth and the environmental experience helps to shape the personality. In other words, a particular behaviour coddles initially for some specific reason and then it became character of an individual in a course of time. In 1936, psychologist Gordon Allport identified 4000 words to describes different personality traits in an English dictionary. He grouped these traits into three heads namely Cardinal traits, Central traits and Secondary traits.

a. Cardinal traits: A cardinal trait is a prevalent or dominant characteristic of an individual and it can become an identity. These traits are very rare and it is the synonymous of one's personality. For instance, if compassion is considered as a trait, then this compassion is manifested in almost all aspects of the individual's behaviour. Examples: Kindness of Mother Theresa and ruthlessness of Hitler.

b. Central traits: These are not overwhelming like the cardinal traits but it can be reflected or seen in the various preferences and attitudes of the individual concerned. These are rather too general and are not as consistent as the cardinal traits. It is used by a person to describe the other person's characteristics such as intelligence, honesty, shyness, etc.

c. Secondary traits: These traits are not much visible, inconsistent, less generalized and irrelevant to define the personality. These traits are related to attitude and preferences of people, which can identify only under certain circumstances/situations. Example: Anxiety of a person during the public speaking.

ii. Cattell's 16-Factor Personality Model

Cattell's 16 factor personality model is developed based on Allport and Odbert's list of personality descriptors in 1936 and Baumgarten's work focused on a lexical approach to the dimensions of personality in 1933. Raymond Cattell Analysed Allport's Trait Theory and identified the uncommon characteristics to eliminate from the list and also traits, which are related to each other by the help of factor analysis. The entire process helps him to reduce the 4000 traits to 171 and able to develop the 16-Factor Personality Model. Now it is widely used for career counselling, selection process of mangers etc.

He developed a personality assessment based on the 16 factors, called the 16PF. Instead of a trait being present or absent, each dimension is scored over a continuum, from high to low. For example, your level of warmth describes how warm, caring, and nice to others you are. If you score low on this index, you tend to be more distant and colder. A high score on this index signifies you are supportive and comforting.

Table 3.2.1: Personality Factors Measured by the 16PF Questionnaire

Factor	Low Score	High Score
Warmth	Reserved, detached	Outgoing, supportive
Intellect	Concrete thinker	Analytical
Emotional stability	Moody, irritable	Stable, calm
Aggressiveness	Docile, submissive	Controlling, dominant
Liveliness	Somber, prudent	Adventurous, spontaneous
Dutifulness	Unreliable	Conscientious
Social assertiveness	Shy, restrained	Uninhibited, bold
Sensitivity	Tough-minded	Sensitive, caring
Paranoia	Trusting	Suspicious
Abstractness	Conventional	Imaginative
Introversion	Open, straightforward	Private, shrewd
Anxiety	Confident	Apprehensive
Open-mindedness	Closeminded, traditional	Curious, experimental
Independence	Outgoing, social	Self-sufficient
Perfectionism	Disorganised, casual	Organised, precise
Tension	Relaxed	Stressed

3.2.3.2 Behavioral theory

Before the Behavioural Theory of management, many of the psychologists argued that effective leaders are born with innate leadership qualities. After the emergence of Behavioural Theories of Leadership, it is argued that the capability of leadership can be learned rather than being inherent. To prove these arguments, a study has been conducted on behavioural patterns of leaders and recognised the excellence of leadership is determined by the capability of people to respond on environmental factors in the workspace. Therefore, anyone can become a great leader if they can learn and implement certain behaviours.

Types of Behavioural Leadership

The behavioural leadership comprises different set of behaviours of people in the workspace. The behaviour of people directly affects the work environments and it will determine the quality and quantity of output. Following are the Behavioural leadership types;

1. People-Oriented Leadership

It is focused on interpersonal relationships and communication with their supervisors, employees and clients. The relationship will help to motivate and increase their efficiency. These leaders encourage the collaborations, observing their team's progress and mentor the members to achieve their organisational goals.

2. Task-Oriented Leadership

Task-oriented leaders particularly focus on objectives of the organisations and consider only the final results rather than day today progress. So, the behaviours of these leaders are structured and authoritative in nature. These leaders initiate projects, organising the process, clarifying the directions and gather data to accomplish the organisational objectives.

3. Sound Leadership

Sound leaders equally prioritize productivity and morale of the team. So, it is one of the most effective and ideal type of behavioural leadership and it helps to produce high quality results. These types of leaderships encourage open communication, listen to feedback, support employees through training and upgrading skills.

4. Participative leaders

Participative leadership style encourages participation of their members through team meetings, provide information, share ideas, constructive feedback and make a decision. It is a democratic leadership because the entire organisation works together to make and implement the decision.

5. Indifferent leaders

Indifferent leaders work for their personal success and benefits. They avoid questions from the team and do not contribute to achieve the organisational goals. This type of leaders does not have any interaction with the team.

6. Dictatorial leaders

Dictatorial leaders focus on delivering high quality results through inflexible deadline, ignore feedbacks and expect unquestioning support from the team. The pressure and stress of the employees will be high with low satisfaction level.

7. Opportunistic leaders

Opportunistic leaders use different behaviours depends on situation to achieve

the organisational goals. They pursue output regardless of cost and also will be impulsive in nature to achieve the goals.

8. Status-quo leaders

This type of leaders give priority to both productive and satisfaction of employees. They are very much concerned about completion of task within the time frame and for this, they provide continuous encouragement and support to their employees. These leaders always meet the needs and wants of their employees. They distribute the task evenly and require regular progress report of the work. They are good in enforcement of policies of the organisation and also consider feedback neutrally.

9. Country club leaders

Country club leaders prioritize their team members' happiness and satisfaction level. They believe that a team which is comfortable with the work environment can contribute more to the timely completion of task and success of an organisation. In this type, team members show their loyalty and trust to the organisation. Sometimes, these leaders might sacrifice the productivity for improvement of efficiency and work environment. These leaders are ready to respond to the feedback and give more importance to the employees' wellbeing. They always protect the interest and right of employees and support the decisions of employees.

10. Paternalistic leaders

This leadership is like parent and child relationship. These leaders are stern and at the same time fair. They are focused only on goals and often they change the methodology to reach the goals. They always give rewards to their employees

based on work progress. They give more importance to develop the skills of their employees and offer many opportunities to develop professionally.

3.2.3.3 Situational theory

The contributors of Situational theory are Dr. Paul Hersey and Kenneth Blanchard. This theory suggests that the most effective leaders change their style of leadership depends on the situation to achieve the organisational goals. It is more flexible to accomplish the target. There are four situational leadership styles developed by Blanchard and Hershey.

Telling: This style is directive and authoritative which requires close observation and supervision. The leaders will communicate all the decision with their subordinates and give direction to accomplish the goals.

Selling: These types of leaders will provide their ideas and messages to the teams and also encourage them to accomplish the goals.

Participating: It is democratic in nature; all the decisions are taken by the group itself. The leaders support and encourage the team to accomplish goals.

Delegating: In this type of leadership, the leader will assign the duties to the team members and oversee the work.

Maturity Levels

The right style of leadership depends on the level of knowledge and competence of the individual or groups. This levels commonly known as maturity.

Hersey and Blanchard's theory identifies four different levels of maturity, including:

M1: Group members lack the knowledge, skills, and willingness to complete the task.

M2: Group members are willing and enthusiastic, but lack the ability.

M3: Group members have the skills and capability to complete the task, but are unwilling to take responsibility.

M4: Group members are highly skilled and willing to complete the task.

Matching Styles and Levels

Leadership styles may be matched with maturity levels. The Hersey-Blanchard model suggests that the following leadership styles are the most appropriate for these maturity levels:

Low Maturity (M1)—Telling

Medium Maturity (M2)—Selling

Medium Maturity (M3)—Participating

High Maturity (M4)—Delegating

3.2.3.4 Managerial Grid model

Managerial Grid model was developed by Robert R. Blake and Jane S. Mouton in1960. This model helps managers to identify the style of leadership and identify the area required for improvement. The grid describes two behavioural dimensions of leadership called vertical axis and horizontal axis. The vertical axis depicts concern for people and on the other hand horizontal axis shows concern for production/results.

Managerial Grid Leadership Styles

Based on the concern for people and concern for production, the Managerial grid model identified five leadership styles. The five-leadership style is explained with the following figure, in which the X axis represents concern for production and Y-axis represents concern for people. Both axis ranges from 1 (Low) to 9 (high).
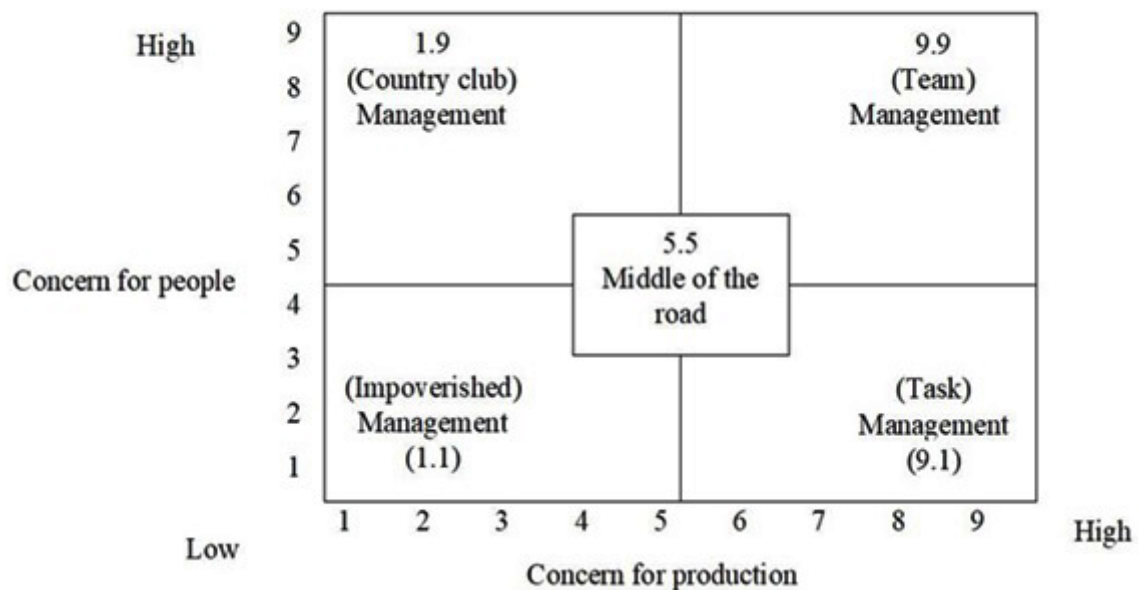

Figure 3.2.1 Managerial Grid

1. Impoverished Leadership

This type of leaders are least concerned about both people and production. To avoid mistake, he would not take any responsibility. The results of this leadership are employees' dissatisfaction and low growth of the business.

2. Task Leadership

It is a task-oriented style and the managers are authoritative in nature. They are not concerned about the people and focuses only on task. To accomplish the task, leader implements rules, policies and procedures and also uses punishments as the motivation factor to their employees.

3. Country Club Leadership

It is just opposite of Task Leadership; the Country Club Style is more focused on people rather than production. This style provides good work environment for their employees and it helps to increase the job satisfaction. However, least concern about the production can affect the outcome.

4. Middle of the Road Leadership

As the title suggests, this leadership style places equal importance on people and production. These leaders focus on balancing the work requirements and employees' needs.

5. Team Leadership

This leadership style is pays high concern to both people and production and it is considered as most effective one. Under this style, the employees are highly motivated, productive and cooperative.

3.2.4 Qualities of a good leader

The leader should have multidimensional traits which make him successful. The following are some of the good qualities of successful leaders.

Vision and foresight- A leader should have vision about the goals and should be capable of imparting this vision to the team. Leaders' imagination should be logical and practical one.

Intelligence- The leader should be able to identify the problems and to handle the difficult situations.

Communicative skills- A leader must be able to communicate the policies and procedures clearly, precisely and effectively to the team. Then only the entire team can accomplish the goals.

Self-confidence and will-power -The confidence mostly depends upon the knowledge and ability to complete the task. The confidence and willpower help to build strong team to accomplish the goals.

Humanist- A good leader should treat their employees in humanitarian ground and it will help to build a strong relationship with their subordinates.

Empathy- The leader has the ability to understand problems, complaints, needs and aspirations of the team. This helps to enrich the work environment culture.

Integrity- The leader has the quality of being honest and possess strong morale. Integrity helps to build a trust within the team and can create a unity within the organisation.

Respect- The leader should respect his subordinates on their abilities, qualities and achievements. This will help to encourage employees to work hard and accomplish the goals.

Recap

◊ Leadership is the ability to accomplish the organisational goals.

◊ Trait theories help to identify a good leader and predict the effectiveness of leadership.

◊ Leadership can be learned rather than being inherent.

◊ Situational leadership styles are more flexible to accomplish the target.

◊ Managerial grid model leadership is based on concern for production and people.

Objective Questions

1. What is leadership?

2. What is the purpose of trait theory?

3. What are the categories of Allport's Trait Theory?

4. Which analysis used by Raymond Cattell to explain 16-Factor Personality Model

5. Which theory explain leadership can be learned?

6. What are the types of situational leadership styles?

7. What are the concerns of Managerial Grid model?

Answers

1. Leadership is the ability to execute, direct, guide and influence the people to accomplish specific goal of the institution.

2. Traits theories are developed to understand the personality traits of individuals.

3. Cardinal traits, central traits and secondary traits.

4. Factor analysis

5. Behavioural Theory

6. Telling, Selling, Participating and Delegating

7. Vertical axis concern for people and horizontal axis concern for production

Self-Assessment Questions

1. Mention the importance of Leadership

2. Explain the various leadership styles.

3. What is Laissez-faire?

4. What are the advantages of democratic leadership?

5. Explain the qualities of a good leader

Assignments

1. Find successful leaders from the Indian business industry and describe their traits, behaviour, and leadership qualities.

2. Write a short note on the leadership style followed by the Branch Manager of the banking institution you visited.

Suggested Reading

1. Guptha, M.(2009)., *Principles of Management* (Halics), New Delhi: PHI Learning Private Limited.

2. Koontz, H., O'Donnell, C. and Weihrich, H.(1988), *Management*, 9th Edition, New Delhi: Mc Uran Hill.

3. Sharma, R. K, Sharma, R. and Guptha, S.K. (2016). *Principles of Management*, Ernakulam : Kalyani publishers.

4. Prasad, L. M. (2019)., *Principles and Practices of Management*, New Delhi: Sultan Chand &sons.

BLOCK - 04
Supervision and Communication

Unit - 1
Supervision

L Learning Outcomes

After reading this Unit, the learner will be able to;

◊   understand the meaning, concept, types and levels of supervision

◊   realise the importance of supervision in the management of a company

◊   familiarise the functions and responsibilities of supervisors

◊   understand the qualities needed for effective supervision

P Prerequisite

There were two equally skilled guys named Ramu and Raju. They were excited to start their new jobs as machine operators in a company. Ramu and Raju were placed in different plants of the same company, but their job profiles were identical. In the first plant where Ramu joined, there was a manager who oversaw the work of many employees. This manager paid close attention to everyone's work, giving directions, suggestions, and even corrections when needed. With the manager's guidance, Ramu quickly became efficient and skilled in his work. He was happy and satisfied with his job. On the other hand, in the plant where Raju joined, there were many employees like him, but there was no one to supervise their work. Each person did their job in their own style and convenience, without any proper direction or assistance. As a result, Raju felt frustrated and dissatisfied with his work. Eventually, he decided to leave the job altogether.

Now, you might be wondering how two employees in the same company with similar job profiles could have such different work experiences. The answer lies in the presence of a person to give directions and oversee the work at Ramu's plant. This person played a crucial role in improving the employees' performance. This scenario can be observed in many organisations. To ensure smooth execution of work, companies need to assign a responsible person to look after the performance of their employees. This person can assist, monitor, and evaluate the workers' progress, and provide guidance when necessary. The activity of overseeing

subordinates at work has been an important aspect of management for decades.

In this unit, we will learn deeper into the significance of supervision and direction in the workplace. We will explore how proper management practices can enhance employee performance and contribute to the success of an organisation. So, let's embark on this journey of understanding the importance of supervision in business management!

Discussion

In order to direct the employees in any organisation towards achieving the organisational objectives as one team, proper supervision is a necessity. Supervision is considered one of the major components of directing function. Generally, people presume that a supervisor is necessary only for lower level workers but the reality is that, there is a need for supervision at all levels of management. The proportion of direct supervision varies according to the nature of jobs at each level of management.

4.1.1 Supervision-Meaning

The team Supervision is derived from the Latin language. The word 'Super' means 'from the above' and 'vision' means 'to see'. Hence the literal meaning of supervision is overseeing the activities of others. From a managerial perspective, supervision means "Overseeing the subordinates at work with authority and with an aim to guide the employees, if they are doing wrong."

Supervision is a method of building direct personal contact between supervisor and employees working under them. It is the activity of overseeing or looking after the employees at work to make sure that they are following the guidelines and policies for fulfilling corporate plans. Supervision ensures better productivity of employees and will help the firm to achieve goals efficiently. Supervision involves day-to-day interpersonal relationships at work between supervisors and subordinates.

The number of subordinates managed by supervisors in different organisations may vary according to the nature of work and type of company. Some supervisors may control 10 workers under him whereas in some other cases it would be two or three. The number of subordinates managed by each supervisor is known as 'span of supervision'.

4.1.2 Supervision Styles

Google is renowned for its free work environment where the employees have the liberty to incorporate their ideas into the work. Most employees work with less supervision and interference from top

executives. The case may not be similar in other IT-based firms. There can be organisations where employees go through strict monitoring. The supervising style adopted by every company will not be the same. The style changes depending on the values and vision set by each company. The HR policies of companies reflect highly on supervision styles. Some companies will be people-oriented and jovial towards their employees whereas some other companies give importance to the work rather than the people who do it. Other factors like nature of the job, company objectives, etc. also influences the style of supervision being implemented. There are many supervisory styles adopted in organisations depending upon the requirements and environment. The combination of different styles has to be imbibed by the supervisor while carrying out his responsibilities. Following are the possible styles of supervision;

i. Task Centered Supervision

This style of supervision pays all attention to the work to be completed rather than the people who are carrying out the work. Such supervisors make sure that the work allotted to the employee is completed according to the set targets of time and quality. Personal considerations will not be a matter in the evaluation of employees in this supervision.

ii. Democratic Supervision

In this style of supervision, high concern for people will be given rather than their performance. Independence and cooperation are the basis of this style. In democratic style, employees will be given the freedom to complete their tasks as per their convenience and preferences.

iii. Laissez Faire

In this style, there will be a minimum concern for both tasks and people. Even though this style fosters freedom, the ultimate result will be employee frustration. No intervention from the side of supervisors will be present in this case.

iv. Bureaucratic or Rules Centered Supervision

The supervisor's behaviour in this style is associated with a high degree of focus on rules, regulations, and processes to which both the supervisor and the subordinates adhere to. As a result, it shortened succession of routine administrative actions. Workers become apathetic as a result of this type of management.

v. Manipulative Supervision

This supervisor has a very protective attitude towards the subordinates, guiding them through each job and providing constant direction. This type of management is adored by subordinates. They have a habit of grooming their workers to be faithful followers. Supervisor takes the role of an influencer in this style of supervision and hence require certain personal skill and abilities to do so.

vi. Expert Supervision

This is a new approach to supervision. The supervisor's expertise and competence serve as the foundation for this type of supervision. In order to pass on technical and professional know-how to their employees, companies will hire supervisors with expertise and knowledge in respective areas to oversee the work.

4.1.2 Importance of Supervision

Overseeing or watching the work behaviour of employees is the primary concern of all supervisors. Since they get to interact and directly connect with

the employees, their tasks are considered vital to the organisation. Supervisors act as a link between the management and employees.

The importance of supervision can be explained as follows:

vii. Passing on Orders and Guidelines

A better informed and guided worker can perform the duties more efficiently. The workers may require assistance at every step. Supervisor clarifies the doubts and informs the workers about proper method of doing a particular job.

viii. Planning and Organising the Work

Supervisor is responsible for preparing work schedule in order to ensure steady flow of work. A supervisor acts as a planner and a guide for his subordinates. The supervisor can set performance goals for the subordinates and determine the methods and procedures for doing the work.

ix. Present at all Levels

Generally, people presume that supervisor is necessary for only lower-level workers but, there is a need for supervision in all levels of management. The proportion of direct supervision varies according to the nature of jobs at each level of management. Top management supervises managers whereas the employees designated as supervisors supervise the lower level workers. The supervision at the front line is most important since actual work is done at that level and that there is direct contact with the customers.

x. Vital Link between Workers and Management

A supervisor is the representative of the management and a very important figure from workers point of view. He communicates the policies of the management to workers (downward communication) and also provides feed back to the management on the happening at the lowest level (upward communication).

xi. Motivating Subordinates

A supervisor works as a leader, friend, philosopher and guide to fellow employees working under them. They binds the entire workforce as a team and ensures better co-operation from workers in all activities. Supervisor can ensure better utilisation of human resource for any organisation.

xii. Better allocation of Work

A supervisor makes systematic arrangement of activities and resources for their group. They assigns work to each worker and delegates authority to workers. Workers feel frustrated when the work being done by them is not properly allocated and it is an injustice as well. Some workers may sit idle whereas others may be overburdened, if work is not properly assigned.

4.1.3 Levels of Supervision

Every supervisor will not show the same level of involvement in subordinates' work. Some supervisors will have direct control over employees' work whereas some will only make sure the work is done. If we consider the different functions in an organisation, all might not require the same level of intervention from the part of supervisors too. If we consider the case of a manufacturing company, the work in production department like operating

machines may require direct involvement from the supervisor, whereas in the case of an employee who is doing the accounting work, constant interference may affect the quality of the work adversely. There can be multiple levels of supervision practiced in organisations depending upon their nature. An accurate description of the level of supervision provided for the position can aid in proper classification and establish clear expectations for the holder. Different levels of supervision can be understood from the following;

i. Immediate/Direct Supervision

In the case of immediate or direct supervision, the work is carried out according to the explicit directions and the work processes are well-defined and recorded. A manager/supervisor is always available in the workplace to assist, direct, and advise the employees they are supervising. They are physically present or in close vicinity such as on the same floor and ready to respond to the needs of people at work. Eg: Supervising a production plant.

ii. General Supervision

An overall supervision is given to the workers regarding their job instead of keen guidance and instructions on each and every element of the job. This is known as General Supervision. The employees usually works independently by referring to policies, practices, and procedures as needed. The manager/supervisor assigns ongoing or special assignments by outlining the general scope of work, limits, quality and quantity expectations, deadlines, and priority. For instance, a cleaning staff in a company may not undergo specific direct supervision, rather a general outline of their responsibilities will be explained to them during induction and afterwards few occasional inspections are enough.

A thorough instructions are supplied only for new, difficult, or unusual assignments. The employees need to take initiative in order to perform repetitive chores. The manager/supervisor ensures that the job is done accurately in accordance with the instructions and procedures. Eg: Supervising the work of an accountant.

iii. Limited Supervision

While conforming to the Supervisor's standards, practices, and procedures, the incumbent operates on his or her own initiative. The incumbent rarely approaches the supervisor, unless there is policy clarification. The work is more independent and personal to the employee. Eg: Supervising the work of a designer in the marketing department.

iv. General Direction

Employees work mostly on their own, with assignments based on standard procedure, precedents, policies, and objectives. The incumbent is responsible for task planning, coordination, and prioritisation. Longer term goals and policy concerns are within the manager's active control. A manager or supervisor may inspect work to ensure that it satisfies programme objectives and adheres to departmental policy and procedure. Eg: Bank employees who carry out their daily duties with a general direction from the respective branch managers.

v. Administrative Direction

The job entails a wide range of tasks, and management decisions are numerous. In such cases, assistance will be given in carrying out the managerial tasks and decision making but interference in the work will be minimum. Eg: Professors in

Universities receive administrative direction from their respective authorities.

4.1.4 Types of Supervision

Let us look into the case of a manufacturing company to understand different types of supervision needed in an organisation. There will be multiple departments carrying out varieties of activities. In Production department, labourers will be doing physical work in groups. Such kind of work can be supervised by many people in the whole factory. Whereas in Finance department there may be one employee who looks after the auditing work which needs to be personally overlooked by an expert. If you take the case of Marketing department, employees will be working in groups under the supervision of a Team Leader. In each of these situations, the type of supervision that needs to be adopted will be different. People may have experience with different types of supervision or may only be familiar with one, depending on their position in the organisation, nature of job, and work environment. Here are a few types of supervision generally practiced in organisations;

i. One-to-one supervision

One-to-one supervision is a popular practice and usually the supervisee's line manager is their supervisor. It is a person-to-person interaction in which the supervisee receives direct guidance and training from the supervisor. The sessions are planned ahead of time and held in a private and safe setting. For professionally competent personnel, it is the most typical type of supervision. The finance department in companies generally requires this type of supervision. An accountant or auditing assistant will be directly supervised by their respective heads with ample expertise and if they are making any mistakes, it will be corrected instantly.

ii. Shared Supervision

This permits supervisory responsibilities to be shared amongst teams. The supervisee will still have one-to-one supervision, but the supervisor will not be the supervisee's direct manager; instead, the supervisor will be a practitioner with skills and knowledge relevant to the supervisee's current projects or caseload who may give particular support and/or mentoring. In individual time-bound projects, some companies allow the supervisors to share their responsibilities just to ensure the flawless execution of plans. The responsibility can even be shared to an expert or experienced professional from the field and not necessarily the immediate supervisor of the employee.

iii. Group Supervision

In some organisations, work will be allotted to different teams. The team members will work together by assisting, helping and overlooking each other to fulfill their targets. This is called group supervision. Group supervision is usually handled by a facilitator in a predefined manner with the formal consent of supervisor and supervisees. The group's composition is decided on the basis of the objectives of supervision. Group supervision complements the individual supervision by reducing the need for one-to-one supervision.

iv. Professional Supervision

When you picture a hospital atmosphere, the kind of supervision that the newly practicing doctors undergo from the head doctors is another type of supervision, called professional supervision.

Professional supervision is reserved for professionals in the field of social services. Supervisees can benefit from professional supervision to keep their professional identities, competence, training and learning requirements current. Many companies will take assistance from experts to share the work of overseeing their staff in certain specific work which requires professional skill.

4.1.5 Responsibilities of Supervisors

Following are the major responsibilities of a supervisor at work in any company in general.

i. To draft the work schedule accordingly in order to ensure continuous and smooth flow of work in the organisation..

ii. To allocate work to the employees based on their skill set.

iii. To ensure quality work environment including suitable machinery, tools, ample materials, etc. needed for the workers.

iv. To issue orders and instructions to the subordinates.

v. To design different methods and procedures to be followed for completing the task efficiently.

vi. To provide guidance, training, and motivation to workers.

vii. To constantly check the compliance of rules and regulations by the workers so as to maintain discipline.

viii. To pass on the policies and decisions taken by management to workers.

ix. To channalise the feedback and complaints from workers to the management.

x. To ensure productivity in terms of the quality and quantity of output of workers and provide necessary assistance to improve it if needed.

4.1.6 Functions of Supervisors

The role of the supervisor in an organisation is vital as they act as the facilitator to the growth and development of the organisation by improving the performance of people at work through effective supervision. The supervisor acts as a leader to meet the set goals of the company by providing motivation and constructive feedbacks to the employees. Following are the major functions performed by the supervisor:

i. Creating work plans

It is imperative to have a proper plan to achieve the goals successfully. A work plan gives clarity in path towards the accomplishment of desired objectives. It is the duty of the supervisor to set work targets and plans for their subordinates.

ii. Resource management

The supervisor makes sure the proper allocation of resources needed to fulfill the duties and responsibilities of the employees working under their supervision. A person in this position utilises their demonstrated knowledge and experience to plan and manage workloads and resources in a strategic manner, ensuring customer expectations, compliance dates, regulatory requirements, and other operational objectives are met. This role entails the development of staff and peers, the supervision of staff, and ensuring that

the company's financial and operational objectives are supported.

iii. Staffing for the unit

Since supervisor is meant to work in close contact with the workers, they will be taking part in the process of recruiting and inducting the workers into the company. Introducing the employees to the work environment and providing on-the-job training is also an important task vested with the supervisors.

iv. Ensuring Discipline

It is the duty of the supervisor to see that employees are strictly adhering to the rules and policies of the company. Supervisor has the authority for taking measures to avoid non-compliance with regulations. Supervisor also can take inspirational style of leadership to bring out the best behaviour in workers.

v. Ensuring safety at work

It is important for the supervisor to make the subordinates be conscious of safety at work. They have the authority to act against subordinates who commit breach of safety regulations inside the organisation. They can assist employees regarding the usage of safety devices and make them aware of the safety standards to be followed at work.

vi. Grievance redressal

Supervisors are responsible for hearing complaints from the subordinates and resolving the same before affecting the performance of workers. they can suggest measures to resolve the issues arising between the employees and bring compromise and consensus between people working under him.

vii. Performance Appraisal

Supervisors will be given the responsibility of assessing the quality and quantity of work completed by the workers based on the benchmarks prescribed to them earlier. They can identify shortcomings in performance and can take remedial measure.

4.1.7 Essentials for Effective Supervision

An efficient supervision is vital for maintaining the productivity and morale of employees in the organisation. In order to perform the supervision function effectively, the following essentials are to be incorporated with the supervision activities. They are as follows:

a. Effective planning of the work to be carried out

b. Proper delegation of authority and responsibility

c. Due diligence in managing time

d. Effective resource allocation in organisation

e. Choosing the right people for completing the tasks

f. Provide necessary training and development schemes for workers

g. Introducing clear cut discipline framework to be followed inside the organisation.

h. Assessing and controlling the performance of employees

i. Dealing with labour related issues and proper grievance redressal

4.1.8 Qualities of a good supervisor

There are certain basic qualities needed for supervisors to discharge their functions and duties efficiently, They are as follows:

i. Knowledge of work

A supervisor must have enough technical competence. He must have a wide knowledge of machines, equipment, tools, processes, and materials. He needs the ability to instruct and delegate to his subordinates.

ii. Knowledge of the organisation

A good supervisor should be familiar with the policies, rules, and regulations pertaining to their department. He should also have knowledge of industrial and labour laws.

iii. Communication skills

A supervisor should master the art of talking and listening. He should be able to give clear orders and instructions. He must have orderly thinking and sharp memory. The subordinates should be able to understand the intentions and directions clearly.

iv. Human relation skill

A supervisor should be a true leader of people. He should treat their subordinates as human beings so as to secure their willing cooperation. He requires the ability to judge people correctly. He should have a cool temperament, patience, and emotional stability. He needs the ability to inspire workers and win their confidence and loyalty.

v. Physical vigour

The supervisor should be physically fit. He requires tremendous stamina and energy to put up with heavy and tight work schedules. He also requires mental vigour to work without becoming irritated or angry.

Recap

◊ Supervision- Overseeing the work of subordinates- Element of directing function.

◊ Span of supervision- Number of workers managed by each supervisor.

◊ One-to-one supervision- Overseeing the work individually.

◊ Shared supervision- supervising responsibility delegated/shared.

◊ Group supervision- Overseeing a team of employees.

◊ Professional Supervision- Compliance with professional identity and ethics.

Objective Questions

1. What is the word meaning of supervision?

2. What is the term for the person who undertakes supervision?

3. Which is the managerial function related to supervision?

4. Who acts as the link between management and workers?

5. What is the term for indicating the limit for subordinates to be managed by one supervisor?

6. What is the term for people who are being supervised?

7. In which style of supervision subordinates will be given complete freedom?

Answers

1. To see from above

2. Supervisor

3. Directing

4. Supervisor

5. Span of supervision

6. Supervisee/ Subordinate

7. Laissez Faire

Self-Assessment Questions

1. What is the meaning of supervision?

2. State the responsibilities of a supervisor.

3. Describe the functions of a supervisor.

4. Explain the qualities of a supervisor.

5. Describe the essentials of effective supervision.

6. Explain the different levels of supervision.

7. What are the various types of supervision?

8. What are the styles of supervision adopted by companies?

9. Explain the concept of Span of Supervision with an example.

10. Explain the importance of supervision in an organisation.

Assignments

1. Muhammed is an employee of a big retail firm. He works in the dispatch section. His major duty is inspecting the materials received for damage and ensuring the exact order is being delivered. He accidentally made a mistake one day while unpacking a very expensive optical material and it was damaged. His supervisor asked him to put it back the same way it was delivered and to return it to the suppliers asking for consideration by means of insurance.

   a) Should Muhammed do as suggest by the supervisor?
   b) Is it ethical for him to follow what is said by the supervisor?

Suggested Reading

1. Guptha, M.(2009)., *Principles of Management* (Halics), New Delhi: PHI Learning Private Limited.

2. Koontz, H., O'Donnell, C. and Weihrich, H.(1988), *Management*, 9th Edition, New Delhi: Mc Uran Hill.

3. Sharma, R. K, Sharma, R. and Guptha, S.K. (2016). *Principles of Management*, Ernakulam : Kalyani publishers.

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Unit - 2
Communication

After reading this Unit the learner shall be able to:

◊   understand the objectives and elements of communication

◊   identify different forms of communication

◊   be aware of the principles of effective communication and the barriers to communication

P   **Prerequisite**

Let's get into the world of one of the most famous sportswear brands, Nike. Despite their immense popularity, there have been instances where the management's inability to address employee concerns properly landed them in trouble.

In 2018, a group of women working at Nike's headquarters in Beaverton, Oregon decided to take matters into their own hands. They were frustrated with the unresolved issues stemming from a work environment dominated by men. To shed light on the situation, these women conducted their own workplace survey and personally shared the results with Mark Parker, the CEO of the company. It seemed that employees were hesitant to approach the HR department, and unfortunately, it took a mishandled survey to finally break the communication barrier with higher management. The CEO and others in leadership positions claimed to be unaware of the harassment and misconduct allegations before this incident. It was a wake-up call for Nike, highlighting the harmful effects of poor communication and the importance of effectively engaging with employees well before a crisis emerges.

This serves as a valuable lesson for Nike and any other firm that effective communication is crucial for the smooth functioning of operations. It is essential for management to create an environment where employees feel comfortable expressing their concerns and their voices are heard. By fostering open and transpar-

ent communication channels, companies can prevent issues from escalating and address them promptly. Nike, having experienced the consequences of inadequate communication, now has an opportunity to learn and improve their practices. By prioritising effective communication, they can ensure a healthier and more inclusive work environment, where every employee feels valued and supported. After all, a successful company is built on a foundation of strong communication between management and employees.

K Keywords

Verbal communication, Non-verbal communication, Communication Network, Communication Barriers

Discussion

The importance of communication in interpersonal relationships cannot be overstated. When a salesman markets the product to you, it involves communication; writers communicate through their books and the advertisement we watch on television is a kind of communication. Likewise, any human groupings including corporations, governments, armed forces, hospitals, universities, communities and households need effective communication for its performance.

In organisations, we often talk about the necessity of shared vision, team work and so on. It is the main duty of managers to communicate with the whole employees to pass on the vision, mission, objectives and policies of the organisation. Communication has been an integral part of the management process. Without having good communication in organisations, other managerial activities cannot be fulfilled effectively. This unit introduces communication, one of the basic forms of interaction among members of an organisation.

4.2.1 Communication- Meaning and Definition

Communication is older than civilisations. There are shreds of evidence for Non-verbal communications with humans, nature, and other animals which will go back to the time way before the beginning of civilisation. In that way can understand communication as a process of transferring information from one entity to another. Such interaction can happen by any sort of means like gestures, signs, symbols, sounds, and even expressions.

The term communication is derived from the Latin word 'communis' which means common.

In the words of Theo Haimann, "Communication is the process of passing information and understanding from one person to another. It is the process of imparting ideas and making oneself understood by others"

Communication can be defined as "the process by which information is exchanged and understood by people".

The word 'understood' needs to be given more focus because an effective communication means the receiver should understand the message in the same way the sender is intended. Otherwise, the whole purpose of communication will not be fulfilled.

According to Henry Mintzberg's research work, 80 per cent of the day-to-day managerial work comprises different communications with people. It could be face-to-face interaction, electronic communications, and different written communications.

4.2.2 Objectives of Communication

Managers use communication to influence the behaviour of others inside the organisations. Following are the instances where communication comes to help;

i. Informing the members about organisational mission, policies, strategies, values, and objectives.

ii. Interacting with the stakeholders.

iii. Building trust and belongingness among subordinates and making them committed to their responsibilities.

iv. Coordinating the activities of different sections within the company

v. Building the image and value system for the company and presenting the same to the environment.

4.2.3 Elements of Communication

It is difficult to define communication in an inclusive manner covering its all aspects. However, features of interaction, interchange, sharing, and commonness are some of the essentials from an organisational perspective.

The elements of communication are as follows:

i. Communication is a two-way process. It involves a sender and a receiver. The sender or receiver can be an individual or a group.

ii. A message is necessary for communication. A message can be a directive, an enquiry, a feeling, an opinion, an idea, information, etc.

iii. Consensus in understanding between the sender and receiver is essential for communication to occur. The understanding may be due to similarities in culture, language, and environment. The medium we use to communicate like words and gestures is deeply connected to the culture and has a high potential to communicate with people from the same backgrounds.

iv. There should be the ability to create a reaction from the receiver, visible from behavioural changes, etc.

v. Communication can be Verbal (using words) or Non-verbal (using gestures, expressions, etc.)

vi. Sender, message, method, receiver, and the response of receiver are the five elements that constitute the process of communication.

4.2.4 Process of Communication

Communication is the process of two or more people exchanging information in order to attain a common understanding. Source, encoding, media/channel, receiver, decoding, noise, and feedback are all part of this process. When one person (the sender) wishes to communicate a message, fact, concept, opinion, or other piece of information to another person (the receiver), communication occurs. The process of communication is depicted in the figure below.
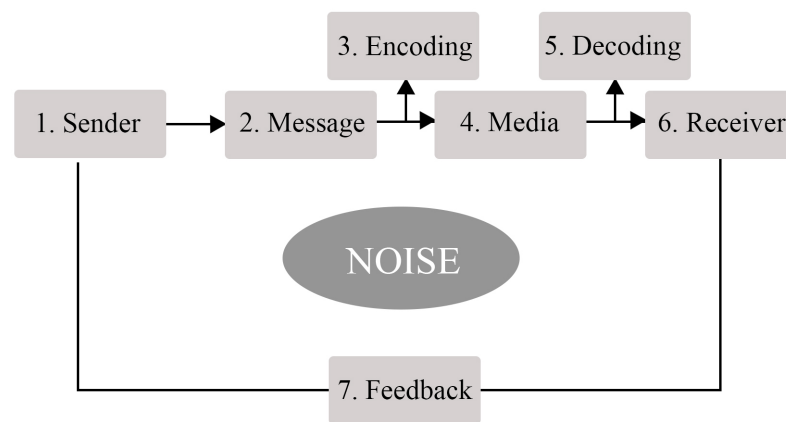

Figure 4.2.1 Process of Communication

The elements in completing the process of communication are explained below.

i.   **Sender:** Person who initiates communication or who transmits the information

ii.   **Message:** It is the content of the communication.

iii.   **Encoding:** It is the conversion of a message into communication symbols such as words, pictures, gestures, and so on.

iv.   **Method/Media:** The way used to transmit the message from sender to receiver

v.   **Decoding:** It is the process of turning the sender's encoded symbols into meaningful data.

vi.   **Receiver:** The person to whom the message has been transmitted. They are responsible for giving feedback.

vii.   **Feedback/Response:** It is the reaction from the receiver after receiving the message. It can be an action, behavioural change, and so on.

viii. Noise: Noise denotes a communication barrier or obstacle. This impediment might be caused by the sender, the content, or the receiver.

4.2.5 Types of communication

To ensure maximum productivity and efficiency, managers have to communicate with the members of the organisation on regular basis. There will be different sections of subordinates with whom the managers need to interact. Relying on a single form of communication with all types of receivers may not be effective for managerial communication. There are several ways in which communication takes place inside an organisation. These are explained below:

4.2.5.1 Verbal communication

One of the most popular ways of communicating at the workplace is verbal communication. Verbal communication simply means communicating with the help of words. The letters we receive, advertisements we come across daily, books that we refer and even the packages of articles we buy are forms of verbal communication.

In organisations, verbal communication occurs formally and informally among people. Speeches, public addresses, verbal conversations, telephonic chats, telecommunications, and other artificial media such as audio-visual aids, speeches and instructions, meetings and conferences, lectures, social gatherings, training sessions, public address systems, and written materials are examples of this. Communicating through words can happen in mainly two methods. They are;

Oral Communication

In many cases, speaking directly with people is the easiest and quick way of communication rather than handing out a written document to communicate a message. We will be more open and understanding while speaking with people. Oral communication refers to communication that occurs through the use of spoken words. It can happen in person or by mechanical methods like the telephone. The most natural way of transmitting information is through face-to-face conversation. Face-to-face communication includes lectures, group discussions, interviews, committee meetings, and social gatherings. Oral communication is very useful in settling disputes and solving the issues and complaints inside an organisation. Oral communication also helps in building trust between parties.

Merits of Oral Communication

a. It is economical in terms of time and money.

b. Personal contact makes it more effective.

c. Speed of transmission is more in oral communication.

d. It is less rigid. Alterations can be made easily.

e. It initiates quick feedback/ response.

Demerits of oral communication

a. Lack of authentic evidence unless recorded.

b. Not suitable for lengthy communications.

c. Not possible when there is a long physical distance between sender and receiver.

d. The chance of misunderstanding is more.

Written Communication

Written communication takes the shape of letters, circulars, memoranda, bulletins, instruction cards, manuals, handbooks, reports, returns, etc. Written communication is commonly used in the formal settings by managers in the course of their duties. It's regularly utilised to give subordinates precise directions and instructions.

Merits of Written Communication

a. More clear and specific compared to oral communication hence, it will be more effective.

b. Appropriate when the message is lengthy.

c. Economical when there is a distance between sender and receiver.

d. Written communication is apt for communications that are repetitive and regular.

e. There will be permanent evidence for written communication.

Demerits of Written Communication

a. Written communication needs to be drafted carefully and in a structured manner. Hence it is time-consuming.

b. Expensive compared to oral communication.

c. Difficult to make alterations.

d. Less confidential.

e. Lack of personal touch due to the formal nature.

f. Poorly drafted written communication creates confusion.

4.2.5.2 Non-verbal Communication

Have you ever observed a traffic policeman controlling the vehicles on the road? How does he communicate with people? Most of the time he directs the vehicles on the road by using a variety of signals and gestures. He can communicate what is on his mind despite the use of words. Interestingly, if he prefers to speak to every driver to give directions then it probably consumes time and causes traffic blocks on roads. This is a telling example that verbal communication may not be suitable and practical in all situations. There are many other methods for communication other than oral and verbal which were used from the ancient periods.

Sometimes a message can be conveyed without the use of words. This process of communication without using words is known as Non-verbal communication. It is described as Non-verbal human responses such as facial expressions and gestures, as well as perceived environmental features. "Silent language" is another term used for Non-verbal communication.

Non-verbal communication is a form of communication that does not include the use of words. Non-verbal communication can amplify spoken words while simultaneously contradicting them. The tone of voice, body language and eye contact are the three basic parts of Non-verbal communication, and each has an impact on how people perceive your message.

a. The tone of voice:

The loudness, pitch, and pace of your voice all reflect your emotions. It can aid others in determining if you're upset, confident, angry, or something else.

b. Body language:

It is the most noticeable form of Non-verbal communication. To others, it could disclose a lot about how you feel. When you converse with someone with your arms folded, people will assume you are not interested in what they are saying; yet, if you face the speaker with your arms at your sides, you will appear more interested.

c. Eye contact

When you make eye contact with a speaker, it means you're paying attention to what they're saying. It can also assist you in staying focused on the conversation and comprehending what is being said.

Kinesics is the study of Non-verbal behaviour, such as facial expressions and gestures, or, more precisely, Non-verbal behaviour associated to movement, whether of a single body part or the entire body. Kinesics is the technical term for body language. Gestures, facial expressions, and other physical movements are examples of body movements. Every action of the body has a certain meaning.

One can capture more meaning from a person's body language and gestures than from spoken words. Hence studies on Non-verbal communication is gaining more attention in the academic and corporate sphere recently.

Merits of Non-verbal Communication

a. Easy to convey the messages effectively.

b. More suitable for illiterates, differently abled people.

c. Way more appealing compared to verbal communication.

d. Message can be conveyed fast and with less cost.

Demerits of Non-verbal Communication

a. It may be vague and can create ambiguity.

b. Lengthy messages cannot be incorporated.

c. It is difficult to follow and there can be interpreted differently by different people.

d. There is a chance of distortion of information while transmitted Non-verbally.

4.2.6 Formal and Informal Communication

Communication takes place in an organisation through two main channels: formal channels and informal channels.

Formal channels are networks of formally sanctioned channels that are utilised regularly to communicate information within an organisation. Information flows up and down (Vertically) and across subdivisions (Horizontally) through formal channels, which tend to follow the organisation's structure.

Informal channels, in most circumstances, do not follow an organisation's structure. Management has not formally established informal channels, which are unofficial routes that have not been prop-

erly established by the organisation. There-fore, an informal channel is communica-tion that takes place through employees' networks. It is also known as 'Grapevine communication'. Only through informal communication channels employees feel free to express their views, ideas, and even issues freely. It is considered as the more friendly and easy channel of communica-tion.

4.2.6.1 Formal Communication

Official reporting connections or prescribed channels govern formal communication in organisations. Information flows in three directions inside an organisation's official communication channels: downward, upward, and horizontally.

a.   Downward Communication

This type of communication occurs when information moves from higher levels of an organisation's hierarchy to lower levels.

b.   Upward Communication

When information flows from lower to higher levels of an organisation's hierarchy is termed as Upward communication.

c.   Horizontal Communication

It occurs between employees and units at the same hierarchical level.

4.2.6.2 Informal Communication

Informal communication does not follow an organisation's structure and is frequently dependent on personal net-works (relationships between individuals). Personal communication networks can be a valuable source of information and a channel for the exchange of ideas about what's going on in a business. Smart man-

agers frequently create a personal network proactively for this reason and it aids in the discovery of critical information

4.2.7 Barriers to Communi-cation

Despite the sender's and receiver's best efforts to communicate, many obstacles can hinder the successful sharing of information. In organisational point of view, Communication barriers are the outcome of several flaws that tend to stifle the communication and limit managers' capacity to achieve corporate goals. Following are some of the important barriers to organisational communication.

a.   Wrong medium used

All medium may not be suitable for every message. When a weak and inappropriate medium is used, communication becomes useless.

b.   Physical Barriers

Physical barriers like noise, time, and distance can reduce the effectiveness of communication. For instance, electronic noise, such as blaring, frequently disrupts telephone or loudspeaker conversation. Similarly, there is a communication gap between those who work various shifts.

c.   Semantic Barriers

The semantic barrier in communication is the misinterpretation and misunderstanding of meaning that prevents successful communication. It can take the shape of words, signs, or symbols. Semantic barrier occurs due to interpreting words differently; using the same words with multiple meanings ; differences in denotations and connotations ; and comprehending the realities differently (like focusing attention on some part of

the message only, showing bias).

d. Socio-Psychological Barriers

Following are some examples of socio-psychological barriers;

i. Attitudes and opinions:

The receiver's attitude and opinions frequently obstruct communication. If the message is compatible with the receiver's attitude and viewpoint, it will be well received. When communication is incompatible with the receiver's attitude and opinions, it is unlikely to be well received.

ii. Emotions

Fear, anger, worry, and nervousness are all emotions that obstruct the mind. It also muddles one's cognitive abilities, making it difficult to properly organise one's message. It is impossible to transmit a message effectively if it is not properly organised.

iii. A closed mind

A person with a closed mentality refuses to listen and is unwilling to alter his position. As a result, communicating with such a person is quite tough.

iv. Status consciousness

Status consciousness is a major hurdle. Employees fail to connect with their superiors either being aware of their low rank or being afraid of the snubbish behaviour of the superior. .

Similarly, many bosses avoid engaging their co-workers as it is a kind of degrading the employees.

v. Lack of trust in the source of communication

After failing to provide the correct message, distrust develops. The message is either ignored or misread when the receiver is prejudiced or negative toward the sender.

vi. Unattractiveness

Inviting the focus of the receiver to the message being sent is a tricky matter. The sender has to pay attention to framing the content of communication in such a manner that the receiver finds it attractive and interesting.

vii. Imperfect transmission

How the message is transmitted to the receiver is also a matter of concern in communication. If a suitable choice of medium by considering the receiver's preferences, then communication becomes effective.

viii. Premature evaluation

Early judgment stifles effective communication. Even before hearing the complete speech, some people make quick conclusions. And once a decision is made, the mind is disconnected from the remainder of the message.

ix. Poor retention

The message's accuracy decreases with each successive delivery. At every stage of transmission, a portion of the message is lost. This is due to the receiver's inability to retain information. As a result, an incomplete message is sent.

x. Unsolicited communications

Inappropriate messages will not be received well in any scenario. Appropriateness includes time, content, and the environment of the receiver.

4.2.8 Methods of Overcoming Barriers to Communication

Communication effectiveness has a significant impact on an organisation's success and managers' performance. As a result, it is critical for a company to provide a free flow of information by removing all impediments. Some communication barriers cannot be completely removed, but they can be managed. An organisation can use the following approaches to overcome communication barriers:

a. Employee orientation

When employees are well-informed on the organisation's goals, policies, processes, programmes, authority relationships, and so on, communication obstacles are significantly reduced.

b. Better interpersonal relationships

Superiors must respect the dignity and authority of their subordinates in order to establish subordinate trust in superiors and remove status discrepancies. A management can openly communicate with their subordinates in this environment, making communication a true two-way process.

c. Empathetic listening

Sometimes, managers analyse information without gaining a free and frank answer from subordinates, which creates communication obstacles.

d. Using proper language

When communicating, use straightforward, simple, and meaningful language to avoid semantic distortions.

e. Use Non-verbal communication

Non-verbal communication also can be used to pass on the intention and essence of the message or can be used to supplement the verbal form of communication

f. Use informal communication carefully

It establishes a culture of informal communication and hence creates hurdles to communication by neglecting official channels of communication. Hence, the grapevine must be treated with caution.

g. Ensuring feedback

It is necessary to get feedback from the receiver of the message for ensuring the effectiveness of communication.

4.2.9 Principles of Effective Communication

Effective managerial communication allows for the intended flow of information and knowledge among staff. Managers must interact with their employees to get the most out of them. Employees that do not communicate with one another leave problems unanswered. Let's go over some principles for efficient managerial communication:

i. Clarity of thought

Communicator must be clear about the intention behind communicating, the content to be communicated, and the medium suitable for the content and the situation.

ii. Clarity of Expression

The receiver learns about the transmitter's thoughts through the coded communications. If the encoding is incorrect, the message could be misinterpreted. As a result, caution must be exercised when encoding the message. The following aspects should be considered:

a. Use simple and concrete words

b. Avoid the use of jargon ('jargon' refers to the unique vocabulary of a trade, profession, or field of study)

c. Avoid colloquialism

d. Use synonyms carefully

e. Prefer the active construction of sentences

f. Use short sentences and avoid ambiguity

iii. Completeness

Incomplete messages will irritate the receiver and reduces the response

iv. Correctness and Integrity

Factual correctness of the message transmitted is necessary for effective communication

v. Briefing and attractiveness

The message might be lost when we try to use more words. Attractively framing the message can make the receiver more attentive.

vi. Timeliness

All messages must be sent and answered to at the exact right time. Out-of-date data is useless.

vii. Objectivity

We should be objective while transmitting information and try to exclude our emotions.

viii. Adaptability

We must tailor our communication to the receiver's needs. We must consider the receiever's educational background, psychological makeup, and other factors.

ix. Use of informal channels:

Informal channels also should be used to supplement the formal channels.

Recap

◊ Communication -Transmission of information, message or facts.

◊ Verbal communication - communicating with the help of words either oral or written.

◊ Non-verbal communication- communicating without using words but using human responses such as facial expressions and gestures, etc.

◊ Formal communication- follow the prescribed organisational hierarchy.

◊ Informal communication- communicating through personal networks

◊ Communication barriers- Obstacles in transmitting the message.

Objective Questions

1. What is communication?

2. What is the term for communication with words?

3. What will you call communication through gestures and expressions?

4. How will you refer to the communication from a superior to a subordinate?

5. What is the term for obstacles in the process of communication?

6. What is Kinesis?

Answers

1. Transmitting information between people

2. Verbal Communication

3. Non-verbal communication

4. Downward communication

5. Barriers to communication

6. Study of Non-verbal behaviour

Self-Assessment Questions

1. Define Communication.

2. Explain the different methods of communication.

3. What are the important elements in communication?

4. State and explain the barriers to communication.

5. How will you make communication effective?

6. What are the three major parts of Non-verbal communication? Explain

7. Differentiate the concept of formal and informal communication.

8. Explain verbal communication and its types with examples.

9. Explain Non-verbal communication and how it is useful in organisations.

10. Why informal communication is essential in companies?

Assignments

1. Consider the following scenario: three managers are working in an office building. Even though the first is alone, he is yelling for assistance from a subordinate. He continues to yell despite the fact that no one appears. The second is conversing on the phone with a subordinate, but due to a bad network connection, the subordinate misunderstands some crucial numbers that the manager provides. As a result, the subordinate sends 1,500 crates of eggs to 150 Fifth Street instead of the 150 crates of eggs he should have brought to 1500 Fifteenth Street. The third manager is conversing with a subordinate in the office, who clearly hears and comprehends what is being said. In your opinion which manager will be effective?

Suggested Reading

1. Guptha, M.(2009)., *Principles of Management* (Halics), New Delhi: PHI Learning Private Limited.

2. Koontz, H., O'Donnell, C. and Weihrich, H.(1988), *Management*, 9th Edition, New Delhi: Mc Uran Hill.

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BLOCK - 05
Controlling

SREENARAYANAGURU
OPEN UNIVERSITY

Unit - 1
Controlling

By completing this unit, the learners:

◊ shall get an awareness on the concept of Controlling

◊ be able to explain the meaning and definition of Controlling

◊ create an awareness on need of control

◊ familiarise the process of control

P Prerequisite

Imagine yourself stepping into a busy workplace, where the atmosphere is vibrant, the employees are motivated, and tasks are being accomplished efficiently. What is the secret behind such an atmosphere? The answer lies in the art of controlling, an essential function of management. In the context of management, controlling is like the conductor of an orchestra. It ensures that all the elements of an organisation work harmoniously towards achieving its goals. Just as a conductor uses their baton to guide musicians, managers use controlling to direct and monitor the performance of their team. Through effective controlling, managers can steer their team towards success, like a skilled captain steering a ship through stormy waters.

As an undergraduate learner, understanding the significance of controlling will equip you with a fundamental skill set for your future managerial roles. It will help you become an effective leader who can navigate the complexities of the business world, inspire others, and achieve extraordinary results.

So, get ready to analyse the power of controlling in management. It is about finding the perfect balance between empowering the team and ensuring organisational success.

Discussion

5.1.1 Controlling - Meaning

Business always starts from an idea, and later this idea is converted into an action. The success or failure of a business mostly depends on strategic planning. The planning process includes many activities such as finance, human resources, production, marketing, etc. Control has a major role in the proper implementation of plans. All of the activities should be closely monitored to make sure they are carried out as planned. Changes or deviations may adversely affect the entire business and it may become a tragic experience for the investors.

Controlling is the final function of management, which controls and manages the actual performance based on the planned one. The controlling functions are strictly focused on the plan and if there is any deviation from this plan, it will be set right to get the desired results for the organisation. The main purpose of control is to regulate the activities that are included in the plans of the organisation. The success of the plan mostly depends on control.

Controlling is the process of ensuring that the planned activities are producing the anticipated results for the organisation. It is a continuous process of examining the actions that are being taken as planned and taking corrective action against the deviations to conform to the plans as closely as possible. Controlling is mostly used to correct the imperfections and deviations of actual performance from the anticipated plan. In other words, a comparison of actual performance with the planned one to understand the deviations and differences. The management will take corrective actions and measures to resolve the issues and make sure that it does not re-occur. It is required to accomplish the organisational goals effectively.

Controlling is one of the management functions that consists of comparing the actual performance with the desired outcome, so as to ensure the successful achievement of pre-determined objectives of the organisation. Effective control is achieved through setting up standards, measuring actual performance, and taking corrective action in case of deviations from the pre-planned targets.

5.1.2 Controlling - Definition

Earnest Dale, "Control envisages a system that not only provides record of what has happened to the business as a whole but, pinpoints the reasons why it has happened and provides data that enables the chief executive on the departmental head to take corrective steps if he finds he is on the wrong track".

E.F.L. Brench, "Control – checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance, also recording the experience gained from the working of these plans as a guide to possible operations".

Billy E. Goetz, "Management control

seeks to compel events to conform to plans".

Knootz and O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plans".

Henry Fayol, "Control consists in verifying whether everything occurs in conformity, is with the plans adopted, the instructions issued and principles established. It has for its object to point out weakness and errors in order to rectify them and prevent recurrence"

Geroge R Terry, "Controlling determine what is being accomplished, that is, evaluating the performance takes place according to plan"

Robert N Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organistaion's objectives"

Mary Cushing Niles, "Control thus viewed, is an aspect and projection of planning whereas planning sets the curses or to an appropriately changed one"

Haynes and Massie, "Control is any process that guides activity towards some pre-determined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

J. K. Rosen, "Control is that function of the system which provides direction in performance to the plans"

Dalton E. Mc Farland, "The presence in a business of that force which guides it to a pre-determined objective by means of pre-determined policies and decisions.

5.1.3 Need of Controlling

Control is an indispensable function of management which helps to complete the process timely and efficiently. The need for control is to ensure accurate and standard performance. Control helps to improve the performance of employees, which contributes to the timely accomplishment of organisational goals. Once the plans become actions, it may be gone through several hurdles to accomplish the targets. Sometimes it may have deviated from the targets, which may be because of the faulty directions. To accomplish the management mission, they should find out what went wrong and what changes are needed in plans and directions to set things right. All the answers to the questions are solved under the controlling function. The following are some of the purposes or needs for control;

i. To measure progress

The organisational goal can be achieved through proper planning and regular follow up. The follow-up helps to quickly identify any deviations from the planned one. Consistency is the one thing that matters most in the pursuit of achieving goals. Consistency and progress can be measured under control and it will help to achieve organisational goals timely and efficiently.

ii. To uncover deviations

Several factors will affect the planning of an organisations. An efficient control mechanism is required to detect the deviations during the implementation of planning and help to take timely action to correct the deviations. The following are some of the forces by which an organisation may go astray.

a. Change

The business environment is always dynamic because of the market shift, the emergence of new products, technological innovations, government policies, etc. Proper and regular observations are needed to detect the changes that are affecting the organisational plans. An efficient system can use the changes as a new opportunity for the organisations.

b. Delegation

The delegation of authority is the division of labour and decision-making responsibility to the subordinates by a manager or leader. All employees are responsible for reporting their work to their manager or leader. The manager delegated his authority to his subordinate to accomplish the organisational goals. A proper control system makes sure the completion of work as planned. In the absence of a control system, the manager is unable to understand the progress of the work and identify if there are any deviations from the plan.

c. Mistakes

A mistake is a wrong action or statement proceeding from faulty judgment, inadequate knowledge, or inattention, and it is a part of being human. Employees may make mistakes while accomplishing organisational goals. An efficient manager should have an effective control system to diagnose and rectify the mistakes made by his subordinates, otherwise it will adversely affect the organisation.

d. Complexity

Business complexity is comprised of several interdependent and interconnected stakeholders such as employees, customers, partners, suppliers, regulators, investors, media, competitors, and so on,

as well as organisational structure such as divisions, subsidiaries, joint ventures, and so on. In addition, information technology system is a major complex issue for business organisations. To minimize organisational complexity, large organisations are adopting decentralized and geographically scattered operations. Such types of organisations need proper monitoring to maintain quality and profitability. A proper control system helps to reduce the complexity of business.

iii. To indicate corrective action

The control system is required to provide remedial actions for the successful completion of the objectives. The remedial suggestions may include the goal modification, task re-assignment and re-training to the staff. An efficient control system provides corrective remedies to overcome the deficiencies of a plan.

iv. Managerial accountability

One of the proper controls is to delegate the authority of the manager to his subordinate. Once the delegation is over, the manager is responsible for the performance of the employees. Therefore, managers are required to ensure the activities of subordinates are in the desired manner to accomplish the organisational goal. A proper control system can help to measure the activities of the employees.

v. Guide to operations

An efficient control system guides organisations on the right track to achieve their organisational goals. A day-to-day measurement of performance is needed to provide proper guidance if there are any deviations from the plans.

vi. Employee morale

The control system ensures the morale

of the employees in the work place. The work environment has its own culture and discipline, which is created for the smooth functioning of the organisation. The control system also protects the rights of employees in the workplace. Both the employees and the organisation properly function with the support of the control system.

vii. Coordination in action

The successful completion of work mostly depends on the coordination of departments and groups in an organisation. A proper control system can do all the coordination and maintain an equilibrium between means and ends. The purpose of coordination is to accomplish the organisational goal according to plans. The unity of direction is maintained by the control system.

5.1.4 Advantages of Controlling

i. Realising organisational goals

Controlling function evaluates advancement towards organisational goals and identifies if there are any deviations in the process and recommends corrective actions. Hence, it guides the organisation to be on the desired track.

ii. Judging accuracy of standards

Controlling helps management in evaluating the accuracy and rationality of set standards. A sound controlling system always keeps tabs on the changes in the internal and external environment of an organisation, based on which it reviews and revises the standards.

iii. Efficient resource utilisation

An efficient controlling function aids with the efficient utilisation of resources.

Since controlling activities are performed under fixed standards and guidelines, it ensures a proper dispersion and efficient utilisation of organisational resources.

iv. Refining personnel Motivation

Controlling ensures that employees are aware of what an organisation expects of them and what standards they have to meet for their appraisals. This motivates them and aids them in achieving better performance.

v. Ensures order and discipline

A proper Controlling establishes order and discipline in an organisation, as it keeps tabs on everyone's activities, thereby minimising dishonest behaviour among personnel.

vi. Facilitating coordination in action

Controlling provides coordination to all activities in an organisation. As every department and employees are governed by predetermined standards that are designed to achieve organisational objectives, it makes sure that everyone coordinates their activities to reach organisational goals.

Thus, these advantages also state the importance of controlling function in an organisation.

Following are the limitations of implementing controls in an organisation

5.1.5 Limitations of Controlling

As with any function, there are certain limitations associated with controlling, let's look into the same. Please bring your attention to the depiction below,

i. Expensive activity

Controlling is a costly affair as it requires a heavy expenditure of time, money and effort. This is why controlling activities are limited to bigger enterprises, as small organisations cannot afford to put an effective control system. Before placing a control system in an organisation, it must be ensured that the cost involved should not out way its benefits.

ii. Difficulty in defining qualitative standards

Controlling is not an efficient function when qualitative standards are in place. That is, the control system losses some of its effectiveness, when standards cannot be defined in quantitative terms, as measuring performance and comparing it qualitatively, is a tough task.

iii. Limited control on external factors

Controlling does not influence external environmental factors of organisations like technological changes, competitions, governmental policies, sociopolitical norms etc.

iv. Opposition from employees

Controlling is mostly viewed as restrictions to the employees and thus mostly resisted by them. For instance, the installation of CCTV cameras around an organisation may be viewed as an invasion of peoples' privacy. This action can sometimes be met with resistance from employees.

Even with these limitations, controlling is the concluding function of management and drives the organisation to stay on the path to reaching its goals.

5.1.6 Steps in control Process

Controlling is a systematic management approach to achieving organisational goals in a timely and efficient manner. Controlling comprises of five steps:

i. Establishment of Standards,

ii. Measurement of performance,

iii. Comparing performance with standards,

iv. Analysis of deviations

v. Taking corrective action

The following are steps involved in controlling;

i. Establishment of standards

The first and foremost step in the control process is to set standards, and they should be considered as a benchmark. This benchmark should represent the criteria against to which actual performance is measured. Control standards are classified into quantitative and qualitative.

a. Quantitative standards

These standards can be measured in physical or monetary terms. These standards are established in areas that can be quantified, such as production, sales, and finance. These standards are set to control the cost of production, make a desired level of profit, and ensure timely completion of goals.

b. Qualitative standards

There are certain concepts which cannot be measured in quantitative terms, which include goodwill, employee morale, motivation, industrial relations, etc. In these cases, the standards are set on the

basis of intangible terms.

When preparing standards, it is essential to ensure that they are based on scientific analysis and they should be objective and accurate. Standards should also be flexible and can be modified when necessary. An estimation of the flexibility and deviation range is required for all standards. All standards should be reasonable, applicable and acceptable to the employees. It is important that standards reflect the total operation and that they are updated periodically to keep them relevant.

ii. Measurement of performance

The actual performance is checked by the manager based on the predetermined standards. The accuracy and reliability of measurement are very important. The standards should be measured in quantitative terms only where they are required in quantitative terms. It is better to conduct the measurement during performance, and it helps to improve productivity. Personal observation, sample checking, and performance reporting are some of the techniques used to measure the performance.

iii. Comparing performance with standards

The analysis of the deviations and changes in the actual performance when compared with the standard performance will be helpful to take corrective actions. The comparison of quantitative standards is much easier and it is easy to identify the changes and deviations. For instance, if the performance of work is measured in units produced in a week, it can be measured against the standard fixed for the week.

iv. Analysis of deviations

While setting up the standards, there should be a prescribed upper limit and lower limit. If the deviation is within the limit, then it is called control by exception. Beyond these exceptions, an analysis should be done by the top management to understand the problems related to changes and corrections, and it should be rectified by the top management. For instance, in every budget, some of the deviations or changes are allowed, but if it requires major changes in the budget, top level management interventions are needed.

v. Take corrective action

The final step of the control process is to take corrective action against the deviations and changes that occurred in the plans. So, this step helps to achieve the organisation's goals in a prescribed manner. Revision of standards, changes in the task, training, providing new techniques are some of the corrective actions in the control process. Managers should ensure that they are at the right time and taking the right action when considering corrective actions.

5.1.7 Essentials of an effective control system

The efficient functioning of an organisation mostly depends on an effective control system. The following are essential in an effective control system:

i. Promptness

An effective control system should detect deviations quickly and report them accurately, so that necessary corrective measures may be taken promptly. A prompt appraisal and a management information system are required for this.

ii. Forward looking

In order to build an effective control system, it must be future-oriented, focusing on how future actions can be in line with plans, determine where plans should be modified, and provide data for future plans.

iii. Focus on objectives and needs

When taking corrective action, the control system should concentrate on accomplishing organisational goals. By focusing on objectives and needs, it will be much more effective and efficient to take action.

iv. Flexibility

Control systems need to be prepared to cope with the changing dimensions of business. They should be adaptable to new developments as well as the failure of the control system itself. This can be introduced by considering alternative plans for a variety of probable scenarios.

v. Objectivity

In order to achieve the best results, performance standards should be as specific and objective as possible, and the control system should be verifiable. Standards should be established and measured objectively with accuracy.

vi. Simplicity

It is important for the control system to be simple to enable managers and employees to use it effectively. Once the stakeholders understand the system properly, they are capable of making an effective control system.

vii. Economical

Cost must be justified within a reasonable range in order to have an effective control system; large organisations can bear higher costs, but small businesses cannot afford the elaborate and expensive controls used by large organisations.

viii. Strategic point control

In some cases, deviations from standards have minor impacts, while in others they can have major impacts. In order to properly select a control system, management should focus its attention on only the exceptional deviations. This is known as the concept of control by exception. Control will be more efficient if the manager concentrates on the exceptional deviations.

ix. Motivating

When a control system is designed to be effective, it should be focused on the employees in order to motivate them to take personal responsibility and provide better results. Direct contact between the employer and employee is also important for a control system to be efficient.

x. Suggestive

As part of an efficient control system, it is not enough to simply indicate deviations, but it must also suggest ways to correct them. The control system should lead to the achievement of its objectives with the least number of unintended consequences.

There are many methods by which controlling is carried out in an organisation. We are taking the example of Garment One showroom.

5.1.8 Types of Control

Controls are emphasised on events. The activities that lead to an event can be classified into three: activities that have not

yet occurred, ongoing activities and fin-ished activities (as depicted in the follow-ing figure). Based on these classifications, controls are of three types, feedforward control, concurrent control and feedback control.
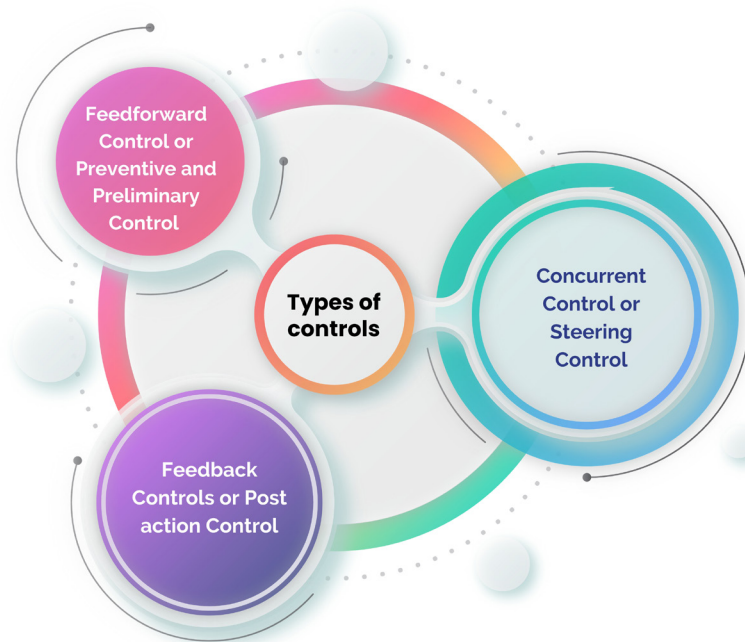
Figure 5.1.1 Types of controls

Let's understand the same one by one.

In Garment One showroom, during the recruitment, job description and job spec-ifications act as feedforward control. The job description describes the job to do, clarifying working relationships, area of work and reporting authority. It thereby avoids conflict and duplication of recruits. The job specification describes the abili-ties, training, education and characteris-tics of the person for the job position. It thereby mitigates unqualified and unfit people from occupying the job position in the showroom. This is an instance of feedforward control, which is explained below.

i. Feedforward Control – Also known as preventive and preliminary control. This control is levied on activity that has not yet occurred. These are future-di-rected control, which attempts to detect and anticipate deviations or problems from standards well in advance of their occurrence throughout a process. It is an in-process control that is more active and aggressive, making sure that corrective action is taken in advance of the deviation or problem. In simple words, feedforward control anticipates problems and author-ise corrective actions to be taken before it leads to a problem.

This control emphasises on men, mate-rial and money aspect of an organisa-tion. There are two types of feedforward controls namely, diagnostic control and therapeutic control. Diagnostic control identifies, what deviation is taking place, for instance, a production manager, who receives weekly production figure against the weekly production target will know what the deviation is but will not know why the deviation occurred. Whereas,

therapeutic control anticipates both what and why then takes corrective action.

In Garment One showroom, during the Sales Training of new employees, a trainer observes a trainee performing the task. In case of any deviation, the trainer observes it and diagnoses the reason, and applies corrective action immediately. Hence, the control and corrective actions happen during the event, not after the completion of the task. This is an instance of concurrent control, which is explained below.

ii. Concurrent Control – Also known as steering control, as it permits people to take action on a process while it is going on. This control emphasises ongoing organisational activities to ensure consistency with standards. This control is aided by rules, regulations and performance standards. The main objective of this control is that organisational activities lead to desired results.

In Garment One showroom, the financial performance is reviewed at the year-end. The information gathered is utilised to develop budgetary control in the next financial year's budget. This is an instance of feedback control, which is explained below.

iii. Feedback Controls – Also known as post-action control, it is historical. This control is levied on activities that are done performing. In simple words, it evaluates the results or real output of the activity with the planned output. The information that is obtained from the evaluation is used for implementation in future activities. That is, the devised corrective action is applied in the next cycle of the activity.

All types of control are necessary for the organisation, each has its purpose in aiding controlling function. But it must be understood by management that excessive control leads to the disarray of organisational activities. Thus, it is important to apply controls wherever the situation necessitates it.

In Garment One showroom, Ms. Yang, the owner wanted to increase sales during the Christmas season by fifty per cent and thus instructed the sales manager to make the necessary hike in sales targets of personnel. But the sales manager heard the same as an increase of fifteen per cent and he adjusted the sales targets accordingly. This was a communication hitch that often becomes an obstacle to controlling function, which is explained below.

5.1.9 Obstacles of Controlling

Despite controlling function being an effective activity of management, there are certain obstacles to its implementation. They are as depicted in the following figure with explanation below,

i.   **Magnitude of Change**

The effectiveness of controlling function depends upon the magnitude of change. That is, when management designs control systems, certain assumptions are made concerning the variables expected to change and the degree of change. The corrective action is limited to these assumptions. Thus, if these variables change beyond assumptions the corrective actions are no longer feasible.

For instance, a project's deadline is decided based on the assumption that at least 80% workforce will be available till its deadline. But an unexpected week-long strike, with nill workforces for a week, can derail this control system. This is because the change of magnitude was assumed to be an 80% workforce availability till the deadline. In this case, management cannot apply corrective actions as it was designed

for a deficit of only 20% workforce.

ii. Time Rate of Change

The efficiency of the controlling function is based on timely and accurate feedbacks of actual performance. These feedbacks are mostly derived from written reports, notices, memos, checklist etc.

When an activity is changing at a fast pace, the feedback becomes outdated by the time reports reach the appropriate authorities. These delays in feedback decelerate the adaptability of the control system, thereby delaying the entire controlling activities.

iii. Communication Hitches

The controlling function works based on the information received from different communication channels like personal communication, formal reports, memos etc. These communication channels can encounter many information gaps or overloads which can distort the whole controlling function.

iv. Erroneous Standards

The most critical barrier to controlling function is slipups in the setting of standards. These are very difficult to identify and rectify, as the deviation in performance is mostly taken as errors in actual activity. The error in standards is always the last thing to be considered by the management.

v. Resistance of Personnel

As with any managerial function, controlling also deals with human aspects, as such imposing controls are most often met with resistance by personnel. Thus, personnel need to be convinced before introducing control systems in an organisation.

For instance, in a sales team, when the manager informs the team of the new monthly targets, most of them resist by stating that it is impossible to achieve them. It takes a long and tedious effort by the manager to convince them by pointing out their strengths and new opportunities to achieve them.

Management of organisations must be aware of these barriers and do their best to avoid them via appropriate training and practice.
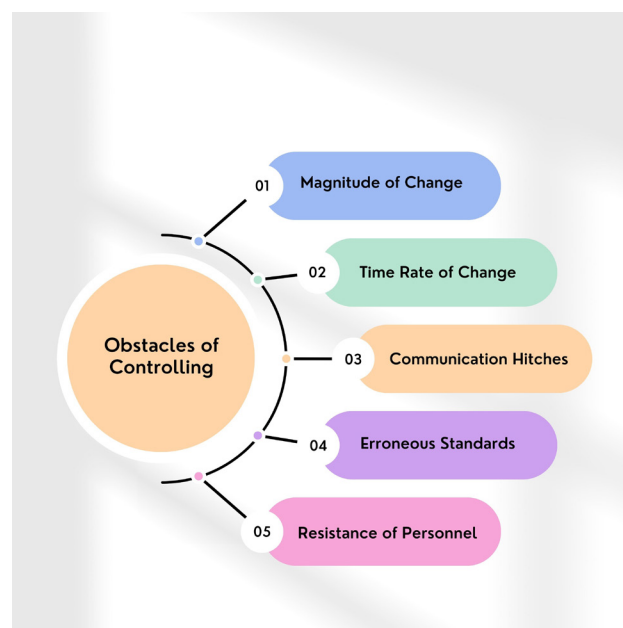

Figure 5.1.2 Obstacles of Controlling

Recap

◊   The controlling function is strictly focused on the plan.

◊   Controlling ensures the successful achievement of pre-planned objectives.

◊   Control helps to complete the process timely and efficiently.

◊   Controlling is a systematic management approach to achieving organisational goals.

◊   An effective control system must be future-oriented.

◊   Performance standards should be specific and objective.

◊   Obstacles to Controlling: Magnitude of Change; Time Rate of Change; Communication Hitches; Erroneous Standards; Resistance of Personnel

◊   Control Types: Feedforward control; Concurrent control; Feedback control

Objective Questions

1. What is the main purpose of controlling?

2. How to identify the deviations?

3. What is the first and foremost step in control process?

4. What is the final step of the control process?

Answers

1. Regulate the planned activities

2. Compare the actual performance with planned one

3. To set standards

4. To take corrective action

Self-Assessment Questions

1. Which management function aims at ensuring that organisational activities are performed as planned by comparing the actual execution with made plans?

2. What does the precision of the management function depend on?

3. Why are controlling activities limited to bigger enterprises?

4. Which factor does not come under the purview of controlling?

5. What is the basis of the efficiency of the Controlling function?

6. Which aspect distorts the whole controlling function?

7. What is the most critical barrier to controlling function?

Assignments

1. Illustrate an effective control system in an organisation.

2. Visit any organisation and observe how the control system functions.

Suggested Reading

1. Guptha, M.(2009)., *Principles of Management* (Halics), New Delhi: PHI Learning Private Limited.

2. Koontz, H., O'Donnell, C. and Weihrich, H.(1988), *Management*, 9th Edition, New Delhi: Mc Uran Hill.

3. Sharma, R. K, Sharma, R. and Guptha, S.K. (2016). *Principles of Management*, Ernakulam : Kalyani publishers.

4. Prasad, L. M. (2019)., *Principles and Practices of Management*, New Delhi: Sultan Chand &sons.

Unit - 2

Techniques of control

P **Prerequisite**

In today's rapidly advancing world, where technology infuses nearly every aspect of our lives, the ability to control and manage various systems and processes is of paramount importance. Whether it's controlling the behaviour of human, managing complex industrial operations, or even steering our own lives towards success, the art of control lies at the heart of our modern endeavours.

Control is a fundamental management function which helps to regulate the organisational activities of management. It compares the actual performance with the expected outcomes. Controlling techniques are to evaluate the performance of employees or different strategies formulated by the management of the enterprise. It helps to take corrective action against deviations from the expected outcomes. For instance, Yes Bank Pvt Ltd, has been under severe financial crisis because of the large number of bad loans given by banks, and depositors have withdrawn large amounts from the bank. There is no proper control over the issue of loan amounts and protecting the interests of the depositors. Identifying and using a proper technique is important for the successful monitoring of every business organisation.

At its core, control involves influencing and regulating the behaviour of a system to achieve desired outcomes. As an undergraduate learner, you are about to embark on a captivating journey to explore the fundamental techniques of controlling.

Discussion

In the previous unit, we explored the essence and objective of the control function, emphasising its significance and sequential stages. Throughout the years, a range of techniques and methods have aided management in fulfilling this responsibility. Some of these techniques, known as traditional methods, have been employed by managers for an extended period. Additionally, newer and more contemporary techniques have gained popularity in recent times. Nevertheless, despite the utilisation of modern approaches, traditional methods persistently remain relevant for management's control endeavors. This unit will explore into a comprehensive examination of both traditional and modern control techniques.

5.2.1 Techniques of Controlling

The techniques of controlling refer to the various methods and approaches used by managers and organisations to monitor, measure, and regulate the activities and performance of individuals, teams, and processes within an organisation. These techniques are employed to ensure that plans are being executed effectively, objectives are being achieved, and performance is aligned with desired outcomes.

While selecting the most suitable controlling technique, the organisation must study its Nature of Business, Target Customers or Users and Problems faced by the Organisations. Every organisation differs from one another and functions differently. Thus, no such control system is available that applies to all the organisations. There are various techniques available for controlling in the field of management. We can group them under two broad categories as follows:

i. Traditional Techniques

ii. Modern Techniques

Among Modern and Traditional techniques, some evaluate only a part of the process, whereas some involve an in-depth analysis. Therefore, a single method is not enough for achieving control over the organisation.

Techniques of Controlling
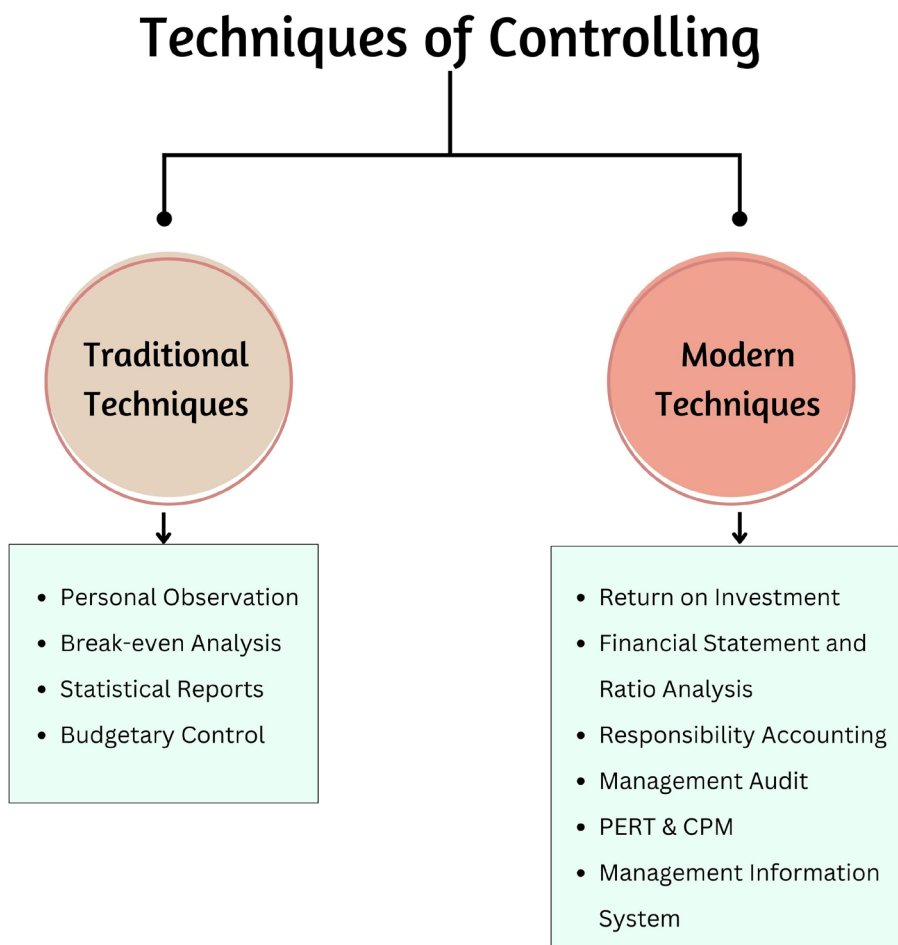
Figure 5.2.1: Techniques of Controlling

5.2.1.1 Traditional Techniques

As the name suggests, managers have developed and used these techniques for a long period of time. These techniques are still fruitful and used by the firms till date. Following are the most commonly used traditional techniques for controlling.

   i.   Personal Observation

   ii.   Break-even Analysis

   iii.   Statistical Reports

   iv.   Budgetary Control

Personal Observation

Personal observation is a traditional technique of controlling that involves direct monitoring and assessment of individuals, processes, or activities by managers or supervisors. It relies on firsthand observation and judgment to evaluate performance and ensure adherence to established standards or expectations. In this technique, managers physically observe employees or processes in action to gather information and assess performance. They may spend time to interact with employees and closely observe work processes to gain

insights into the quality, efficiency, and effectiveness of work being performed. It is the oldest traditional method available to perform the controlling function. Here, the manager personally observes the employees/workers at the workplace.

Merits of Personal Observation

Personal observation, as a traditional technique of controlling, offers several merits:

i. *Real-Time Feedback*: Personal observation allows managers to provide immediate feedback to employees. They can address performance issues, recognise achievements, and offer guidance on the spot, which can lead to timely adjustments and improvements.

ii. *Accuracy and Contextual Understanding*: By directly observing employees and processes, managers gain a comprehensive understanding of the work environment, the challenges faced by employees, and the nuances of the tasks performed. This firsthand knowledge enables managers to make more accurate assessments and informed decisions.

iii. *Personalised Coaching and Development*: Through personal observation, managers can identify individual strengths and areas for improvement. They can provide personalised coaching, mentorship, and training to enhance employee skills, knowledge, and performance.

iv. *Enhanced Communication and Relationship Building*: Personal observation fosters face-to-face interactions between managers and employees. This direct engagement promotes open communication, builds rapport, and strengthens the working relationship, leading to increased trust and collaboration.

v. *Flexibility and Adaptability*: Personal observation allows managers to adapt their approach and control methods based on the specific needs and circumstances of employees and processes. They can tailor their guidance and interventions to address unique situations effectively.

vi. *Identification of Non-verbal Cues*: Personal observation enables managers to observe Non-verbal cues such as body language, facial expressions, and tone of voice. These cues can provide valuable insights into employee engagement, morale, and attitudes, which may not be evident through other control techniques.

vii. *Detecting Unforeseen Issues*: By physically being present in the work environment, managers can often spot potential problems or issues that may not be apparent through reports or data analysis alone. This early detection allows for prompt intervention and resolution.

Despite the advancement of technology-driven control techniques, personal observation remains valuable for its ability to provide real-time feedback, individualised attention, and a holistic understanding of employee performance and work dynamics.

Demerits of Personal Observation

While personal observation as a technique of controlling has its merits, it

also has some limitations and potential drawbacks:

i. *Subjectivity and Bias*: Personal observation is susceptible to the managers own biases, interpretations, and subjective opinions. The assessment of performance may be influenced by personal preferences or preconceived notions, leading to unfair evaluations.

ii. *Limited Scope and Representativeness:* Managers can only observe a limited portion of activities and employees at a given time. This may result in a skewed perspective and an incomplete understanding of overall performance. It may not capture the full range of tasks, situations, or challenges that employees face.

iii. *Time and Resource Intensive*: Personal observation requires managers to dedicate significant time and effort to observe and assess individual employees or processes. This can be impractical in large organisations or when managers have numerous responsibilities to handle.

iv. *Inhibition of Natural Behaviour*: Employees may alter their behavior when they are aware of being observed. They may feel pressured to perform differently or present a favorable image, which can distort the accuracy of the observation and hinder authentic assessment.

v. *Lack of Documentation*: Personal observation relies heavily on memory and immediate feedback without proper documentation. This can make it difficult to track

progress, compare performances over time, or provide evidence for performance-related decisions.

vi. *Inconsistent Standards*: Different managers may have varying criteria for evaluating performance through personal observation, leading to inconsistencies in assessments. This can result in unequal treatment and perceptions of favoritism or bias among employees.

vii. *Limited Scalability*: Personal observation becomes increasingly challenging and less feasible as the number of employees or processes to be observed grows. It may not be practical or efficient to personally observe and control every individual or task in larger organisations.

viii. *Potential for Disruption*: Managers' presence and observation may disrupt the normal workflow and create a sense of pressure among employees, potentially affecting their productivity and performance.

To mitigate these limitations, organisations may consider using a combination of control techniques, including objective metrics, technology-driven monitoring, and periodic performance reviews, alongside personal observation, to ensure a more comprehensive and balanced approach to controlling.

Break-even Analysis

This control technique depicts the relationship between Cost and Volume at different output levels. It is also known as the Cost, Volume and Profit analysis. It

predicts the profits and losses in response to the changes in output levels. The point where the cost price equals the selling price is the Break-even point.

Break Even Point Formula:

$$\text{Break Even Point} = \frac{\text{Fixed cost}}{\text{Price- Variable Cost}}$$
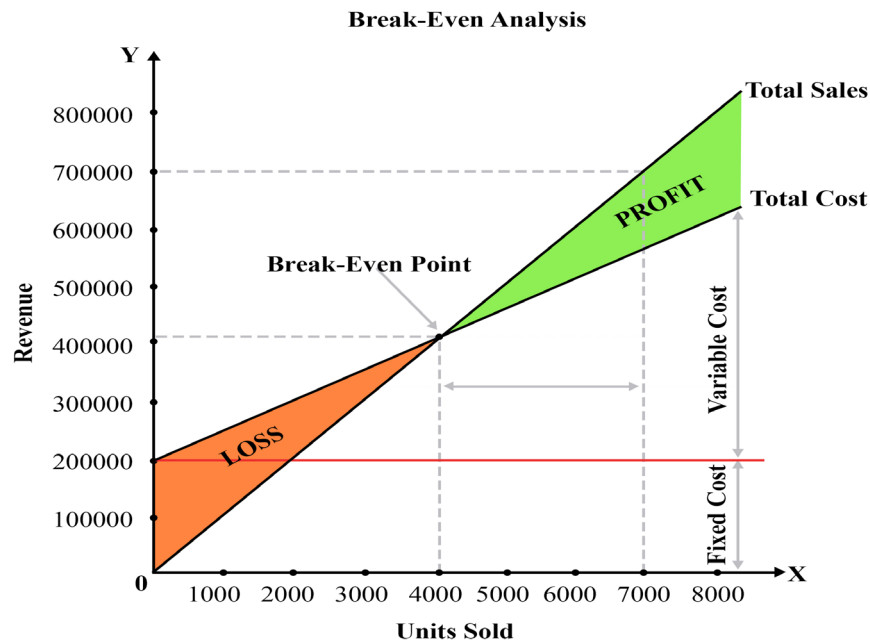
Break-Even Analysis

Figure 5.2.2 Break-Even Analysis

Break-even point is that point of sale where the revenue generated by the company is equal to the total cost incurred by it. It is a position where the organisation is at a no-profit no loss situation. To understand the concept of break-even point in detail, let us have a look at the following graph of break-even analysis.

With the help of the above diagram, we can identify the break-even point where the company can meet its expenses from the sales revenue it generates.

There are 5 components of Break Even Analysis. They are: fixed costs, variable costs, revenue, the margin of safety and the break-even point. Fixed costs entails expenses that do not vary with changes in the level of production or sales. However, variable costs do change with the level of production or sales. Revenue represents total income generated from the sale of goods or services by an individual or business. The margin of safety is the difference between revenue and variable costs. The final component of break-even analysis, the break-even point, is the level of sales where total revenue equals total costs. At this point no profit is made and no loss is incurred.
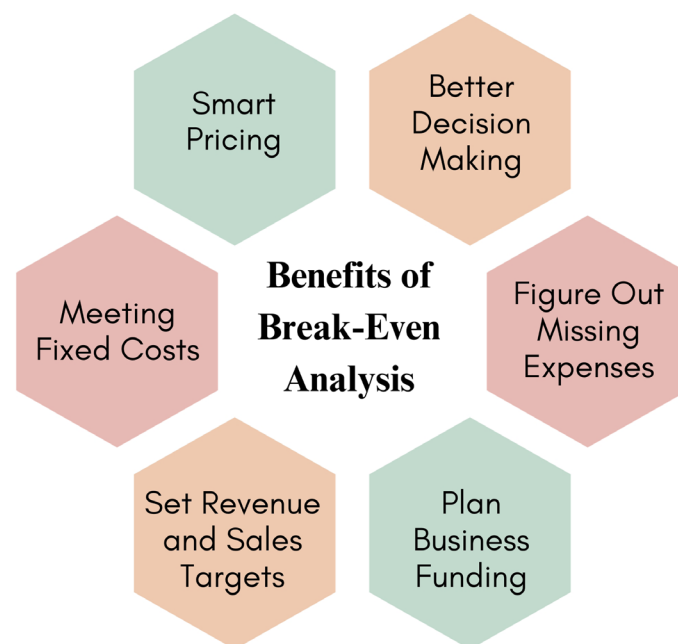
Benefits of Break-Even Analysis

Break-even analysis has been widely used by the companies to determine the

profitability of the business. Following are some of the advantages it has for business organisations.

i. Smart Pricing: Break-even analysis is widely used by the companies for determining the appropriate price of the products or services such that the profit increases and the cost incurred are recovered.

ii. Better Decision Making: It provides a solid base for decision making on the viability of a project leaving aside the emotional thinking.

iii. Figure Out Missing Expenses: While implementing the break-even analysis, the organisations can easily find out and include those expenses also which are otherwise left out or ignored.

iv. Plan Business Funding: If the business lacks sufficient capital for the project, it can approach to the external sources of funds, only after analysing its break-even position which should be strong enough to pay off the debts.

v. Set Revenue and Sales Targets: Break-even analysis gives a clear picture of the number of units to be sold or the amount of revenue to be generated for covering up the cost and achieving profitability. These figures set a target for the lower levels to perform accordingly.

vi. Meeting Fixed Costs: It even helps the company to cover up the fixed cost of the project.

Figure 5.2.3 Benefits of Break-Even Analysis

Limitations of Break-Even Analysis

As we know that break-even analysis is a cost-revenue-output relationship, it has a limited arena to determine the viability of any project. Let us now understand the various other drawbacks of a break-even analysis:

i. It is a mere interpretation of the future by past business functions.

ii. Break-Even Analysis considers only cost and output for profit determination when management skills, market conditions, technological factors, etc. also affect the business.

iii. It is assumed that the selling price is constant, and the cost function is linear, which is not the case in reality.

iv. There exist no tax provisions in the break-even chart.

v. Break-even analysis always relates cost to the output, which may not be the case every time.

vi. It may result in a poor analysis if the company lacks an efficient accounting system.

vii. The analysis considers that the price of output as per assumed horizontal demand curve, which is only possible under perfect competitions.

viii. It is not suitable for determining long-term profits due to the assumption of the linear relationship between cost, revenue and output since many other factors affect the business operations in the long run.

Statistical Report

In the realm of management, the use of statistical reports as a controlling technique involves the manager's proactive gathering of information to assess and evaluate performance across various functional areas within an organisation. The information collected serves as a valuable resource for making comparisons and drawing meaningful insights. To achieve this, the manager relies on the analysis of numerical data using various statistical measures such as averages, percentages, correlations, ratios, and more.

By employing statistical techniques, managers can derive crucial insights from the data, allowing them to better understand the organisation's performance. These insights are often presented in visual formats, such as charts, graphs, and tables, which provide a clear and concise representation of the data. This visualisation plays a vital role in facilitating a comprehensive understanding of the information at hand, making it easier for managers to identify areas that require attention or further investigation.

The application of statistical reports as a controlling technique is widely regarded as one of the most valuable and helpful methods for analysing data. By utilising statistical measures, managers can gain a deeper understanding of performance trends and patterns. For instance, averages allow for the calculation of a typical value within a data set, providing a benchmark for evaluating individual performance or departmental achievements. Percentages, on the other hand, enable the comparison of data to a whole, providing insights into relative proportions and growth rates. Correlation analysis helps identify

relationships and dependencies between different variables, shedding light on potential cause-and-effect dynamics. Ratios offer a means of assessing financial performance and efficiency, providing a quantitative measure of an organisation's financial health.

By employing statistical reports and their visual representations, managers gain valuable tools to monitor and control performance effectively. These reports provide a comprehensive overview of the organisation's data, allowing managers to identify both positive and negative trends and take appropriate actions accordingly. Ultimately, statistical reports serve as a crucial decision-making tool, helping managers make informed choices that drive the organisation towards success and continual improvement.

Merits of Statistical Reports

Statistical reports offer numerous merits that make them valuable tools for decision-making and performance evaluation in various domains. Some of the key merits of statistical reports include:

i. Objective and Data-Driven: Statistical reports are based on objective data analysis, removing biases and personal opinions from decision-making processes. They provide a factual and evidence-based foundation for evaluating performance, identifying trends, and making informed decisions.

ii. Reliable Insights: Statistical reports offer reliable insights into the organisation's performance by analysing data from multiple sources. They enable managers to gain a comprehensive understanding of various aspects of the organisation, such as financial performance, operational

efficiency, customer behavior, and employee productivity.

iii. Performance Evaluation: Statistical reports facilitate the evaluation of performance across different functional areas, departments, teams, or individuals. By comparing actual performance against predefined targets or benchmarks, managers can identify strengths and weaknesses, pinpoint areas for improvement, and allocate resources effectively.

iv. Trend Identification: Statistical reports help identify trends and patterns within the data, enabling managers to spot recurring issues or opportunities. By recognising these trends, managers can make proactive decisions to capitalize on positive developments or address potential problems before they escalate.

v. Variance Analysis: Statistical reports allow for variance analysis, which involves comparing actual performance with planned or expected performance. This analysis helps identify significant deviations or discrepancies, enabling managers to investigate and take corrective actions to align performance with goals and targets.

vi. Decision-Making Support: Statistical reports provide managers with valuable insights for decision-making. By analysing data and identifying trends, managers can make data-driven decisions that are more likely to result in positive outcomes and support the organisation's strategic objectives.

vii. Communication and Transparency: Statistical reports serve as a means of communicating performance-related information to stakeholders. They provide clear and concise visualisations of data through charts, graphs, and tables, making it easier to convey complex information in an understandable manner. This enhances transparency and facilitates effective communication at all levels of the organisation.

viii. Continuous Improvement: Statistical reports support a culture of continuous improvement within an organisation. By monitoring performance metrics over time, managers can track progress, assess the impact of implemented changes, and identify further opportunities for optimisation and enhancement.

Demerits of Statistical Reports

While statistical reports offer numerous benefits, it is essential to consider their potential drawbacks or limitations. Some of the demerits of statistical reports include:

i. Data Limitations: Statistical reports heavily rely on the availability and quality of data. If the data collected is incomplete, inaccurate, or biased, it can undermine the validity and reliability of the statistical analysis. Therefore, it is crucial to ensure the integrity and relevance of the data used in the reports.

ii. Simplification of Complex Issues: Statistical reports often simplify complex phenomena into numerical summaries and visual representations. While this can make the data more accessible, it may oversimplify complex issues, leading to a loss of nuance and context. It is important to exercise caution and consider the broader organisational and environmental factors that may influence the data interpretation.

iii. Interpretation Challenges: Statistical reports require proper interpretation to derive meaningful insights. However, interpretation can be subjective and open to bias. Different individuals may interpret the same statistical data differently, leading to divergent conclusions. It is crucial to consider multiple perspectives and engage in critical thinking when analysing statistical reports.

iv. Focus on Quantitative Data: Statistical reports primarily rely on quantitative data, such as numbers and figures. While quantitative data is valuable for objective analysis, it may not capture qualitative aspects of organisational performance, such as employee morale, customer satisfaction, or organisational culture. Therefore, relying solely on statistical reports may overlook important qualitative dimensions of management.

v. Lagging Indicators: Statistical reports often use historical data, which means they reflect past performance. While historical data can provide insights into trends and patterns, it may not capture real-time or future-oriented information. Managers need to balance the use of statistical reports with real-time data and leading indicators to gain a more comprehensive understanding of

the organisation's performance.

vi. Cost and Time Constraints: Generating statistical reports can be a resource-intensive process. Collecting, cleaning, and analysing data requires time, effort, and specialised skills. Additionally, organisations may need to invest in data collection systems and statistical software. These costs and time constraints can be a barrier for smaller organisations or those with limited resources.

vii. Over emphasis on Metrics: Relying solely on statistical reports may lead to an overemphasis on numerical metrics, potentially overlooking other important factors that contribute to organisational performance. It is crucial to strike a balance between quantitative metrics and qualitative assessments to gain a holistic view of the organisation's effectiveness.

viii. Resistance to Change: Introducing statistical reports as a controlling technique may face resistance from employees who fear being solely evaluated based on numbers. It is important to communicate the purpose and benefits of statistical reports effectively and ensure that they are not used in a way that undermines employee morale or discourages innovation.

Budgetary Control

Budgetary Control is an important traditional control technique used in planning and controlling functions. It covers the planning of the essential operations followed by its comparisons with the actual performance. Budgetary control is a tool which is used to accomplish the management objectives established in the form of budgets. The actual results are to be compared with the standard figures of budgets and take corrective actions if there are any changes or variations from the standards. Budgets are prepared on the basis of the policies of the organisations. On the other hand, budgetary control is to monitor such policies efficiently. Budgets are prepared for a particular period, but budgetary control is a continuous process. This means that the beginning of budgetary control occurs at the conclusion of budget preparation.

G.R Terry. "Budgetary controlling is process of finding out what is being done and comparing their results with the corresponding budget data in order to approve, accomplishment or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference"

Objectives of budgetary control

The purpose of using budgetary control is to help the management in controlling the operations systematically. The proper coordination and communication are necessary to implement a plan fruitfully. These coordination and communication are possible with the help of an efficient budgetary control system. The following are the main objectives of budgetary control:

a. Control the actual income and expenditure within the purview of the budgeted limit.

b. Define the goals and objectives of the organisation for a stipulated period

c. Coordinating the decentralised work of the organisation

d. It helps to evaluate the performance of the organisation department-wise.

e. A useful tool for policy determination with top management.

f. Estimate and forecast the financial position of the company

g. Improving employee productivity and lowering production costs at every level

h. Estimating the capital expenditure

i. Detecting the variations and deviations from the planned objectives and taking corrective remedies.

The budgeting process includes comparing and evaluating the actual and budgeted performances. The steps in budgeting broadly cover the following:

i. Creating standards by bifurcating the overall business goals into departmental targets.

ii. Comparison of predefined Budget/Standards with the actual performance.

iii. Calculate the logical deviations from the plan and take corrective measures.

Budgetary control facilitates control over day-to-day activities. Also, it assesses the need for resources and manpower to achieve business objectives. It might be possible that the formulated budget can be inaccurate and expensive. The common types of budgets prepared by organisations are Cash Budget, Sale Budget, Production Budget, Capital Budget and Material Budget.

Merits of Budgetary Control

Budgetary control has several merits or advantages for organisations. Here are some key merits of budgetary control:

i. *Planning and Goal Setting*: Budgetary control requires organisations to set financial goals and targets. By creating a budget, organisations can plan their financial activities and allocate resources effectively. It helps in identifying financial objectives and developing strategies to achieve them.

ii. *Resource Allocation*: Budgetary control assists in allocating resources in a planned and systematic manner. It helps in determining how much funding should be allocated to various departments, projects, or activities based on their importance and expected outcomes. This ensures optimal utilisation of resources and avoids wasteful spending.

iii. *Performance Evaluation*: Budgetary control enables organisations to evaluate their actual financial performance against the budgeted targets. By comparing actual results with budgeted figures, organisations can identify deviations, variances, or inefficiencies. This evaluation helps in assessing the performance of different departments or individuals and taking corrective actions as necessary.

iv. *Cost Control*: Budgetary control promotes cost control and cost consciousness within an organisation. It provides a framework to monitor and control expenses in various areas,

such as production, marketing, and administration. By setting budgetary limits, organisations can identify cost overruns, implement cost-saving measures, and improve overall cost efficiency.

v. *Decision Making*: Budgetary control provides valuable information for decision making. It helps management make informed choices by considering the financial implications of different options. Budgets serve as a basis for evaluating investment opportunities, expansion plans, pricing decisions, and resource allocation choices. It supports effective decision making by providing a financial framework to evaluate alternatives.

vi. *Coordination and Communication*: Budgetary control enhances coordination and communication within an organisation. It ensures that different departments or units work towards common financial goals. Budgets provide a common language for communication and facilitate coordination among departments. They help in aligning the efforts of various teams, promoting collaboration, and achieving overall organisational objectives.

vii. *Motivation and Performance Improvement*: Budgetary control can serve as a motivational tool for employees. When employees are involved in the budgeting process and have clear targets to achieve, it enhances their sense of responsibility and accountability. Budgets provide a basis for performance evaluation and can be linked to performance incentives or rewards, motivating employees to

achieve their targets and improve overall performance.

viii. *Financial Discipline*: Budgetary control instills financial discipline within an organisation. It encourages responsible financial behavior and discourages excessive spending or waste. By adhering to budgetary limits, organisations can maintain financial stability, avoid financial crises, and ensure long term sustainability.

5.2.1.2 Modern Techniques

Modern control techniques are additions to the management literature. These are of recent origin and provide innovative methods for organisational evaluation and control.

i. Return on Investment

ii. Financial Statement and Ratio Analysis

iii. Responsibility Accounting

iv. Management Audit

v. PERT & CPM

vi. Management Information System

Return on Investment (ROI)

Return on Investment (ROI) is a controlling technique used to evaluate the profitability or financial success of an investment or business decision. It measures the amount of return or profit generated from an investment relative to its cost.

Here's a simplified explanation of ROI using a common example:

Imagine you have a Lime juice shop. You decide to invest ₹100 in buying lemons, sugar, cups, and other supplies.

After a day of selling lime juice, you make a total revenue of ₹150. To calculate ROI, you need to subtract the initial investment from the total revenue and then divide it by the initial investment. In this case:

Total revenue = ₹150

Initial investment = ₹100

ROI = (Total revenue - Initial investment) / Initial investment

ROI = (₹150 - ₹100) / ₹100

ROI = ₹50 / ₹100

ROI = 0.5 or 50%

So, the ROI for your lemonade stand investment is 50%. This means that for every rupee you invested, you earned an additional 50 paise in profit.

ROI helps you determine whether an investment or business decision is worth pursuing. If the ROI is positive (greater than 0), it indicates that the investment is generating more money than it cost, which is generally considered a good outcome. On the other hand, if the ROI is negative (less than 0), it means the investment is losing money and may not be a wise choice.

By using ROI as a controlling technique, businesses can assess the financial performance of different projects or investments and make informed decisions about where to allocate their resources. It allows them to prioritise investments that offer the highest returns and helps ensure the efficient and effective use of resources.

Financial Statement and Ratio Analysis

Financial statements and ratio analysis are valuable tools for monitoring and controlling a company's financial performance. They help in evaluating profitability, liquidity, solvency, and efficiency, enabling better decision-making and ensuring the company's financial well-being.

a. Financial Statements

Financial statements are documents that provide a summary of a company's financial performance and position. They are essential tools for understanding the financial health of a business. The three main financial statements are:

i. Income Statement (also known as the Profit and Loss Statement): This statement shows the company's revenues, expenses, and net income or loss over a specific period (e.g., a month, quarter, or year). It helps assess whether the company is making a profit or facing a loss.

ii. Balance Sheet: This statement provides a snapshot of the company's assets, liabilities, and shareholders' equity at a specific point in time. It shows what the company owns (assets), what it owes (liabilities), and the shareholders' investment in the business (equity).

iii. Cash Flow Statement: This statement tracks the cash inflows and outflows of a company during a specific period. It shows how cash is generated and used in operations, investments, and financing activities. It helps assess the company's ability to generate cash and meet its financial obligations.

b. Ratio Analysis

Ratio analysis involves calculating and interpreting financial ratios to evaluate a company's performance, financial health,

and efficiency. Ratios are mathematical relationships between different numbers on the financial statements. Here are some commonly used ratios:

i.   Profitability Ratios: These ratios assess the company's ability to generate profits and include metrics such as gross profit margin, operating profit margin, and net profit margin.

ii. Liquidity Ratios: These ratios measure the company's ability to meet short term obligations and include metrics such as the current ratio and the quick ratio.

iii. Solvency Ratios: These ratios evaluate the company's long term financial stability and its ability to repay its debts. Examples include the debt-to-equity ratio and interest coverage ratio.

iv. Efficiency Ratios: These ratios assess how effectively the company manages its assets and liabilities. Examples include inventory turnover ratio and accounts receivable turnover ratio.

v.   Ratio analysis helps identify trends, strengths, and weaknesses in a company's financial performance. By comparing ratios over time or benchmarking them against industry standards, it provides insights into areas that require attention or improvement. It allows managers and investors to make informed decisions about the company's financial health and prospects.

vi. It helps in controlling the finances of the organisation by calculating different Ratios. For this purpose, data is accumulated from the firms' financial statements.

Responsibility Accounting

Responsibility accounting is a controlling technique used to measure and evaluate the performance of different departments, individuals, or cost centers within an organisation. It involves breaking down the organisation's activities into smaller segments or responsibility centers and holding each segment accountable for its performance.

For example, imagine you are part of a team working in a manufacturing company that produces bicycles. The company has different departments, such as production, marketing, and finance. Each department has its own set of responsibilities and contributes to the overall success of the company. Responsibility accounting involves assigning specific responsibilities to each department and measuring their performance based on those responsibilities. The production department is responsible for manufacturing bicycles. Its performance may be evaluated based on metrices like the number of bicycles produced, production efficiency, and quality control. The marketing department is responsible for promoting and selling the bicycles. Its performance may be evaluated based on metrices like sales revenue, market share, customer satisfaction, and advertising effectiveness. The finance department is responsible for managing the company's financial resources. Its performance may be evaluated based on metrices like cost control, budget adherence, and financial reporting accuracy.

By assigning specific responsibilities and evaluating performance metrics for each department, responsibility accounting allows the company to identify areas of strength and areas that need improvement. It helps managers understand which

departments are performing well and which ones may require additional support or corrective actions. Responsibility accounting also facilitates better decision-making and resource allocation within the organisation. It helps managers determine how to allocate budgets, set performance targets, and reward employees based on their contribution to the assigned responsibilities. As a conclusion, responsibility accounting enables organisations to effectively manage and control their operations by holding individual departments accountable for their performance. It helps in improving efficiency, identifying areas for improvement, and aligning departmental goals with the overall objectives of the organisation.

Merits of Responsibility Accounting

Responsibility accounting offers several merits or advantages for organisations. Here are some key merits of responsibility accounting:

i. Performance Evaluation: Responsibility accounting enables the evaluation of individual departments or cost centers based on their assigned responsibilities. It provides a clear framework to assess the performance of different units within the organisation. This allows management to identify areas of excellence and areas that need improvement, leading to better resource allocation and decision making.

ii. Accountability: By assigning specific responsibilities to different departments or individuals, responsibility accounting promotes accountability. Each department or cost center becomes responsible for its own performance and outcomes. This fosters a sense of ownership and encourages employees to take responsibility for their actions and results.

iii. Goal Alignment: Responsibility accounting helps align the goals of individual departments with the overall objectives of the organisation. By setting specific performance targets and metrics for each department, it ensures that their efforts are directed towards achieving the broader organisational goals. This promotes coordination and collaboration among departments, leading to improved overall performance.

iv. Decision Making: Responsibility accounting provides valuable information for decision-making. It allows managers to assess the performance and efficiency of different departments or cost centers and make informed decisions regarding resource allocation, budgeting, and process improvements. This leads to more effective and efficient decision-making throughout the organisation.

v. Motivation and Incentives: Responsibility accounting facilitates the establishment of performance-based incentives and rewards. When individual departments or cost centers are accountable for their performance, it becomes easier to link rewards or bonuses to their achievements. This can motivate employees to strive for higher performance levels and contribute to the success of the organisation.

vi. Cost Control: Responsibility accounting helps control costs by identifying cost centers

responsible for specific activities. It enables managers to track and monitor costs associated with different departments or units, making it easier to identify areas of excessive or unnecessary expenditures. This promotes cost-consciousness and supports effective cost management within the organisation.

vii. Performance Improvement: With the focus on individual departments or cost centers, responsibility accounting allows for targeted performance improvement efforts. By analysing performance metrics and identifying areas of underperformance, management can implement measures to enhance productivity, efficiency, and effectiveness in specific areas. This leads to continuous improvement throughout the organisation.

Demerits of Responsibility Accounting

While responsibility accounting provides various advantages, it is important to consider its potential limitations or demerits. Here are some key demerits of responsibility accounting:

i. Overemphasis on Short Term Performance: Responsibility accounting often focuses on short-term performance metrics and financial results, which may lead to a neglect of long-term strategic objectives. Managers and departments may prioritise achieving immediate goals and targets at the expense of long-term sustainability and growth. This short-term focus can hinder innovation and strategic decision-making.

ii. Interdepartmental Conflicts: Responsibility accounting can create a competitive environment among different departments or cost centers within an organisation. Each department may prioritise its own performance goals and may not collaborate effectively with other departments. This can lead to conflicts, lack of cooperation, and siloed decision-making, which may hinder the overall effectiveness and synergy of the organisation.

iii. Measurement Challenges: Assigning responsibility and measuring the performance of individual departments or cost centers can be complex. Determining accurate and meaningful performance metrics for each unit can be challenging, as some activities may have indirect or intangible impacts that are difficult to quantify. This can result in subjective assessments and biases in performance evaluations.

iv. Inadequate Information Sharing: Responsibility accounting may discourage information sharing between departments. Departments may be reluctant to share resources, knowledge, or best practices with others, as it could impact their own performance evaluations or resource allocations. This lack of information sharing can hinder organisational learning and collaboration.

v. Limited Focus on External Factors: Responsibility accounting primarily focuses on internal factors and departmental performance. It may not adequately consider external factors such as market

conditions, customer needs, or industry trends. This limited perspective can lead to a lack of responsiveness and adaptability to external changes, potentially impacting the organisation's long-term success.

vi. Neglecting Non-Financial Measures: Responsibility accounting often emphasises financial performance measures, such as revenue, costs, and profitability. While financial metrices are essential, they may not capture the full picture of departmental or individual performance. Non-financial measures, such as customer satisfaction, employee engagement, or environmental impact, may be overlooked, which can affect the organisation's overall success and sustainability.

vii. Complexity and Cost: Implementing responsibility accounting systems can be complex and costly, especially in large organisations. It requires establishing performance metrics, monitoring systems, and reporting mechanisms for each department or cost center. This administrative burden and associated costs may outweigh the benefits, particularly for smaller organisations with limited resources.

The demerits of responsibility accounting can be mitigated with careful design, appropriate performance measures, and a balance between individual departmental goals and overall organisational objectives. Organisations should strive to strike a balance between accountability and collaboration, and regularly review and adapt their responsibility accounting systems to align with changing business environments and strategic priorities.

Management Audit

Management audit is a controlling technique used to evaluate and assess the effectiveness and efficiency of management practices within an organisation. It involves a systematic review and examination of managerial processes, systems, and decision-making to identify areas for improvement and ensure that the organisation's goals are being achieved.

Visualise that you are the owner of a retail store. You want to ensure that your managers are performing their roles effectively and efficiently. To conduct a management audit, you would assess various aspects of their work, such as:

i. Planning: You would evaluate how well managers are setting objectives, creating strategies, and developing plans to achieve the store's goals. This would involve assessing whether the plans are realistic, comprehensive, and aligned with the overall business strategy.

ii. Organisational Structure: You would examine the structure of the organisation and how managerial responsibilities are assigned and delegated. This would include reviewing the hierarchy, reporting lines, and spans of control to ensure that they promote efficiency, clear communication, and effective decision-making.

iii. Decision Making: You would assess the decision-making processes used by managers. This would involve evaluating

whether decisions are based on reliable information, consider the potential risks and benefits, and involve appropriate consultation or analysis.

iv. Leadership and Communication: You would evaluate how managers lead and communicate with their teams. This would include reviewing their ability to motivate employees, provide clear instructions, delegate tasks, and foster a positive work environment.

v. Performance Management: You would examine how managers monitor and evaluate employee performance. This would involve assessing the effectiveness of performance appraisal systems, goal setting processes, and feedback mechanisms used by managers.

vi. Resource Management: You would review how managers allocate and utilise resources such as human resources, finances, and materials. This would include assessing whether resources are allocated efficiently, budgets are followed, and there is effective utilisation of available resources.

By conducting a management audit, you can identify areas of strengths and weaknesses in managerial practices. It helps you ensure that managers are working effectively towards achieving organisational goals, identify areas for improvement, and implement corrective actions or changes to enhance managerial performance. Management audits are typically conducted by internal or external auditors who are independent from the management team. The audit findings and recommendations provide valuable insights for improving management practices, enhancing organisational performance, and aligning managerial efforts with the organisation's strategic objectives. In short, management audit is a valuable controlling technique that helps assess and improve managerial practices within an organisation. It ensures that management processes are effective, efficient, and aligned with the organisation's goals, ultimately contributing to the overall success and performance of the organisation.

Merits of Management Audit

Management audit offers several merits or advantages for organisations. Here are some key merits of management audit:

i. Evaluation of Management Effectiveness: A management audit provides an objective assessment of the effectiveness of managerial practices within an organisation. It helps evaluate how well managers are performing their roles, making decisions, and achieving organisational goals. This assessment helps identify areas of strength and areas that require improvement in the management processes.

ii. Identification of Operational Inefficiencies: Through a management audit, inefficiencies and bottlenecks in managerial processes can be identified. The audit examines how resources are allocated, decision-making is conducted, and communication flows within the organisation. By pinpointing areas of inefficiency, the audit helps management take corrective actions and improve operational effectiveness.

iii. Alignment with Strategic

Objectives: A management audit ensures that management practices are aligned with the organisation's strategic objectives. It assesses whether the decision making processes, planning efforts, and resource allocation strategies are in line with the long-term goals of the organisation. This alignment ensures that managerial efforts are focused on driving the organisation towards its desired outcomes.

iv. Enhanced Decision Making: Management audits evaluate the decision-making processes used by managers. By identifying any flaws or gaps in decision-making, the audit helps improve the quality of decision making within the organisation. It ensures that decisions are based on reliable information, consider potential risks, and involve appropriate analysis and consultation.

v. Strengthened Leadership and Communication: A management audit assesses how managers lead and communicate with their teams. By identifying areas for improvement, such as enhancing leadership skills or improving communication practices, the audit helps strengthen the managerial capabilities of leaders. This, in turn, fosters a positive work environment, increases employee engagement, and improves overall organisational performance.

vi. Continuous Improvement: Management audits promote a culture of continuous improvement within an organisation. By regularly assessing managerial practices, the audit helps identify areas for enhancement and prompts management to take proactive measures. It encourages ongoing evaluation and refinement of managerial processes, leading to increased efficiency and effectiveness over time.

vii. Enhanced Accountability and Control: Management audits emphasise accountability by evaluating how managers are performing their roles and responsibilities. The audit holds managers accountable for their actions, decisions, and results. This promotes a sense of responsibility and helps to ensure that managers are focused on achieving organisational goals and objectives.

viii. Compliance and Risk Management: A management audit also assesses compliance with internal policies, regulations, and industry standards. It helps to identify any compliance gaps and ensures that managers are adhering to legal and ethical requirements. Additionally, the audit examines risk management practices to identify potential risks and weaknesses, allowing for appropriate risk mitigation measures.

Management audit provides merits such as evaluating management effectiveness, identifying operational inefficiencies, aligning with strategic objectives, enhancing decision making, strengthening leadership and communication, promoting continuous improvement, enhancing accountability and control, and ensuring compliance and risk management. By leveraging these advantages, organisations can improve their managerial practices and drive better overall performance.

Demerit of Management Audit

While management audits offer several advantages, it's important to consider their potential limitations or demerits. Here are some key demerits of management audit:

i.   Subjectivity and Bias: Management audits rely on the judgment and expertise of auditors, which introduces the possibility of subjectivity and bias. Different auditors may have different interpretations and perspectives, leading to inconsistent evaluations. It's essential to ensure that auditors are objective, unbiased, and have a thorough understanding of the organisation's operations.

ii. Time and Resource Intensive: Management audits can be time-consuming and resource-intensive processes. They require gathering and analysing a significant amount of data, conducting interviews, and reviewing documentation. This can place a burden on the organisation's resources, especially for smaller businesses with limited personnel and budget.

iii. Resistance and Defensive Reactions: Managers may feel defensive or resistant to a management audit. They might perceive it as a threat to their authority or as a criticism of their performance. This resistance can hinder the effectiveness of the audit and limit the organisation's ability to address identified issues or implement recommended changes.

iv. Lack of Comprehensive Coverage: Management audits typically focus on specific areas or functions within the organisation. While this allows for a more targeted assessment, it may result in certain aspects of management practices being overlooked. There is a risk of missing interdependencies or systemic issues that could impact overall performance.

v.   Limited Scope of Audit Recommendations:Management audits often provide recommendations for improvement based on identified issues. However, the effectiveness of these recommendations depends on the organisation's willingness and ability to implement them. If the organisation lacks the resources, capacity, or commitment to act on the recommendations, the audit may not lead to significant improvements.

vi. Incomplete Evaluation of Intangible Factors: Management audits primarily focus on tangible factors such as processes, structures, and financial metrics. They may not fully capture intangible factors like organisational culture, employee morale, or leadership style, which can significantly influence managerial effectiveness. Neglecting these intangible factors may limit the audit's ability to provide a holistic assessment of management practices.

vii. Inability to Predict Future Performance: While management audits assess past and present performance, they may not accurately predict future performance. Market conditions, industry dynamics, and other external factors can change rapidly, rendering some of the audit findings and recommendations less

relevant over time. Organisations need to complement management audits with ongoing monitoring and adaptability to stay responsive to evolving circumstances.

It is important to recognise these demerits and address them to maximise the benefits of management audits. Clear communication, stakeholders involvement, and a focus on actionable recommendations can help overcome some of these limitations and ensure that the audit process adds value to the organisation's management practices.

PERT & CPM

Program Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are two related techniques used in project management to plan, schedule, and control complex projects. They help identify the critical tasks and determine the most efficient sequence of activities to ensure the project is completed on time.

Here's a simplified explanation of PERT and CPM using a practical example:

Suppose you are organising a music concert. There are multiple tasks involved, such as booking the venue, hiring performers, setting up sound systems, and promoting the event. PERT and CPM can help you plan and manage these tasks effectively.

i. Program Evaluation and Review Technique (PERT)

PERT focuses on estimating the time required to complete each task in a project. It helps determine the project's timeline by considering the optimistic, most likely, and pessimistic estimates for each task. For example, when booking the venue,

you might estimate that it could take anywhere from 3 to 5 days, with 4 days being the most likely estimate. PERT uses these estimates to calculate the expected time for each task and the overall project. PERT also considers the dependencies between tasks. Some tasks can only start after others are completed, while some can happen simultaneously. By identifying these dependencies, PERT helps you create a network diagram that shows the sequence of tasks and the critical path.

ii. Critical Path Method (CPM)

CPM focuses on identifying the critical path, which is the sequence of tasks that must be completed on time for the entire project to be completed on schedule. Continuing with the music concert example, let's say you have identified tasks like booking the venue, hiring performers, setting up sound systems, and promoting the event. Each task has its own duration estimate and dependencies. CPM helps you analyse these tasks and determine the critical path, which consists of tasks that have no float or slack time. In other words, any delay in the critical path tasks will directly impact the project's overall timeline. By identifying the critical path, you can prioritise the tasks that are most crucial to the project's success. You can allocate resources, monitor progress, and focus your efforts on ensuring that tasks on the critical path are completed as planned.

In conclusion, PERT and CPM help you effectively plan, schedule, and control projects by considering task durations, dependencies, and the critical path. By using these techniques, you can identify potential bottlenecks, allocate resources efficiently, and monitor progress to ensure the project stays on track and is completed within the desired timeframe.

Merits of PERT and CPM

i. Project Planning: PERT and CPM provide a systematic approach to project planning. They help in identifying and sequencing project activities, estimating their durations, and determining the critical path the longest sequence of dependent activities that determines the project's overall duration. This planning phase allows for better resource allocation, scheduling, and coordination.

ii. Time Management: PERT and CPM assist in effective time management. By identifying the critical path and non-critical paths, project managers can focus their attention on activities that have the most significant impact on the project's timeline. This allows for proactive management of time, early identification of potential delays, and the ability to take corrective actions to keep the project on schedule.

iii. Resource Allocation: PERT and CPM enable efficient resource allocation. By understanding the interdependencies between project activities, managers can allocate resources optimally. They can identify activities that require critical resources and ensure they are appropriately assigned, avoiding bottlenecks or resource conflicts. This helps in utilising resources effectively and reducing project delays.

iv. Coordination and Communication: PERT and CPM enhance coordination and communication among project team members. These techniques provide a visual representation of the project schedule, activities, and their interrelationships. This shared understanding promotes effective communication, collaboration, and coordination among team members, reducing misunderstandings and improving overall project efficiency.

v. Risk Management: PERT and CPM aid in identifying and managing project risks. By estimating activity durations and identifying the critical path, project managers can identify activities that have the potential to cause delays or impact the overall project timeline. This allows for proactive risk management, enabling managers to develop contingency plans, allocate additional resources if needed, or prioritise activities to mitigate potential risks.

vi. Performance Measurement: PERT and CPM provide a basis for performance measurement and control. By comparing actual project progress against the planned schedule, managers can assess deviations and variances. This allows for early detection of potential delays or issues, facilitating timely corrective actions. Performance metrics, such as schedule variance and schedule performance index, help in monitoring and controlling project progress effectively.

vii. Documentation and Reporting: PERT and CPM facilitate documentation and reporting of project progress. These techniques provide a structured framework for recording activity durations, dependencies, and critical paths. This information

can be used to generate reports, update stakeholders on project status, and facilitate decision-making. Clear documentation and reporting ensure transparency and accountability throughout the project life cycle.

viii. Stakeholder Management: PERT and CPM support effective stakeholder management. By providing a comprehensive view of the project timeline and dependencies, these techniques enable managers to communicate realistic expectations to stakeholders. This promotes trust, reduces conflicts, and enhances stakeholder satisfaction.

Demerits of PERT and CPM

i. Complexity: PERT and CPM can be complex and require specialised knowledge and skills to implement effectively. The techniques involve intricate calculations, sequencing of activities, and consideration of various dependencies. This complexity can make it challenging for individuals without sufficient training or expertise to utilise PERT and CPM effectively.

ii. Overemphasis on Time: PERT and CPM primarily focus on time management and scheduling. While this is important, it may lead to an overemphasis on completing activities within specified durations without considering other critical project factors, such as cost, quality, or customer satisfaction. Neglecting these aspects can lead to imbalanced project outcomes.

iii. Activity Dependency Assumptions: PERT and CPM rely on assumptions about activity dependencies, such as finish-to-start, start-to-start, finish-to-finish, and start-to-finish relationships. These assumptions may not always accurately reflect the real-world dependencies or the dynamic nature of project execution. Incorrect assumptions can result in inaccuracies in project planning and control.

iv. Lack of Flexibility: PERT and CPM assume a static project environment with fixed activity durations and dependencies. However, in reality, projects often encounter unforeseen events, delays, or changes. PERT and CPM may not easily accommodate such changes, requiring significant adjustments and recalculations. This lack of flexibility can make it challenging to adapt and respond to dynamic project conditions.

v. Time Estimation Challenges: PERT and CPM heavily rely on accurate time estimations for each activity. However, estimating activity durations can be challenging, especially for complex or unfamiliar tasks. Inaccurate time estimates can lead to incorrect project scheduling, potentially causing delays or unrealistic expectations.

vi. Limited Focus on Resource Management: PERT and CPM primarily focus on time management and do not provide detailed guidance on resource allocation or optimisation. While resource dependencies can be considered, these techniques do not provide a comprehensive framework for resource leveling, capacity planning, or managing resource conflicts. This can result

in inefficiencies or bottlenecks in resource utilisation.

vii. Lack of Communication and Collaboration: PERT and CPM do not explicitly address communication and collaboration aspects of project management. While they provide a visual representation of project schedules, they may not facilitate effective communication among project stakeholders or promote collaboration among team members. This can hinder coordination and teamwork.

viii. Overemphasis on Critical Path: PERT and CPM heavily emphasise the critical path the longest sequence of dependent activities that determines the project's overall duration. While the critical path is essential for identifying project bottlenecks and managing time, it may overshadow non-critical activities that contribute to project success in other dimensions, such as quality or customer satisfaction.

It is important to recognise these demerits and carefully consider the limitations of PERT and CPM when using them as controlling techniques. Organisations should assess their specific project requirements, complexity, and available resources before deciding on the suitability and applicability of PERT and CPM in their project management approach.

Management Information System

Management Information System (MIS) is a technique used for controlling and managing organisations effectively. It involves the use of information technology and systems to collect, process, store, and distribute data and information for decision-making and control purposes. MIS provides valuable information to managers at various levels to monitor, evaluate, and control the organisation's activities. The key aspects of MIS are as follows:

i. Data Collection: MIS collects data from various sources within the organisation, such as sales transactions, production figures, employee records, and financial data. This data is gathered using manual methods or automated systems like point-of-sale terminals, sensors, or online forms.

ii. Data Processing: The collected data is processed and transformed into meaningful information through various techniques, such as sorting, filtering, summarising, and calculations. MIS uses software applications, databases, and algorithms to analyse and transform raw data into useful insights.

iii. Information Storage: Processed information is stored in databases or other information storage systems. These databases are organised in a structured manner, making it easy to retrieve and update information whenever needed. Information can be stored in various formats, including text, numbers, images, or multimedia.

iv. Information Retrieval: MIS allows managers to access the stored information when required. They can retrieve relevant data and reports using user-friendly interfaces or dashboards. Information retrieval is quick

and efficient, enabling managers to access real-time or historical data for monitoring and control purposes.

v. Information Presentation: MIS presents information in a user-friendly and understandable format, such as charts, graphs, tables, or reports. This visual representation helps managers interpret and analyse the data easily. Clear and concise information presentation supports effective decision-making and control.

vi. Performance Monitoring: MIS enables managers to monitor the performance of different departments, processes, or projects. Key performance indicators (KPIs) are identified and tracked to assess the organisation's progress towards its goals. Managers can compare actual performance against targets and identify areas requiring attention or improvement.

vii. Exception Reporting: MIS highlights exceptions or deviations from expected performance levels. It automatically generates alerts or reports when certain predefined thresholds or criteria are exceeded. Exception reporting helps managers quickly identify problems or irregularities that require immediate attention and corrective actions.

viii. Decision Support: MIS provides decision support tools to assist managers in making informed decisions. It offers analytical capabilities, simulation models, forecasting techniques, and scenario analysis to evaluate

different options and their potential outcomes. Decision support tools enhance control by facilitating data-driven decision making.

ix. Integration and Communication: MIS integrates data and information from various departments or functions within the organisation, promoting seamless communication and collaboration. It ensures that relevant information is shared across different levels and enables effective coordination for control purposes.

x. Security and Privacy: MIS includes measures to ensure the security and privacy of data and information. Access controls, encryption, backup systems, and data protection protocols are implemented to safeguard sensitive information from unauthorised access or breaches.

In summary, Management Information System (MIS) is a technique used for controlling organisations by collecting, processing, storing, and distributing data and information. It helps managers monitor performance, make informed decisions, and take corrective actions when necessary. MIS improves control by providing timely, accurate, and meaningful information to support effective management and decision-making processes.

Merits of MIS as a Controlling Technique

i. Timely and Accurate Information: MIS provides managers with timely and accurate information needed for effective control. It ensures that relevant data and reports are available when required, enabling managers to

monitor performance, identify deviations, and take appropriate actions promptly.

ii. Improved Decision-making: MIS supports decision-making by providing managers with comprehensive and relevant information. It offers analytical tools, data visualisation, and reports that help managers assess different options, evaluate performance, and make informed decisions to enhance control over organisational activities.

iii. Efficient Resource Allocation: MIS helps in efficient resource allocation by providing insights into resource utilisation, costs, and productivity. Managers can monitor resource usage, identify inefficiencies or bottlenecks, and allocate resources effectively to optimise performance and control costs.

iv. Enhanced Planning and Forecasting: MIS facilitates better planning and forecasting through access to historical data and trend analysis. Managers can use this information to anticipate future demands, set realistic goals, and develop effective strategies for control and resource management.

v. Integration and Communication: MIS integrates data from different departments and functions within the organisation, fostering communication and collaboration. It promotes seamless information sharing, coordination, and teamwork, enhancing control over organisational activities.

vi. Standardized Processes: MIS enables the standardisation of processes and workflows within

the organisation. It establishes consistent data collection, storage, and reporting mechanisms, reducing errors, ensuring data integrity, and improving control over operations.

vii. Automation of Routine Tasks: MIS automates routine tasks such as data entry, calculations, and report generation. This frees up time for managers to focus on critical control activities, analysis, and decision-making, increasing overall control efficiency.

Demerits of MIS as a Controlling Technique

i. Cost and Complexity: Implementing and maintaining an MIS can be expensive and complex. It requires investment in hardware, software, training, and ongoing maintenance. Small organisations with limited resources may find it challenging to afford or manage an advanced MIS.

ii. Resistance to Change: Implementing an MIS may face resistance from employees who are accustomed to manual processes or fear job displacement due to automation. Overcoming resistance and ensuring user adoption of the system can be a significant challenge.

iii. Data Quality and Integrity: The effectiveness of MIS relies on the accuracy and reliability of the data input into the system. If data quality is compromised due to errors, inconsistencies, or inadequate data governance, it can negatively impact the reliability of information and the control process.

iv. Security and Privacy Risks: MIS

involves the storage and processing of sensitive organisational data. If proper security measures are not in place, there is a risk of data breaches, unauthorised access, or data loss, compromising the integrity and confidentiality of information.

v. Dependency on Technology: MIS heavily relies on technology infrastructure and systems. Any technical issues, system failures, or cyber-attacks can disrupt the availability and functionality of the MIS, impacting control activities and decision-making.

vi. Need for Skilled Personnel: Implementing and managing an MIS requires skilled personnel with knowledge of information technology, data management, and analysis. The availability of qualified personnel and their ongoing training can be a challenge for organisations, particularly smaller ones.

vii. Incomplete Data Representation: MIS may not capture or represent all aspects of organisational activities comprehensively. Some qualitative or non-measurable aspects of performance may not be adequately captured in the data, limiting the effectiveness of control mechanisms.

Controlling acts as a feedback loop that allows organisations to assess their progress, identify deviations from plans, and make timely adjustments to ensure they stay on track. Planning serves as the foundation for controlling, providing a framework for setting objectives, determining strategies, and outlining the necessary actions to be taken. It involves analysing the current situation, forecasting future trends, and formulating plans to guide the organisation towards its goals. Planning and controlling are two interconnected functions that are essential for successful organisational management. By recognising the symbiotic relationship between planning and controlling, organisations can foster a culture of strategic thinking, agility, and performance-driven execution.

Recap

◊ **Techniques of Controlling:** The tools used for establishing control over business activities, monitoring, and taking necessary corrective measures. It consists Traditional and Modern techniques.

◊ **Traditional Techniques** are:
- Personal Observation
- Break-even analysis
- Statistical Report
- Budgetary Control.

◊ **Modern Technique** are:
- Return on Investment (ROI)
- Financial Statement and Ratio Analysis
- Responsibility Accounting
- Management Audit
- PERT and CPM
- MIS

Objective Questions

1. What is the purpose of controlling techniques?

2. Name a traditional controlling technique involving personal involvement.

3. Which technique helps determine the point of no profit or loss?

4. What type of report is used for statistical analysis in controlling?

5. Which technique involves planning and monitoring financial plans?

6. What does ROI stand for in modern controlling techniques?

7. Which analysis involves examining financial statements and ratios?

8. What type of accounting focuses on assigning responsibility for costs?

9. What is the process of evaluating management performance called?

10. Name a project management technique used for controlling.

11. What acronym stands for Management Information System?

Answers

1. Establishing control

2. Personal Observation

3. Break-even analysis

4. Statistical Report

5. Budgetary Control

6. Return on Investment

7. Financial Statement and Ratio Analysis

8. Responsibility Accounting

9. Management Audit

10. PERT and CPM

11. MIS

Self-Assessment Questions

1. What is the purpose of controlling techniques in business?

2. Explain in detail the traditional controlling techniques with its merits and demerits.

3. Describe ROI in the context of modern controlling techniques?

4. What is Responsibility Accounting?

5. What are the merits and demerits of Management Audit as a technique of controlling?

6. Explain the concept of controlling techniques in business management. Discuss their significance in establishing control over business activities and achieving organisational goals.

7. Compare and contrast traditional and modern controlling techniques. Discuss the key characteristics, tools, and approaches used in each category, providing examples for better understanding.

Assignments

1. Discuss the importance of budgetary control as a traditional controlling technique. Explain the process of creating budgets, monitoring performance against budgeted targets, and taking corrective actions. Highlight the benefits and limitations of budgetary control in managing business activities.

2. Evaluate the effectiveness of responsibility accounting in controlling costs and performance within an organisation. Discuss the key principles and steps involved in implementing responsibility accounting, and Analyse its impact on organisational control and decision-making.

3. Select any two financial controlling techniques (e.g., financial statement and ratio analysis, responsibility accounting) and explain how they contribute to the monitoring and control of business activities. Provide real-world examples to support your explanation.

4. Choose one traditional controlling technique (e.g., budgetary control, break-even analysis) and one modern controlling technique (e.g., management audit, ROI analysis). Describe each technique in detail, including its purpose, process, advantages, and limitations.

Suggested Reading

1. Anthony, R. N., & Govindarajan, V. (2007). *Management control systems* (12th ed.). McGraw-Hill Education.

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4. Garrison, R. H., Noreen, E. W., Brewer, P. C., & McGowan, A. (2019). *Managerial accounting* (17th ed.). McGraw-Hill Education.

5. Horngren, C. T., Datar, S. M., Rajan, M. V., Beaubien, P., & Graham, M. (2018). *Cost accounting: A managerial emphasis* (16th ed.). Pearson.

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7. Otley, D. (2016). *The contingency theory of management accounting and control: 1980-2014*. Management Accounting Research, 31, 45-62.

8. Simons, R. (2013). *Performance measurement and control systems for implementing strategy* (1st ed.). Prentice Hall.

9. Van der Stede, W. A. (2017). *Management accounting: Information for creating and managing value* (8th ed.). Cengage Learning.

10. Weil, R. L., Maher, M. W., & Stickney, C. P. (2018). *Managerial accounting: An introduction to concepts, methods, and uses* (14th ed.). Cengage Learning.

MODEL QUESTION PAPER SETS

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QP CODE: ………

Reg. No   :………...............
Name   : ………………...

FIRST SEMESTER BACHELOR OF BUSINESS ADMINISTRATION (BBA)
EXAMINATION
DISCIPLINE CORE - 1- B21BB01DC- PRINCIPLES OF MANAGEMENT
(CBCS - UG)
2023-24 - Admission Onwards

Time: 3 Hours   Max Marks: 70

Section A

(Answer any 10, each carry 1 mark)

(10×1= 10)

1. What do you mean by informational role?

2. What is Liaison role of managers?

3. Which level of management is responsible for the administration function.

4. Asper scientific management, how an employee should move within the organisation will be decided based on ………

5. Who is considered the father of modern management?

6. What do you mean by planning in an organisation?

7. What are the steps involved in the organisation process?

8. What are the objectives of manpower planning?

9. What are the two factors influence motivation of employees based on Herzberg's Motivation Theory?

10. Which theory is the modification of Maslow's needs hierarchy theory?

11. Who developed Managerial Grid model?

12. In which style of supervision will subordinates be given complete freedom?

13. Which type of control permits people to act on a process while it is going on?

14. Define budgetary control.

15. What do you mean by budgeting?

Section B

(Answer any 5 each carry 2 marks)

(5×2=10)

16. What are the interpersonal roles played by a manager?

17. Explain why management is considered a profession.

18. What is the purpose of planning in an organisation?

19. What are the principles of an organisation?

20. What is the difference between a job description and a job specification?

21. What are the principles of directing?

22. Who is an indifferent leader?

23. Define Motivation.

24. Define the concept of Supervision.

25. Explain the elements of Communication.

Section C

(Answer any 4 each carry 5 marks)

(4 x 5 = 20)

26. Imagine your own household as an organisation and try to establish different levels of management.

27. Differentiate between management and administration.

28. Which recruitment sources would you use if you were responsible for hiring someone for your job? And explain the reasons?

29. Explain how and why the span of control is the determining factor of the number of subordinates under a superior.

30. Explain the major difference between strategic and operational planning.

31. Summarise the three major traits identified by Gordon Allport as personality traits?

32. Summarise the process of Communication with example.

33. Illustrate different types of control with an example.

Section D

(Answer any 2 each carry 15 marks)

(2 x 15 = 30)

34. a) What are different approaches to contemporary management theory? (9 marks)
    b) Assess how each of these approaches are beneficial to businesses in the modern world. (6 marks)

35. a) Explain Maslow's Need Hierarchy Theory with suitable example. (9 marks)
    b) How managers can use Maslow's Need Hierarchy theory to motivate employees in the organisation? (6 marks)

36. a) What are the features of Verbal and Non-verbal Communication? (10 marks)
    b) "The verbal communication may not be suitable and practical in all situations". Do you agree with this statement? Why? (5 Marks)

37. a) What are the steps involved in control process? (10 marks)
    b) Illustrate an effective control system by taking the example of a soap manufacturer. (5 marks)

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FIRST SEMESTER BACHELOR OF BUSINESS ADMINISTRATION (BBA) EXAMINATION
DISCIPLINE CORE - 1- B21BB01DC- PRINCIPLES OF MANAGEMENT
(CBCS - UG)
2023-24 - Admission Onwards

Time: 3 Hours   Max Marks: 70

Section A

(Answer any 10, each carry 1 mark)

(10 x 1 = 10)

1. How will you refer the role of a manager in processing information in an organisation?

2. Functional managers are a part of which level of management?

3. What do you mean by functional foremanship?

4. Who introduced the human relations approach to management?

5. What is a manager's objective as per the systems approach?

6. What do you mean by directing in an organisation?

7. What is the meaning of Administration?

8. What are the steps involved in delegation?

9. What is the level of supervision required to supervise the work of a designer in the marketing department?

10. What is Break even analysis?

11. Define Responsibility Accounting.

12. What do you mean by Management Audit?

13. Name the type of motivation in which people are motivated by the process, not by the rewards.

14. Which need of Maslow's Need Hierarchy theory consists of friendship, intimacy and connection needs?

15. Which type of leaders are very much concerned about completion of task within the time frame and for this, they provide continuous encouragement and support to employees based on Behavioural Leadership theory?

Section B

(Answer any 5 each carry 2 marks)

(5 x 2 = 10)

16. What is Benevolent Autocratic Management Style?

17. Explain the term work study.

18. What is the difference between formal and informal organisations?

19. Why is the policy of an organisation important?

20. How Shared Supervision is different from One- to-One supervision?

21. Describe the importance of Informal Communication in an organisation.

22. What advice would you give to the Manager of an organisation to become a good leader?

23. Theory X and Theory Y of McGregor suggest two aspects of human behaviour at work. Summarise.

24. Explain the term Feedforward Control.

25. Explain Ratio analysis in controlling.

Section C

(Answer any 4 each carry 5 marks)

(4 x 5 = 20)

26. "Applying mathematical models to solve managerial problems is a contemporary approach to management". Do you agree?

27. Explain how directing helps in the functioning of the organisation.

28. If you are the HR manager, can you explain the recruitment and selection process

in your organisation?

29. What are the major principles behind effective communication?

30. Explain the concept of management audit and its objectives.

31. Describe the essentials of an effective control system?

32. 'Mere controlling will not solve all the managerial problems' Justify this statement by highlighting the limitations of control function.

33. How does the task-oriented Leadership is contrast with Democratic Leadership?

Section D

(Answer any 2 each carry 15 marks)

(2 x 15 = 30)

34. a) Describe the term Scientific Management and list various principles of scientific management? (9 marks)
    b) Whether scientific management principles be applied to modern businesses? Justify your answer. (6 marks)

35. The core concept of Herzberg's Two Factor theory is that an individual cannot achieve

36. higher performance only by improving the working environment. Justify.

37. a) What are the Barriers to communication? (8 marks)
    b) Explain the Methods of overcoming barriers to communication. (7 marks)

38. Explain the functions of management with the support of suitable examples.

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Principles of Management
COURSE CODE: B21BB01DC

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